

Interim Report

31 July

2019

Sesa SpA, Registered Office: via Piovola, 138 – 50053 Empoli
(Florence) - Share Capital: Euro 37,126,927; Tax Code,
Registration Number in the Florence Business Register and VAT
number 07116910964

The logo for Sesa s.p.a. features the word "Sesa" in a stylized, blue, sans-serif font. The letter "S" is particularly large and has a unique, curved shape. To the right of "Sesa", the letters "s.p.a" are written in a smaller, standard sans-serif font.

Contents

Governing and supervisory bodies of Sesa SpA	2
Highlights of Group results	3
Main Financial Indicators	4
Structure of the Sesa Group at 31 July 2019	5
Foreword	6
Accounting policies and standards	6
Significant events in the period	7
Operating conditions and business development	9
Performance of operations	14
<i>General economic trend</i>	14
<i>Development of demand and performance of the sector in which the Group operates</i>	15
<i>Main income statement data of the Sesa Group</i>	16
<i>Main balance sheet data of the Group</i>	19
<i>Main income statement data of the VAD sector</i>	21
<i>Main income statement data of the SSI sector</i>	22
<i>Main income statement data of the Corporate sector</i>	23
Segment Reporting	24
Relations with related parties and Group's companies	26
Significant events after the period-end	26
Outlook on operations	26
Annexes	27
Attestation pursuant to article 154 of "Consolidated Law on Finance"	32

Governing and supervisory bodies of Sesa SpA

Board of Directors Expiry

Paolo Castellacci	Chairman	approval of financial statements 30 April 2021
Giovanni Moriani	Executive Deputy Chairnan	approval of financial statements 30 April 2021
Moreno Gaini	Executive Deputy Chairnan	approval of financial statements 30 April 2021
Alessandro Fabbroni	Managing Director	approval of financial statements 30 April 2021
Angela Oggioni	Independent Director	approval of financial statements 30 April 2021
Claudio Berretti*	Non-executive Director	approval of financial statements 30 April 2020
Maria Chiara Mosca	Independent Director	approval of financial statements 30 April 2021
Angelica Pelizzari	Non-executive Director	approval of financial statements 30 April 2021

To the Chairman, Paolo Castellacci, were granted all powers of ord. management for the strategic management of relations with Vendors and suppliers, power to represent the company legally and institutional relations.

To the CEO, Alessandro Fabbroni, were granted all the powers of ordinary management related to the management of the corporate functions of administration, finance, control, investor relations, legal, corporate duties, extraordinary finance organisation, IT, management of human resources, carrying out banking transactions and the management of equity investments in Corporate & Services segment.

* Non-executive Director appointed by co-option during the Board of Directors held on 27 August 2019 in place of the resigned non-executive Director Eng. Gola, in charge until the next Shareholders' Meeting

Corporate Governance Bodies Expiry

Strategic Committee

Paolo Castellacci (Chairman), members Alessandro Fabbroni, Giovanni Moriani, Angelica Pelizzari, Claudio Berretti approval of financial statements 30 April 2021

Control and Risk Committee and Related parties Committee

Maria Chiara Mosca (Chairman), members Claudio Berretti, Angela Oggioni approval of financial statements 30 April 2021

Director in charge of internal control Alessandro Fabbroni approval of financial statements 30 April 2021

Remuneration Committee

Angela Oggioni (Chairman), members Claudio Berretti, Maria Chiara Mosca approval of financial statements 30 April 2021

Board of Statutory Auditors Expiry

Cerati Giuseppe	Chairman	approval of financial statements 30 April 2021
Luca Parenti	Standing auditor	approval of financial statements 30 April 2021
Chiara Pieragnoli	Standing auditor	approval of financial statements 30 April 2021
Fabrizio Berti	Alternate auditor	approval of financial statements 30 April 2021
Paola Carrara	Alternate auditor	approval of financial statements 30 April 2021

Supervisory Board pursuant to Law 231/2011 Expiry

Luca Parenti	Chairman	approval of financial statements 30 April 2021
Cerati Giuseppe	Member	approval of financial statements 30 April 2021
Chiara Pieragnoli	Member	approval of financial statements 30 April 2021

Michele Ferri, Internal Audit Manager

Independent Auditors Expiry

Independent Auditors in charge of statutory audit of accounts	PricewaterhouseCoopers SpA	approval of financial statements 30 April 2022
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Francesco Billi, Controller and Manager of administrative processes

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

Conxi Palmero, Investor Relation Manager

Highlights of Group results

Consolidated income statement data at 31 July of each year (3 months)

(in thousand of Euros)	2019 ¹	2018	2017	2016	2015
Revenues	437,751	347,715	314,685	293,199	279,265
EBITDA (Earnings before amortisation and depreciation, other provisions, financial charges and taxes)	21,771	15,685	13,114	12,392	11,391
EBIT	15,928	11,666	10,185	8,748	8,317
EBT	14,816	10,566	9,114	7,998	7,177
Profit (loss) for the period	10,214	7,235	6,008	5,219	4,638
Profit (loss) for the period attributable to the Group	9,122	6,422	5,501	4,882	4,497

Consolidated balance-sheet data at 31 July of each year

(in thousand of Euros)	2019 ¹	2018	2017	2016	2015
Total Net Invested Capital	238,964	218,224	211,319	197,326	188,378
Total equity	240,402	217,143	204,738	184,667	165,415
- attributable to the Group	226,963	207,206	196,416	177,160	160,399
- attributable to non-controlling interests	13,439	9,937	8,322	7,507	5,016
Net Financial Position (Net Liquidity)	(1,438)	1,081	6,581	12,659	22,963
Total Equity and Net Financial Position	238,964	218,224	211,319	197,326	188,378

Consolidated profitability ratio at 31 July each year (3 months)

	2019 ¹	2018	2017	2016	2015
EBITDA / Total Revenues and Other Income	4.95%	4.49%	4.17%	4.23%	4.08%
Net profit attributable to the Group / Total Revenues and Other Income	2.07%	1.85%	1.75%	1.67%	1.61%

Personnel, actual number at the period end (1)

(units or thousand of Euros)	2019	2018	2017	2016	2015
Number of employees at period-end	1,974	1,754	1,476	1,262	1,101
Average number of employees	1,736	1,698	1,451	1,182	1,030

(1) Including fixed-term contracts, excluding internships. Employees with permanent contracts equal to 98%

¹ Sesa Group adopted the new standard IFRS 16 starting from 1 May 2019, without any restatement in the comparative data

Main Financial Indicators

Financial indicators

Sesa	2019	2018	2017	2016	2015
(euro)					
Trading stock Market	MTA - Star	MTA - Star	MTA - Star	MTA - Star	MTA
Stock price (31 July of each year)	35.65	30.20	24.65	14.50	15.54
Annual dividend per share (1) (*)	0.63	0.60	0.56	0.48	0.45
Dividend paid (Euro million) (2)	9.762	9.297	8.677	7.513	7.043
Pay Out Ratio (3)	33.3%	34.6%	34.6%	31.4%	32.3%
Outstanding shares (in million at 31 July of each year)	15.49	15.49	15.49	15.65	15.65
Market capitalisation (Euro million at 31 July of each year)	552.4	467.9	381.9	226.9	143.2
Market to Book Value (**)	2.3	2.2	1.9	1.2	1.5
Dividend Yield (on Stock price at 31 July) (***)	1.8%	2.0%	2.3%	3.3%	2.9%
Sesa Group	2019	2018	2017	2016	2015
(euro)					
Earnings per share (base) (****)	1.90	1.74	1.62	1.55	1.40
Earnings per share (diluted) (*****)	1.89	1.73	1.62	1.54	1.39

(1) For the year 2019 calculated on the basis of the dividend resolution approved by the Shareholders' Meeting of 27 August 2019

(2) Dividend gross of treasury shares

(3) Dividend gross of treasury shares/Consolidated Net Profit attributable to the Group

(*) Dividends paid in the following year related to the profit accruing at 30 April each year

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

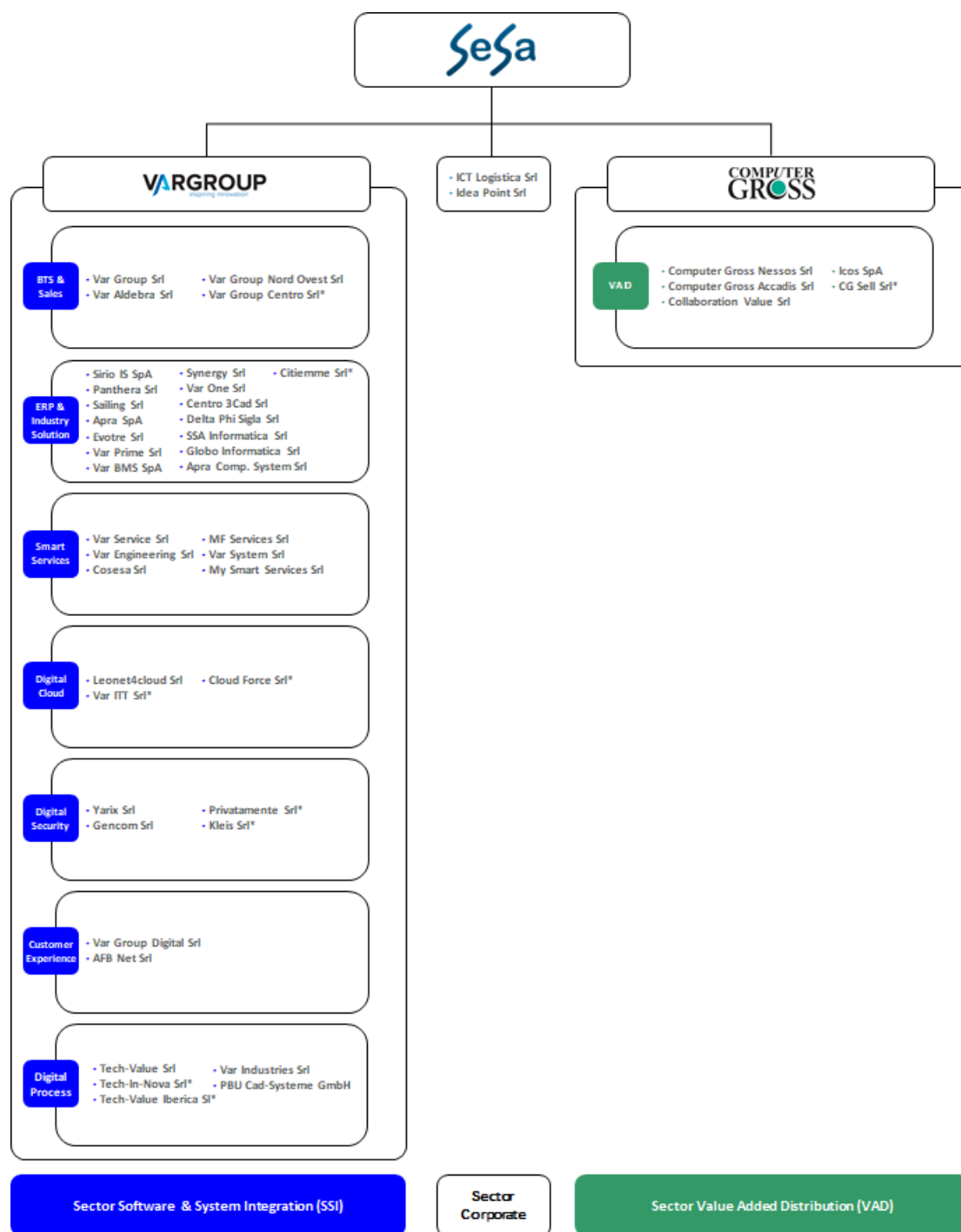
(***) Dividend per share/market value per share as of 31 July of every Fiscal Year

(****) 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, if any.

Structure of the Sesa Group at 31 July 2019

The Sesa Group is organised into three divisions. The VAD sector (value-added IT distribution), managed through the subsidiary Computer Gross Italia 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 in the SME and Enterprise segment, and the Corporate sector which, through the parent company Sesa SpA, manages the Group's corporate functions and financial and operational platform on behalf of all Group companies.



* Subsidiaries valued at cost

With reference to the changes in the scope of consolidation recorded in the 3-month period ended on 31 July 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 from July 2019. Compared to the structure of the Group at 31 July 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.

For further details about the scope of consolidation and subsidiaries and associated companies please refer to the annexes to Financial Statements at 30 April 2019.

Foreword

The information included in this Interim Report and the comments reported therein are intended to provide an overview of the patrimonial, financial and economic position of Sesa Group (hereinafter the "Group"), the relative changes that occurred during the period, as well as the significant events that have occurred affecting the result of the period.

The Interim Report at 31 July 2019 is referred to the first three months and represents the first quarterly report prepared by the parent Sesa SpA for the fiscal year ended at 30 April 2020.

For a better evaluation of the economic-financial trend of the Group, in this Report are presented the Reclassified Balance Sheet and Income Statement for the period ended at 31 July 2019 and for the corresponding period of the previous year, jointly to some alternative performance indicators.

This Interim Report of the Group at 31 July 2019 has not been audited.

Accounting policies and standards

The Interim Report of Sesa Group at 31 July 2019 (hereinafter the "Interim Report") has been prepared pursuant to art.154-bis, paragraph 5 of Legislative Decree no. 58/1998 and the provisions of Consob. The interim Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and in force at the time of approval of this Interim Report. Consolidated income statement and statements of financial position at 31 July 2019 are set out in the attached annexes.

Accounting policies and standards adopted in the preparation of the Interim Report at 31 July 2019 are consistent with those adopted in the preparation of the Consolidated Financial Statements of the Group for the year ended at 30 April 2019, taking into account those specifically applicable to interim reports, with the exception of IFRS 16 adopted starting from 1 May 2019. It should be noted that Sesa Group adopted the new standard IFRS 16 prospectively from 1 May 2019 without restatement of the comparative data; therefore the significant effects on the main economic and financial indicators are reported. The Interim Report at 31 July 2019 includes the Interim Report of Sesa SpA, as well as Interim Reports of the subsidiaries at 31 July 2019. These Interim Reports have been adjusted, where due, to ensure compliance with IFRS.

Some estimates and assumptions have been made that affect the amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim report. They have been applied consistently to the periods and the comparative periods showed in this document. In addition to the financial measures envisaged by the IFRS, other measures deriving from the latter are also illustrated in the interim report, 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 in the period

In the first quarter of the year ending 30 April 2020, the Sesa Group recorded a strong improvement in the main economic and financial ratios, with Revenues and Other Income up by 25.9% and operating profitability (Ebitda) rising 38.8%, achieving a growth trend well above the long-term track record and the reference market. The growth in revenues and operating profitability of the Sesa Group was generated by both of the Group's main sectors of activity, thanks to the success of the development strategy in the value-added IT business areas, supporting the demand for digital transformation of customers, supported by 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 Italia SpA, has pursued a strategy of focusing on the business areas with the greatest added value and of expanding its portfolio of solutions offered to customers with the highest innovative content. **The VAD sector strengthened its leadership in the Italian market for the distribution of value-added IT solutions, recording a 27% increase in turnover, a 36% increase in Ebitda and a 50% increase in net profit after taxes in the first quarter of the fiscal year.** The quarterly results of the VAD sector show, in addition to the strong growth in revenues and customer portfolio, enriched by the search for new Business Partners in emerging market segments, a significant acceleration in profitability, benefiting from operating leverage and confirming the favourable trend already achieved in the previous year ended 30 April 2019.

The Software and System Integration (SSI) segment, which offers Digital Transformation services and solutions for the SME and Enterprise segments, confirms its revenue growth trend (revenues CAGR 2017-19: +11%) and profitability growth trend (Ebitda CAGR 2017-19: +31%) recorded in the last three years, thanks to the development strategy in the IT business 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.

The growth in revenues and the Ebitda, 15.6% and 38.9% respectively, was achieved, among other things, in the Digital Security, Digital Process and ERP & Industry Solutions Business Units, areas with operating margins above the Group average and on which the greatest investments in human capital have been concentrated over the last three years. The companies recently included in the scope of consolidation following acquisitions, including PBU CAD-Systeme GmbH (active in the IT services and PLM solutions sector 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 sector on the Zucchetti platform, consolidated since May 2019) and SSA Informatica Srl (active in the SAP Business One services sector, consolidated since June 2019), contributed approximately 60% to the growth of the sector's revenues (8% of the growth of the Group's revenues) and 45% of the sector's operating profitability in the period (approximately 15% of the Group's operating profitability).

During the quarter under review, important strategic actions to strengthen the market share were completed, investing in skills, know-how and innovative technologies to support customers. These actions included:

- the signing, through the subsidiary Yarix Srl, of a binding agreement for the **acquisition 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 anticipated for 60% of Gencom Srl is Euro 4.975 million, about 50% of which paid at the time of the final sales agreement, and the remaining 50% payable in two equal annual instalments, with mechanisms for aligning interest and 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 & Sales, ERP & Industry Solution, Smart Service, Digital Process, Digital Cloud, Digital Service, Customer Experience) consistent with the evolution of the demand for digital transformation of customers. Internal reorganisation has led, among other things, to the establishment of Var System Srl, operating in the IT system services sector, and the grouping together of services and skills in the Digital Manufacturing area in the Digital Process Business Unit;
- the acquisition through Var One Srl of 100% of SSA Informatica Srl, a company operating in the SAP Business One services sector in the North East of Italy (ERP & Industry Solutions 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 of 25 September 2019.

During this meeting, the Board of Directors adopted, among other things, the following resolutions:

- approval of the Remuneration Report pursuant to art. 123-ter of Legislative Decree 58/1998 and the Report on Corporate Governance and Ownership Structures pursuant to Article 123-bis of Legislative Decree 58/1998;
- proposal to the Shareholders' Meeting to authorise the purchase (within the limits of Euro 2.5 million and 10% of the share capital) and the disposal of ordinary treasury shares.

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

Sesa Group is a reference operator in Italy in offering of value-added IT services and solutions and partner of the leading international software, hardware and digital innovation vendors for the business segment. Sesa Group is able to offer a wide range of IT solutions in addition to the integration and specialised consultancy services in support of their own clients.

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, particularly 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 provided by Idea Point Srl respectively;
- 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 Italia 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 Italia 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 Italia 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 Cloud computing sector in support of the ICT channel.

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 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 Financial Solutions and A.I. & 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, 55% 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, operates in the telecommunications and cloud computing services, infrastructure services and system support sectors, with a portfolio of products and services to meet business and professional 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 conferment 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 Enterprise and public administration markets. The company has a centre for the development of innovative security systems in Tel Aviv.

Gecom 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 in 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.

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 in the scope of consolidation since June 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.

Evotre Srl

The Company, 56% owned by Apra SpA, is a skills centre for Zucchetti applications in support of SMEs in Central Italy. It's entered in the scope of consolidation since 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 120 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 & Virtual 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**Var Group Digital Srl**

The Company, 82% controlled by Var Group SpA and 12% by Apra SpA, supplies IT solutions to corporate customers, with reference to the digital transformation area (web marketing, e-commerce and digital solutions) for the Enterprise and Finance segments.

AFB Net Srl

The Company, 62% owned by Var Group Digital 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 Italia 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 Italia 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 Italia SpA, with about 300 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 Italia 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 Italia 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 Italia 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 Italia SpA, it markets Hitachi Data Systems solutions on behalf of Computer Gross Italia SpA.

Performance of operations

General economic trend

The world economy continues its development trend with an expected growth of about 3.5% in GDP in 2019-2020 (+3.2% in 2019 and +3.5% in 2020) compared to 2017-2018 (+3.8% in 2017 and +3.6% in 2018). Future global growth, which is characterised by a lack of homogeneity between advanced countries and emerging economies, shows potential weaknesses such as US-China trade tensions (source: IMF - WEO, July 2019).

In the Eurozone, after a 2017-2018 two-year period with an average growth rate of over 2.0%, a slowdown in development (+1.3%) is expected in 2019, due to a drop in consumer and operator confidence, impacted by the policies on international trade, the decline in the German market and the weakness of the Italian economy. A slight increase in GDP is expected in 2020 (+1.6%) compared to 2019 (source: IMF - WEO, July 2019).

After the +0.9% recorded in 2018, a slowdown in the Italian economy is expected in 2019-2020 (+0.1% in 2019 + 0.8% in 2020) as a result of the slowdown in foreign demand and the deceleration of consumption (source: IMF - WEO, July 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, July 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%	+3.2%	+3.5%
Advanced Economies	+2.1%	+1.7%	+2.3%	+2.2%	+1.9%	+1.7%
Emerging Market	+4.0%	+4.3%	+4.8%	+4.5%	+4.1%	+4.7%
USA	+2.6%	+1.5%	+2.3%	+2.9%	+2.6%	+1.9%
Japan	+0.5%	+1.0%	+1.7%	+0.8%	+0.9%	+0.4%
China	+6.9%	+6.7%	+6.9%	+6.6%	+6.2%	+6.0%
Great Britain	+2.2%	+1.8%	+1.8%	+1.4%	+1.3%	+1.4%
Euro Zone	+2.0%	+1.8%	+2.3%	+1.9%	+1.3%	+1.6%
Italy	+0.8%	+0.9%	+1.5%	+0.9%	+0.1%	+0.8%

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

Since 2015, the IT market in Italy has reversed its trend, showing growing growth rates higher than Italy's Gross Domestic Product. 2018 closed with a further strengthening of growth (+2.3%), with a 2.6% forecast for market development in 2019, due to the country's digitalisation process and the need for Italian companies to invest in digital transformation (source: Sirmi, July 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 account for over one third of the IT market in 2020, with growth of 7.6% in 2019 and 8.1% in 2020 (source: Sirmi, July 2019).

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

Italian IT market (Euro millions)	2015	2016	2017	2018	2019E	2020E	Ch. 16/15	Ch. 17/16	Ch. 18/17	Ch. 19/18	Ch. 20/19
Hardware	5,886	6,006	6,044	6,025	5,996	5,971	2.0%	0.6%	-0.3%	-0.5%	-0.4%
Software	3,857	3,848	3,833	3,845	3,861	3,869	-0.2%	-0.4%	0.3%	0.4%	0.2%
Project Services	3,475	3,423	3,436	3,500	3,558	3,608	-1.5%	0.4%	1.9%	1.7%	1.4%
Management Services	4,970	5,193	5,504	5,900	6,350	6,867	4.5%	6.0%	7.2%	7.6%	8.1%
Total IT Market	18,188	18,470	18,817	19,270	19,766	20,315	1.6%	1.9%	2.4%	2.6%	2.8%
O/w Cloud Computing	1,128	1,510	1,862	2,296	2,800	3,397	23.0%	23.3%	23.3%	22.0%	21.3%
<i>% Cloud on total IT</i>	6.2%	8.2%	9.9%	11.9%	14.2%	16.7%					

The IT distribution segment, where the Group operates through its main subsidiary Computer Gross Italia SpA (VAD Sector), closed 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. In 2019 the distribution market is expected to grow by about 6%, driven by the value areas of the IT market and enterprise software (Source: Sirmi, July 2019).

The 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 demand for technological innovation was driven by the evolution of the digital market and the more innovative ICT services: AI/Cognitive, CyberSecurity, Analytics, Big Data, Blockchain, IoT, Cloud Computing, A.I. which show two-figure increases. In 2019, the System Integrator segment envisages constant growth compared to the previous two years (Source: Sirmi, July 2019).

Main income statement data of the Sesa Group

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

The income statement at 31 July 2019 reflects the application of the standard IFRS 16 adopted starting from 1 May 2019 without any restatement in the comparative data at 31 July 2018.

Reclassified Income statement	31/07/2019 (3 months)	%	31/07/2018 (3 months)	%	Ch. 2019/18
Revenues	437,751		347,715		25.9%
Other income	2,399		1,927		24.5%
Total Revenues and Other Income	440,150	100.0%	349,642	100.0%	25.9%
Purchase of goods	(357,316)	81.2%	(279,880)	80.0%	27.7%
Costs for services and rent, leasing and similar costs	(33,253)	7.6%	(29,959)	8.6%	11.0%
Personnel costs	(26,941)	6.1%	(23,454)	6.7%	14.9%
Other operating costs	(869)	0.2%	(664)	0.2%	30.9%
Total Purchase of goods and Operating Costs	418,379	95.1%	(333,957)	95.5%	25.3%
Ebitda	21,771	4.95%	15,685	4.49%	38.8%
Depreciation/Amortisation of tangible and intangible assets (software)	(3,612)		(2,147)		68.2%
Amortisation of client lists and technological know-how	(989)		(774)		27.8%
Accruals to provision for bad debts and risks and other non-monetary costs	(1,242)		(1,098)		13.1%
Ebit	15,928	3.62%	11,666	3.34%	36.5%
Profit from companies valued at equity	353		108		226.9%
Net financial income and charges	(1,465)		(1,208)		21.3%
Ebt	14,816	3.37%	10,566	3.02%	40.2%
Income taxes	(4,602)		(3,331)		38.2%
Net profit	10,214	2.32%	7,235	2.07%	41.2%
<i>Net profit attributable to minority interests</i>	<i>9,122</i>		<i>6,422</i>		<i>42.0%</i>
<i>Net profit attributable to the Group</i>	<i>1,092</i>		<i>813</i>		<i>34.3%</i>
Ebitda excluded IFRS 16 effects	20,735	4.71%	15,685	4.49%	32.2%
Net profit excluded IFRS 16 effects	10,232	2.32%	7,235	2.07%	41.4%
Adjusted* Ebit	16,917	3.84%	12,440	3.56%	36.0%
Adjusted* Ebt	15,805	3.59%	11,340	3.24%	39.4%
Adjusted* Net profit	10,918	2.48%	7,786	2.23%	40.2%
<i>Adjusted* Net profit attributable to the Group</i>	<i>9,826</i>		<i>6,973</i>		<i>40.9%</i>

The period under review recorded a strong acceleration of growth in revenues (+25.9%) and profitability (+38.8%) 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 grew by Euro 90.5 million (+25.9%), from Euro 349.7 million at 31 July 2018 to Euro 440.2 million at 31 July 2019, thanks to the contribution of the Group's main business sectors.

The VAD sector further strengthened its leadership in the Italian distribution market of value-added IT solutions, recording in the first quarter of the fiscal year a 27% growth in turnover, a 36% growth in Ebitda and over 50% growth in Net profit. The quarterly results of the VAD sector showed, in addition to the strong growth in revenues and in customer portfolio, enriched by new Business Partners belonging to emerging market segments, a significant acceleration in profitability, benefiting from the operating leverage and confirming the favourable trend already achieved in the previous year ended on 30 April 2019.

The Software and System Integration (SSI) sector confirmed the growth trend in revenues (CAGR Revenues 2017-19: +11%) and profitability (Ebitda CAGR 2017-19: +31%) recorded in the last 3 years, thanks to the strategy of development

* 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

in the most innovative IT areas (ERP & Industry Solutions, Digital Cloud, Digital Security and Digital Process), supported by corporate acquisitions and investments in human capital development.

The quarterly growth in revenues and Ebitda, respectively 15.6% and 38.9%, was achieved also in the Digital Security, Digital Process and ERP & Industry Solutions Business Units, areas with higher profitability than the Group average one and on which great investments in human capital have been carried out over the last three years. The companies recently included in the scope of consolidation following acquisitions, such as PBU CAD-Systeme GmbH (active in the IT services and PLM solutions for “engineering” intensive customers, consolidated since February 2019), Gencom Srl (active in networking and collaboration sectors for Digital Security projects, consolidated since May 2019), Evotre Srl (active in the services sector on Zucchetti platform, consolidated since May 2019) and SSA Informatica Srl (active in the SAP Business One services sector, consolidated since June 2019) contributed for about 45% to the growth in profitability of the SSI sector (approximately 15% of the Group profitability).

(in thousands of euros)	Period ended 31 July				
	2019	%	2018	%	Change
Total Revenues and Other Income	440,150	100,0%	349,642	100.0%	25.9%
Consolidated Gross Margin	82,834	18,8%	69,763	20.0%	18.7%
Costs for services and leased assets	(33,253)	7,6%	(29,959)	8.6%	11.0%
Personnel costs	(26,941)	6,1%	(23,454)	6.7%	14.9%
Other operating charges	(869)	0,2%	(664)	0.2%	30.9%
Total Operating Costs	(61,063)	13,9%	(54,077)	15.5%	12.9%

In the period the consolidated Gross Margin up by 18.7% (18.8% of Revenues and Other Income), from Euro 69,763 thousand at 31 July 2018 to Euro 82,834 thousand at 31 July 2019, while the operating costs, also thanks to the higher use of the operating leverage, increased by 12.9%, from Euro 54,077 thousand at 31 July 2018 (15.5% of Revenues and Other Income) to Euro 61,063 thousand at 31 July 2019 (13.9% of Revenues and Other Income).

Therefore, it should be noted a significant growth in Ebitda (+38.8%), from Euro 15,685 thousand (4.49% of Revenues and Other Income) to Euro 21,771 thousand (4.95% of Revenues and Other Income), with an improvement in the Ebitda margin of 46 basis points. The growth in the Ebitda margin was generated in both Group's main business segments (VAD sector, which rose from 3.33% at 31 July 2018 to 3.57% at 31 July 2019 and the SSI sector, which rose from Euro 7.13% at 31 July 2018 to 8.57% at 31 July 2019).

The growth in the consolidated Ebitda achieved in the first quarter was essentially organic with a contribution of the external leverage of around 15%, deriving from companies belonging exclusively to the SSI sector.

The application of the new standard IFRS 16 from 1 May 2019 determined a positive effect due to write off of lease cost for Euro 1,036 thousand at 31 July 2019; the growth of Ebitda excluding the effects of IFRS 16 is equal to 32.2%.

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

(in units)	Average number of employees at 31 July		Actual number of employees at 31 July		Actual number of employees at 30 April 2019
	2019	2018	2019	2018	
Executives	19	18	21	18	20
Middle managers	172	134	173	145	170
Office workers	1,745	1,546	1,780	1,591	1,710
Total	1,736	1,698	1,974	1,754	1,900

Personnel costs rose from Euro 23,454 thousand at 31 July 2018 to Euro 26,941 thousand at 31 July 2019, with a 14.9% growth resulting from the increase in the average Group's workforce following the recruitment of new resources (approximately 100 resources) and the changes in the scope of consolidation (about 110 resources); total Group's human resources rose from 1,754 at 31 July 2018 to 1,974 at 31 July 2019. The incidence of the personnel costs on Revenues and Other Income decreased from 6.7% at 31 July 2018 to 6.1% at 31 July 2019.

The consolidated Ebit equal to Euro 15,928 thousand (Ebit margin 3.62%) recorded a 36.5% growth compared to Euro 11,666 thousand (Ebit margin 3.34%) at 31 July 2018 after amortisation equal to Euro 4,601 thousand (+57.5%) and provisions and other non-monetary costs for Euro 1,242 thousand (+13.1%). The increase in amortisation of Euro 1,680 thousand is attributable to two main effects: Euro 1,006 thousand due to the recognition of higher amortisation following the application of IFRS 16 from 1 May 2019 and for Euro 215 thousand to higher amortisation of the client lists and technological know-how. The increase in provisions and other non-monetary for bad debts and risks coverage

together with the figurative costs recorded in application of IFRS 2. The consolidated Adjusted Ebit (gross of the amortisation of client lists and technological know-how recorded as a result of PPA process, equal to Euro 1,242 thousand at 31 July 2019) grew by 36.0%, rising from Euro 12,440 thousand at 31 July 2018 (Adjusted Ebit margin 3.56%) to Euro 16,917 thousand (Adjusted Ebit margin 3.84%) at 31 July 2019.

The consolidated Ebt at 31 July 2019 amounted to Euro 14,816 thousand, up by 40.2% compared to Euro 10,566 thousand in the first quarter of 2018, after a negative financial management balance of Euro 1,289 thousand, compared to net financial charges equal to Euro 1,166 thousand at 31 July 2018, and a negative foreign exchange management of Euro 176 thousand, compared to a negative balance of Euro 42 thousand at 31 July 2018.

The item Financial income and charges can be broken down as follows:

<i>(in thousand of euros)</i>	Period ended at 31 July	
	2019	2018
Interest expense for assignments of receivables	(401)	(272)
Charges and commissions for assignments of receivables with recourse	(81)	(276)
Interest expense on bank accounts and loans	(91)	(64)
Other interest expense	(367)	(320)
Commissions and other financial charges	(486)	(281)
Financial charges relating to staff severance pay (TFR)	(63)	(70)
Total financial charges	(1,489)	(1,283)
Interest income on other short-term receivables	166	85
Other financial income	17	17
Interest income on bank deposits	5	13
Dividends from equity investments	12	2
Total financial income	200	117
Net financial charges (a)	(1,289)	(1,166)
Foreign exchange losses	(751)	(795)
Foreign exchange gains	575	753
Total foreign exchange management (b)	(176)	(42)
Net financial management (a+b)	(1,465)	(1,208)

The consolidated Net profit amounted to Euro 10,232 thousand (EAT margin 2.32%) at 31 July 2019, with a strong growth (+41.2%) compared to Euro 7,235 thousand (EAT margin 2.07%) at 31 July 2018. The Adjusted Net profit (excluding amortisation of the client lists and know-how) rose from Euro 7,786 thousand at 31 July 2018 to Euro 10,918 thousand at 31 July 2019 (+40.2% YTD).

The consolidated Net profit after non-controlling interests (Net profit attributable to the Group) at 31 July 2019 is equal to Euro 9,122 thousand, up by 42.0% compared to Euro 6,422 thousand at 31 July 2018. 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 July 2019 is equal to Euro 9,826 thousand compared to Euro 6,973 thousand at 31 July 2018 (+40.9% YTD). The application of the standard IFRS 16 starting from 1 May 2019 did not have significant effects on the Net profit for the period.

Main balance sheet data of the Group

The reclassified consolidated balance sheet at 31 July 2019 is shown below (in thousand of euros). The comparative figures relating to the period ended 30 April 2019 are shown together with the figures of the period ended 31 July 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. The balance sheet at 31 July 2019 reflects the application of the standard IFRS 16 adopted starting from 1 May 2019 without any restatement in the comparative data at 31 July 2018.

Reclassified Balance Sheet	31/07/2019	31/07/2018	30/04/2019
Intangible assets	76,263	43,727	54,001
Property, plant and equipment	59,779	56,089	57,771
Investments valued at equity	10,338	8,506	10,030
Other non-current receivables and deferred tax assets	25,056	17,424	27,354
Total non-current assets	171,436	125,746	149,156
Inventories	96,073	83,466	82,044
Current trade receivables	408,299	327,212	364,314
Other current assets	66,005	32,993	43,451
Current operating assets	570,377	443,671	489,809
Payables to suppliers	349,533	251,977	326,009
Other current payables	110,760	63,507	79,964
Short-term operating liabilities	460,293	315,484	405,973
Net working capital	110,084	128,187	83,836
Non-current provisions and other tax liabilities	17,084	14,131	17,792
Employee benefits	25,472	21,578	24,332
Non-current liabilities	42,556	35,709	42,124
Net Invested Capital	238,964	218,224	190,868
Equity attributable to the Group	226,963	207,206	219,285
Equity attributable to non-controlling interests	13,439	9,937	13,337
Medium-Term Net Financial Position	144,743	138,548	123,040
Short-Term Net Financial Position	(146,181)	(137,467)	(164,794)
Total Net Financial Position (Net Liquidity)	(1,438)	1,081	(41,754)
Equity and Net Financial Position	238,964	218,224	190,868

The Balance Sheet at 31 July 2019 showed a growth in Net Invested Capital, which rose from Euro 218,224 thousand to Euro 238,964 thousand, essentially due to:

- increase in Total non-current assets, equal to Euro 171,436 thousand at 31 July 2019 compared to Euro 125,746 thousand at 31 July 2018, essentially generated by investments in corporate acquisitions and the application of the standard IFRS 16 starting from 1 May 2019 for Euro 12,561 thousand;
- improvement in Net working capital, which decreased to Euro 110,850 thousand (NWC/Revenues 6.7%) at 31 July 2019 from Euro 128,187 thousand (NWC/Revenues equal to 9.2%) at 31 July 2018.

Regarding financing sources it should be noted:

- an improvement in the Net Financial Position, equal to a positive balance (net liquidity) of Euro 1,438 thousand at 31 July 2019, compared to a negative balance (net financial debt) of Euro 1,081 thousand at 31 July 2018 thanks to the cash flow from operating management net of the above-mentioned investments in non-current assets and the distribution of dividends for around Euro 9.3 million in September 2018;
- the increase in consolidated Equity which reached a total of Euro 240,402 thousand at 31 July 2019 compared to Euro 217,143 thousand at 31 July 2018 thanks mainly to the profit generated in net of the dividend for Euro 9.3 million distributed in September 2018 by the parent company Sesa SpA.

Non-current assets at 31 July 2019 amounted to Euro 171,436 thousand, with an increase of Euro 45,690 thousand compared to 31 July 2018, essentially generated by investments carried out in the period supporting the growth and in particular by:

- increase in intangible assets from Euro 43,727 thousand at 31 July 2018 to Euro 76,263 thousand at 31 July 2019, following (i) the recognition of intangible assets (client lists and know-how), following the Purchase Price Allocation (PPA) process relating to the acquisitions of the companies PBU CAD-Systeme GmbH, Evotre Srl and Gencom Srl, (ii) the application starting from 1 May 2019 of the standard IFRS 16 for Euro 12,561 thousand and (iii) the investments in software supporting the business;

- increase in Property, plant and equipment from Euro 56,089 thousand at 31 July 2018 to Euro 59,779 thousand at 31 July 2019, following the Group's investments in solutions as a service offered to customers, including cloud computing;
- Increase in the item Other non-current receivables and deferred tax assets from Euro 17,424 thousand at 31 July 2018 to Euro 25,056 thousand at 31 July 2019, following, among other things, the investment of Euro 4 million in a 6% stake of the company Digital Value Holding SpA, owner of approximately 67% of the capital of Digital Value SpA.

Details of the Group's Net Financial Position at 31 July 2019 are shown below (with figures in thousand of euros). Together with the comparative figures for the year ended 30 April 2019, are also included those relating to the period ended 31 July 2018 in order to provide a better analysis of the trend of the Net Financial Position considering the seasonality of the business that usually characterised the sales and consequently the financial management during the year.

The Net Financial Position at 31 July 2019 reflected the adoption of the standard IFRS 16 applied starting from 1 May 2019, without restatement of the comparative data.

Net financial position	31/07/2019	31/07/2018	30/04/2019
Liquidity	253,672	(229,056)	(249,074)
Current financial receivables	1,670	(3,322)	(1,352)
Current financial debt	109,161	94,911	85,632
Short-term net financial position	(146,181)	(137,467)	(164,794)
Non-current financial debt	144,743	138,548	123,040
Non-current Net financial position	144,743	138,548	123,040
Net financial position	(1,438)	1,081	(41,754)
Net financial position excluded IFRS 16 effects	(13,909)	1,081	(41,754)

The consolidated Net Financial Position is positive for Euro 1,438 thousand at 31 July 2019, with an improvement of Euro 2,519 thousand compared to a negative balance of Euro 1,081 at 31 July 2018, thanks to the cash flow generated by operative management, net of investments carried out in last 12 months in corporate acquisitions and technological infrastructures for over Euro 30 million, dividends distributed in September 2018 for around Euro 9.3 million and the recognition starting from 1 May 2019 of financial liabilities for Euro 12.6 million in application of the standard IFRS 16. Excluding the effect of the adoption of IFRS 16, the Net Financial Position at 31 July 2019 recorded an improvement of Euro 14,990 thousand, from a negative balance of Euro 1,081 thousand to a net liquidity of Euro 13,909 thousand. The change in the Net Financial Position at 31 July 2019 compared to 30 April 2019, which showed a net liquidity equal to Euro 41,754 thousand, mainly reflects the seasonality of the business, characterized by a greater absorption of net working capital at 31 July compared to 30 April of each year.

Main income statement data of the VAD sector

Below is shown the reclassified income statement of the VAD sector (Euro thousand) as of 31 July 2019, compared with the previous period ended 31 July 2018. The income statement at 31 July 2019 reflects the application of the standard IFRS 16 adopted starting from 1 May 2019 without any restatement in the comparative data at 31 July 2018.

VAD sector <i>(in thousand of euros)</i>	2019	31 July %	2018	%	Change
Revenues from third parties	344,654		267,026		29.1%
Inter segment revenues	20,934		20,496		2.1%
Revenues	365,588		287,522		27.2%
Other income	1,253		1,295		-3.2%
Total Revenues and Other Income	366,841	100.0%	288,817	100.0%	27.0%
Purchase of goods	(340,697)	-92.9%	(267,933)	-92.8%	27.2%
Gross Margin	26,144	7.1%	20,884	7.2%	25.2%
Costs for services and rent, leasing and similar costs	(8,145)	-2.2%	(6,964)	-2.4%	17.0%
Personnel costs	(4,260)	-1.2%	(3,970)	-1.4%	7.3%
Other operating costs	(647)	-0.2%	(322)	-0.1%	100.9%
Ebitda	13,092	3.6%	9,628	3.3%	36.0%
Amortisation, depreciation and and other non-monetary costs	(1,645)		(1,615)		1.9%
Ebit	11,447	3.1%	8,013	2.8%	42.9%
Profit from companies valued at equity	204		64		218.8%
Net financial income and charges	(957)		(931)		2.8%
Profit before taxes	10,694	2.9%	7,146	2.5%	49.7%
Income taxes	(3,072)		(2,091)		46.9%
Profit for the period	7,622	2.1%	5,055	1.8%	50.8%
Net profit attributable to minority interests	36		7		414.3%
Net profit attributable to the Group	7,586		5,048		50.3%
Ebitda <small>excluded IFRS 16 effects</small>	12,824	3.5%	9,628	3.3%	33.2%
Net profit <small>excluded IFRS 16 effects</small>	7,618	2.1%	5,055	1.8%	50.7%

The VAD sector further strengthened its leadership in the Italian distribution market of value-added IT solutions, recording in the first quarter of the fiscal year a 27% growth in turnover, a 36% growth in Ebitda and over 50% growth in Net profit. The quarterly results of the VAD sector showed, in addition to the strong growth in revenues and in customer portfolio, enriched by new Business Partners belonging to emerging market segments, a significant acceleration in profitability, benefiting from the operating leverage and confirming the favourable trend already achieved in the previous year ended on 30 April 2019.

Total Revenues and Other Income, equal to Euro 366,841 thousand at 31 July 2019, grew by 27.0% compared to 31 July 2018.

The Gross Margin² grew by 25.2%, from Euro 20,884 thousand (7.2% of Revenues and Other Income) at 31 July 2018 to Euro 26,144 thousand (7.1% of Revenues and Other Income) at 31 July 2019 generated from the development in turnover.

The Ebitda in the period is equal to Euro 13,092 thousand (Ebitda margin 3.6%), up by 36.0% compared to Euro 9,628 thousand (Ebitda margin 3.3%) at 31 July 2018, achieved thanks to the development of the Gross Margin and the lower incidence of operating costs favoured by the strong growth in revenues.

The Net profit for the period amounted to Euro 7,622 thousand, with an increase of 50.8% compared to Euro 5,055 thousand at 31 July 2018, generated by the positive evolution of operating profitability, the greater contribution of the companies valued at equity and the lower incidence of net financial charges on Total Revenues and Other Income.

² Gross Margin determined as difference between the items Total Revenues and Other income and Purchase of goods

Main income statement data of the SSI sector

Below is shown the reclassified income statement of the SSI sector (Euro thousand) as of 31 July 2019, compared with the previous period ended 31 July 2018. The income statement at 31 July 2019 reflects the application of the standard IFRS 16 adopted starting from 1 May 2019 without any restatement in the comparative data at 31 July 2018.

SSI sector <i>(in thousand of euros)</i>	31 July		31 July		Change
	2019	%	2018	%	
Revenues from third parties	92,655		80,363		15.3%
Inter segment revenues	713		762		-6.4%
Revenues	93,368		81,125		15.1%
Other income	1,658		1,102		50.5%
Total Revenues and Other Income	95,026	100.0%	82,227	100.0%	15.6%
Purchase of goods	(35,800)	-37.7%	(30,811)	-37.5%	16.2%
Costs for services and rent, leasing and similar costs	(29,975)	-31.5%	(27,281)	-33.2%	9.9%
Personnel costs	(20,920)	-22.0%	(17,964)	-21.8%	16.5%
Other operating costs	(189)	-0.2%	(308)	-0.4%	-38.6%
Ebitda	8,142	8.6%	5,863	7.1%	38.9%
Amortisation, depreciation and other non-monetary costs	(3,848)		(2,357)		63.3%
Ebit	4,294	4.5%	3,506	4.3%	22.5%
Profit from companies valued at equity	149		64		132.8%
Net financial income and charges	(510)		(283)		80.2%
Profit before taxes	3,933		3,287		19.7%
Income taxes	(1,349)		(1,173)		15.0%
Profit for the period	2,584	2.7%	2,114	2.6%	22.2%
Net profit attributable to minority interests	1,056		806		31.0%
Net profit attributable to the Group	1,528		1,309		16.7%
Ebitda <small>excluded IFRS 16 effects</small>	7,410	7.8%	5,863	7.1%	26.4%
Net profit <small>excluded IFRS 16 effects</small>	2,571	2.7%	2,114	2.6%	21.6%

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 years, thanks to the development strategy in the business areas with the highest innovative content of the IT market (ERP & Industry Solutions, Digital Cloud, Digital Security and Digital Process), supported by corporate acquisitions and investments in human capital development.

The turnover and the Ebitda in the quarter up by 15.6% and 38.9% respectively, with a growth in the Ebitda margin which rose from 7.1% at 31 July 2018 to 8.6% at 31 July 2019 (+150 basis points), supported in particular by the growing incidence of revenues in the ERP & Industry Solutions, Digital Security, Digital Cloud and Digital Process areas.

The growth in turnover and profitability benefited for about 45% of corporate acquisitions carried out in the last months including PBU CAD-Systeme GmbH, Evotre Srl and Gencom Srl.

The Net profit of the sector for the period is equal to Euro 2,584 thousand and showed an increase of 22.2% deriving from the positive evolution of operating profitability, net of higher amortisation and provisions, which rose from Euro 2,357 thousand at 31 July 2018 to Euro 3,848 thousand at 31 July 2019. The growth in amortisation reflected higher investments in technology and the recent corporate acquisitions, as well as the effects of the application of IFRS 16 adopted from 1 May 2019.

Main income statement data of the Corporate sector

Below is shown the reclassified income statement of the Corporate sector (Euro thousand) as of 31 July 2019, compared with the previous period ended 31 July 2018. The income statement at 31 July 2019 reflects the application of the standard IFRS 16 adopted starting from 1 May 2019 without any restatement in the comparative data at 31 July 2018.

Corporate sector <i>(in thousand of euros)</i>	31 July				
	2019	%	2018	%	Change
Revenues from third parties	442		324		36.4%
Inter segment revenues	3,872		2,914		32.9%
Revenues	4,314		3,238		33.2%
Other income	518		599		-13.5%
Total Revenues and Other Income	4,832	100.0%	3,837	100.0%	25.9%
Purchase of goods	(66)	-1.4%	(55)	-1.4%	20.0%
Costs for services and rent, leasing and similar costs	(2,420)	-50.1%	(2,019)	-52.6%	19.9%
Personnel costs	(1,761)	-36.4%	(1,520)	-39.6%	15.9%
Other operating costs	(48)	-1.0%	(49)	-1.3%	-2.0%
Ebitda	537	11.1%	194	5.1%	176.8%
Amortisation, depreciation and and other non-monetary costs	(350)		(47)		644.7%
Ebit	187	3.9%	147	3.8%	27.2%
Profit from companies valued at equity	-		(20)		ns
Net financial income and charges	2		6		-66.7%
Profit before taxes	189	4.9%	133	3.7%	-42.1%
Income taxes	(181)		(67)		170.1%
Profit for the period	8	0.2%	66	1.7%	-87.9%
Net profit attributable to minority interests	-		-		ns
Net profit attributable to the Group	8		65		-87.7%
Ebitda <small>excluded IFRS 16 effects</small>	502	10.4%	194	5.1%	158.8%
Net profit <small>excluded IFRS 16 effects</small>	7	0.1%	66	1.7%	-89.4%

The economic results of the Corporate sector showed a 33.2% growth in revenues due to the development of professional services provided by the parent company Sesa SpA, following the increase in the scope of the Group companies for which Sesa SpA provides its services.

The Ebit in the period equal to Euro 187 thousand increased by 27.2% compared to Euro 147 thousand at 31 July 2018 after the recognition of amortisation, provisions and other non-monetary costs which include the figurative costs charged for Stock Grant towards Executive Directors.

After the financial management and taxes, the Net profit of the sector for the period is equal to Euro 8 thousand.

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 segment reporting for the period ended at 31 July 2019 and 31 July 2018 is broken down as follows:

	Period ended at 31 July 2019					Period ended at 31 July 2018				
	Value Added Distribution	Software and System Integration	Corporate	Eliminations		Value Added Distribution	Software and System Integration	Corporate	Eliminations	
<i>(in thousand of euros)</i>										
Revenues from third parties	344,654	92,655	442		437,751	267,026	80,363	324		347,713
Inter segment revenues	20,934	713	3,872		25,519	20,496	762	2,914		24,172
Revenues	365,588	93,368	4,314	(25,519)	437,751	287,522	81,125	3,238	(24,170)	347,715
Other income	1,253	1,658	518	(1,030)	2,399	1,295	1,102	599	(1,069)	1,927
Total Revenues and Other Income	366,841	95,026	4,832	(26,549)	440,150	288,817	82,227	3,837	(25,239)	349,642
Purchase of goods	(340,697)	(35,800)	(66)	19,247	(357,316)	(267,933)	(30,811)	(55)	18,919	(279,880)
Costs for services and rent, leasing and similar costs	(8,145)	(29,975)	(2,420)	7,287	(33,253)	(6,964)	(27,281)	(2,019)	6,305	(29,959)
Personnel costs	(4,260)	(20,920)	(1,761)		(26,941)	(3,970)	(17,964)	(1,520)		(23,454)
Other operating costs	(647)	(189)	(48)	15	(869)	(322)	(308)	(49)	15	(664)
Ebitda	13,092	8,142	537	-	21,771	9,628	5,863	194	-	15,685
Amortisation, depreciation and write-downs	(1,645)	(3,848)	(350)	-	(5,843)	(1,615)	(2,357)	(47)	-	(4,019)
Ebit	11,447	4,294	187	-	15,928	8,013	3,506	147	-	11,666
Profit from companies valued at equity	204	149	-	-	353	64	64	(20)	-	108
Net financial income and charges	(957)	(510)	2	-	(1,465)	(931)	(283)	6	-	(1,208)
Profit before taxes	10,694	3,933	189	-	14,816	7,146	3,287	133	-	10,566
Income taxes	(3,072)	(1,349)	(181)	-	(4,602)	(2,091)	(1,173)	(67)	-	(3,331)
Profit for the period	7,622	2,584	8	-	10,214	5,055	2,114	66	-	7,235
Net profit attributable to minority interests	36	1,056	-		1,092	7	806	-	-	813
Net profit attributable to the Group	7,586	1,528	8		9,122	5,048	1,309	65	-	6,422

Relations with related parties and Group's companies

Economic relations between Group's companies are carried out at market prices and are eliminated in the consolidation process. The operations carried out by Group's companies with related parties were entered into at arm's length and on conditions that were to the parties' reciprocal financial benefit, pursuant IAS 24.

No significant related party transactions are reported in the period.

Significant events after the period-end

There are no further significant events occurring after the end of the period at 31 July 2019.

Outlook on operations

In a phase of favourable evolution of the demand for digital transformation, the Group continues its management by evolving its offer of IT services and solutions, supporting customers in their technological innovation path.

The first quarter recorded strong growth in Group's results, higher than the reference market and the long-term track record, benefiting from the success of investments in human capital and technological innovation. To the growth contributed the corporate acquisitions carried out during the last three years in strategic development areas.

Considering the positive trend in the first quarter as at 31 July 2019, the Group confirms a favourable outlook for the fiscal year ending on 30 April 2020 with growth in revenues and profitability higher than the long-term track record.

The Group will continue to operate by pursuing long-term sustainable growth and investment policies, in favour of all stakeholders.

The Chairman
Paolo Castellacci

Annexes

Consolidated Income Statement

<i>(in thousand of euros)</i>	Period ended 31 July	
	2019	2018
Revenues	437,751	347,715
Other income	2,399	1,927
Consumables and goods for resale	(357,316)	(279,880)
Costs for services and rent, leasing and similar costs	(33,508)	(29,959)
Personnel costs	(26,941)	(23,454)
Other operating costs	(1,856)	(1,762)
Amortisation and depreciation	(4,601)	(2,921)
EBIT	15,928	11,666
Profit from companies valued at equity	353	108
Financial income	775	870
Financial charges	(2,240)	(2,078)
Profit before taxes	14,816	10,566
Income taxes	(4,602)	(3,331)
Profit for the period	10,214	7,235
<i>of which:</i>		
Net profit attributable to minority interests	1,092	813
Net profit attributable to the Group	9,122	6,422

Consolidated Statement of Financial Position

<i>(in thousand of euros)</i>	At 31 July 2019	At 31 July 2019
Intangible assets	76,263	54,001
Property, plant and equipment	59,779	57,771
Investment property	279	290
Equity investments valued at equity	10,338	10,030
Deferred tax assets	6,742	7,834
Other non-current receivables and assets	18,035	19,230
Total non-current assets	171,436	149,156
Inventories	96,073	82,044
Current trade receivables	409,065	364,314
Current tax receivables	3,817	4,051
Other current receivables and assets	63,092	40,752
Cash and cash equivalents	253,672	249,074
Total current assets	825,719	740,235
Non-current assets held for sale		
Total assets	997,155	889,391
Share capital	37,127	37,127
Share premium reserve	33,144	33,144
Other reserves	(7,075)	(5,639)
Profits carried forward	163,767	154,653
Total Group equity	226,963	219,285
Equity attributable to minority interests	13,439	13,337
Total equity	240,402	232,622
Non-current loans	144,743	123,040
Employee benefits	25,472	24,332
Non-current provisions	1,096	4,595
Deferred tax liabilities	15,988	13,197
Total non-current liabilities	187,299	165,164
Current loans	109,161	85,632
Payables to suppliers	349,533	326,009
Current tax payables	6,615	4,067
Other current liabilities	104,145	75,897
Total current liabilities	569,454	491,605
Total liabilities	756,753	656,769
Total equity and liabilities	997,155	889,391

Consolidated Statement of Changes in Equity

<i>(in thousand of euros)</i>	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 2019	37,127	33,144	(5,639)	154,653	219,285	13,337	232,622
Profit for the period				9,122	9,122	1,092	10,214
Actuarial gain/(loss) for employees benefits - gross					-		-
Comprehensive income for the period			-	9,122	9,122	1,092	10,214
Purchase of treasury shares			(97)		(97)		(97)
Reduction of shares in execution Stock Grant plan					-		-
Dividends distribution					-	(168)	(168)
Stock Grant plan – shares vesting in the period			255		255		255
Assignment of shares in execution of Stock Grant plan					-		-
Allocation of profit for the period					-		-
Changes in the scope of consolidation and other changes			(1,594)	(8)	(1,602)	(822)	(2,424)
At 31 July 2019	37,127	33,144	(7,075)	163,767	226,963	13,439	240,402

Consolidated Statement of Cash Flows

<i>(in thousand of euros)</i>	Period ended 31 July	
	2019	2018
Profit before taxes	14,816	10,566
Adjustments to:		
Amortisation and depreciation	4,601	2,921
Provisions for personnel and other provisions	1,515	1,558
Net financial (income)/charges	739	626
Profit from companies valued at equity	(353)	(108)
Other non-monetary items	243	166
Cash flows generated from operating activities before changes in net working capital	21,561	15,729
Change in inventories	(13,691)	(15,554)
Change in trade receivables	(42,470)	3,234
Change in payables to suppliers	19,973	(44,452)
Change in other assets	(22,636)	4,786
Change in other liabilities	18,150	(4,785)
Use of provisions for risks	(3,541)	(40)
Payment of employee benefits	(274)	(730)
Change in deferred tax assets and liabilities	993	(407)
Change in current tax payables and tax receivables	2,782	(388)
Interest paid	(859)	(656)
Taxes paid	-	-
Net cash flow generated from operating activities	(20,012)	(43,263)
Investments in companies net of cash	(5,920)	(8,336)
Investments in property, plant and equipment	(3,709)	(2,581)
Investments in intangible assets	(1,815)	(1,199)
Disposals of property, plant and equipment and intangible assets	57	-
Disposal of assets held for sale	11	-
Investments in associated companies	(60)	(369)
Disposal of associated companies		1,154
Investments in non-current financial assets	(587)	(202)
Collection of non-current financial assets	3,621	33
Dividends collected	117	42
Interest collected	171	98
Net cash flow generated from/(used in) investing activities	(8,114)	(11,360)
New disbursements of long-term loans and finance leases	60,000	60,000
Repayments of long-term loans	(46,628)	(26,925)
(Decrease)/increase in short-term loans	19,288	4,508
Financial investments/disinvestments	213	6
Change in Group equity	31	-
Change in equity attributable to minority interests	85	-
Treasury shares	(97)	(276)
Dividends distributed	(168)	(828)
Net cash flow generated from/(used in) financing activities	32,724	36,485
Translation difference on cash and cash equivalents	-	-
Change in cash and cash equivalents	4,598	(18,138)
Cash and cash equivalents at the beginning of the period	249,074	247,194
Cash and cash equivalents at the end of the period	253,672	229,056

Attestation pursuant to article 154 bis paragraph 2 of Legislative Decree n. 58 of 24 February 1998, "Consolidated Law on Finance" and subsequent amendments

The Director responsible for drawing up Sesa SpA's financial statements and accounting documents, pursuant to the provisions of article 154-bis, paragraph 2 of Consolidated Law on Finance hereby attests that the accounting information contained in the Interim Report at 31 July 2019 corresponds to the document results, books and accounting records.

Empoli, 12 September 2019

Alessandro Fabbroni

(Director responsible for drawing up accounting documents)