Half-Year Financial Report

31 October

2019

SESA SpA, Registered office: Via Piovola no. 138 – 50053 Empoli (Province of Florence) - Share Capital: Euro 37,126,927; Fiscal Code, Florence Register of Companies and VAT no. 07116910964

Contents

Interim Report on operations

Governing and supervisory bodies of Sesa Spa

Board of Directors		Holding office until
Paolo Castellacci	Chairman	approval of the FS at 30.04.2021
Giovanni Moriani	Executive Vice - Chairman	approval of the FS at 30.04.2021
Moreno Gaini	Executive Vice - Chairman	approval of the FS at 30.04.2021
Alessandro Fabbroni	CEO	approval of the FS at 30.04.2021
Angela Oggionni	Independent Director	approval of the FS at 30.04.2021
Claudio Berretti*	Non- Executive Director	approval of the FS at 30.04.2020
Maria Chiara Mosca	Independent Director	approval of the FS at 30.04.2021
Angelica Pelizzari	Non- Executive Director	approval of the FS at 30.04.2021

To the Chairman, Paolo Castellacci, were granted all powers of ordinary administration regarding the strategic management of Vendors and suppliers, power to represent the company legally and institutional relations.
To the CEO, Alessandro Fabbroni, were granted all the powers of ordinary administration related to the management of the corporate functions of administration, finance, control, investor relations, legal, corporate duties, extraordinary finance organisation, IT, human resources, carrying out banking transactions.
* Non-executive Director appointed by co-option during the Board of Directors held on 27 August 2019 in place of the resignaed non-executive Director Eng. Gola, in charge until the next Shareholders' Meeting

Corporate Governance committees	Holding office until
Strategic Committee	
Paolo Castellacci (Chairman), members Alessandro Fabbroni, Giovanni Moriani, Angelica Pelizzari, Claudio Berretti	approval of the FS at 30.04.2021
Control and Risk Committee and Related parties Committee	
Maria Chiara Mosca (Chairman), members Claudio Berretti, Angela Oggionni	approval of the FS at 30.04.2021
Director in charge of internal control Alessandro Fabbroni	approval of the FS at 30.04.2021
Remuneration Committee	
Angela Oggionni (Chairman), members Claudio Berretti, Maria Chiara Mosca	approval of the FS at 30.04.2021

Board of Statutory Auditors		Holding office until
Cerati Giuseppe	Chairman	approval of the FS at 30.04.2021
Luca Parenti	Standing auditor	approval of the FS at 30.04.2021
Chiara Pieragnoli	Standing auditor	approval of the FS at 30.04.2021
Fabrizio Berti	Alternative auditor	approval of the FS at 30.04.2021
Paola Carrara	Alternative auditor	approval of the FS at 30.04.2021

Supervisory Board pursuant to Law 231/2011		Holding office until
Luca Parenti	Chairman	approval of the FS at 30.04.2021
Cerati Giuseppe	Member	approval of the FS at 30.04.2021
Chiara Pieragnoli	Member	approval of the FS at 30.04.2021

Head of the internal Auditing activity, Michele Ferri

Indipendent Auditors		Holding office until
Indipendent Auditors in charge of statutory audit of accounts	PricewaterhouseCoopers SpA	approval of the FS at 30.04.2022

Head of administrtaive processes and management auditing, Francesco Billi

Listing Market	
Electronic stock market (MTA), Milan (Italy)	STAR Segment
Share Capital (Euro)	37,126,927.50
Outstanding shares	15,494,590
Stake held by the controlling company ITH SpA	52.81%
Specialist operator	Intermonte Sim SpA

Head of the Investor Relations activity Conxi Palmero

Highlights of Group results

Consolidated income statement data at 31 October of each year (6 months)

(in thousands of euros)	2019	2018	2017	2016	2015
Revenues	764,960	643,770	560,557	551,386	512,655
EBITDA (Earnings before amortisation and depreciation, other provisions and non-monetary costs, financial charges and taxes)	40,034	30,144	25,846	24,362	21,562
EBIT	27,766	21,462	19,380	18,794	17,257
EBT	25,967	19,638	17,971	17,183	15,405
Profit (loss) for the period	18,076	13,684	12,429	11,186	9,939
Profit (loss) for the period attributable to the Group	16,000	11,996	10,853	10,591	9,602

Consolidated balance-sheet data at 31 October of each year

(in thousands of euros)	2019	2018	2017	2016	2015
Total Net Invested Capital	234,516	211,810	203,776	190,178	181,460
Total equity	236,465	213,612	201,650	183,497	164,079
- attributable to the Group	222,580	203,249	192,699	175,900	158,080
- attributable to non-controlling interests	13,885	10,363	8,951	7,597	5,999
Net Financial Position (Net Liquidity)	(1,949)	(1,802)	2,126	6,681	17,381
Total Equity and Net Financial Position	234,516	211,810	203,776	190,178	181,460

Consolidated profitability ratio at 31 October of each year (6 months)

	2019	2018	2017	2016	2015
EBITDA / Revenues (1)	5.23%	4.68%	4.61%	4.42%	4.21%
EBIT / Revenues (ROS) (1)	3.63%	3.33%	3.46%	3.41%	3.37%
Profit attributable to the Group / Revenues	2.09%	1.86%	1.94%	1.92%	1.87%

(1) For further details, please refer to the Interim Report

Human Resources, amount at period-end (2)

(unit or thousands of euros)	2019	2018	2017	2016	2015
Number of employees at period-end	2,054	1,756	1,479	1,278	1,150
Average number of employees	1,977	1,618	1,453	1,247	1,089

(2) Including fixed-term contracts, excluding internships

Main Financial Indicators

Financial indicators

Sesa	**2019**	**2018**	**2017**	**2016**	**2015**
(Euro)					
Trading stock Market	MTA – STAR	MTA - STAR	MTA - STAR	MTA - STAR	MTA - STAR
Stock price (31 October of each year)	39.9	24.0	27.2	16.2	14.21
Dividend per share (1) (*)	0.63	0.60	0.56	0.48	0.45
Dividend paid (in millions of euros) (2)	9.762	9.297	8.677	7.408	6.964
Pay Out Ratio (3)	33%	31%	32%	30%	32%
Outstanding shares (in millions of euros at 31 October of each year)	15.49	15.49	15.49	15.49	15.65
Market capitalisation (in millions of euros at 31 October of each year)	618.2	371.9	421.3	250.9	222.4
Market to Book Value (**)	2.6	1.7	2.1	1.4	1.3
Dividend Yield (on Stock price at 31 October) (***)	1.6%	2.5%	2.10%	3.00%	3.20%

Sesa Group	**2019**	**2018**	**2017**	**2016**	**2015**
(Euro)					
Earnings per share (base) (****)	1.90	1.74	1.62	1.55	1.4
Earnings per share (diluted) (*****)	1.89	1.73	1.62	1.54	1.39

(1) For the FY ended 30 April 2019 calculated according to the resolution on dividends approved by the Shareholders' Meeting of 27 August 2019
(2) Dividend gross of treasury shares
(3) Dividend gross of treasury shares/Consolidated Net Profit

(*) Dividends paid in the following year in respect of the profit accruing at 30 April each year

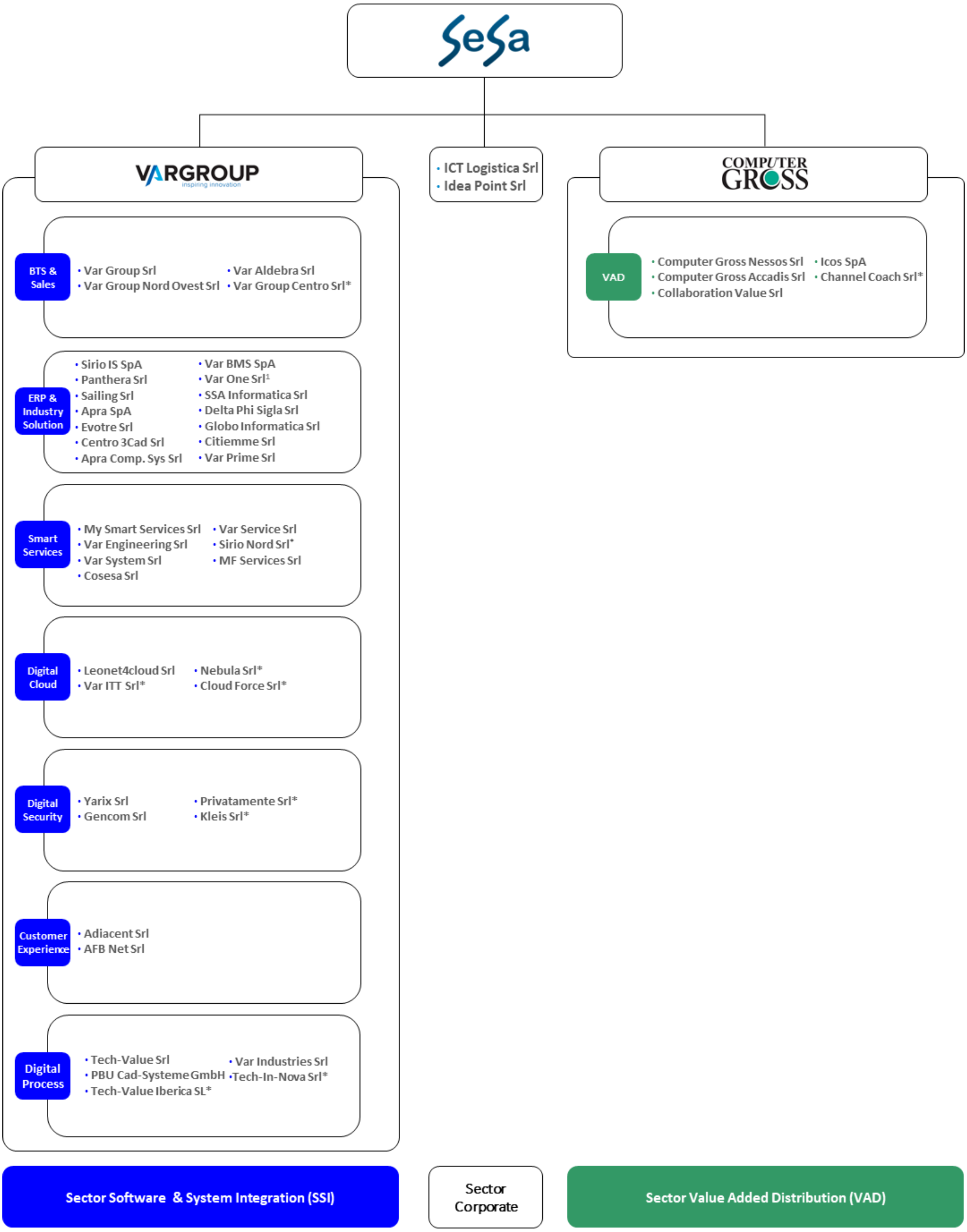
(**) Market Capitalisation as of 31 October of every Fiscal Year/Consolidated Group equity at 31 October of each year

(***) Dividend per share/market value per share as of 31 October of every Fiscal Year

(****) Consolidated net profit as of 30 April/average number of ordinary shares net of treasury shares in portfolio as of 30 April
(*****) Consolidated net profit as of 30 April/average number of ordinary shares as of 30 April net of treasury shares in portfolio and inclusive of impact resulting from Stock Options/Grants Plans, warrants and/or convertible bonds. At the reporting date there are no warrants nor any kind of convertible bonds outstanding

Sesa Group Structure at 31 October 2019

The Sesa Group is organised into three main divisions. The VAD sector (Value-Added IT Distribution) managed through the subsidiary Computer Gross SpA, the Software and System Integration sector (SSI), managed through the subsidiary Var Group SpA, which offers value added IT solutions and services to customers belonging to the SME and Enterprise segment and the Corporate sector which manages corporate functions, financial and operational platform, human resources and strategies for all Group's companies through the parent company Sesa SpA.



* Subsidiaries valued at cost since they are not significant

With reference to the changes in the scope of consolidation recorded in the 6-month period ended on 31 October 2019 it should be noted the entry into the SSI sector of Gencom Srl from May 2019, of SSA Informatica Srl and Var System Srl from June 2019 and Apra Computer System Srl and Citiemme Srl from July 2019. Compared to the structure of the Group at 31 October 2018, used in the Interim Report for comparative purposes, it should be considered as change in the scope of consolidation also PBU CAD-Systeme GmbH, included from February 2019, and Evotre Srl, entered in the scope in April 2019.

Foreword

The Half-Year Financial Report at 31 October 2019 of the Sesa Group represents the interim equity, financial and earnings position related to the first half of the year ending 30 April 2020.

The Half-Year Financial Report at 31 October 2019 of the Sesa Group (hereinafter also the "Half-Year Report") was drawn up in accordance with Legislative Decree 58/1998 and subsequent amendments, as well as the Issuers' Regulations issued by Consob (Italian Stock Exchange Regulator), and comprises the Interim Report on Operations, the Condensed Consolidated Half-Year Financial Statements and the Attestation in accordance with art. 154-bis, paragraphs 2 and 3 of Legislative Decree 58/1998. This Half-Year Report was drawn up in compliance with International Financial Reporting Standards ("IFRS") endorsed by the European Union and in force at 31 October 2019, and particularly in observance of IAS 34 – Interim Financial Reporting.

The Interim Report on Operations includes the statement of financial position and the income statement in reclassified form, together with several alternative performance ratios. The aim is to allow a better evaluation of the Group's financial performance and results of operations.

Within the scope of the report on operations, in addition to the financial measures envisaged by IFRS, other measures deriving from the latter are also illustrated, despite not being envisaged by the IFRS (Non-GAAP Measures). These measures are presented in order to allow a better assessment of the Group's operations and are not considered as alternative to those envisaged by IFRS.

Significant events during the period

In the first half of the year ended 31 October 2019, the Sesa Group recorded an improvement in turnover and profitability, with Revenues and Other Income up 18.8% and EBITDA rising 32.8%, confirming a growth trend established in the first quarter, well above the long-term track record and the reference market. The growth trend relating to the Group's economic ratios reflects the positive results attained in both of the Group's main sectors of activity, thanks to the success of the development strategy in the value-added IT business areas and to investments in human capital, made also through recent corporate acquisitions.

The VAD sector, which operates in the IT value distribution market and is led by the 100%-owned subsidiary Computer Gross SpA, has pursued a strategy of focusing on the business areas with added market value and of expanding its portfolio of solutions offered to customers with the highest innovative content (security, analytics, enterprise software). The VAD sector accelerates the growth trend already recorded in the previous year, consolidating its leadership in the Italian market in the distribution of value added IT solutions. Revenues in the VAD sector in the first six months of the year show growth of 18.3%, well above the reference market (+5%), thanks to the development of the main Business Units with particular relevance in the security and enterprise software segment. The results of the VAD sector also benefited from the increase in the customer portfolio achieved through the search for new Business Partners belonging to emerging market segments. The Ebitda result of the VAD sector at 31 October 2019 increased by 26.2% compared to the previous period, benefiting from the greater exploitation of operating leverage and confirming the favourable trend seen in the previous year and in the first three months of this year. The Ebitda result at 31 October 2019 amounted to Euro 22,671 thousand (Ebitda margin 3.6%) up 26.2% compared to Euro 17,965 thousand (Ebitda margin 3.4%) at 31 October 2018. The net result for the period, of Euro 13,253 thousand, increased by 44.4% thanks to the positive trend in operating profitability and the growing efficiency of financial management, while the EAT margin reached 2.1% at 31 October 2019, compared to 1.7% at 31 October 2018.

The Software and System Integration (SSI) sector, which offers Digital Transformation services and solutions for the SME and Enterprise segments, continues its revenue growth trend (CAGR Revenues 2017-19: +11%) and profitability growth trend (CAGR Ebitda 2017-19: +31%) launched in the last three years, thanks to the development strategy in the IT business and services areas with the most innovative content on the market (Digital Cloud, Digital Security and Digital Process), supported by acquisitions and investments in the development of human capital made over the past 12 months. The Ebitda result at 31 October 2019 amounted to Euro 15,837 thousand (Ebitda margin 8.9%) up 40.2% compared to Euro 11,297 thousand (Ebitda margin 7.4%) at 31 October 2018. Net profit for the period amounted to Euro 4,757 thousand, an increase of 15.7% compared to a net profit of Euro 4,113 thousand at 31 October 2018, with an EAT margin stable at 2.7%.

During the half year under review, important strategic actions to strengthen skills, know-how and innovative technologies to support customers were completed. These actions included:

- the acquisition, through Yarix Srl, of 60% of the share capital of Gencom Srl, a company with registered office in Forlì and a human capital of 25 resources, operating in the networking and collaboration sector to support Digital Security projects, with an annual turnover of approximately Euro 10 million, an annual Ebitda of approximately Euro 1.5 million (Ebitda margin 15%), a Net Profit of Euro 1 million and a Net Financial Position at year end of approximately Euro 1 million (net liquidity). The price for 60% of Gencom Srl of Euro 4.975 million was paid 50% at the time of the sales agreement and the remaining 50% in two equal annual instalments, with mechanisms for aligning the value of the company with the continuity of operation and future economic and financial results. The company has been included within the scope of consolidation since May 2019 in accordance with IFRS 10;
- the focus of the SSI sector on areas of specialisation (BTS, ERP & Industry Solution, Smart Service, Digital Process, Digital Cloud, Digital Security, Customer Experience) consistent with the evolution of the demand for digital transformation of customers. Within the scope of this evolution, we note the establishment of Var System Srl, operating in the system services sector, the development of skills in the Digital Cloud sector (establishment of Cloud Force Srl, acquisition of 20% of the share capital of Zero12 Srl) and in Digital Security, as well as the development of Digital Manufacturing services and skills in the Digital Process Business Unit.

After 31 October 2019, investments continued to be made in business areas characterised by potential for growth and value generation for stakeholders, including:

- the acquisition, in November 2019, by Computer Gross SpA (VAD sector) of 100% of the capital of Pico Srl, a company based in Reggio Emilia, offering Digital Media software solutions. The company is a long-standing partner of the Adobe Enterprise Software Vendor, with sales revenues of over Euro 20 million as at 31 December 2018 and a human capital of approximately 25 resources specialised in Digital Media. The price for the acquisition of the company was approximately Euro 1 million, part of which was conditional to business continuity;
- the signing in December 2019 through Var Group SpA of a binding agreement for the acquisition of 49% of Yarix Srl, a company in which Var Group SpA already held 51%. The acquisition of 49% of Yarix Srl will be carried out by February 2020 for a price of Euro 4.5 million, with payment mechanisms including deferred payment and value alignment depending on the continuity of results and the commitment of the key management figures. The completion of the transaction envisages a ten-year collaboration agreement with the CEO and founder of Yarix, Mirko Gatto, a leading figure in the future development of the Digital Security Business Unit.

On 11 July 2019, the Board of Directors of Sesa SpA held a meeting to approve the Group's consolidated financial statements and the financial statements at 30 April 2019, proposing the distribution of a dividend of Euro 0.63 per share, up from Euro 0.60 per share in the previous year, with payment date on 25 September 2019.
The Shareholders' Meeting held on 27 August 2019 approved the Financial Statements as at 30 April 2019 and the related proposal to distribute a dividend of Euro 0.63 per share in the manner proposed by the Board of Directors. The Shareholders' Meeting also approved the proposal to authorise the purchase and disposal of ordinary treasury shares for a total of Euro 2.5 million. Following the Shareholders' Meeting, a meeting of Sesa’s Board of Directors was held to appoint Claudio Berretti as non-executive director by co-optation, following the resignation of the non-executive director Luigi Gola

Operating conditions and business development

The Sesa Group is a reference operator in Italy in the offer of value-added IT services and solutions, partnering the main international software, hardware and digital innovation vendors for the business segment. The Sesa Group offers a wide range of IT solutions as well as integration and specialised consulting services to support its customers.

The Group's activities are now divided into three sectors:

- the Corporate sector includes activities relating to strategic governance and the management of the Group's operating machine and financial platform, which are centralised within the parent company SeSa SpA. In particular, for the main operating companies of the Group, the Administration, Finance and Control, Human Resources and Training, Organisation, Information Technology, Investor Relations, Corporate Affairs and Governance, Legal and Internal Audit functions are managed by the parent company Sesa SpA. The supply of logistics services applied to ICT is managed for the main operating companies by the wholly owned subsidiary ICT Logistica Srl. The offer of marketing services in support of the ICT channel is supplied by Idea Point Srl;

- the VAD sector includes activities relating to Value Added Distribution of the main software and hardware technologies with a focus on the data center, enterprise software and networking segments. The VAD division is managed by the wholly owned subsidiary Computer Gross SpA;

- the Software and System Integration sector (SSI) includes activities related to the provision of IT services and solutions, software solutions and support for digital transformation, IT consulting aimed at supporting client companies, mainly belonging to the SME and Enterprise segment, as end users of IT. The Software and System Integration division is managed by the wholly-owned subsidiary Var Group SpA.

The table below provides an overview of the companies belonging to the Sesa Group (consolidated on a line-by-line basis), broken down by business segment.

Corporate sector

Sesa SpA
The parent company Sesa SpA performs investment holding and administrative and financial management activities, organisation, planning and control, management of information systems, human resources, general, corporate and legal affairs and extraordinary finance activities of the main companies in the Group. The shares of Sesa SpA are listed on the STAR segment of the Milan Stock Exchange (*Mercato Telematico Azionario*). Sesa SpA holds 100% control of Computer Gross SpA and Var Group SpA, managing the functions of Administration, Finance and Audit, Human Resources and Training, Organisation, Information Technology, Investor Relations, Extraordinary Finance, Corporate Affairs and Corporate Governance, Legal and Audit for the main operating companies within the Group.

ICT Logistica Srl
The Company, a wholly-owned subsidiary of Sesa SpA (66.66% of which through Computer Gross SpA and 33.33% through Var Group SpA) provides ICT logistics services to the main companies in the Group and other leading ICT operators.

Idea Point Srl
The Company, a wholly-owned subsidiary of Sesa SpA, operates in marketing and promotion in support of operators in the ICT channel and operating companies of the Group.

Software and System Integration sector (SSI)

Business Unit Business Technology Solutions & Sales ("BTS & Sales")

Var Group SpA
The Company, wholly owned by Sesa SpA, is one of the reference system integrators in the Italian IT market for the SME and Enterprise segments with a turnover of over Euro 343 million at 30 April 2019 (including that of the subsidiaries). Var Group SpA developed an integrated offer of IT solutions with an organisational model (also through its subsidiaries) divided into 7 business units: Business Technology Solutions & Sales (BTS & Sales), Smart Service, Digital Security, Digital Cloud, Digital Process, Customer Experience, ERP & Industry Solutions. The IoT, A.I. and Blockchain units also operate in support of the integration of the offer.

Var Group Srl
The Company, wholly owned by Var Group SpA, offers IT services and solutions on behalf of the parent company Var Group SpA in Central Italy.

Var Group Nord Ovest Srl
The Company, wholly owned by Var Group Srl, offers IT services and solutions on behalf of the parent company Var Group SpA in Northwest Italy (through the Milan, Turin and Genoa branches).

Var Aldebra Srl
The Company, 59% owned by Var Group Srl, offers IT services and solutions on behalf of the parent company Var Group SpA in Northeast Italy (through the Bologna, Verona, Treviso, Trento and Bolzano branches).

Business Unit Digital Cloud

Leonet4Cloud Srl
The Company, a wholly owned subsidiary of Var Group SpA, offers private, public and hybrid cloud services, with a portfolio of products and services to meet business and enterprise demand.

Business Unit Smart Services

My Smart Services Srl
The Company, a wholly owned subsidiary of Var Group SpA, operates in the sector of management, maintenance and technical assistance services on the domestic market.

Var Service Srl
The Company, 57% owned by My Smart Services Srl, is active in the supply of maintenance and technical assistance services on the domestic market.

MF Services Srl
The Company, 70% owned by My Smart Services Srl, is active in the supply of maintenance and technical assistance services in Central and Northern Italy.

Cosesa Srl
The Company, a wholly owned subsidiary of Var Group SpA, operates in the Strategic Outsourcing services sector for leading Enterprise customers.

Var Engineering Srl
The Company, 93% owned by Tech-Value Srl, offers IT services and solutions for intensive engineering companies in the manufacturing sector.

Var System Srl
The Company, jointly controlled by Var Group Nord Ovest Srl and Leonet4Cloud Srl, offers system services to support IT corporate infrastructures towards SME & Enterprise customers. It was established in June 2019 by an asset deal by companies already belonging to the Group's scope of consolidation.

Business Unit Digital Security

Yarix Srl
The Company, 51% owned by Var Group SpA, offers digital security services to the SME, Enterprise and public administration markets. The company has a centre for the development of innovative security systems in Tel Aviv.

Gencom Srl
The Company, controlled by Yarix Srl, operates with headquarters in Forlì in the networking and collaboration sector to support complex Digital Security projects. It entered the scope of consolidation since May 2019 in application of IFRS 10.

Business Unit ERP & Industry solutions

Sirio Informatica e Sistemi SpA
The Company, 51% owned by Var Group SpA, operates in the development and marketing of ERP software ("Sirio") and proprietary applications for the SME and Enterprise market.

Panthera Srl
The Company, 80% owned by Sirio Informatica e Sistemi SpA and 10% owned by Var Group SpA, is active in the development and marketing of ERP software ("Panthera") and proprietary applications for the SME and Enterprise market with customers operating in the main Italian production districts.

Var BMS SpA
The Company, 84% owned by Var Group SpA, is a leading operator in the SAP ERP consulting and services sector. Var BMS SpA operates mainly in Northern Italy with reference to Enterprise customers.

Var One Srl
The Company, 66% owned by Var Group SpA through Var BMS SpA, operates in the supply of integrated solutions and services on the SAP Business One platform. Thanks to its skills and a widespread presence throughout the country, it is a leading operator in Italy in the SAP Business One sector.

Synergy Srl
The Company, 85% owned by Var One Srl, operates in the supply of integrated solutions and services on the SAP Business One platform for SME. Synergy offers consulting, business solutions and services to its customers concentrated in Central and Northern Italy. The company approved the merger by incorporation into Var One Srl, to be completed within 30 April 2020.

SSA Informatica Srl
The Company, which is fully owned by Var One Srl, operates in the supply of integrated solutions and services on the SAP Business One platform for SME customers. SSA Informatica offers consulting, business solutions and services to its customers based in North-East Italy. SSA Informatica entered the scope of consolidation in June 2019.

Citiemme Informatica Srl
The Company, 51% owned by Var Group SpA, is based in Bergamo and provides solutions and integrated services on TeamSystem platforms (Alyante and ACG) for SME customers. Citiemme Informatica Srl offers consultancy, business solutions and services to its customers concentrated in North Eastern Italy. Citiemme Informatica Srl entered the scope of consolidation in July 2019.

Apra SpA
The Company, 75% owned by Var Group SpA, offers digital services, business applications ("I-Wine" and "I-Furniture") and IT solutions to SME and Enterprise customers in Central-Eastern Italy and belonging to some Made in Italy districts (including Furniture and Wine).

Centro 3Cad Srl
The Company, 80% owned by Apra SpA, is dedicated to the development of 3cad solutions for the Furniture district.

Apra Computer System Srl
The Company, 55% owned by Apra SpA, offers IT and vertical services and solutions for customers belonging to the SME sector. Apra Computer System Srl entered the scope of consolidation in July 2019.

Evotre Srl
The Company, 56% owned by Apra SpA, is a skills centre for Zucchetti applications in support of SMEs in Central Italy. It entered the scope of consolidation in April 2019.

Sailing Srl
The Company, 75% owned by Var Group SpA, operates in the production and marketing of software ("Arethè") and IT services for large-scale distribution/retail sectors.

Var Prime Srl
The Company, 52% owned by Var Group SpA, is the Italian leader in services on the Microsoft Dynamics platform dedicated to the SME segment.

Delta Phi Sigla Srl
The Company, 100% owned by Var Group SpA, operates in the development and marketing of proprietary software and applications (particularly the SIGLA ++ software platform) for the Small Business market. The company, which also operates through resellers, has a customer database of several thousand users, located throughout the country.

Globo Informatica Srl
The Company, 57.5% owned by Var Group SpA, offers IT Consulting services in the Digital Transformation field on the Enterprise Content and Information Management platforms of the Vendor OpenText software, of which it is a certified partner and reference for the Italian market.

Business Unit Digital Process

Var Industries Srl
The Company, 86% owned by the Group, operates in the technological innovation sector (IoT and Industria 4.0) with focus on Digital Processing solutions.

Tech-Value Srl
The Company, 51% owned by Var Group SpA, is specialised in the supply of IT services and Product Lifecycle Management (PLM) solutions for "engineering intensive" companies in the manufacturing sector, with over 1,000 customers and over 35 resources distributed in its offices in Milan, Turin, Genoa, Bologna, Roncade (TV), Fara Vicentina (Vi), Viareggio (Lu) and Barcelona (Spain). Tech-Value Srl after the incorporation of CCS Team Srl controls the companies Tech-In-Nova Srl, Tech-Value Iberica SA and PBU CAD-Systeme GmbH.

PBU CAD-Systeme GmbH
The Company, 60% owned by Tech-Value Srl, operates in the design of PLM (Product Lifecycle Management, Process Transformation) and Digital Manufacturing services and solutions for manufacturing companies. The company, based in Aichach (Bavaria) and with branches in Filderstadt (Stuttgart) and Moers (Düsseldorf), has a qualified staff of about 50 technical resources and a historic partnership with Siemens Industry Software, having developed a customer set of more than 600 German intensive engineering manufacturing companies, with a strong focus on digital transformation. The company entered the scope of consolidation in February 2019.

Business Unit Customer Experience

Adiacent Srl
The Company, 82% owned by Var Group SpA and 12% by Apra SpA, provides IT solutions to client companies, with reference to the digital transformation area (web marketing, e-commerce and digital solutions) for the Enterprise and Finance segment.

AFB Net Srl
The Company, 62% owned by Adiacent Srl, is active in the digital transformation sector with specific expertise in digital marketing projects and e-commerce.

Value Added Distribution sector (VAD)

Computer Gross SpA

The Company, wholly owned by Sesa SpA, is the reference operator in Italy in the value added distribution of ICT to resellers (software houses, system integrators and dealers) with a portfolio of over 13,000 customers active throughout the country, who, in turn, cover both the small and medium business market and the Enterprise and Public Administration markets. Computer Gross SpA is a reference operator in Italy in the marketing of products and solutions provided by major international vendors including Citrix, Cisco, DellEMC, HP, HPE, IBM, Lenovo, Lexmark, Microsoft, Oracle, Symantec and VMware. Computer Gross SpA, with about 350 employees, is organised into Business Units with technical and commercial personnel dedicated to market segments (software, networking, POS) and/or to strategic brands distributed.

The company, with revenues of Euro 1,249 million and a net profit of Euro 22.7 million achieved in the year ended 30 April 2019, is the main subsidiary of the Sesa Group.

Icos SpA

Icos SpA, 51% owned by Computer Gross SpA, is a value added distributor of enterprise software and datacenter solutions on the Italian market, with offices in Ferrara, Milan and Rome, a long-standing partner of the Vendor Oracle and also a distributor of NetApp, CommVault and other Vendor software solutions.

Computer Gross Nessos Srl

Computer Gross Nessos Srl, 60% owned by Computer Gross SpA, employs personnel dedicated to the management of Networking products and solutions, a sector where it is the national market leader thanks to the completeness and added value of the product range offered. The portfolio of brands covered includes Cisco, a leading vendor in the global networking market.

Collaboration Value Srl

A Company 58% owned by Computer Gross SpA, it provides design services for complex IT solutions to support its business partners.

Computer Gross Accadis Srl

A Company 51% owned by Computer Gross SpA, it markets Hitachi Data Systems solutions on behalf of Computer Gross SpA.

Performance of operations

General economic trend

The world economy continues its development trend with expectations of growth of about 3.2 % in GDP in 2019-2020, slightly down on that recorded in 2017-2018 (+3.7%). Future global growth, which is characterised by a lack of homogeneity between advanced countries and emerging economies, shows potential weaknesses such as US-China tensions on commercial duties, low productivity growth and aging of the population of advanced countries, mitigated by the expansive monetary policies implemented globally (source: IMF - WEO, October 2019).

In the Eurozone, after a 2017-2018 two-year period with an average growth rate of over 2.0%, a slowdown in development is expected in 2019 (+1.2%) and 2020 (+1.4%), due to a drop in consumer and operator confidence, impacted by the policies on international trade, the decline in the German market and other European economies including the Italian economy (source: IMF - WEO, October 2019).

After the + 0.9% recorded in 2018, in the two-year period 2019-2020 a slowdown in the Italian economy is expected (+ 0.0% in 2019 and + 0.5% in 2020), caused by the contraction in consumption, a lower stimulus to growth by budgetary policies and the international economy (source: IMF - WEO, October 2019).

The following table shows the final results for 2015, 2016, 2017 and 2018 and forecast GDP trend for 2019 and 2020 (source: IMF - WEO, October 2019).

Percentage Values	**Change in GDP 2015**	**Change in GDP 2016**	**Change in GDP 2017**	**Change in GDP 2018**	**Change in GDP 2019 (E)**	**Change in GDP 2020 (E)**
World	+3.2%	+3.2%	+3.8%	+3.6%	+3.0%	+3.4%
Advanced Economies	+2.1%	+1.7%	+2.3%	+2.3%	+1.7%	+1.7%
Emerging Market	+4.0%	+4.3%	+4.8%	+4.5%	+3.9%	+4.6%
USA	+2.6%	+1.5%	+2.3%	+2.9%	+2.4%	+2.1%
Japan	+0.5%	+1.0%	+1.7%	+0.8%	+0.9%	+0.5%
China	+6.9%	+6.7%	+6.9%	+6.6%	+6.1%	+5.8%
Great Britain	+2.2%	+1.8%	+1.8%	+1.4%	+1.2%	+1.4%
Euro Zone	+2.0%	+1.8%	+2.3%	+1.9%	+1.2%	+1.4%
Italy	+0.8%	+0.9%	+1.5%	+0.9%	+0.0%	+0.5%

Development of demand and performance of the sector in which the Group operates

Since 2016, the IT market in Italy has shown growth rates higher than the national Gross Domestic Product. Also in 2019, the IT market is expected to develop (+ 2.6%) more than Italian GDP, while further growth is expected for the two-year period 2020-2021 (+ 2.8% in 2020 and +3.1 % in 2021) due to the digitalization process of the country and the need of Italian companies to invest in digital transformation (Source: Sirmi, October 2019).

The growth of the IT market was mainly driven by the development of the Management Services segment, which includes IT services and solutions in innovative IT areas and reflects the evolution of the way technology is used. This market segment will constitute over a third of IT demand in 2021, with growth of 8.1% in 2020 and 8.5% in 2021 (Source: Sirmi, October 2019). Cloud computing solutions also continue to maintain constant growth with rates above 20% with an incidence of penetration on sales of Hardware and Software over 50% already in 2019 (Source: Sirmi, October 2019).

The following table represents the IT market trend in Italy in 2015-2018 and the forecasts for 2019, 2020 and 2021 (Source: Sirmi, October 2019).

Italian IT market (Euro millions)	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**	**Ch. 17/16**	**Ch. 18/17**	**Ch. 19/18**	**Ch. 20/19**	**Ch. 21/20**
Hardware	6,006	6,044	6,025	5,996	5,971	5,950	0.6%	-0.3%	-0.5%	-0.4%	-0.4%
Software	3,848	3,833	3,845	3,861	3,869	3,870	-0.4%	0.3%	0.4%	0.2%	0.0%
Project Services	3,423	3,436	3,500	3,558	3,608	3,670	0.4%	1.9%	1.7%	1.4%	1.7%
Management Services	5,193	5,504	5,900	6,350	6,867	7,453	6.0%	7.2%	7.6%	8.1%	8.5%
Total IT Market	**18,470**	**18,817**	**19,270**	**19,766**	**20,315**	**20,943**	**1.9%**	**2.4%**	**2.6%**	**2.8%**	**3.1%**
Cloud Computing	**1,510**	**1,862**	**2,296**	**2,830**	**3,461**	**4,181**	**23.3%**	**23.3%**	**23.3%**	**22,3%**	**20,8%**
Cloud (SaaS, PaaS, IaaS) Adoption %	27.4%	32.7%	38.8%	46.4%	53.7%	61.3%					

The IT distribution segment, where the Group operates through its main subsidiary Computer Gross SpA (VAD sector), closed the two-year period 2017-2018 with 5% growth, supported by the networking, collaboration and enterprise software (analytics, security, etc.) segments, the components of which are associated with new digital paradigms. Growth rates of around 5% are also expected in the two-year period 2019-2020, driven by the areas with the highest market value (Source: Sirmi, October 2019)

The IT Services and System Integration segment recorded an average growth of about 6% in 2017-2018, thanks to the need for digital transformation and technological innovation of companies and organisations. The growth trend is expected to continue in the two-year period 2019-2020 in line with the previous two-year period, with a demand for technological innovation still driven by the evolution of the digital market and ICT services with greater innovative content. In fact, by extracting the most innovative components from the various sectors (Cybersecurity, IoT, Cloud Computig, Big Data, AI / Cognitive, Analytics, Blockchain), their growing relevance is confirmed with double-digit average annual development rates.

Main income statement data of the Sesa Group

The reclassified consolidated income statement at 31 October 2019 is shown below (data in thousands of euros), compared with the reclassified consolidated income statement of the previous period at 31 October 2018.

Reclassified Income statement	31/10/2019 (6 months)	%	31/10/2018 (6 months)	%	Change 2019/18
Revenues	**764,960**		**643,770**		**18.8%**
Other income	5,242		4,438		18.1%
Total Revenues and Other Income	**770,202**	**100.0%**	**648,208**	**100.0%**	**18.8%**
Purchase of goods	(615,240)	79.9%	(515,023)	79.5%	19.5%
Costs for services and leased assets	(60,598)	7.9%	(57,057)	8.8%	6.2%
Personnel costs	(52,441)	6.8%	(44,406)	6.9%	18.1%
Other operating charges	(1,889)	0.2%	(1,578)	0.2%	19.7%
Total Purchase of goods and Operating Costs	**(730,168)**	**94.8%**	**(618,064)**	**95.3%**	**18.1%**
Ebitda	**40,034**	**5.20%**	**30,144**	**4.65%**	**32.8%**
Depreciation and Amortisation tangible and intangible assets (software)	(7,555)		(4,202)		79.8%
Amortisation client lists and technological know-how	(1,998)		(1,219)		63.9%
Accruals to provision for bad debts and risks and other non-monetary costs	(2,715)		(3,261)		-16.7%
Ebit	**27,766**	**3.61%**	**21,462**	**3.31%**	**29.4%**
Profit from companies valued at equity	832		255		226.3%
Net financial income and charges	(2,631)		(2,079)		26.6%
Ebt	**25,967**	**3.37%**	**19,638**	**3.03%**	**32.2%**
Income taxes	(7,891)		(5,954)		32.5%
Net profit	**18,076**	**2.35%**	**13,684**	**2.11%**	**32.1%**
Net profit attributable to the Group	*16,000*	*2.08%*	*11,996*	*1.85%*	*33.4%*
Net profit attributable to non-controlling interests	*2,076*		*1,688*		*23.0%*
Ebitda excluded IFRS 16 effects	**37,672**	**4.89%**	**30,144**	**4.65%**	**25.0%**
Net profit excluded IFRS 16 effects	**18,115**	**2.35%**	**13,684**	**2.11%**	**32.4%**
Adjusted* Ebit	**29,764**	**3.86%**	**22,681**	**3.50%**	**31.2%**
Adjusted* Ebt	**27,965**	**3.63%**	**20,857**	**3.22%**	**34.1%**
Adjusted* Net profit	**19,498**	**2.53%**	**14,552**	**2.24%**	**34.0%**
Adjusted Net profit attributable to the Group*	*17,422*		*12,864*		*35.4%*

In the first half of the fiscal year, Sesa Group showed a strong growth in Revenues (+18.8%) and profitability (+32.8%) compared to the Group's long-term track record (Revenues CAGR 2011-2019 +9.6%, Ebitda CAGR 2011-2019 +10.1%).

Total Revenues and Other Income increased by 18.8%, from Euro 648,208 thousand at 31 October 2018 to Euro 770,202 thousand at 31 October 2019, thanks to the contribution of both main Group's business sectors which showed double digit growth trends.

The VAD sector further strengthened its leadership in the Italian distribution market of high value-added IT solutions, showed in the first half of the fiscal year an increase in the main economic indicators compared to the same period of the previous year (revenues +18.3%, Ebitda +26.2% and Net profit +44.4%), favoured by the development of solutions offered and the acquisition of new Business Partners belonging to emerging market segments, as well as by the efficiency generated by operating leverage.

The Software and System Integration (SSI) sector confirmed the growth trend in revenues (Revenues CAGR 2017-19: +11%) and profitability (Ebitda CAGR 2017-19: +31%) recorded in the last 3 fiscal years, with an increase in revenues and Ebitda of 16.8% and 40.2% respectively at 31 October 2019 compared to the same half of the previous year, thanks to the development strategy in the most innovative business areas of the IT market (ERP & Industry Solutions, Digital Cloud, Digital Security and Digital Process), characterized by higher operating margin than the Group's average one and on which the Group carried out the most relevant investments in human capital over the last three years.

* Adjusted Ebit and Adjusted Ebt are gross of the amortisation of intangible assets (client lists and technological know-how) recorded as a result of the Purchase Price Allocation (PPA) process. Adjusted Net profit and Adjusted Net profit attributable to the Group are gross of the amortisation of intangible assets (client lists and technological know-how) recorded as a result of the Purchase Price Allocation (PPA) process, both net of the related tax effects

The companies recently included in the scope of consolidation following acquisitions including PBU CAD-Systeme GmbH (active in the sector of IT services and PLM solutions for “engineering intensive” customers, consolidated since February 2019), Gencom Srl (active in the networking and collaboration sector for Digital Security projects, consolidated since May 2019), Evotre Srl (active in the services on Zucchetti platform sector, consolidated since May 2019), SSA Informatica Srl (active in the SAP Business One services sector, consolidated since June 2019), Apra Computer System Srl (system integrator of IT solutions and infrastructures, consolidated since July 2019) and Citiemme Srl (active in the sector of services on TeamSystem platform, consolidated since July 2019) contributed in the period for about 14% to the growth of the Group's turnover (67% of the SSI sector) and for approximately 20% to the growth in operating profitability (44% of the SSI sector).

	Period ended at 31 October				
(in thousands of euros)	**2019**	**%**	**2018**	**%**	**Change**
Total Revenues and Other Income	**770,202**	**100.0%**	**648,208**	**100.0%**	**18.8%**
Consolidated Gross Margin	**154,962**	**20.1%**	**133,185**	**20.5%**	**16.4%**
Costs for services and leased assets	(60,598)	7.9%	(57,057)	8.8%	6.2%
Personnel costs	(52,441)	6.8%	(44,406)	6.9%	18.1%
Other operating charges	(1,889)	0.2%	(1,578)	0.2%	19.7%
Total Operating Costs	**(114,928)**	**14.9%**	**(103,041)**	**15.9%**	**11.5%**
Ebitda	**40,034**	**5.20%**	**30,144**	**4.65%**	**32.8%**

In the period the consolidated Gross Margin[1] grew by 16.4% (20.1% of Total Revenues and Other Income), from Euro 133,185 thousand at 31 October 2018 to Euro 154,962 thousand at 31 October 2019, while the operating costs up by 11.5%, from Euro 103,041 thousand at 31 October 2018 (15.9% of Total Revenues and Other Income) to Euro 114,928 thousand at 31 October 2019 (14.9% of Total Revenues and Other Income), benefiting from, among other things, the higher exploitation of the operating leverage. Operating costs in fact showed a decreasing incidence on turnover, from 15.9% of Total Revenues and Other Income at 31 October 2018 to 14.9% of Total Revenues and Other Income at 31 October 2019.

The favourable change in Gross Margin and Operating Costs therefore led to a significant growth in Ebitda (+32.8%), which rose from Euro 30,144 thousand (4.65% of Total Revenues and Other Income) to Euro 40,034 thousand (5.20% of Total Revenues and Other Income), with an improvement in the Ebitda margin of 55 basis points. The growth in the Ebitda margin was generated in both main Group’s business sectors (the VAD sector passed from 3.37% at 31 October 2018 to 3.60% at 31 October 2019 while the SSI sector recorded an increase from 7.44% at 31 October 2018 to 8.92% at 31 October 2019). The growth in the consolidated Ebitda achieved in the first half was essentially organic, with a contribution of the external leverage of approximately 20%, deriving from companies belonging exclusively to the SSI sector. The application of the accounting standard IFRS 16 from 1 May 2019 led to a write off of rentals and lease costs for Euro 2,362 thousand at 31 October 2019; the Ebitda growth in the period excluding the effects of IFRS 16 is equal to 25.0%.

Personnel costs rose from Euro 44,406 thousand at 31 October 2018 (6.9% of Total Revenues and Other Income) to Euro 52,441 thousand (6.8% of Total Revenue and Other Income) at 31 October 2019, with a 18.1% growth deriving from the increase in the Group’s average workforce following the entry of the recently acquired companies into the scope of consolidation, in particular in the SSI sector, and the recruiting supporting the development of turnover. The Group’s total human capital passed from 1,756 units at 31 October 2018 to 2,054 units at 31 October 2019.

The consolidated Ebit rose from Euro 21,462 thousand (Ebit margin 3.31%) at 31 October 2018 to Euro 27,766 thousand (Ebit margin 3.61%) at 31 October 2019. The Ebit growth (+29.4%) reflected the above-mentioned increase in Ebitda, net of the increase in the amortisation of tangible and intangible assets resulting from investments in solutions supporting the services development and the increase in amortisation of client lists and technological know-how recorded as a result of PPA process carried out in the last 12 months, as well as higher amortisation of right of use for Euro 2,291 thousand relating to the application of IFRS 16 from 1 May 2019.
The consolidated Adjusted Ebit (excluding amortisation of client lists and technological know-how for Euro 1,998 thousand at 31 October 2019) grew by 31.2% from Euro 22,681 thousand at 31 October 2018 (Adjusted Ebit margin 3.50%) to Euro 29,764 thousand (Adjusted Ebit margin 3.86%) at 31 October 2019.

[1] Gross Margin determined as difference between the items Total Revenues and Other income and Purchase of goods

The consolidated Ebt at 31 October 2019 is equal to Euro 25,967 thousand (Ebt margin 3.37%), up by 32.2% compared to Euro 19,638 thousand (Ebt margin 3.03%) recorded in the previous period. The net balance of financial management, including the Profit from companies valued at equity, is negative for Euro 1,799 thousand at 31 October 2019, with an improvement compared to Euro 1,824 thousand at 31 October 2018.

The consolidated Net profit is equal to Euro 18,076 thousand (EAT margin 2.35%) at 31 October 2019, recording an increase of 32.1% compared to Euro 13,684 thousand (EAT margin 2.11%) at 31 October 2018. The Adjusted Net profit (excluding the amortisation of client lists and know-how) increased from Euro 14,552 thousand at 31 October 2018 to Euro 19,498 thousand at 31 October 2019 (+34% YTD).

The consolidated Net profit after non-controlling interests (Net profit attributable to the Group) at 31 October 2019 is equal to Euro 16,000 thousand, up by 33.4% compared to Euro 11,996 thousand at 31 October 2018, while the consolidated Adjusted Net profit after non-controlling interests (Adjusted Net profit attributable to the Group, gross of the amortisation of client lists and technological know-how recorded as a result of PPA process and the relative tax effect) at 31 October 2019 is equal to Euro 17,422 thousand, with a 35.4% increase compared to Euro 12,864 thousand at 31 October 2018.

The Earnings per share (EPS) at 31 October 2019 is equal to Euro 1.04, up by 33.3% compared to Euro 0.78 per share at 31 October 2018.

Main balance sheet data of the Group

The reclassified consolidated balance sheet at 31 October 2019 is shown below (in thousands of euros). The comparative figures relating to the period ended 30 April 2019 are shown together with the figures of the period ended 31 October 2018, in order to provide a better analysis of the financial performance, considering the seasonal variations that usually characterise revenues from sales during the year.

Reclassified Balance Sheet	31/10/2019	31/10/2018	30/04/2019
Intangible assets	63,123	45,801	54,001
Property, plant and equipment (included rights of use)	73,091	55,517	57,771
Investments valued at equity	11,263	8,339	10,030
Other non-current receivables and deferred tax assets	24,200	21,493	27,354
Total non-current assets	**171,677**	**131,150**	**149,156**
Inventories	92,902	86,491	82,044
Current trade receivables	312,707	278,056	364,314
Other current assets	39,062	30,225	43,451
Current operating assets	**444,671**	**394,772**	**489,809**
Payables to suppliers	262,190	221,819	326,009
Other current payables	75,136	56,346	79,964
Short-term operating liabilities	**337,326**	**278,165**	**405,973**
Net working capital	**107,345**	**116,607**	**83,836**
Non-current provisions and other tax liabilities	16,923	14,714	17,792
Employee benefits	27,583	21,233	24,332
Non-current liabilities	**44,506**	**35,947**	**42,124**
Net Invested Capital	**234,516**	**211,810**	**190,868**
Equity attributable to the Group	**222,580**	**203,249**	**219,285**
Equity attributable to non-controlling interests	**13,885**	**10,363**	**13,337**
Medium-Term Net Financial Position	138,555	143,777	123,040
Short-Term Net Financial Position	(140,504)	(145,579)	(164,794)
Total Net Financial Position (Net Liquidity)	**(1,949)**	**(1,802)**	**(41,754)**
Equity and Net Financial Position	**234,516**	**211,810**	**190,868**

The Balance Sheet at 31 October 2019 showed a growth in Net Invested Capital, which rose from Euro 211,810 thousand at 31 October 2018 to Euro 234,516 thousand at 31 October 2019, essentially as a result of:

- increase in Total non-current assets, equal to Euro 171,677 thousand at 31 October 2019 compared to Euro 131,150 thousand at 31 October 2018, essentially generated by investments in corporate acquisitions and the recognition of rights of use of tangible assets for Euro 12.9 million in application of the standard IFRS 16 starting from 1 May 2019;
- improvement in Net working capital which decreased to Euro 107,345 thousand (NWC/Revenue[2] 6.4%) at 31 October 2019 from Euro 116,607 thousand (NWC/Revenue 8.1%) at 31 October 2018, thanks to the growing efficiency in working capital mamagement.

Regarding financing sources it should be noted:

- an improvement in Net Financial Position equal to a positive balance (net liquidity) of Euro 1,949 thousand at 31 October 2019, compared to a positive balance (net liquidity) of Euro 1,802 thousand at 31 October 2018 thanks to the cash flow from the operating management net of the above-mentioned investments in non-current assets, the distribution of dividends (overall Euro 10.4 million) and the recognition of financial liabilities in application of the new standard IFRS 16 for Euro 12.8 million.
- the increase in consolidated Equity reaching a total of Euro 236,465 thousand at 31 October 2019 compared to Euro 213,612 thousand at 31 October 2018 mainly thanks to the profit generated net of dividends distributed, of which Euro 9.7 million paid in September 2019 by the parent company Sesa SpA.

Total non-current assets at 31 October 2019 amounted to Euro 171,677 thousand, with an increase of Euro 40,527 thousand compared to Euro 131,150 thousand at 31 October 2018, essentially generated by investments carried out in

[2] Net Working Capital/Revenue determined as simple arithmetic average of the ratio at the end of the quarters at 31 January 2019, 30 April 2019, 31 July 2019 and 31 October 2019

the period supporting the growth and in particular by:

- increase in intangible assets from Euro 45,801 thousand at 31 October 2018 to Euro 63,123 thousand at 31 October 2019, following the recognition of the intangible assets (client list and technological know-how), following the Purchase Price Allocation (PPA) process relating to the corporate acquisitions, mainly PBU CAD-Systeme GmbH, Evotre Srl, Apra Computer System Srl and Gencom Srl, and investments in software supporting the business;
- increase in tangible assets from Euro 55,517 thousand at 31 October 2018 to Euro 73,091 thousand at 31 October 2019, following the Group's investments in as a service solutions offered to customers, including cloud computing, and the recognition of the rights to use for Euro 12.9 million starting form 1 May 2019 in application of the new standard IFRS 16;
- Increase in the item Other non-current receivables and deferred tax assets from Euro 21,493 thousand at 31 October 2018 to Euro 24,200 thousand at 31 October 2019.

It should be noted a further improvement in the efficiency of working capital management: the Net working capital amounted to Euro 107,345 thousand at 31 October 2019 with a 7.9% reduction compared to 31 October 2018, and an improvement in the ratio Net Working Capital/Revenues and Other Income on an annual basis which at 31 October 2019 decreased to 6.4% compared to 8.1% at 31 October 2018.

The item Non-current liabilities, equal to Euro 44,506 thousand at 31 October 2019, recorded an increase of Euro 8,559 thousand compared to Euro 35,947 thousand at 31 October 2018 mainly due to the increase in the item deferred tax liabilities, following the recognition of the tax impact on client lists and technological know-how acquired over the last 12 months, and the increase in the Severance Pay provision (TFR) related to the workforce introduced following the change in the scope of consolidation.

The consolidated Equity at 31 October 2019 amounted to Euro 236,456 thousand, compared to Euro 213,612 thousand at 31 October 2018 and Euro 232,622 thousand at 30 April 2019. The change compared to 30 April 2019 mainly reflected the profit accruing in the period at 31 October 2019 net of the dividends of Euro 9.7 million paid by the parent company.

The Group Net Financial Position at 31 October 2019 was positive (net liquidity) and amounted to Euro 1,949 thousand, with an improvement compared to a positive balance of Euro 1,802 thousand at 31 October 2018. Excluding the effects of IFRS 16 from 1 May 2019, the Net Financial Position at 31 October 2019 would be positive for Euro 14,751 thousand with an improvement of Euro 12,949 thousand compared to the previous period at 31 October 2018. The positive change in the Net Financial Position compared to 31 October 2018 was achieved thanks to the cash flow generated by operations on an annual basis for over Euro 50 million, after investments in company acquisitions and technological infrastructures for around Euro 40 million, as well as after dividends distributing and treasury shares buyback for a total of around Euro 12 million.

Details of the Group's Net Financial Position (data in thousands of euros) at 31 October 2019 are shown below. Together with the comparative data for the year ended 30 April 2019, are also included those relative to the period ended 31 October 2018 in order to provide a better analysis of the Net Financial Position trend in light of the seasonality of the business which typically characterizes sales revenues and consequently financial management during the year. The Net Financial Position at 31 October 2019 reflected the adoption of the accounting standard IFRS 16 applied starting from 1 May 2019, without restatement of the comparative data.

Net Financial Position	**31/10/2019**	**31/10/2018**	**30/04/2019**
Liquidity	(238,170)	(226,579)	(249,074)
Current financial receivables	(1,009)	(1,797)	(1,352)
Current financial debt	98,675	82,797	85,632
Short-term net financial position	**(140,504)**	**(145,579)**	**(164,794)**
Non-current financial debt	138,555	143,777	123,040
Non-current Net financial position	**138,555**	**143,777**	**123,040**
Net financial position	**(1,949)**	**(1,802)**	**(41,754)**
Net financial position excluded IFRS 16 effects from 01.05.19	**(14,751)**	**(1,802)**	**(41,754)**

Main income statement data of the VAD sector

Below is shown the reclassified income statement of the VAD sector (Euro thousand) as of 31 October 2019, compared with the previous period ended at 31 October 2018.

VAD sector	**31 October**				
(in thousands of euros)	**2019**	**%**	**2018**	**%**	**Change**
Revenues from third parties	**591,259**		**495,219**		**19.4%**
Inter-segment revenues	35,920		34,745		3.4%
Total Revenues	**627,179**		**529,964**		**18.3%**
Other income	2,755		2,793		-1.4%
Total Revenues and other income	**629,934**	**100.0%**	**532,757**	**100.0%**	**18.2%**
Consumables and goods for resale	(583,231)	-92.6%	(492,398)	-92.4%	18.4%
Gross Margin	**46,703**	**7.4%**	**40,359**	**7.6%**	**15.7%**
Costs for services and rent, leasing and similar costs	(15,057)	-2.4%	(14,172)	-2.7%	6.2%
Personnel costs	(7,665)	-1.2%	(7,098)	-1.3%	8.0%
Other operating costs	(1,310)	-0.2%	(1,124)	-0.2%	16.5%
Ebitda	**22,671**	**3.6%**	**17,965**	**3.4%**	**26.2%**
Amortisation, depreciation, provisions and other non-monetary costs	(3,232)		(4,110)		-21.4%
Ebit	**19,439**	**3.1%**	**13,855**	**2.6%**	**40.3%**
Profit from companies valued at equity	551		213		158.7%
Financial income and charges	(1,669)		(1,428)		16.9%
Profit before taxes	**18,321**	**2.9%**	**12,640**	**2.4%**	**44.9%**
Income taxes	(5,068)		(3,462)		46.4%
Net profit for the period	**13,253**	**2.1%**	**9,178**	**1.7%**	**44.4%**
Net profit attributable to non-controlling interests	83		57		45.6%
Net profit attributable to the Group	**13,170**		**9,121**		**44.4%**
Ebitda excluded IFRS 16 effects	**22,114**	**3.5%**	**17,965**	**3.4%**	**23.1%**
Net profit excluded IFRS 16 effects	**13,261**	**2.1%**	**9,178**	**1.7%**	**44.5%**

The VAD sector continued and accelerated the growth trend already showed in the second half of the previous year, consolidating its leadership in the Italian distribution market of high value-added IT solutions. In the half year to 31 October 2019 it should be noted growths and improvements in all main economic and financial indicators.

Total Revenues and Other Income amounted to Euro 629,934 thousand at 31 October 2019, up by 18.2% compared to Euro 532,757 thousand at 31 October 2018 mainly thanks to the organic sales development of Computer Gross SpA, well above the evolution of the reference market which should grow by around 5% in the whole year 2019. It should be noted a positive revenues trend in all main business units, with particular reference to the offer of high value-added IT solutions. These results also benefited from the strong development of the customer portfolio, enriched by new Business Partners belonging to emerging market segments, as well as an effective use of operating leverage.

In the period, the Gross Margin[3] of the VAD sector increased by 15.7%, from Euro 40,359 thousand (Gross Margin equal to 7.6%) at 31 October 2018 to Euro 46,703 thousand (Gross Margin equal to 7.4%) at 31 October 2019 resulting from a different sales margin mix.

The Ebitda in the half year amounted to Euro 22,671 thousand (Ebitda margin 3.6%), growing by 26.2% compared to Euro 17,965 thousand (Ebitda margin 3.4%) at 31 October 2018, achieved thanks to the Gross Margin development and the lower incidence of operating costs favoured by the higher exploitation of operating leverage.

The Net profit for the period equal to Euro 13,253 thousand recorded an increase of 44.4% generated by the positive evolution of operating profitability and by the lower incidence of amortisation and provisions.

[3] Gross Margin determined as difference between the items Total Revenues and Other income and Purchase of goods

Below is shown the reclassified balance sheet of the VAD sector (Euro thousand) for the period ended 31 October 2019. Together with the comparative figures for the year ended 30 April 2019 are also included those for the period ended 31 October 2018, in order to provide a better analysis considering the seasonality that usually characterises revenues from sales during the year.

Reclassified Balance Sheet	**31/10/2019**	**31/10/2018**	**30/04/2019**
Intangible assets	3,097	3,273	3,251
Property, plant and equipment	41,560	40,394	39,391
Investments valued at equity	8,252	6,136	7,388
Other non-current receivables and deferred tax assets	8,686	7,780	11,914
Total non-current assets	**61,595**	**57,583**	**61,944**
Inventories	74,912	72,869	66,053
Current trade receivables	238,370	213,600	282,069
Other current assets	8,942	7,829	13,900
Current operating assets	**322,224**	**294,298**	**362,022**
Payables to suppliers	222,040	187,231	272,632
Other current payables	12,516	11,820	11,720
Short-term operating liabilities	**234,556**	**199,051**	**284,352**
Net working capital	**87,668**	**95,247**	**77,670**
Non-current provisions and other tax liabilities	2,844	4,423	6,180
Employee benefits	1,964	1,654	1,800
Non-current liabilities	**4,808**	**6,077**	**7,980**
Net Invested Capital	**144,455**	**146,753**	**131,634**
Equity	**189,175**	**171,842**	**186,569**
Medium-Term Net Financial Position	87,822	82,863	76,549
Short-Term Net Financial Position	(132,542)	(107,952)	(131,484)
Total Net Financial Position (Net Liquidity)	**(44,720)**	**(25,089)**	**(54,935)**
Equity and Net Financial Position	**144,455**	**146,753**	**131,634**

The Net working capital at 31 October 2019 is equal to Euro 87,668 thousand, down (-8.0%) compared to Euro 95,247 thousand at 31 October 2018.

The Equity amounted to Euro 189,175 thousand at 31 October 2019 compared to Euro 186,569 thousand at 30 April 2019 due to profits accruing in the half year net of dividends distributed by the parent company.

The Net Financial Position compared to the corresponding period at 31 October 2018 showed an improvement of Euro 19,631 thousand from a positive balance (net liquidity) of Euro 25,089 thousand at 31 October 2018 to a positive balance (net liquidity) of Euro 44,720 thousand at 31 October 2019 thanks to the cash flow from operations. Excluding the impact of IFRS 16 from 1 May 2019, the VAD Net Financial Position at 31 October would be positive for Euro 47,190 thousand.

Main income statement data of the SSI sector

The reclassified income statement of the SSI sector at 31 October 2019 is shown below (data in thousands of euros), compared with the previous period ended at 31 October 2018.

SSI sector	**31 October**				
(in thousands of euros)	**2019**	**%**	**2018**	**%**	**Cange**
Revenues from third parties	**172,809**		**147,904**		**16.8%**
Inter-segment revenues	1,258		1,388		-9.4%
Total Revenues	**174,067**		**149,292**		**16.6%**
Other income	3,553		2,622		35.5%
Total Revenues and other income	**177,620**	**100.0%**	**151,914**	**100.0%**	**16.9%**
Consumables and goods for resale	(64,542)	-36.3%	(53,843)	-35.4%	19.9%
Costs for services and rent, leasing and similar costs	(55,180)	-31.1%	(52,013)	-34.2%	6.1%
Personnel costs	(41,544)	-23.4%	(34,369)	-22.6%	20.9%
Other operating costs	(517)	-0.3%	(392)	-0.3%	31.9%
Ebitda	**15,837**	**8.9%**	**11,297**	**7.4%**	**40.2%**
Amortisation, depreciation, provisions and other non-monetary costs	(7,994)		(4,463)		79.1%
Ebit	**7,843**	**4.4%**	**6,834**	**4.5%**	**14.8%**
Profit from companies valued at equity	291		72		304.2%
Financial income and charges	(966)		(658)		46.8%
Profit before taxes	**7,168**	**4.0%**	**6,248**	**4.1%**	**14.7%**
Income taxes	(2,411)		(2,135)		12.9%
Net profit for the period	**4,757**	**2.7%**	**4,113**	**2.7%**	**15.7%**
Net profit attributable to non-controlling interests	1,993		1,631		22.2%
Net profit attributable to the Group	**2,764**		**2,482**		**11.4%**
Ebitda excluded IFRS 16 effects	**14,103**	**7.9%**	**11,297**	**7.4%**	**24.8%**
Net profit excluded IFRS 16 effects	**4,787**	**2.7%**	**4,113**	**2.7%**	**16.4%**

The Software and System Integration (SSI) sector confirms the growth trend in revenues (CAGR Revenues 2017-19: +11%) and profitability (CAGR Ebitda 2017-19: +31%) recorded in the last 3 years, thanks to the development strategy in the the most innovative business areas of the IT market (ERP & Industry Solutions, Digital Cloud, Digital Security and Digital Process), supported by acquisitions and investments in human capital.

In the half year at 31 October 2019, Total Revenues and Other Income and the Ebitda grew by 16.9% and 40.2% respectively, with an increase in the Ebitda margin rising from 7.4% at 31 October 2018 to 8.9% at 31 October 2019 (+150 basis points), supported in particular by the growing incidence of revenues in ERP & Industry Solutions, Digital Security, Digital Cloud and Digital Process areas.

The growth in operating profitability benefited for approximately 44% from the corporate acquisitions carried out inthe last months, including PBU CAD-Systeme GmbH, Evotre Srl, Gencom Srl, SSA Informatica Srl, Apra Computer System Srl and Citiemme Srl.

The sector's Net profit for the period amounted to Euro 4,757 thousand, with an improvement of 15.7% compared to Euro 4,113 thousand at 31 October 2018, following the positive evolution of the operating profitability, net of the higher amortisation and provisions rising from Euro 4,463 thousand at 31 October 2018 to Euro 7,994 thousand at 31 October 2019. The increase in amortisation reflected the higher investments in technology and the recent corporate acquisitions as well as the effects of IFRS 16 adopted from 1 May 2019 for Euro 1,680 thousand. After non-controlling interests, the Net profit attributable to the Group is equal to Euro 2,764 thousand compared to Euro 2,482 thousand at 31 October 2018.

Below is shown the reclassified balance sheet of the SSI sector (Euro thousand) for the period ended 31 October 2019. Together with the comparative figures for the year ended 30 April 2019 are also included those for the period ended 31 October 2018, in order to provide a better analysis considering the seasonality that usually characterises revenues from sales during the year.

Reclassified Balance Sheet	**31/10/2019**	**31/10/2018**	**30/04/2019**
Intangible assets	59,894	42,401	50,640
Property, plant and equipment	30,963	14,585	17,738
Investments valued at equity	2,451	1,605	2,072
Other non-current receivables and deferred tax assets	13,302	11,436	12,961
Total non-current assets	**106,610**	**70,027**	**83,411**
Inventories	18,293	13,748	16,294
Current trade receivables	92,061	86,829	108,709
Other current assets	29,097	20,398	29,135
Current operating assets	**139,451**	**120,975**	**154,138**
Payables to suppliers	69,787	68,108	83,795
Other current payables	50,949	39,196	64,557
Short-term operating liabilities	**120,736**	**107,304**	**148,352**
Net working capital	**18,715**	**13,671**	**5,786**
Non-current provisions and other tax liabilities	14,338	10,473	11,857
Employee benefits	23,628	17,953	20,608
Non-current liabilities	**37,966**	**28,426**	**32,465**
Net Invested Capital	**87,359**	**55,272**	**56,732**
Equity	**31,617**	**23,715**	**28,493**
Medium-Term Net Financial Position	57,116	60,914	52,991
Short-Term Net Financial Position	(1,374)	(29,357)	(24,752)
Total Net Financial Position (Net Liquidity)	**55,742**	**31,557**	**28,239**
Equity and Net Financial Position	**87,359**	**55,272**	**56,732**

The sector's Net Financial Position at 31 October 2019 is negative for Euro 55,742 thousand compared to Euro 31,557 thousand at 31 October 2018, following investments in corporate acquisitions and technological infrastructures for over Euro 30 million in the last 12 months, of which over Euro 20 million for the acquisition of control of the companies PBU CAD-Systeme GmbH, Gencom Srl, Evotre Srl, SSA Informatica Srl and Apra Computer System Srl, as well as the increase in tangible assets for the development of as-a-service IT solutions and for the recognition of financial liabilities connected to the application of IFRS 16 from 1 May 2019 (Euro 10.1 million). Excluding the impact of the application of IFRS 16 from 1 May 2019, the Net Financial Position at 31 October would be equal to Euro 45,667 thousand.

The SSI sector's Equity at 31 October 2019 amounted to Euro 31,617 thousand compared to Euro 23,715 thousand at 31 October 2018, with an increase thanks to the profit for the period.

Main income statement data of the Corporate sector

The reclassified income statement of the Corporate sector at 31 October 2019 is shown below (data in thousands of euros), compared with the previous period ended at 31 October 2018.

Corporate sector *(in thousands of euros)*	**31 October** **2019**	**%**	**2018**	**%**	**Change**
Revenues from third parties	**892**		**647**		**37.9%**
Inter-segment revenues	7,418		6,288		18.0%
Total Revenues	**8,310**		**6,935**		**19.8%**
Other income	1,232		1,070		15.1%
Total Revenues and other income	**9,542**	**100.0%**	**8,005**	**100.0%**	**19.2%**
Consumables and goods for resale	(123)	-1.3%	(99)	-1.2%	24.2%
Costs for services and rent, leasing and similar costs	(4,551)	-47.7%	(3,988)	-49.8%	14.1%
Personnel costs	(3,232)	-33.9%	(2,939)	-36.7%	10.0%
Other operating costs	(110)	-1.2%	(97)	-1.2%	13.4%
Ebitda	**1,526**	**16.0%**	**882**	**11.0%**	**73.0%**
Amortisation, depreciation, provisions and other non-monetary costs	(1,042)		(109)		856.0%
Ebit	**484**	**5.1%**	**773**	**9.7%**	**-37.4%**
Profit from companies valued at equity	(10)		(30)		-66.7%
Financial income and charges	4		7		-42.9%
Profit before taxes	**478**	**5.0%**	**750**	**9.4%**	**-36.3%**
Income taxes	(412)		(357)		15.4%
Net profit for the period	**66**	**0.7%**	**393**	**4.9%**	**-83.2%**
Net profit attributable to non-controlling interests	-				
Net profit attributable to the Group	**66**		**393**		**-83.2%**
Ebitda excluded IFRS 16 effects	**1,454**	**15.2%**	**882**	**11.0%**	**64.9%**
Net profit excluded IFRS 16 effects	**67**	**0.7%**	**393**	**4.9%**	**-83.0%**

The economic results of the Corporate sector showed an increase in revenues and operating results (Ebit) compared to the previous period ended on 31 October 2018, mainly following the higher turnover of the parent company Sesa SpA due to the increase of the Group's companies for which Sesa SpA provides its services.
The Net profit of the Corporate sector at 31 October 2019 is equal to Euro 66 thousand and reflected the increase in the profitability net of the higher non-monetary costs (Euro 849 thousand) relating to the three-year Stock Grant Plan maturing at 30 April 2020.

The Equity at 31 October 2019 amounted to Euro 86,836 thousand compared to Euro 86,435 thousand at 31 October 2018 and the Net Financial Position is positive (net liquidity) for Euro 12,718 thousand, compared to Euro 14,770 thousand at 31 October 2018.

Reclassified Balance Sheet	31/10/2019	31/10/2018	30/04/2019
Intangible assets	132	127	110
Property, plant and equipment	858	828	932
Investments valued at equity	808	845	818
Other non-current receivables and deferred tax assets	73,074	70,390	77,117
Total non-current assets	**74,872**	**72,190**	**78,977**
Inventories			
Current trade receivables	15,323	6,824	1,390
Other current assets	1,062	793	940
Current operating assets	**16,385**	**7,617**	**2,330**
Payables to suppliers	3,208	1,021	4,388
Other current payables	11,959	5,438	3,941
Short-term operating liabilities	**15,167**	**6,459**	**8,329**
Net working capital	**1,218**	**1,158**	**(5,999)**
Non-current provisions and other tax liabilities	(19)	57	(6)
Employee benefits	1,991	1,626	1,924
Non-current liabilities	**1,972**	**1,683**	**1,918**
Net Invested Capital	**74,118**	**71,665**	**71,060**
Equity	**86,836**	**86,435**	**86,118**
Medium-Term Net Financial Position	117		
Short-Term Net Financial Position	(12,835)	(14,770)	(15,058)
Total Net Financial Position (Net Liquidity)	**(12,718)**	**(14,770)**	**(15,058)**
Equity and Net Financial Position	**74,118**	**71,665**	**71,060**

Treasury shares

At the date of approval of the Half-Year Financial Report, the parent company Sesa SpA held 51,100 shares, equal to 0.33% of the share capital, purchased in accordance with the purchase plan of treasury shares resolved by the shareholders’ meetings on 27 August 2019. In the period May – November 2019 27,358 shares were acquired. In application of the international accounting standards (IFRS), these instruments are deducted from the company shareholders’ equity.

Research and development activity

Some Group companies developed proprietary and third-party IT platforms and carry out research and development activities. In particular, Sirio Informatica Sistemi SpA, Var Industries Srl, Var engineering Srl, Tech-Value Srl, Delta Phi Sigla Srl, Var BMS SpA, Sailing Srl, Leonet Srl carried out research and development activities in the half-year under analysis.

Transactions with related parties and Group companies

As regards disclosures on transactions with related parties, it should be noted that any transactions carried out with related parties in any ordinary operations were entered into at market conditions and under conditions that were to the parties’ mutual financial benefit.

The Group’s related parties have been identified in accordance with IAS 24. For more details about relations with related parties and the information required pursuant to Consob Communication of 28 July 2006, please refer to the Annexes to the Half-Year Financial Report.

Information on risks and uncertainties

Sesa Group adopts specific procedures for managing risk factors that may affect the Group's economic and financial position. These procedures are the result of a type of management based on the values contained in the Group's ethical code (integrity, honesty, fairness, professionalism, business continuity and attention to people) focused on pursuing sustainable growth for stakeholders.

External Risks

Risks linked to the macroeconomic context and the ICT market

With reference to management of risks, they can be traced back to the possible unfavourable situation in the external environment, characterised by general conditions of the economy and the ICT sector which highlight a correlated performance and a weak growth trend in demand. The ICT market is linked to the performance of the economy of industrialised countries, where the demand for high-tech products is greater. An unfavourable economic trend at national and/or international level could negatively influence the growth in demand for IT with consequent repercussions on the Group’s business and its economic, equity and financial situation.

Despite the weak demand (macroeconomic context and IT market) recorded in the last five years and the consequent potential effect on the performance of business, in the last five years the Group has succeeded in growing, out-performing the reference market with a sustainable trend in revenues and profits.

The ICT market is characterised also by a high level of competition, where in addition to national operators, the Group has to face up to multinational competitors. If the Group were unable to generate added value through its sales, taking on the reference competitors, this could have a negative impact on the economic, equity and financial situation. To cope with this risk, the Group pursues an expansion of value added products for its customers, providing competitive, efficient and innovative services.

Lastly, the IT market is subject to extensive technological evolution and, consequently, to a constant transformation of the professional skills and expertise required. To operate with a competitive advantage on the ICT market, it is necessary to constantly develop skills, the offer of products and the strategic management of relations with international vendors. The Group carries out a constant and important analysis of the market trends and opportunities, in order to pre-empt future evolutions of its customers’ needs, developing internal expertise, the aggregation of external specialisations and investments in research and development.

Internal Risks

Risks relating to dependency on key resources

The Group’s success, its business and its development depend largely on certain key managers, including the executive directors of Sesa SpA. Doing without the services of one of the key figures without an adequate replacement, as well as the inability to attract and keep new and qualified resources, could have negative effects on the Group’s prospects and its economic and financial results. To cope with this risk, the Group has developed a retention strategy and incentive plans based also on medium-term equity-based remuneration plans. The management believes that Sesa SpA and the Group have an operational structure capable of ensuring continuity in the management of corporate affairs.

Risks linked to the concentration of and dependence on distribution agreements and the ability to negotiate and maintain distribution contracts with Vendors

This risk factor is important for the Group’s main subsidiary, Computer Gross SpA, reference operator in the value added distribution (VAD) area, and partner of the main producers of IT solutions for the Italian market. The main distribution agreements signed with Vendors are entered into on a non-exclusive basis, have a short-term duration (usually one or two years), are tacitly renewed and represent strategic assets. The Group tackles this risk offering vendors pre-and aftersales assistance with qualified staff, progressively expanding the portfolio of the vendors distributed, gradually diversifying the concentration of the brands distributed. The rates of termination of distribution agreements have usually been close to zero, confirming the Group’s ability to create long-term strategic partnerships with its suppliers.

Risks linked to failure to fulfil contractual and compliance obligations

The Group offers IT services and solutions with a high technological content and enters into agreements that can envisage the application of penalties in the event of failure to meet deadlines, performances (SLA) and quality standards agreed upon, with the consequent possibility of negative effects on the economic and financial situation. To mitigate this risk, the Group has implemented procedures to manage and monitor the services supplied and taken out adequate insurance policies.

In relation to compliance risks, the Group has implemented policies and procedures, including the adoption of a Compliance Model pursuant to Law 231/2001 for the parent company and the main subsidiaries, aimed at minimising compliance risks (particularly tax and legal risks).

Market risks

Credit risk

Credit risk is represented by the Group companies' exposure to potential losses arising from their customers' failure to meet their obligations. Credit risk arising from the Group companies' ordinary operations with their customers is constantly monitored using customer information and assessment procedures. An appropriate provision for bad debts is allocated and monitored.

Liquidity risk

During the financial year the Sesa Group Companies' core business generates a requirement for working capital with an ensuing financial exposure. Specifically, the Group closed the half year at 31 October 2019 with a net liquidity of Euro 1,949 thousand, compared to a net liquidity of Euro 41,754 thousand at 30 April 2019. The evolution of the Net Financial Position reflects a physiological financial requirement generated by the seasonality of the business and the increase in net working capital. The liquidity risk is covered by periodic planning of cash requirements and by financing these requirements with short-term self-liquidating loans and credit lines mainly concentrated with the Group's two main operating companies, Computer Gross SpA and Var Group SpA. In the half year ended 31 October 2019, the Group continued to seek the medium/long-term financing, taking advantage of the macroeconomic environment characterized by very low interest rates.

Interest rate risk

Exposure to interest rate risk arises from the fact that the Group Companies conduct a business activity characterised by a negative working capital cycle (calculated as the difference between short-term operating liabilities and short-term operating assets) at certain times of the year and thus have a temporary financial exposure to the banking system caused by the need to finance their working capital requirements. These requirements are met from self-liquidating loans and credit lines at variable rates, exposed to interest rate fluctuations.
At 31 October 2019, the Group had no derivative instruments in place relating to interest rates. In the light of present interest rate trends and the moderate level of annual average debt, the Company's risk management policy does not envisage recourse to derivatives to hedge interest rate risks.

Exchange rate risk

The Group companies do not operate significantly on foreign markets and primarily only use the Euro as the currency for their commercial and financial transactions. There were some purchases of IT goods and products, mainly involving Computer Gross SpA, all using the US dollar.
Furthermore, it should be noted that there are no foreign currency derivatives, but there are forward currency contracts to hedge the exchange rate risk attached to foreign currency payables to a part of suppliers. At 31 October 2019 there were in place 36 transactions with a negative fair value of Euro 45 thousand and 7 with a positive fair value of Euro 10 thousand.

Price risk

The Group did not hold any financial instruments or shares listed on stock markets as of 31 October 2019, except for Sesa SpA treasury shares as a deduction of the shareholders' equity, and mutual funds and capitalization policies for a total amount of Euro 896 thousand. As regards inventory risk, the Group companies that distribute and market IT products monitor this aspect of their operations by conducting periodic inspections and analyses for the possible existence of a risk of obsolescence of the goods in order to decide on the steps to take to curb the risk. Moreover, it should be noted that the value of inventories at 31 October 2019 was primarily concentrated in the accounts of Computer Gross SpA and Var Group SpA.

Information on Human Resources

Human capital is the main asset of the Sesa Group: skills, professionalism, specialisation and integrity are the distinctive values to face the competitive challenges of the market.

The Sesa Group invests in its human resources through programmes of selection, management and enhancement, training and corporate welfare.

Personnel selection aims to identify the best available resources through agreements with leading Italian universities, participation in career days, recruiting day organization and the use of primary job sites, in compliance with transparency and impartiality principles. For such purpose, specific internal recruiting, integration and professional development policies have been carried out.

During 2019, investments in human resources continued with around 150 hires of young people from universities and training schools, brought into the company with training plans in the areas of the greatest growth and development potential in Information Technology (cloud computing, security, digital services, IT consulting), professional traineeships and apprenticeships (about 47 trainees and 186 apprentices at 31 October 2019). The confirmation for an indefinite period at the end of the training period happens with percentages close to 100%. The average age of the Group's resources is about 40.
Continuous training and refresher courses are in place, involving over 2/3 of employees in the current year, covering technical areas (also through dedicated seminars and events), as well as legislative and motivational aspects. About 20,000 hours of training were provided in the year, including professional, technical and regulatory training.

In order to achieve management objectives, individual incentive plans are assigned, involving the majority of commercial resources and all key Group figures, linked to the achievement of qualitative/quantitative performance defined at the beginning of each year in line with the Group's strategy. It’s also been approved a multi-year plan towards Executive Directors with the assignment of Sesa SpA shares (Stock Grant Plan) on achieving of annual/triennial value creation targets for shareholders. Targeted career paths and professional development plans are also defined for the growth and enhancement of key figures, particularly those that are younger, and human capital in general.

As part of the corporate welfare initiatives aimed at optimizing the work-life balance, it should be noted that during the year 2019 the Group's welfare system was further strengthened by introducing flexible plans, customisable through a dedicated corporate portal with the option of selecting benefits and services from a digital menu. This initiative complements and reinforces the corporate welfare system that has been in operation for over five years within the Group, which includes benefits and work-life balance services for workers to support income, education and the wellbeing of human resources (scholarships, grants to stay in health-related spa centres and travel abroad to study in summer, contributions to crèches, flexible benefits, reimbursement of public transport expenses, support for the residential mobility, work-life balance services including the crèches and the canteen by the headquarter based in Empoli, via Piovola). Welfare initiatives are also implemented thanks to the contribution of Fondazione SeSa.

At 31 October 2019, the Group's workforce reached a total of 2,054 units, showing a growth trend compared to the previous two years. Below is a summary table:

	Actual number of employees at 31 October		
(in units)	**2019**	**2018**	**2017**
Executives	21	18	17
Middle Managers	184	166	105
Office workers	1,849	1,572	1,357
Total	**2,054**	**1,756**	**1,479**

The net increase in personnel compared to the period ended 31 October 2018 is about 300 resources, of which about 170 units following the enlargement of the scope of consolidation with the entry of Gencom Srl, PBU CAD-Systeme GmbH, Apra Computer System Srl, SSA Informatica Srl and Citiemme Srl.

At 31 October 2019, staff on permanent contracts accounted for 98% of the total Group resources, with a female incidence equal to 31%.

(in units)	**Men**	**Women**	**Fixed-term contract**	**Open-ended contract**
Group's employees	**1,421**	**633**	**33**	**2,021**
Incidence on Group's employees	69%	31%	2%	98%

Lastly, we would like to point out the utmost attention to work safety for our employees. On this matter, during the last year at 31 October 2019, the Group companies have taken steps to implement Law 81/2008, with training programmes aimed at human resources. In this sense, it is important to underline that no serious accidents have occurred at work and that no charges have been made for occupational illnesses or for incorrect company conduct towards employees that could constitute company liability in any way.

Significant events after the period-end

There are no further significant events occurring after the end of the half year at 31 October 2019 with the exception of the following development operations:
- the acquisition on 4 November 2019 by Computer Gross SpA (VAD sector) of 100% of Pico Srl, based in Reggio Emilia, company active in the offer of Digital Media software solutions;
- the signing through Var Group SpA of a binding agreement for the acquisition of 49% of Yarix Srl, company of which Var Group SpA already held 51%.

Further details on the above-mentioned transactions are reported in the section Significant events of the period.

Outlook

In a context of growth and profound transformation of the IT market, the Group continues to invest in the development of human capital, innovating the offer of digital services and solutions in partnership with its customers and pursuing long-term sustainability goals.

The first half of the financial year shows an acceleration in the Group's growth, with trends exceeding the reference market and the long-term track record, thanks to the success of its strategy of focusing on and investing in the areas of greatest value and market development potential. The corporate acquisitions completed in the last three years in areas of strategic development have contributed to the enrichment of skills and the specialisation of human capital in Italy and abroad.

In view of the results achieved in the first half of the year, strategic positioning and the demand for digital transformation of customers, the Group confirms a favourable outlook for the entire year ending 30 April 2020, with revenue growth and double digit profitability, higher than the long-term track record.

The Group will continue its operations while maintaining a constant commitment to long-term sustainable investment and growth policies, to the benefit of all stakeholders.

Half-Year Condensed Consolidated Financial Statements

Consolidated Income Statement

(in thousands of euros)	Note	Period ended 31 October 2019	2018
Revenues	4	764,960	643,770
Other income	5	5,242	4,438
Consumables and goods for resale	6	(615,240)	(515,023)
Costs for services and rent, leasing and similar costs	7	(61,447)	(57,095)
Personnel costs	8	(52,441)	(44,406)
Other operating costs	9	(3,755)	(4,801)
Amortisation, depreciation and write-downs	10	(9,553)	(5,421)
EBIT		**27,766**	**21,462**
Profit from companies valued at equity		832	255
Financial income	11	1,840	2,072
Financial charges	11	(4,471)	(4,151)
Profit before taxes		**25,967**	**19,638**
Income taxes	12	(7,891)	(5,954)
Profit for the period		**18,076**	**13,684**
of which			
Net profit attributable to non - controlling interests		2,076	1,688
Net profit attributable to the Group		16,000	11,996
Earnings per share (basic) (in euros)	20	1.04	0.78
Earnings per share (diluted) (in euros)	20	1.03	0.77

Consolidated Statement of Comprehensive Income

(in thousands of euros)	Note	Period ended 31 October 2019	2018
Profit for the period		**18,076**	**13,684**
Actuarial gain/loss for employee benefits	22	(735)	473
Comprehensive income for the period		**17,341**	**14,157**
of which:			
Comprehensive income – non-controlling interests		1,808	1,607
Comprehensive income - Group		15,533	12,550

Consolidated Statement of Financial Position

(in thousands of euros)	Note	At 31 October 2019	At 30 April 2019
Intangible assets	13	63,123	54,001
Right of use		42,499	
Property, plant and equipment	14	30,592	57,771
Investment property	15	290	290
Investments valued at equity		11,263	10,030
Deferred tax assets		7,436	7,834
Other non-current receivables and assets	16	16,474	19,230
Total non-current assets		**171,677**	**149,156**
Inventories	17	92,902	82,044
Current trade receivables	18	312,707	364,314
Current tax receivables		3,657	4,051
Other current receivables and assets	16	36,414	40,752
Cash and cash equivalents		238,170	249,074
Total current assets		**683,850**	**740,235**
Non-current assets held for sale			
Total assets		**855,527**	**889,391**
Share capital	19	37,127	37,127
Share premium reserve		33,144	33,144
Other reserves		(7,980)	(5,639)
Profits carried forward		160,289	154,653
Total Group Equity		**222,580**	**219,285**
Equity attributable to non-controlling interests		13,885	13,337
Total Equity		**236,465**	**232,622**
Non-current loans	21	113,380	123,040
Non-current financial liabilities for right of use		25,175	
Employee benefits	22	27,583	24,332
Non-current provisions	23	982	4,595
Deferred tax liabilities		15,941	13,197
Total non-current liabilities		**183,061**	**165,164**
Current loans	21	92,701	85,632
Current financial liabilities for right of use		5,974	
Payables to suppliers		262,190	326,009
Current tax payables		9,175	4,067
Other current liabilities	24	65,961	75,897
Total current liabilities		**436,001**	**491,605**
Total liabilities		**619,062**	**656,769**
Total Equity and liabilities		**855,527**	**889,391**

Consolidated Statement of Cash Flows

(in thousands of euros)	Note	Period ended 31 October 2019	2018
Profit before taxes		**25,967**	**19,638**
Adjustments to:			
Amortisation and depreciation	10	9,500	5,421
Provisions for personnel and other provisions	9	3,801	4,185
Net financial (income)/charges	11	1,510	1,146
Profit from companies valued at equity		(832)	(255)
Other non-monetary items		749	91
Cash flows generated from operating activities before changes in net working capital		**40,695**	**30,226**
Change in inventories	17	(10,520)	(18,579)
Change in trade receivables	18	54,195	50,042
Change in payables to suppliers		(68,118)	(74,389)
Change in other assets		9,333	9,016
Change in other liabilities		(23,012)	(20,172)
Use of provisions for risks	23	(3,751)	(61)
Payment of employee benefits	22	(450)	(679)
Change in deferred tax assets and liabilities		342	366
Change in current tax payables and tax receivables		5,502	4,389
Interest paid		(1,768)	(1,392)
Taxes paid			-
Net cash flow generated from operating activities		**2,448**	**(21,233)**
Investments in companies net of cash		(7,001)	(6,391)
Investments in property, plant and equipment	14	(5,750)	(3,842)
Investments in intangible assets	13	(1,684)	(3,203)
Disposals of property, plant and equipment and intangible assets	13, 14	131	462
Disposal of assets held for sale			
Investments in associated companies		(833)	(316)
Disposal of associated companies			
Investments in non-current financial assets		(1,236)	(4,000)
Collection of non-current financial assets		20	1,219
Dividends collected		169	132
Interest collected		372	371
Net cash flow generated from/(used in) investing activities		**(15,812)**	**(15,568)**
New disbursements of long-term loans and finance leases		71,000	75,000
Repayments of long-term loans		(66,982)	(47,648)
(Decrease)/increase in short-term loans		12,660	(39)
Reimbursement of financial liabilities for right of use		(3,406)	
Financial investments/disinvestments		546	(48)
Change in Group equity	19		
Change in equity attributable to non-controlling interests	19		
Treasury shares	19	(934)	(961)
Dividends distributed		(10,423)	(10,118)
Net cash flow generated from/(used in) financing activities		**2,461**	**16,186**
Translation difference on cash and cash equivalents			
Change in cash and cash equivalents		**(10,904)**	**(20,615)**
Cash and cash equivalents at the beginning of the period		249,074	247,194
Cash and cash equivalents at the end of the period		**238,170**	**226,579**

Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium reserve	Other reserves	Profit for the period and Profits carried forward	Equity attributable to the Group	Equity attributable to non-controlling interests	Total Equity
At 30 April 2018	**37,127**	**33,144**	**1,723**	**132,961**	**204,955**	**11,046**	**216,001**
Profit for the year				29,284	29,284	4,078	**33,362**
Actuarial gain/(loss) for employee benefits - gross			(951)		(951)	(655)	**(1,606)**
Actuarial gain/(loss) for employee benefits - tax effect			228		228	157	**385**
Comprehensive income for the year			**(723)**	**29,284**	**28,561**	**3,580**	**32,141**
Purchase of treasury shares			(1,739)		(1,739)		**(1,739)**
Dividends distribution			(544)	(8,746)	(9,290)	(828)	**(10,118)**
Assignment of shares in execution of Stock Grant plan			37		37		**37**
Stock Grant Plan - shares vesting in the period			1,022		1,022		**1,022**
Allocation of profit for the year			461	(461)			
Changes in the scope of consolidation and other changes			(5,876)	1,615	(4,261)	(461)	**(4,722)**
At 30 April 2019	**37,127**	**33,144**	**(5,639)**	**154,653**	**219,285**	**13,337**	**232,622**
Profit for the year				16,000	16,000	2,076	**18,076**
Actuarial gain/(loss) for employee benefits - gross			(615)		(615)	(352)	**(967)**
Actuarial gain/(loss) for employee benefits - tax effect			148		148	84	**232**
Comprehensive income for the year			**(467)**	**16,000**	**15,533**	**1,808**	**17,341**
Purchase of treasury shares			(934)		(934)		**(934)**
Dividends distribution				(9,740)	(9,740)	(683)	**(10,423)**
Assignment of shares in execution of Stock Grant plan			82		82		**82**
Stock Grant Plan - shares vesting in the period			766		766		**766**
Allocation of profit for the year			656	(656)			
Changes in the scope of consolidation and other changes			(2,444)	32	(2,412)	(577)	**(2,989)**
At 31 October 2019	**37,127**	**33,144**	**(7,980)**	**160,289**	**222,580**	**13,885**	**236,465**

Explanatory Notes to Half-Year Condensed Consolidated Financial Statements

1 General Information

SESA SpA (hereinafter "SESA", the "Company" or the "Parent Company") is a company that has been incorporated and is domiciled in Italy, with registered office in Empoli, at Via Piovola no. 138, and is organised according to the legal system of the Italian Republic.
It should be noted that Sesa SpA has been listed on the Electronic Stock Market (MTA, Mercato Telematico Azionario) of the Italian Stock Exchange since 22 October 2013.
The Company and its subsidiaries (hereinafter collectively referred to as the "Group") operate in Italy in the field of *Information Technology*, and in particular in the value-added distribution of software and hardware (*value-added distribution* or VAD) and in the offering of software, technology, services and consultancy aimed at training and supporting businesses as end-users of IT (*Software and system integration o SSI)*. The Company is owned by ITH SpA, which holds 52.8% of the voting shares. These Half-Year Condensed Consolidated Financial Statements were approved by the Company's Board of Directors on 19 December 2019 and reviewed by PricewaterhouseCoopers SpA.

2 Summary of Accounting Policies

Below are reported the main accounting policies and standards applied in the preparation of these Half-Year Condensed Consolidated Financial Statements as of 31 October 2019.

2.1 Basis of Preparation

The Half-Year Condensed Consolidated Financial Statements at 31 October 2019 were drawn up in compliance with IAS 34, concerning interim financial reporting. IAS 34 allows the preparation of the financial statements in "condensed" form, on the basis of a minimum level of reporting which is significantly less detailed than that envisaged by the International Financial Reporting Standards, issued by the International Accounting Standards Board and adopted by the European Union (hereinafter "IFRS"), where a complete version of the financial statements, prepared in compliance with IFRS, has been published previously. The Half-Year Condensed Consolidated Financial Statements at 31 October 2019 were drawn up in "short" form and must therefore be read jointly with the Group consolidated financial statements for the year ended 30 April 2019, prepared in compliance with IFRS.

The Half-Year Condensed Consolidated Financial Statements at 31 October 2019 comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the explanatory notes to the financial statements.
In relation to the form and content of the accounting statements, the Group has made the following choices:

- The Statement of financial position was prepared by classifying assets and liabilities according to the criterion of "current/non-current" items;
- The Income Statement was prepared by classifying operating costs by nature;
- The Statement of comprehensive income includes the profit for the period arising from the income statement, as well as any other changes in equity attributable to transactions that were not carried out with the Company's shareholders;
- The Statement of Cash Flows was prepared by reporting cash flows from operating activities according to the "indirect method".

The Half-Year Condensed Consolidated Financial Statements were prepared on the basis of the conventional historical cost criterion, with the exception of financial assets and liabilities, for which the fair value criterion was applied.
The Half-Year Condensed Consolidated Financial Statements were prepared under the going concern assumption.
The statements used, as specified above, are those that best represent the Group's income, equity and financial situation.
The values indicated in the financial statements and in the detailed tables included in the notes to the financial statements are shown in thousands of euros, unless otherwise indicated.

2.2 Scope of Consolidation and Consolidation Criteria

The Half-Year Condensed Consolidated Financial Statements at 31 October 2019 include the Company's Interim Financial Report, as well as the Interim Financial Reports of subsidiaries at 31 October 2019. These interim financial reports were properly adjusted, if required, in order to have them comply with IFRSs.
The companies included in the scope of consolidation at 31 October 2019 are detailed in the Annexes, which form an integral part of the Half-Year Condensed Consolidated Financial Statements.

2.3 Accounting policies

The accounting policies and consolidation criteria adopted when preparing the Half-Year Condensed Consolidated Financial Statements at 31 October 2019 comply with those adopted for the consolidated financial statements for the year ended 30 April 2019, taking into account those specifically applicable to the interim situations.
The preparation of the Half-Year condensed consolidated financial statements requires the directors to make estimates and assumptions that affect the values of the assets and liabilities booked and the related reporting, as well the potential assets and liabilities at the date of reference. The estimates and related assumptions are based on previous experiences and other factors that are considered reasonable in the case in hand and are implemented when the book value of the assets and liabilities cannot be easily deduced from other sources. The final totals might, therefore, differ from these estimates. The estimates and assumptions are reviewed on a regular basis and the effects of every change are reflected in the income statement when this is related to the specific financial period only. If the review concerns both the current and future financial periods, the change is carried in the period in which the review is carried out and in the related future periods. The totals could differ significantly from these estimates following possible changes in the factors considered in the calculation of said estimates. Certain evaluation processes, particularly those that are more complex, such as the calculation of any impairment losses of non-current assets, are usually carried out completely only when drawing up the annual consolidated financial statements, with the exception of cases in which there are indicators that require an immediate estimate of updates, if any. As regards the liability relating to staff severance pay, an independent actuarial calculation at 31 October 2019 has been specifically prepared as required by IAS 19.

FAIR VALUE ESTIMATE

The fair value of financial instruments listed on an active market is based on market prices at the reporting date. The fair value of instruments that are not listed on an active market is calculated using evaluation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.
The fair value classification of financial instruments is given below, based on the following hierarchical levels:
Level 1: fair value calculated with reference to listed prices (not adjusted) on active markets for identical financial instruments;
Level 2: fair value calculated using evaluation techniques with reference to variables that can be observed on active markets;
Level 3: fair value calculated using evaluation techniques with reference to market variables that cannot be observed.
The fair value of derivative instruments at 31 October 2019 is of level 2, while the fair value of the shares of mutual funds and capitalization policies held in portfolio is of level 1.

2.4 Seasonality

The performance of the Sesa Group, despite being only slightly affected by seasonal or cyclic changes in overall annual sales, is influenced by the lack of standardised distribution of costs and revenues in the different months of the year. This is why the analysis of the half-year results and income, equity and financial indicators cannot be considered fully representative and it would, therefore, be incorrect to consider them as a proportional share of the whole year.

2.5 Newly issued standards

At the date of this Report, the competent bodies of the European Union had approved the adoption of the following accounting standards and amendments applied by the Group at 01 May 2019.

- On 13 January 2016, the IASB published the new IFRS 16 - Leases. This new standard replaces the current IAS 17. The main change concerns the recognition of leases by lessees who, under IAS 17, were required to make a distinction between financial leases (accounted for under an on-balance sheet treatment) and operating leases

(recorded using the off-balance sheet method). Under IFRS 16, operating leases will be classified in the same way as financial leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rents are recognised. The IASB has provided an optional exemption for certain low-value, short-term lease and rental contracts. This standard is applicable from 1 January 2019 and by the Sesa Group from 1 May 2019.
The Group has carried out an in-depth analysis of all the lease and rental contracts already in force as at 30 April 2019 in the light of the new accounting rules for leases envisaged by IFRS 16. The standard mainly influenced the recognition of the Group's operating leases and rental contracts.
The main impacts on the Group's consolidated financial statements at 31 October 2019 are summarised below:
  - Group statement of financial position: higher non-current assets due to the recognition of the "right to use leased assets" as a balancing entry to higher financial liabilities. At 31 October 2019, the new standard determined the recognition of amounts payable of Euro 12.8 million as financial lease liabilities and of Euro 12.9 million for intangible assets;
  - Group income statement: other nature, quantification, qualification and classification of expenses which envisages the recording of the "Amortisation of the right to use the asset" and "Financial expenses", in place of the "Costs for use of third party assets - operating lease instalments", as per IAS 17, with a consequent positive impact on EBITDA estimated at Euro 4.3 million on an annual basis with the same scope of consolidation. At 31 October 2019 the new standard had a negative impact on the net result of Euro 31 thousand.

- In October 2017, the IASB published an amendment to IFRS 9 "On prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is modified without this leading to its de-recognition, the related gain or loss must be recognised immediately in the income statement. The gain or loss is measured as the difference between the previous cash flow and the cash flow restated to reflect the change. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In December 2017, the IASB issued a set of amendments to IFRS (Annual Improvements to IFRSs 2015-2017 Cycle). The provisions approved have amended: (i) IFRS 3 "Business Combinations"; (ii) IFRS 11 "Joint arrangements"; (iii) IAS 12 "Income Taxes"; (iv) IAS 23 "Borrowing costs" in relation to the accounting treatment of loans originally linked to the development of a business. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In October 2017, the IASB published an amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures". The amendment clarifies the accounting treatment of investments in associates and joint ventures that are not evaluated using the equity method in accordance with IFRS 9. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In February 2018, the IASB published an amendment to IAS 19 "Employee benefits" that introduces changes essentially aimed at requiring the use of updated actuarial assumptions in the calculation of current service cost and net interest for the period following a change in an existing defined benefit plan. The amendments are effective for annual periods beginning on or after 1 January 2019.
- In June 2017, the IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments". The document provides guidance on how to reflect uncertainties in the tax treatment of a given phenomenon in the accounting for current and/or deferred income taxes. The amendments are effective for annual periods beginning on or after 1 January 2019.

The adoption of the amendments to the aforesaid standards, with the exception of that indicated with regard to IFRS 16, have had no effect on the consolidated financial statements.
The Group has chosen to use the simplified transition approach and has not therefore changed the comparative amounts of the year before the first adoption. As of 1 May 2019, the adoption of the new standard led to the recognition in the financial statements of rights of use and the corresponding financial liability for leasing agreements.
The adoption of the new standard resulted in the recognition, at 31 October 2019, of rights of use for Euro 12.9 million and financial liabilities for rights of use for Euro 12.8 million, with an impact on the income statement, before tax, of Euro 0.6 thousand.
For leasing agreements previously classified as financial leases, the Company recognised the book value of the lease asset and the lease liability immediately prior to the transition as the book value of the right-of-use asset (Euro 29.6 million) and the the right-of-use liability (Euro 18.3 million) at 1 May 2019.

At the date of this Report, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments.

- In May 2017 the IASB issued the new standard IFRS 17 - Insurance Contracts. The new standard will replace IFRS 4 and will be effective for annual periods beginning on or after 1 January 2021.
- In October 2018, the IASB published a number of amendments to IAS 1 and IAS 8, clarifying the definition of "material information". The amendments are effective from 1 January 2020.
- In October 2018, the IASB published a number of amendments to IFRS 3 that amend the definition of "business" in the context of acquisitions of companies or groups of assets. The amendments are effective from 1 January 2020.
- In September 2019, the IASB published a number of amendments to IFRS 9, IAS 39 and IFRS 7, providing clarification in view of the reform on the interest rates applied to transactions carried between banks. The amendments are effective from 1 January 2020.

The Group will adopt these new standards, amendments and interpretations, on the basis of the expected date of application, and will assess their potential impacts, when they are approved by the European Union.

3 Financial risk management

The Group's business is exposed to the following risks: market risk (defined as exchange and interest rate risk), credit risk, liquidity risk and capital risk.
The Group's risk management strategy is aimed at minimizing potential adverse effects on the Group's financial performance. Some types of risk are mitigated through recourse to derivative instruments. Risk management is centralised within the treasury function that identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The treasury function provides instructions to monitor risk management, as well as provides instructions for specific areas, concerning interest rate risks, exchange rate risks and the use of derivative and non-derivative instruments.

MARKET RISK

The Group is exposed to market risks as regards interest rate risks and exchange rate risks.

Interest Rate Risk

The exposure to interest rate risks mainly arises from the fact that the Group companies carry out business activities characterized by negative financing requirements during certain periods of the year. These requirements are covered through assignments of receivables, loans and variable-rate credit lines. The Group has not deemed it appropriate to enter into specific financial instruments to hedge interest rate risks, as the same would result, as a whole, particularly onerous compared to benefits (if any), considering the current level of financial debt and interest rates.
The amount of variable-rate indebtedness that is not hedged against the interest rate risk represents the main element of risk for the impact that could be produced on the income statement following an increase in market interest rates.

Exchange Rate Risk

The Group is active exclusively in the Italian market and its exposure limited to exchange rate risks relates to some minor purchases and sales of goods in US dollars. In order to reduce exchange rate risks arising from assets, liabilities and expected cash flows in foreign currency, the Group makes recourse to forward contracts in order to hedge cash flows in currencies other than the Euro. The Group mainly sets the exchange rates of the functional currencies of the Group companies (Euro) against US dollar, as some purchases and sales of consumables and goods are denominated in US dollars. In fact, it is the Group's policy to hedge, where possible, forecast trade flows in US dollars arising from certain or highly probable contractual commitments. The term of the existing forward contracts does not exceed 12 months. The instruments adopted by the Group do not meet all the necessary requirements to be accounted for according to the rules of hedge accounting.
At 31 October 2019 no. 43 currency forward contracts were in place (U.S. Dollar) signed by Computer Gross SpA, of which 36 with negative fair value and 7 with positive fair value for a net negative value equal to Euro 35 thousand.

CREDIT RISK

Credit risk essentially derives from receivables from customers. The credit risk relating to financial positions relative to transactions in derivative instruments is considered marginal whereas the counterparties are selected within primary financial institutions. As regards the credit risk relating to the management of financial and cash resources with credit institutions, the Group has procedures in place to ensure that relations are maintained with high-profile and secure independent counterparties. To mitigate credit risk related to commercial counterparties, the Group has implemented procedures aimed at ensuring that sales of products are carried out with customers considered reliable on the basis of past experience and available information, as well as using risk hedging procedures using credit insurance and/or non-recourse factoring contracts. Furthermore, the Group constantly monitors its commercial exposure and ensures that receivables are collected in compliance with the contractual deadlines. With reference to trade receivables, the most risky situation concerns relations with resellers. The collection and payment times of these receivables are, therefore, monitored constantly. The amount of financial assets considered doubtful and not significant is however hedged by appropriate accruals to the provision for bad debts.

The table below provides a breakdown of current receivables from customers at 31 October 2019 and 30 April 2019, by overdue amounts, net of the portion of provision for bad debts covering performing loans.

(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
Falling due	272,075	322,321
Overdue from 0-90 days	24,514	31,635
Overdue from 90-180 days	8,830	3,460
Overdue from 180-360 days	4,038	3,774
Overdue from more than 360 days	3,250	3,123
Total	**312,707**	**364,314**

For the management of credit risk, it should be noted that the Group uses the credit insurance instrument on a significant portion of trade receivables.

LIQUIDITY RISK

The liquidity risk is associated to the Company’s ability to meet any commitments mainly arising from financial liabilities. A prudent management of the liquidity risk arising from the Company’s ordinary operations requires the maintenance of an adequate level of cash and cash equivalents and the availability of funds that can be obtained through an adequate amount of credit lines.

CAPITAL RISK

The Company’s objective within the scope of the capital risk management is mainly that of safeguarding its continuation as a going-concern so as to guarantee returns to shareholders and benefits to any other stakeholders. The Company also intends to maintain an optimal capital structure so as to reduce the cost of debt.

4 Segment Reporting

The criteria applied to identify the business segments being reported are in line with the procedures through which the management runs the Group. In particular, the organisation of the business segments being reported corresponds to the structure of the reports that are periodically analysed by the Board of Directors for the purposes of the management of the Group's business. Specifically, the main scope of operational analysis used by the Group is that relating to the following operating segments:

- *Value-Added Distribution*, which includes the value-added distribution, through the subsidiary Computer Gross SpA, of IT products and solutions in the categories of servers, storage, software and networking to the operators in the Enterprise and Small/Medium enterprise segment. The Group's VAD offer, integrated to software houses and integrators of technology for the implementation of complex technology solutions, is targeted at the end users of products distributed.
- *Software and System Integration* (SSI), which includes the offer of software, technology, services and consultancy, through the subsidiary Var Group SpA, aimed at training and supporting businesses as end users of IT. The Group provides services for the design, consultancy, development and installation of software and complex technology, pre- and after-sales assistance and strategic outsourcing.
- *Corporate*, which includes services such as administrative and finance management, organisation, planning and control, management of IT systems, human resources, general, corporate and legal affairs of the main Group companies carried out by the parent company Sesa SpA and also logistics services, (storage, assembly, customisation and handling of products) through Ict Logistica Srl.

The operating segments of Value-Added Distribution and Software and System Integration are vertically integrated through the sale of IT products and solutions from Computer Gross SpA to Var Group SpA. Computer Gross SpA uses the logistics services included in the Corporate segment.

The Group's management assesses the performance of the different operating segments, using the following indicators:

- revenues from third parties by operating segment;
- EBITDA defined as the profit for the period before depreciation, provisions for bad debts, accruals to provision for risks, non monetary costs related to Stock Grant Plans assigned to executive directors, financial income and charges, the profit (loss) of companies valued at equity and taxes;
- profit for the period.

As Ebitda is not a recognized measure of financial performance under IFRS (Non-GAAP Measures) the quantitative calculation may not be unique. Ebitda is a measure used by management to monitor and evaluate the operating performance of the companies of the Group.
The criteria in determining the Ebitda reported above and applied by the Group may not be consistent with that used by other companies or groups, and therefore the figures may not be comparable with that determined by such groups.

The table below shows the segment reporting applied for the periods ended 31 October 2019 and 31 October 2018:

	Period ended 31 October 2019					**Period ended 31 October 2018**				
(in thousands of euros)	**Value Added Distribution (VAD)**	**Software and System Integration (SSI)**	**Corporate**	**Eliminations**		**Value Added Distribution (VAD)**	**Software and System Integration (SSI)**	**Corporate**	**Eliminations**	
Revenues from third parties	**591,259**	**172,809**	**892**		**764,960**	**495,219**	**147,904**	**647**		**643,770**
Inter segment revenues	35,920	1,258	7,418		44,596	34,745	1,388	6,288		42,421
Revenues	627,179	174,067	8,310	(44,596)	**764,960**	529,964	149,292	6,935	(42,421)	**643,770**
Other income	2,755	3,553	1,232	(2,298)	5,242	2,793	2,622	1,070	(2,047)	4,438
Total Revenues and Other Income	**629,934**	**177,620**	**9,542**	**(46,894)**	**770,202**	**532,757**	**151,914**	**8,005**	**(44,468)**	**648,208**
Purchase of goods	(583,231)	(64,542)	(123)	32,656	(615,240)	(492,398)	(53,843)	(99)	31,317	(515,023)
Costs for services and rent, leasing and similar costs	(15,057)	(55,180)	(4,551)	14,190	(60,598)	(14,172)	(52,013)	(3,988)	13,116	(57,057)
Personnel costs	(7,665)	(41,544)	(3,232)		(52,441)	(7,098)	(34,369)	(2,939)		(44,406)
Other operating costs	(1,310)	(517)	(110)	48	(1,889)	(1,124)	(392)	(97)	35	(1,578)
Ebitda	**22,671**	**15,837**	**1,526**	**-**	**40,034**	**17,965**	**11,297**	**882**		**30,144**
Amortisation, depreciation and write-downs	(3,232)	(7,994)	(1,042)	-	(12,268)	(4,110)	(4,463)	(109)		(8,682)
Ebit	**19,439**	**7,843**	**484**	**-**	**27,766**	**13,855**	**6,834**	**773**		**21,462**
Profit from companies valued at equity	551	291	(10)	-	832	213	72	(30)		255
Net financial income and charges	(1,669)	(966)	4	-	(2,631)	(1,428)	(658)	7		(2,079)
Profit before taxes	**18,321**	**7,168**	**478**	**-**	**25,967**	**12,640**	**6,248**	**750**		**19,638**
Income taxes	(5,068)	(2,411)	(412)		(7,891)	(3,462)	(2,135)	(357)		(5,954)
Profit for the period	**13,253**	**4,757**	**66**	**-**	**18,076**	**9,178**	**4,113**	**393**		**13,684**
Profit attributable to non-controlling interests	83	1,993	-	-	2,076	57	1,631			1,688
Profit attributable to the Group	**13,170**	**2,764**	**66**	**-**	**16,000**	**9,121**	**2,482**	**393**		**11,996**

The table below shows information on the balance sheet by operating segment for the periods ended 31 October 2019 and 31 October 2018:

(in thousands of euros)	**Period ended 31 October 2019**					**Period ended 31 October 2018**				
	Value Added Distribution	**Software and System Integration**	**Corporate**	**Eliminations**		**Value Added Distribution**	**Software and System Integration**	**Corporate**	**Eliminations**	
Intangible assets	3,097	59,894	132		63,123	3,273	42,401	127		45,801
Right of use	31,941	10,292	266		42,499					
Property, plant and equipment	9,619	20,671	302		30,592	40,394	14,585	538		55,517
Investment property			290		290			290		290
Equity investments valued at equity	8,252	2,451	808	(248)	11,263	6,136	1,605	845	(247)	8,339
Deferred tax assets	4,191	3,166	146	(67)	7,436	3,529	2,765	165	(69)	6,390
Other non-current receivables and assets	4,495	10,136	72,928	(71,085)	16,474	4,251	8,671	70,225	(68,334)	14,813
TOTAL NON-CURRENT ASSETS	**61,595**	**106,610**	**74,872**	**(71,400)**	**171,677**	**57,583**	**70,027**	**72,190**	**(68,650)**	**131,150**
Inventories	74,912	18,293		(303)	92,902	72,869	13,748		(126)	86,491
Current trade receivables	238,370	92,061	21,823	(39,547)	312,707	213,600	86,829	13,324	(35,697)	278,056
Current tax receivables	191	3,378	88		3,657	3,595	3,319	23		6,937
Other current receivables and assets	9,641	25,838	974	(39)	36,414	4,234	18,876	770	1,205	25,085
Cash and cash equivalents	190,561	41,134	6,475		238,170	158,635	59,674	8,270		226,579
TOTAL CURRENT ASSETS	**513,675**	**180,704**	**29,360**	**(39,889)**	**683,850**	**452,933**	**182,446**	**22,387**	**(34,618)**	**623,148**
Non-current assets held for sale										
TOTAL ASSETS	**575,270**	**287,314**	**104,232**	**(111,289)**	**855,527**	**510,516**	**252,473**	**94,577**	**(103,268)**	**754,298**
Share capital	40,000	3,800	37,126	(43,799)	37,127	40,000	3,800	37,126	(43,799)	37,127
Share premium reserve		4,051	33,144	(4,051)	33,144		4,051	33,144	(4,051)	33,144
Other reserves and Profits carried forward	147,458	11,482	16,566	(23,197)	152,309	131,125	6,371	16,165	(20,683)	132,978
TOTAL GROUP EQUITY	**187,458**	**19,333**	**86,836**	**(71,047)**	**222,580**	**171,125**	**14,222**	**86,435**	**(68,533)**	**203,249**
Equity attributable to non-controlling interests	1,717	12,284		(116)	13,885	717	9,493		153	10,363
TOTAL EQUITY	**189,175**	**31,617**	**86,836**	**(71,163)**	**236,465**	**171,842**	**23,715**	**86,435**	**(68,380)**	**213,612**
Non-current loans	69,295	50,585		(6,500)	113,380	82,863	60,914			143,777
Non-current financial liabilities for right of use	18,527	6,531	117		25,175					
Employee benefits	1,964	23,628	1,991		27,583	1,654	17,953	1,626		21,233
Non-current provisions	68	914			982	1,863	1,138			3,001
Deferred tax liabilities	2,776	13,424	(19)	(240)	15,941	2,560	9,335	57	(239)	11,713
TOTAL NON-CURRENT LIABILITIES	**92,630**	**95,082**	**2,089**	**(6,740)**	**183,061**	**88,940**	**89,340**	**1,683**	**(239)**	**179,724**
Current loans	56,691	36,263		(253)	92,701	50,683	32,114			82,797
Current financial liabilities for right of use	2,218	3,616	140		5,974					
Payables to suppliers	222,040	69,787	3,208	(32,845)	262,190	187,231	68,108	1,021	(34,541)	221,819
Current tax payables	1,362	3,006	4,797	10	9,175	960	2,800	2,292	9	6,061
Other current liabilities	11,154	47,943	7,162	(298)	65,961	10,860	36,396	3,146	(117)	50,285
TOTAL CURRENT LIABILITIES	**293,465**	**160,615**	**15,307**	**(33,386)**	**436,001**	**249,734**	**139,418**	**6,459**	**(34,649)**	**360,962**
TOTAL LIABILITIES	**386,095**	**255,697**	**17,396**	**(40,126)**	**619,062**	**338,674**	**228,758**	**8,142**	**(34,888)**	**540,686**
TOTAL EQUITY AND LIABILITIES	**575,270**	**287,314**	**104,232**	**(111,289)**	**855,527**	**510,516**	**252,473**	**94,577**	**(103,268)**	**754,298**

Group's revenues are generated in Italy with the exception of those generated by the German subsidiary PBU CAD-Systeme GmbH. The revenue item is detailed as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Sale of hardware, software and accessories	665,573	553,294
Software development and other services	45,248	49,167
Hardware and software assistance	43,886	32,966
Marketing activity	5,219	4,344
Other sales	5,034	3,999
Total	**764,960**	**643,770**

5 Other Income

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Transport activity	633	476
Capital gains on disposals	78	18
Commissions	701	558
Leases and hires	133	134
Training courses	34	36
Other income	3,663	3,216
Total	**5,242**	**4,438**

6 Consumables and Goods for resale

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Purchase of hardware	441,442	366,674
Purchase of software	172,760	147,174
Consumables and other purchases	1,038	1,175
Total	**615,240**	**515,023**

7 Costs for services and rent, leasing and similar costs

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Hardware and software technical assistance	23,266	19,832
Consultancy	13,999	11,282
Commissions and contributions due to agents	4,554	4,124
Leases and hires	2,433	6,493
Marketing	2,829	2,650
Transport	2,024	1,700
Insurance	1,169	850
Utilities	1,114	967
Logistics and warehousing	908	817
Support and training expenses	850	541
Maintenance	2,254	1,755
Other expenses for services	6,047	6,084
Total	**61,447**	**57,095**

8 Personnel costs

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Wages and salaries	35,582	30,362
Social security contributions	9,903	8,381
Contributions to pension funds	2,486	2,084
Reimbursements and other personnel costs	4,470	3,579
Total	**52,441**	**44,406**

Below is the average and actual number of the Group’s employees:

	Average number of employees at		Actual number of employees at	
(in units)	**31-Oct-19**	**31-Oct-18**	**31-Oct-19**	**31-Oct-18**
Executives	21	18	21	18
Middle managers	177	136	184	166
Office workers	1,779	1,464	1,849	1,572
Total	**1,977**	**1,618**	**2,054**	**1,756**

9 Other Operating costs

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Accruals to provision for bad debts	1,718	3,005
Charges and commissions for assignments of receivables without recourse	835	684
Taxes and duties	447	395
Capital losses on disposals	25	9
Losses not covered by provisions for bad debts	18	8
Provisions for risks and charges	148	219
Other operating costs	564	481
Total	**3,755**	**4,801**

10 Amortisation and depreciation

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2019**	**2018**
Intangible assets	3,053	2,059
Property, plant and equipment (included Right of use)	6,447	3,362
Write-down of intangible assets	53	
Total	**9,553**	**5,421**

Amortisation of intangible assets included Euro 1,998 thousand relating to the client lists and technological know-how items, resulting from the allocation of the difference in value between the cost for acquisitions of companies recently included in the scope of consolidation and the relative book value of equity.
The change in the depreciation of Property, plant and equipment, which rose from Euro 3.3 million at 31 October 2018 to Euro 6.5 million at 31 October 2019, was attributable for Euro 2.3 million to the Right of use amortisation, asset recorded from 1 May 2019 following the application of IFRS 16.

11 Financial income and charges

The item in question is detailed as follows:

(in thousands of euros)	Period ended 31 October 2019	2018
Interest expense on sales of receivables	(835)	(529)
Expenses and commissions for sales of receivables with recourse	(86)	(186)
Bank and loan interest expense	(191)	(149)
Other interest payable	(742)	(714)
Commissions and other financial expense	(890)	(600)
Financial charges for staff severance pay	(128)	(145)
Total financial expense	**(2,872)**	**(2,323)**
Interest income on other short-term receivables	361	341
Other financial income.	74	47
Bank interest income	11	30
Dividends from shareholdings	14	20
Total financial income	**460**	**438**
Total financial income and charges (a)	**(2,412)**	**(1,885)**
Losses on exchanges	(1,600)	(1,828)
Gains on exchanges	1,381	1,634
Total exchange gains and losses (b)	**(219)**	**(194)**
Net financial expense (a+b)	**(2,631)**	**(2,079)**

Financial items present a net negative balance of Euro 2,631 thousand at 31 October 2019 compared to net negative balance of Euro 2,079 thousand at 31 October 2018, mainly due to higher financial costs associated with the increase in the Group's turnover. The introduction of IFRS 16 from 1 May 2019 led to the recognition of interest expense for Euro 126 thousand. Exchange rate management (net balance of exchange gains and losses) at 31 October 2019 recorded a negative net balance of Euro 219 thousand, without significant changes compared to the negative net balance of Euro 194 thousand at 31 October 2018.

12 Income taxes

Income taxes at 31 October 2019 are equal to Euro 7,891 thousand and are based on the best estimate of taxes in accordance with the legislation in force.

(in thousands of euros)	Period ended 31 October 2019	2018
Current taxes	8,164	5,872
Deferred taxes	(273)	82
Total	**7,891**	**5,954**

13 Intangible assets

This item and the related change can be broken down as follows:

(in thousands of euros)	Client list	Technological know-how	Software and other intangible assets	Total
Balance at 30 April 2019	**15,063**	**32,830**	**6,108**	**54,001**
Of which:				
- historical cost	*21,791*	*36,166*	*14,602*	*72,559*
- accumulated depreciation	*(6,728)*	*(3,336)*	*(8,494)*	*(18,558)*
Change in the scope of consolidation	1,568	8,955	47	10,570
Investments	173	125	1,386	1,684
Amortisation	(883)	(1,122)	(1,048)	(3,053)
Decreases			(79)	(79)
Other changes				
Balance at 31 October 2019	**15,921**	**40,788**	**6,414**	**63,123**
Of which:				
- historical cost	*23,532*	*45,246*	*15,956*	*84,734*
- accumulated depreciation	*(7,611)*	*(4,458)*	*(9,542)*	*(21,611)*

The balance of intangible assets at 31 October 2019 consists largely of client lists and technological know-how items, arising from the acquisition of business branches and companies. The increase in client lists and technological know-how items, equal to Euro 10.5 million in the period, mainly refers to the purchase of the companies Gencom Srl, SSA Informatica Srl, Apra Computer System Srl and Citiemme Informatica Srl. The client lists and technological know-how items as well as software and other intangible assets are assets with finite useful life and are subject to regular amortisation.

14 Property, plant, equipment and Right of use

This item and the related change can be broken down as follows:

(in thousands of euros)	Land	Buildings	Office equipment	Leasehold Improvements	Other tangible assets	Right of use	Total
Balance at 30 April 2019	**8,698**	**24,329**	**14,613**	**3,308**	**6,823**		***57,771***
IFRS 16 Financial leasing balance at 1 May 2019	*7,400*	*22,107*	*211*		*382*	*30,100*	*-*
IFRS 16 application balance at 1 May 2019						*12,818*	
Balance at 1 May 2019	*1,298*	*2,222*	*14,402*	*3,308*	*6,441*	*42,918*	***70,589***
Of which:							
- historical cost	*1,298*	*3,029*	*32,070*	*7,383*	*13,776*	*47,297*	***104,853***
- accumulated depreciation		*(807)*	*(17,668)*	*(4,075)*	*(7,335)*	*(4,379)*	***(34,264)***
Change in the scope of consolidation			273		630	353	**1,256**
Investments	150	201	4,004	270	1,125	1,995	**7,745**
Decreases					(52)		**(52)**
Amortisation		(74)	(2,495)	(412)	(699)	(2,767)	**(6,447)**
Balance at 31 October 2019	**1,448**	**2,349**	**16,184**	**3,166**	**7,445**	**42,499**	**73,091**
Of which:							
- historical cost	*1,448*	*3,230*	*36,347*	*7,653*	*15,479*	*49,645*	*113,802*
- accumulated depreciation		*(881)*	*(20,163)*	*(4,487)*	*(8,034)*	*(7,146)*	*(40,711)*

The investments in property, plant and equipment made at 31 October 2019 mainly refer to office and electronic machines (servers and storage) necessary to the development of the offering of Cloud Computing and IT services.
The item "Right of use" includes the right to use office buildings and cars for the ordinary performance of professional activities. The application of the new standard IFRS 16 starting from 1 May 2019 led to the recognition of assets for Euro 12.9 million plus additional about Euro 30 million relating to real estate leasing contracts already recognized at 30 April 2019.

15 Investment Property

This item and the related change can be broken down as follows:

(in thousands of euros)	Land	Buildings	Total
Balance at 30 April 2019	**281**	**9**	**290**
Of which:			
- historical cost	*281*	*10*	***291***
- accumulated depreciation		*(1)*	***(1)***
Investments			
Decreases			
Amortisation			
Balance at 31 Octtober 2019	**281**	**9**	**290**
Of which:			
- historical cost	*281*	*10*	***291***
- accumulated depreciation		*(1)*	***(1)***

The item “Investment Property” includes the value of land and buildings held by the Group for investment purposes. In particular, two agricultural plots of land based in Villanova (Empoli) and an apartment for office use based in Rome, fully owned.

16 Other current and non-current receivables and assets

The item in question is detailed as follows:

(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
Non-current receivables from others	4,167	4,487
Non-current investments in other companies	11,543	14,115
Non-current securities	38	16
Non-current receivables from associated companies	40	
Other non-current tax receivables	686	612
Total other non-current receivables and assets	**16,474**	**19,230**
Current receivables from others	19,364	15,695
Other current tax receivables	1,607	7,400
Accrued income and prepaid expenses	15,273	16,969
Derivative assets		
Other current securities	120	688
Current receivables from non-consolidated group companies		
Current receivables from associated companies	50	
Total other current receivables and assets	**36,414**	**40,752**

17 Inventories

This item can be broken down as follows:

	At 31 October	At 30 April
(in thousands of euros)	**2019**	**2019**
Finished products and goods for resale	92,518	81,174
Work in progress and semi-finished products	384	870
Total	**92,902**	**82,044**

The increase in inventories compared to the year ended 30 April 2019 was due to the seasonality of the purchases and sales during the year. Finished products and goods for resale were recognised net of the provision for write-down for obsolescence, which showed in the period the following changes:

(in thousands of euros)	**Provision for obsolescence of finished products and goods for resale**
Balance at 30 April 2019	**1,731**
Net change	367
Balance at 31 October 2019	**2,098**

18 Current trade receivables

This item can be broken down as follows:

	At 31 October	At 30 April
(in thousands of euros)	**2019**	**2019**
Trade receivables	327,797	377,757
Provision for doubtful trade receivables	(16,725)	(15,353)
Trade receivables net of the provision for bad debts	**311,072**	**362,404**
Receivables from associates	1,635	1,910
Total current trade receivables	**312,707**	**364,314**

Trade receivables from customers are presented net of the balance relating to customers subject to insolvency proceedings.

The table below shows changes in the provision for bad debts:

(in thousands of euros)	**Provision for bad debts**
Balance at 30 April 2019	**15,353**
Accrual to provision	2,499
Use	(1,185)
Change in the scope of consolidation	58
Balance at 31 October 2019	**16,725**

19 Equity

Share Capital

At 31 October 2019 the Parent Company's share capital, fully subscribed and paid-up, amounted to Euro 37,127 thousand and was divided into 15,494,590 ordinary shares, all of which were no-par-value shares. There are no outstanding warrants or other shares than ordinary ones. On 24 September 2019 a dividend equal to Euro 0.63 per share was distributed as approved by the Shareholders' Meeting on 27 August 2019. The total profit distributed by the Parent Company Sesa SpA amounted to Euro 9,740 thousand, gross of treasury shares in portfolio.

20 Earnings per Share

The following table shows the calculation of basic and diluted earnings per share.

	Period ended 31 October	
(in Euro, unless otherwise specified)	**2019**	**2018**
Profit for the period – attributable to the Group in thousands of euros	**16,000**	**11,996**
Average number of ordinary shares (*)	15,433,806	15,456,905
Earnings per share - basic	**1.04**	**0.78**
Average number of ordinary shares (**)	15,494,590	15,494,590
Earnings per share - diluted	**1.03**	**0.77**

(*) Monthly weighted average of the outstanding shares, net of treasury shares in portfolio

(**) Monthly weighted average of the outstanding shares, net of treasury shares in portfolio, included the impact related to Stock Options/Grants Plans

21 Current and Non-current Loans

The table below provides a breakdown of this item at 31 October 2019 and 30 April 2019:

At 31 October 2019 *(in thousands of euros)*	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term loans	60,597	113,380		173,977
Short-term loans	29,573			29,573
Advances received from factoring companies	2,531			2,531
IFRS 16 debt (from 01.05.2019)	4,872	7,930		12,802
Financial lease liabilities	1,102	4,695	12,550	18,347
Total	**98,675**	**126,005**	**12,550**	**237,230**

At 30 April 2019 *(in thousands of euros)*	**Within 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Long-term loans	59,095	105,251		164,346
Short-term loans	22,571			22,571
Advances received from factoring companies	2,856			2,856
Financial lease liabilities	1,110	4,658	13,131	18,899
Total	**85,632**	**109,909**	**13,131**	**208,672**

The item "advances received from factoring companies" refers to advances granted by factoring companies against receivables from customers assigned in the period that did not meet the requirements for the derecognition of financial assets.

The table below summarises the main outstanding loans:

(in thousands of euros)						Outstanding debt at	
Funding entity	**Initial amount**	**Company**	**New loan**	**Expiry**	**Applied rate**	**31 October 2019**	*Of which current*
BNL BNP Paribas S.p.A.	25,000	Computer Gross S.p.A	Jul-19	Jul-24	Euribor 3m + 1.1%	23,750	5,000
Ubi - B.P.Comm.e Ind.	15,000	Computer Gross S.p.A	Jun-19	Jun-22	Euribor 3m + 1.15%	13,765	4,969
Ubi - B.P.Comm.e Ind.	20,000	Computer Gross S.p.A	Jun-18	Jun-21	Euribor 3m + 0.57%	11,709	6,676
BNL BNP Paribas S.p.A.	15,000	Var Group S.p.A.	Aug-18	Aug-22	Euribor 6m + 0.85%	11,250	3,750
Banca Popolare Emilia Romagna S.p.A.	10,000	Computer Gross S.p.A	Sep-19	Sep-23	Euribor 3m + 0.65%	10,000	2,476
Unicredit S.p.A.	10,000	Computer Gross S.p.A	May-19	May-22	Euribor 3m + 1.05%	9,167	3,333
Bpm - ex Crlucca	10,000	Computer Gross S.p.A	May-18	May-23	Euribor 3m + 0.8%	7,523	1,992
Unicredit S.p.A.	10,000	Var Group S.p.A.	Jul-18	Jul-23	Euribor 3m + 1.2%	7,500	2,000
Unicredit S.p.A.	10,000	Var Group S.p.A.	Dec-17	Dec-22	Euribor 3m + 1.1%	6,545	1,996
Ubi - B.P.Comm.e Ind.	10,000	Var Group S.p.A.	Jun-18	Jun-21	Euribor 3m + 0.58%	5,854	3,338

The table below summarises the main finance lease agreements in place:

Lending bank	**Company**	**New loan**	**Expiry**	**At 31 October 2019**	*Of which current*	**At 30 April 2019**	*Of which current*
Leasint SpA	Computer Gross SpA	May-18	May-30	4,159	322	4,318	*320*
Leasint SpA	Computer Gross SpA	Jan-17	May-30	7,246	408	7,446	*403*
Leasint SpA	Computer Gross SpA	Sep-13	May-30	507	23	518	*22*
Leasint SpA	Computer Gross SpA	Oct-10	May-30	6075	289	6,218	*287*
Leasint SpA	Computer Gross ISpA	Dec-08	Sep-25	360	60	399	*78*
Totale				**18,347**	**1,102**	**18,899**	**1,110**

The financial lease agreements in place signed by Computer Gross with Leasint SpA are related to the real estate complex in Empoli used as headquarters and warehouse.

At 31 October 2019 and 30 April 2019 the Group's financial debt was made up almost entirely of loans raised in euros. Below is a summary of the Group's Net Financial Position:

	(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
A.	Cash	76	42
B.	Cheques and bank and post office deposits	238,094	249,032
C.	Securities held for trading		
D.	**Liquidity (A) + (B) + (C)**	**238,170**	**249,074**
E.	**Current financial receivables**	**1,009**	**1,352**
F.	Current bank payables	32,104	25,427
G.	Current part of non-current debt	60,597	59,095
H.	Other current financial payables	5,974	1,110
I	**Current financial debt (F) + (G) + (H)**	**98,675**	**85,632**
J.	**Net current financial debt (I) + (E) + (D)**	**(140,504)**	**(164,794)**
K.	Non-current bank payables	113,380	105,251
L.	Bonds issued		

M.	Other non-current payables	25,175	17,789
N.	**Non-current financial debt (K) + (L) + (M)**	**138,555**	**123,040**
O.	**Net financial debt (J) + (N)**	**(1,949)**	**(41,754)**

The trend of Net Financial Position reflected mainly the seasonality of the business where working capital absorption is higher at 31 October than at 30 April of each financial year.

22 Employee Benefits

This item includes the provision for severance indemnities (TFR) for employees of Group companies in Italy.

Changes in this item can be detailed as follows:

(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
Opening balance	**24,332**	**20,495**
Service cost	1,164	1,741
Interest on bonds	128	309
Uses, advances and transfers	(450)	(698)
Actuarial loss/(gain)	967	1,606
Change in the scope of consolidation	1,442	879
Closing balance	**27,583**	**24,332**

The actuarial assumptions used to calculate pension plans with defined benefits are detailed in the following table:

(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
Economic assumptions		
Rate of inflation	1.00%	1.50%
Discount rate	0.56%	1.06%
TFR increase rate	2.25%	2.63%

23 Provisions for Risks and Charges

Changes in these items are detailed as follows:

(in thousands of euros)	**Provision for agents' pension plans**	**Other risk provisions**	**Total**
At 30 April 2019	**555**	**4,040**	**4,595**
Accruals to provisions	29	73	102
Uses	(59)	(3,692)	(3,751)
Change in the scope of consolidation	36		36
At 31 October 2019	**561**	**421**	**982**

The reduction in the item Other risks provisions is mainly attributable to the liquidation in May 2019 of Euro 3.48 million for the facilitated settlement, pursuant to article 6 of Decree Law 119/2018 of the VAT disputes of Computer Gross SpA relating to the sale of non-taxable goods pursuant to article 8, paragraph 2, of Presidential Decree 633/72, already in force as at 30 April 2019, for tax periods 2010, 2011 and 2012. The residual amount of Euro 421 thousand is aimed at covering the risks connected to legal and tax disputes at 31 October 2019.
As of the date of preparation of this report, there are no further significant fiscal claims.

24 Other Current Liabilities

This item can be broken down as follows:

(in thousands of euros)	**At 31 October 2019**	**At 30 April 2019**
Accrued expenses and deferred income	25,377	41,357
Tax debts	10,342	6,990
Payables to employees	15,234	14,453
Other payables	6,590	5,131
Payables to social security and welfare institutions	3,363	3,329
Advances from customers	5,010	4,636
Derivative liabilities	45	1
Total other current liabilities	**65,961**	**75,897**

25 Other Information

Contingent liabilities

We are not aware of the existence of further disputes or proceedings that are likely to have significant effects on the economic and financial position of the Group.

Commitments

At 31 October 2019 the Group did not undertake commitments that are not reflected in the Financial Statements.

26 Events after the period-end

As regards information related to the events subsequent to 31 October 2019, please refer to the interim report on operations.

Annexes

Balance Sheet drawn up in compliance with Consob resolution no. 15519 of 27 July 2006

	At 31 October	Of which with related parties	% impact
(in thousands of euros)	**2019**		
Intangible assets	63,123		
Right of use	42,499		
Property, plant and equipment	30,592		
Investment property	290		
Investments valued at equity	11,263		
Deferred tax assets	7,436		
Other non-current receivables and assets	16,474	-	
Total non-current assets	**171,677**		
Inventories	92,902	-	
Current trade receivables	312,707	1,223	0.4%
Current tax receivables	3,657	-	
Other current receivables and assets	36,414	69	0.2%
Cash and cash equivalents	238,170		
Total current assets	**683,850**		
Non-current assets held for sale			
Total assets	**855,527**	**1,292**	**0.2%**
Share capital	37,127		
Share premium reserve	33,144		
Other reserves	(7,980)		
Profits carried forward	160,289		
Total Group Equity	**222,580**		
Equity attributable to non-controlling interests	13,885		
Total Equity	**236,465**		
Non-current loans	113,380		
Non-current lease liabilities	25,175		
Employee benefits	27,583	**138**	0.5%
Non-current provisions	982		
Deferred tax liabilities	15,941		
Total non-current liabilities	**183,061**	**138**	**0.1%**
Current loans	92,701		
Current financial liabilities for right of use	5,974		
Payables to suppliers	262,190	1,487	0.6%
Current tax payables	9,175		
Other current liabilities	65,961	207	0.3%
Total current liabilities	**436,001**	**1,694**	**0.4%**
Total liabilities	**619,062**	**1,694**	**0.3%**
Total Equity and liabilities	**855,527**	**1,694**	**0.2%**

Income statement drawn up in compliance with Consob resolution no. 15519 of 27 July 2006

(in thousands of euros)	At 31 October 2019	Of which with related parties	% impact
Revenues	764,960	1,649	0.2%
Other income	5,242	23	0.4%
Consumables and goods for resale	(615,240)	(545)	0.1%
Costs for services and rent, leasing and similar costs	(61,447)	(4,636)	7.5%
Personnel costs	(52,441)	(399)	0.8%
Other operating costs	(3,755)		
Amortisation, depreciation and write-downs	(9,553)		
EBIT	**27,766**		
Profit from companies valued at equity	832		
Financial income	1,840		
Financial charges	(4,471)		
Profit before taxes	**25,967**		
Income taxes	(7,891)		
Profit for the period	**18,076**		
Of which:			
Net profit attributable to non-controlling interests	2,076		
Net profit attributable to the Group	16,000		

Revenues mainly refer to commercial transactions concluded at market conditions with associated companies operating in the IT market (Kolme Srl, Mediamente Consulting Srl, etc.). Similarly, the Costs for services and rent, leasing and similar costs with related parties are relative to supplies of IT services provided by Sesa Group’s associated companies (Innorg Srl, Var IT Srl, Var & Enginfo, etc.).

List of Subsidiary and operating Associated Companies

Subsidiary Companies

Owned by	Company	Registered Office	Share capital in Euro	Ownership percentage at 31-Oct-19	Ownership percentage at 30-Apr-19
ADIACENT SRL	AFB NET SRL	Ponte San Giovanni (PG)	15,790	62.0%	62.0%
ADIACENT SRL	ALISEI SRL	Empoli (FI)	10,000	60.4%	n.a.
VAR GROUP SPA	APRA SPA	Jesi (AN)	150,000	75.0%	75.0%
APRA SPA	APRA COMPUTER SYSTEM SRL	Pesaro (PS)	98,200	55.0%	n.a.
VAR GROUP SPA	CITIEMME INFORMATICA SRL	Bergamo (BG)	99,000	51.0%	n.a.
COMPUTER GROSS Spa	CHANNEL COACH SRL	Empoli (FI)	50,000	90.0%	n.a.
SESA SPA	CHANNEL COACH SRL	Empoli (FI)	50,000	n.a.	100.0%
VAR GROUP SPA	VAR BMS SPA	Milano (MI)	1,562,500	84.3%	84.3%
TECH VALUE SRL	CCSTEAM SRL	Roncade (TV)	50,000	Merger in Tech Value srl	100.0%
APRA SPA	CENTRO 3 CAD SRL	Jesi (AN)	10,000	80.0%	80.0%
LEONET4CLOUD SRL	CLOUD FORCE SRL	Empoli (FI)	10,000	75.0%	n.a.
VAR GROUP SPA	CLOUD FORCE SRL	Empoli (FI)	10,000	n.a.	80.0%
COMPUTER GROSS SPA	COMPUTER GROSS ACCADIS SRL	Roma (RM)	100,000	51.0%	51.0%
SESA SPA	COMPUTER GROSS SPA	Empoli (FI)	40,000,000	100.0%	100.0%
COMPUTER GROSS SPA	COMPUTER GROSS NESSOS SRL	Empoli (FI)	52,000	60.0%	60.0%
VAR GROUP SRL	VAR GROUP NORD OVEST SRL	Genova (GE)	10,000	100.0%	100.0%
VAR GROUP SPA	COSESA SRL	Empoli (FI)	15,000	100.0%	100.0%
VAR GROUP SPA	DELTA PHI SIGLA SRL	Empoli (FI)	99,000	100.0%	100.0%
APRA SPA	EVOTRE SRL	Jesi (AN)	210,000	56.0%	56.0%
YARIX SRL	GENCOM SRL	Forlì (FO)	82,000	60.0%	n.a.
VAR GROUP SPA	GLOBO INFORMATICA SRL	Druento (TO)	10,200	57.5%	57.5%
COMPUTER GROSS SPA	ICOS SPA	Ferrara (FE)	500,000	81.0%	51.0%
COMPUTER GROSS SPA	ICT LOGISTICA SRL	Empoli (FI)	775,500	66.7%	66.7%
VAR GROUP SPA				33.3%	33.3%
SESA SPA	IDEA POINT SRL	Empoli (FI)	10,000	100.0%	100.0%
VAR GROUP SPA	KLEIS SRL	TORINO (TO)	10,400	51.0%	n.a.
MY SMART SERVICES SRL	VAR SERVICE SRL	Empoli (FI)	66,263	57.4%	57.4%
M.F. SERVICES SRL				2.8%	2.8%
COMPUTER GROSS SPA	COLLABORATION VALUE SRL	Empoli (FI)	104,000	58.0%	58.0%
COMPUTER GROSS SPA	ITF SRL	Empoli (FI)	100,000	n.a.	100.0%
VAR GROUP SPA	LEONET4CLOUD SRL	Empoli (FI)	60,000	100.0%	100.0%
MY SMART SERVICES SRL	M.F. SERVICES SRL	Campagnola Emilia (RE)	118,000	70.0%	70.0%
VAR GROUP SPA	MY SMART SERVICES SRL	Empoli (FI)	20,000	100.0%	100.0%
SIRIO INFORMATICA E SISTEMI SPA	PANTHERA SRL	Empoli (FI)	300,000	80.4%	80.4%
VAR GROUP SPA				9.6%	9.6%
TECH VALUE SRL	PBU CAD-SYSTEME GmbgH	Aichach	26100	60.0%	60.0%
YARIX SRL	PRIVATAMENTE SRL	Empoli (FI)	12,500	51.0%	51.0%
VAR GROUP SPA				9.0%	9.0%

M.F. SERVICES SRL	QUASAR SERVICES SRL	San Donà di Piave (VE)	50,000	Merger in M.F. Services Srl	100.0%
LEONET4CLOUD SRL	VAR EVOLUTION SRL	Empoli (FI)	66,667	31.8%	n.a.
ADIACENT SRL				31.8%	n.a.
VAR INDUSTRIES SRL				31.8%	n.a.
VAR GROUP SPA	VAR EVOLUTION SRL	Empoli (FI)	10,000	n.a.	70.0%
SESA SPA	ADIACENT SRL	Empoli (FI)	19,600	35.5%	n.a.
VAR GROUP SPA				53.1%	n.a.
APRA SPA				7.4%	n.a.
VAR GROUP SPA	ADIACENT SRL	Empoli (FI)	12,640	n.a.	82.3%
APRA SPA				n.a.	11.5%
VAR GROUP SPA	SAILING SRL	Reggio Emilia (RE)	10,000	75.0%	75.0%
VAR ONE SRL	SSA INFORMATICA SRL	Pordenone (PN)	30,000	100.0%	n.a.
VAR ONE SRL	SYNERGY SRL	Carpi (MO)	10,400	100.0%	85.0%
VAR GROUP SPA	SIRIO INFORMATICA E SISTEMI SPA	Milano (MI)	1,020,000	51.0%	51.0%
VAR SERVICE SRL	SIRIO NORD SRL	Roma (RM)	10,400	51.1%	n.a.
TECH VALUE SRL	TECH IN NOVA SRL	Roncade (TV)	12,000	100.0%	100.0%
TECH VALUE IBERICA SRL	TECH VALUE DELS PIRINEUS S.L.	Andorra la Vella (AND)	3,000	100.0%	100.0%
VAR GROUP SPA	TECH VALUE SRL	Milano (MI)	308,504	51.0%	51.0%
TECH VALUE SRL	TECH VALUE IBERICA SRL	Milano (MI)	50,000	100.0%	100.0%
VAR GROUP SPA	VAR COM SRL	Empoli (FI)	27,094	n.a.	56.5%
VAR GROUP SPA	VAR CONSULTING SRL	Empoli (FI)	10,000	100.0%	97.5%
VAR GROUP SRL	VAR ALDEBRA SRL	Empoli	234,325	55.4%	55.4%
TECH VALUE SRL	VAR ENGINEERING SRL	Empoli (FI)	160,000	93.1%	93.1%
AFB NET SRL	VAR GROUP CENTRO SRL	Roma (RM)	40,000	n.a.	27.5%
VAR GROUP SRL				97.5%	70.0%
SESA SPA	VAR GROUP SPA	Empoli (FI)	3,800,000	100.0%	100.0%
VAR GROUP SPA	VAR GROUP SRL	Empoli (FI)	100,000	100.0%	100.0%
LEONET4CLOUD SRL	VAR ITT SRL	Empoli (FI)	392,272	85.0%	50.0%
VAR GROUP SPA				15.0%	15.0%
VAR BMS SPA	VAR ONE SRL	Empoli (FI)	251,464	64.9%	65.7%
VAR GROUP SPA	VAR PRIME SRL	Empoli (FI)	136,402	51.8%	51.8%
AFB NET SRL	VAR INDUSTRIES SRL	Milano (MI)	214,286	5.0%	n.a.
APRA SPA				2.5%	n.a.
SAILING SRL				2.5%	n.a.
SIRIO INFORMATICA E SISTEMI SPA				45.0%	n.a.
VAR ENGINEERING SRL				10.0%	n.a.
VAR GROUP SPA				21.0%	n.a.
SIRIO INFORMATICA E SISTEMI SPA	VAR INDUSTRIES SRL	Milano (MI)	165,000	n.a.	54.6%
LEONET4CLOUD SRL	VAR SYSTEM SRL	Empoli (FI)	40,000	50.0%	n.a.
VAR GROUP NORD OVEST SRL				50.0%	n.a.
VAR GROUP SPA	YARIX SRL	Montebelluna (TV)	30,000	51.0%	51.0%

Associated Companies

Owned by	Company	Registered Office	Share capital in Euro	Ownership percentage at	
				31-Oct-19	30-Apr-19
COMPUTER GROSS SPA	ATTIVA SPA	Brendola (VI)	4,680,000	21.9%	21.9%
VAR BMS SPA	B.I.T. SRL	Milano (MI)	100,000	25.0%	25.0%
SESA SPA	C.G.N. SRL	Milano (MI)	100,000	47.5%	47.5%
VAR GROUP SPA	NEBULA SRL	Empoli (FI)	22,000	n.a.	50.0%
LEONET4CLOUD SRL	NEBULA SRL	Empoli (FI)	22,000	50.0%	n.a.
COMPUTER NESSOS SRL	COLLABORA SRL	Vinci (FI)	15,000	29.0%	29.0%
VAR GROUP SPA	DOTDIGITAL SRL	Empoli (FI)	50,000	50.0%	50.0%
APRA SPA	EVIN SRL	Ascoli Piceno (AP)	30,000	20.0%	20.0%
ADIACENT SRL	G.G. SERVICES SRL	Pontedera (PI)	10,200	33.3%	33.3%
VAR GROUP SPA	GVWAY SRL	Paderno Dugnano (MI)	150,000	30.0%	30.0%
VAR INDUSTRIES SRL	INN-3D SRL	Empoli (FI)	10,500	28.6%	n.a.
VAR BMS SPA	INNORG SRL	Torino (TO)	12,000	50.0%	50.0%
VAR BMS SPA	ISO SISTEMI SRL	Genova (GE)	63,000	25.0%	n.a.
VAR PRIME SRL	J.D.I. SRL	Udine (UD)	10,000	20.0%	n.a.
VAR GROUP SPA	KLEIS SRL	Torino (TO)	10,400	n.a.	40.0%
COMPUTER GROSS SPA	KOLME SRL	Milano (MI)	150,000	33.3%	20.0%
VAR GROUP SPA	M.K. ITALIA SRL	Empoli (FI)	100,000	45.0%	45.0%
VAR GROUP SPA	MEDIAMENTE CONSULTING SRL	Empoli (FI)	10,000	20.0%	20.0%
VAR GROUP SPA	NOA SOLUTION SRL	Cagliari (CA)	118,000	24.0%	24.0%
APRA SPA	POLYMATIC SRL	San Giovanni Teatino (CH)	50,000	20.0%	20.0%
LEONET4CLOUD SRL	S.A. CONSULTING SRL	Milano (MI)	10,000	30.0%	30.0%
VAR GROUP SPA	SESA PROGETTI SRL	Cascina (PI	10,400	25.0%	25.0%
VAR SERVCE SRL	SIRIO NORD SRL	Roma (RM)	10,400	n.a.	37.4%
PANTHERA SRL	SOFTHARE	Tunisi	250,000 TND	49.0%	49.0%
APRA SPA	SO WINE SRL	Verona (VR)	10,000	35.0%	35.0%
VAR GROUP SRL	STUDIO 81 DATA SYSTEM SRL	Roma (RM)	18,504	50.0%	50.0%
VAR GROUP SRL	VAR & ENGINFO SRL	Empoli (FI)	70,000	30.0%	30.0%
VAR GROUP SRL	VAR IT SRL	Parma (PR)	50,000	22.0%	22.0%
SIRIO INFORMATICA E SISTEMI SPA	WEBGATE ITALIA SRL	Milano (MI)	40,000	30.0%	30.0%
APRA SPA	WINLAKE ITALIA SRL	Novi Ligure (AL)	10,200	33.3%	33.3%
VAR GROUP SPA	XAUTOMATA TECHNOLOGY GMBH	Klagenfurt	40,000	50.0%	50.0%
VAR GROUP SPA	ZERO12 SRL	Cittadella (PD)	10,000	20.0%	n.a.

Attestation of the Half-Year Condensed Consolidated Financial Statements pursuant to art. 154-bis of Italian Legislative Decree no. 58/98

Attestation of the Half-Year Condensed Consolidated Financial Statements pursuant to art. 154-bis of Italian Legislative Decree no. 58/98

1. The undersigned Paolo Castellacci, in his capacity as Chairman of the Board, and Alessandro Fabbroni, in his capacity as Executive responsible for the drawing up of the financial reports of Sesa SpA, taking into account that envisaged by article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998, hereby certify:

   - the adequacy in relation to the characteristics of the business, and

   - the effective application of the administrative and accounting procedures for the preparation of the Half-Year Condensed Consolidated Financial Statements at 31 October 2019

2. The assessment of the adequacy of the administrative and accounting procedures for the formation of the Half-Year Condensed Consolidated Financial Statements at 31 October 2019 was carried out in compliance with the Internal Control model - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission that represents a framework of reference generally accepted at international level.

3. It is also certified that:

   3.1 The Half-Year Condensed Consolidated Financial Statements:

   a) are drawn up in compliance with the applicable international accounting standards recognised by the European Community, pursuant to EC regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;

   b) correspond to the company accounts, books and records;

   c) offer a true and fair representation of the financial position, results of operations and cash flows of the issuer and of the groups of companies included within the scope of consolidation.

   3.2 The Interim Report on Operations includes a reliable analysis of the significant events in the first six months of the current fiscal year and the impact of such events on the Company's Half-Year Condensed Consolidated Financial Statements, together with a description of the main risks and uncertainties for the second half of the year. The Interim Report on Operations also includes a reliable analysis of information on significant transactions with related parties.

Empoli, 19 December 2019

Paolo Castellacci
The Chairman of the Board of Directors

Alessandro Fabbroni
CEO
Financial Reporting Manager

Independent Auditors' Report

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Sesa SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Sesa SpA and its subsidiaries (the Sesa Group) as of 31 October 2019, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related explanatory notes. The Directors of Sesa SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution no. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

PricewaterhouseCoopers SpA

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Sesa Group as of 31 October 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 19 December 2019

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers