Half-Year Financial Report

31 October

2016

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

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Interim Report on operations

Governing and supervisory bodies of Sesa SpA

Board of Directors		Holding office
Paolo Castellacci	Chairman	approval of the FS at 30.04.2018
Giovanni Moriani	Executive Vice - Chairman	approval of the FS at 30.04.2018
Moreno Gaini	Executive Vice - Chairman	approval of the FS at 30.04.2018
Alessandro Fabbroni	CEO	approval of the FS at 30.04.2018
Luigi Gola	Independent Director	approval of the FS at 30.04.2018
Giovanna Zanotti	Independent Director	approval of the FS at 30.04.2018
Angela Oggionni	Independent Director	approval of the FS at 30.04.2018
Angelica Pelizzari	Non- Executive Director	approval of the FS at 30.04.2018

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 Executive Vice-Chairman, Moreno Gaini, were granted all the powers of ordinary administration with regard to the management of equity investments in the IT distribution sector (VAD).
To the Executive Vice-Chairman, Giovanni Moriani, were granted all the powers of ordinary administration for the management of equity investments in the Software and System Integration Segment (VAR).
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.

Corporate Governance Committees	Holding office
Strategic Committee	
Luigi Gola (Chairman), members Paolo Castellacci, Alessandro Fabbroni, Giovanni Moriani, Angelica Pelizzari	approval of the FS at 30.04.2018
Control and Risk Committee and Related parties Committee	
Giovanna Zanotti (Chairman), members Luigi Gola, Angelica Pelizzari	approval of the FS at 30.04.2018
Director in charge Alessandro Fabbroni	approval of the FS at 30.04.2018
Remuneration Committee	
Luigi Gola (Chairman), members Angelica Pelizzari and Giovanna Zanotti	approval of the FS at 30.04.2018

Board of Statutory Auditors		Holding office
Sergio Menchini	Chairman	approval of the FS at 30.04.2018
Luca Parenti	Standing auditor	approval of the FS at 30.04.2018
Chiara Pieragnoli	Standing auditor	approval of the FS at 30.04.2018
Fabrizio Berti	Alternate auditor	approval of the FS at 30.04.2018
Daria Dalle Luche	Alternate auditor	approval of the FS at 30.04.2018

Supervisory Board pursuant to Law 231/2011		Holding office
Luca Parenti	Chairman	approval of the FS at 30.04.2018
Massimo Innocenti	Member	approval of the FS at 30.04.2018
Ilaria Nocentini	Member	approval of the FS at 30.04.2018

Michele Ferri, Internal Auditor

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

Francesco Billi, Controller and manager of administrative processes

Listing Market	
Electronic stock market (MTA), Milan (Italy) (1)	STAR segment
Share Capital (Euro)	37,126,927.50
Outstanding shares	15,494,590
Stake held by the controlling company ITH S.p.A.	53.39%
Specialist operator	Intermonte Sim SpA

Conxi Palmero, Investor Relator

Highlights of Group results

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

(in thousands of euros)	2016	2015	2014	2013
Revenues	551,386	512,655	464,156	386,199
EBITDA (Earnings before amortisation and depreciation, other provisions, financial charges and taxes)	23,841	21,562	22,902	21,481
EBIT	18,273	17,257	17,067	16,026
EBT	17,183	15,405	14,404	14,261
Profit (loss) for the period	11,186	9,939	9,029	8,453
Profit (loss) for the period attributable to the Group	10,591	9,602	8,771	8,107
Growth rate	*10.3%*	*9.5%*	*8.2%*	

Consolidated balance-sheet data at 31 October of each year

(in thousands of euros)	2016	2015	2014	2013
Total Net Invested Capital	190,178	181,460	170,636	159,354
Total Equity	183,497	164,079	148,449	131,514
- attributable to the Group	175,900	158,080	144,935	128,458
- attributable to minority interests	7,597	5,999	3,514	3,056
Net Financial Position (Net Liquidity)	6,681	17,381	22,187	27,840
Total Equity and Net Financial Position	190,178	181,460	170,636	159,354

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

	2016	2015	2014	2013
EBITDA / Revenues (1)	4.32%	4.21%	4.93%	5.56%
EBIT / Revenues (ROS) (1)	3.31%	3.37%	3.68%	4.15%
Profit attributable to the Group / Revenues	1.92%	1.87%	1.89%	2.10%

(1) For further details please see the Half-Year Financial Report

Human Resources, amount at period-end (1)

(unit or thousands of euros)	2016	2015	2014	2013
Number of employees at period-end	1,278	1,150	1,027	925
Average number of employees	1,247	1,089	983	938
Personnel costs	31,271	26,420	23,923	21,998

(1) Including fixed-term contracts, excluding internships

Main Financial Indicators

Financial indicators

Sesa	**2016**	**2015**	**2014**	**2013**
(Euro)				
Trading stock market (1)	MTA - Star	MTA - Star	MTA	AIM
Stock price (at 31 October of each year)	16.20	14.21	12.71	12.00
Dividend per share (2) (*)	0.48	0.45	0.45	0.45
Dividend paid (in millions of euros)	7.408	6.964	6.984	6.270
Pay Out Ratio (3)	30%	32%	32%	30%
Outstanding shares (in millions at 31 October of each year)	15.49	15.65	14.85	13.74
Market capitalisation (in millions of euros at 31 October of each year)	250.9	222.4	188.7	164.9
Market to Book Value (**)	1.4	1.3	1.3	1.3
Dividend Yield (on Stock price at 31 October) (***)	3.0%	3.2%	3.5%	3.8%

Sesa Group	**2016**	**2015**	**2014**	**2013**
(Euro)				
Earnings per share at 30 April (base) EPS (****)	1.6	1.4	1.5	1.6
Earnings per share at 30 April (diluted) EPS diluted (*****)	1.5	1.4	1.4	1.6

(1) Sesa entered the AIM market following the merger with Made In Italy 1 SpA, a SPAC (special purpose acquisition company) established under Italian law, listed on the AIM market. The merger between Sesa SpA and Made In Italy 1 SpA (SeSa SpA) was completed on 1 February 2013. Listing on MTA market realized in October 2013. Transition to the STAR segment carried out in February 2015

(2) For the FY ended 30 April 2016 calculated according to the proposed resolution on dividends submitted to the Sharehold
Meeting of 26 August 2016

(3) Dividends / Consolidated Net Profit

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

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

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

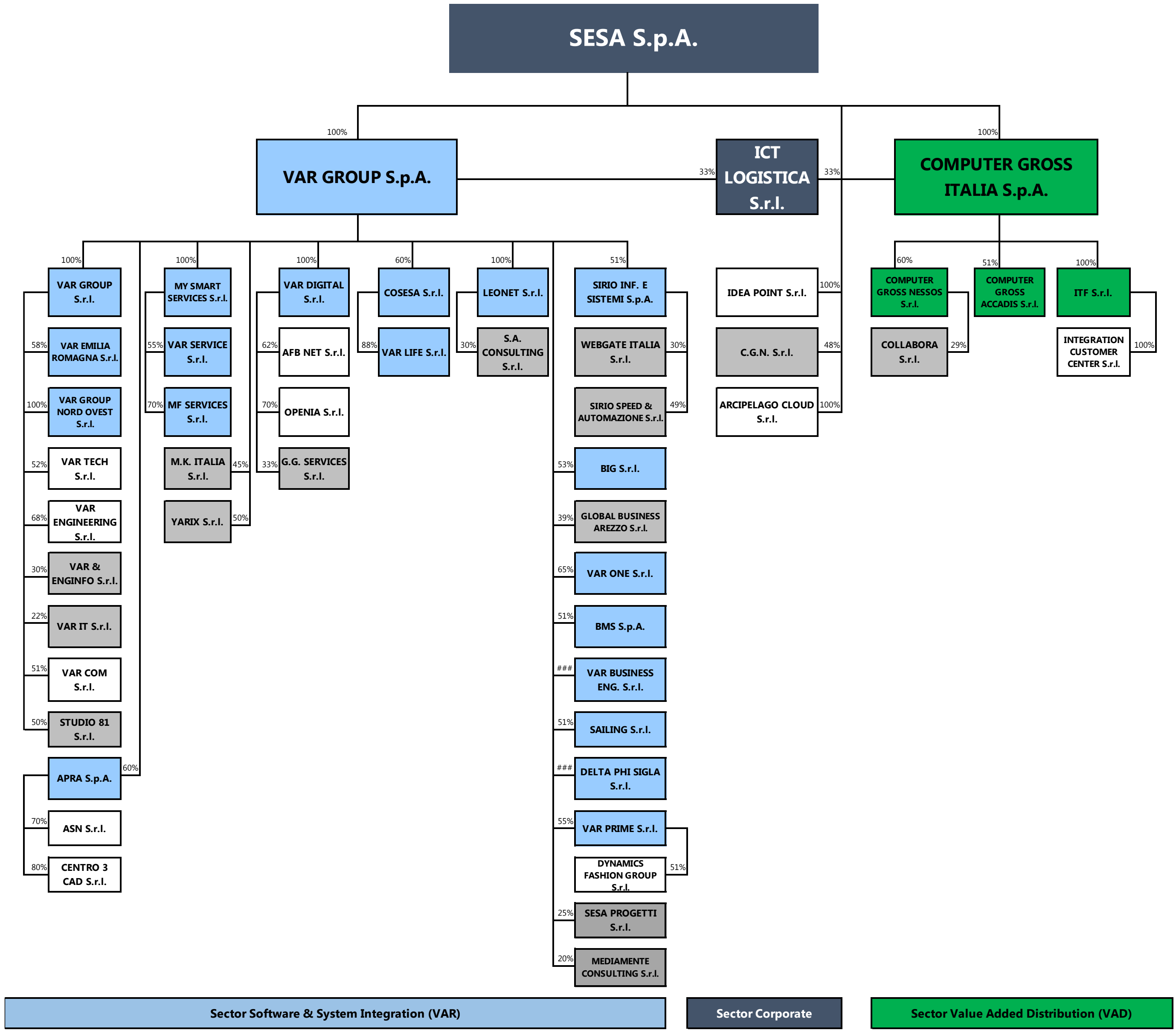
(****) Consolidated net profit as of April 30/average number of ordinary shares net of treasury shares in portfolio as of April 30

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

Structure of the Sesa Group at 31 October 2016

Operating subsidiaries and associates

The Sesa Group is organised into three main divisions. The VAD Segment (Value-Added ICT Distribution) managed through the subsidiary Computer Gross Italia SpA, the Software and System Integration Segment (VAR), which offers value IT solutions to customers belonging to the SME and Enterprise Segment and the Corporate Segment which manages corporate functions and the financial, operational and control platform for all the group companies through the parent company Sesa SpA.



Subsidiaries, consolidated on a line-by-line basis, are marked azure (companies belonging to the System and Software Integration segment - VAR), green (companies belonging to the Value-Added ICT Distribution segment - VAD) and blue (companies belonging to the Corporate segment).
Associates are marked grey (share capital between 20% and 50%) and valued at equity, and subsidiaries, valued at cost inasmuch as they are not significant and/or not yet operational, are marked white.

During the first half of the current fiscal year, the simplification of the shareholder and corporate structures within the Group has continued with reference to the VAR segment, with the merger of Var Applications Srl into Sirio Informatica e Sistemi SpA, carried out on 20 July 2016, and with the beginning of some corporate restructuring operations in the IT services sector.
In the first half ended 31 October 2016, we note the entry into the scope of consolidation of Var Prime Srl (formerly NTT Srl), company active in ERP services sector on Microsoft Dynamics NAV platform, dedicated to SME segment.

For more details on the scope of consolidation and the investments held directly and indirectly by Sesa SpA, please see the Notes to the Group' Consolidated Financial Statements and related Annex at 31 October 2016.

Foreword

The Half-Year Financial Report at 31 October 2016 of the Sesa Group represents the interim equity, financial and earnings position related to the first half of the year ending 30 April 2017.

The Half-year financial report at 31 October 2016 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 2016, 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.

In accordance with Recommendation CESR/05-178b on alternative performance ratios, 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 for the period

With reference to the first six months of the year the Group continued its strategy of focusing on higher value-added areas of the ICT market manned by Group companies.

In the **VAD sector** Computer Gross Italia SpA continues to operate as a leader in the high value-added IT market with a consolidated market share. In the first half of the financial year the company continued to adapt the organization and processes following the development of the products and solutions portfolio, with a focus on value areas. In the period some initiatives have been developed with customers and strategic suppliers focusing on value-added solutions, also thanks to the investment in technical and commercial skills.
To facilitate the process of integration of new models of use of technology as a service it should be noted that a "Market place" for cloud services has been released since November 2016 in order to encourage and enable the purchase processes of cloud solutions by customers.

In the **Software and System Integration (VAR) sector** the first six months of the year were characterized by a progressive development of the value-added IT services, also thanks to the integration of the acquisitions carried out in the period (Var Prime Srl) and in the previous year (Apra SpA, BMS SpA, Sailing Srl and Yarix Srl) which contributed to the enlargement of the offer.

In the period ended 31 October 2016 Var Group SpA signed binding agreements for the establishment of a pole in Cloud services on Microsoft Dynamics platform for the SME and Enterprise segments. These agreements allowed:

- the purchase by Var Group SpA of 55% of NTT Srl (later renamed Var Prime Srl). Var Prime Srl in the calendar year at 31 December 2016 expects to achieve approximately Euro 2.5 million in revenues, Euro 300 thousand in Ebitda, a Euro 100 thousand net profit, with a Net Financial Position (liquidity) of Euro 50 thousand;
- the merger by incorporation into Var Prime Srl of the company Dynamics Fashion Group Srl, a subsidiary of Var Prime, with expected revenues in the calendar year ending 31 December 2016 of approximately Euro 1.5 million, expected Ebitda of Euro 200 thousand and a Net Financial Position (liquidity) of Euro 100

thousand. The merger by incorporation was completed on 7 December 2016;
- the acquisition, on 2 December 2016, through Var Prime Srl, of the total quota capital of Porini Technologies Srl. Porini Technologies Srl is active in Cloud services on ERP Microsoft Dynamics platform, with a turnover of approximately Euro 1 million and an expected EBITDA of about Euro 250 thousand.

Following such agreements, in respect of a total investment (the price paid for the controlling stake in Var Prime Srl, Dynamics Fashion Group Srl, Porini Technologies Srl) of between Euro 1.1 million and Euro 1.5 million, Var Group SpA set up a Cloud service pole on a Microsoft Dynamics platform for the SME and Enterprise segments with an overall annual revenue target of approximately Euro 5 million, expected Ebitda of Euro 750 thousand, an estimated net profit of Euro 350 thousand and a Net Financial Position close to break even.

Finally, during the first half the simplification program and corporate restructuring continued with the completion of the merger of Var Applications Srl into Sirio Informatica e Sistemi SpA on 20 July 2016 and the beginning of some merger transactions within the VAR sector to be completed by 30 April 2017.

Among the corporate events, on 14 July 2016 the Board of Directors of Sesa SpA approved the draft of the statutory and consolidated financial statements of Sesa SpA at 30 April 2016, proposing the distribution of a dividend of Euro 0.48 per share, with an increase of 6.6% compared to Euro 0.45 per share of the previous year, with payment on 14 September 2016. During that Meeting, the Board of Directors also adopted the following resolutions:

- Approval of the Remuneration Report in compliance with art. 123-ter of Legislative Decree. 58/1998 and of the Report on corporate governance and ownership structures in compliance with art. 123-bis of Legislative Decree 58/1998;
- Proposal to the extraordinary Shareholders' Meeting for the cancellation of 156,511 treasury shares in portfolio, without reducing the share capital, and consequent amendment of art. 6 of the Bylaws. Following such cancellation, the share capital of Sesa SpA, which currently amounts to Euro 37,126,927.50, will not undergo any reduction while the shares issued reduced from 15,651,101 to 15,494,590;
- Proposal to the Shareholders' Meeting to authorise a plan for the acquisition and disposal of ordinary treasury shares for a value not exceeding 10% of the share capital with a maximum value of Euro 1,500,000 (1.5 million).

The Shareholders' Meeting held on 26 August 2016 approved the Financial Statements as at 30 April 2016 and the related proposal to distribute the dividend of Euro 0.48 per share. The Meeting also resolved the cancellation of 156,511 treasury shares, equal to about 1% of the share capital, as well as the authorisation of the buy-back plan of treasury shares, as proposed by the Board of Directors. As at 21 December 2016, Sesa SpA held 79,055 treasury shares, equal to 0.51% of the share capital, having purchased 20,859 shares between May and November 2016.

Operating conditions and business development

The Sesa Group is a major Italian operator in the value-added distribution of the main software and hardware technologies on the market and in offering software, technology, services and consultancy with the specific aim of training and supporting businesses as IT end users.
The Sesa Group, as a whole, is able to offer a wide range of software and hardware products in addition to the consultancy services necessary to ensure that the products are used and integrated, having a strong capacity to interact with its customers, also providing high quality customer service.

Today the Group's activities are divided into three different business areas:

- the VAD Segment, which includes the activities involved in the *value-added distribution* of the main software and hardware technologies on the market, covered by the VAD division, which is managed by the subsidiary Computer Gross Italia SpA and focuses on value products (servers, storage, software enterprise, networking and systems);

- the Software and System Integration Segment (VAR) includes the activities involved in the supply of IT services and solutions, particularly the offer of software, technology, services and consultancy with the specific aim of training and supporting the channel, focusing on SME and Enterprise segments. The VAR division is managed by the fully owned subsidiary Var Group SpA;

- the Corporate Segment, which includes the activities carried out by the Group's head office (administration, finance and control, human resources, information technology, organisation, investor relations, institutional relations, training, general and legal affairs and internal auditing), managed by Sesa SpA, and the activities involved in supplying logistics services (product storage, assembly, customisation and handling) applied to ICT, which are managed by subsidiary ICT Logistica SpA. The Corporate Segment also includes Cloud Computing and marketing services provided by Arcipelago Cloud Srl and Idea Point Srl.

Corporate Segment

Sesa SpA
The Parent Company Sesa SpA provides administrative and financial services, organisation, planning and control, management of information technologies, human resources, general, corporate and legal affairs services for the main companies of the Group and also acts as a holding company. The shares of the Parent Company Sesa SpA are listed on the Electronic Stock Market (MTA, *Mercato Telematico Azionario*), STAR segment.

ICT Logistica Srl
The Company, which is 66.66% owned by Sesa SpA (of which 33.33% through Computer Gross Italia and 33.33% through Var Group SpA) is active in the sale of IT products and provides logistics services (product storage, assembly, customisation and handling) applied to ITC, on behalf of shareholders (Computer Gross Italia SpA, Var Group SpA and Bassilichi SpA) and other relevant customers operating in such sector.

Arcipelago Cloud Srl
The Company, which is wholly owned by Sesa SpA, is engaged in the provision of Cloud Computing services to support the ICT distribution channel. It designs, implements and develops Cloud Computing solutions for the resellers of the ICT channel.

Idea Point Srl
The Company, which is wholly owned by Sesa SpA, operates in the marketing and promotion sector, supporting the ICT channel.

Software and System Integration Segment (VAR)

Var Group SpA
Var Group SpA, which is wholly owned by Sesa SpA, markets software and IT products and services to end customers that mainly belong to the small and medium business segment.
Var Group serves the Italian system integration market with a matrix organisation model (lines of business – geographical markets) through its sub-holdings specialized in specific solutions and business lines.

Var Group Srl
The Company, which is wholly owned by Var Group SpA, markets hardware and software services and solutions for the parent company in central Italy.

Var Group Nord Ovest Srl
The Company, which is wholly owned by Var Group Srl, develops and markets hardware, software and applications for the SME and Enterprise market in the North-West of Italy (through the branches of Milan, Turin and Genoa).

Leonet Srl
The Company, which is wholly owned by Var Group SpA, operates in the telecommunications services sector and as an internet service provider, cloud computing and systems assistance services, with a portfolio of services that meets the requirements of business and professional customers.

Var Digital Srl
The Company, which is wholly owned by Var Group SpA, provides IT solutions for its business customers, with particular reference to digital area (web marketing, e-commerce and digital solutions) for Enterprise and Finance segments.

Cosesa Srl
The Company, which is 60% owned by Var Group SpA, provides Strategic Outsourcing services to the major corporate customers.

Var Life Srl
The Company, which is 97% owned by Cosesa Srl, manages, on the basis of a long-term outsourcing contract, the ICT services for the pharmaceutical sector.

My Smart Services Srl
The Company, which is wholly owned by Var Group SpA, provides management, maintenance, technical assistance and repair services of computers and IT products on the Italian market.

Var Service Srl
The Company, which is 55% owned by My Smart Services Srl, provides services for the maintenance, technical assistance and repair of computers and IT products.

MF Services Srl
The Company, which is 70% owned by My Smart Services Srl, provides services for the maintenance, technical assistance and repair of computers and IT products, in central and northern Italy.

Var Emilia Romagna Srl
The Company, which is 63% owned by Var Group Srl, markets ICT products and solutions and provides system integration services concentrated in the Emilia Romagna region.

Sirio Informatica e Sistemi SpA
The Company, which is 51% owned by Var Group SpA, develops and markets proprietary software and

applications for the small- and medium-business market. In July 2016 the merger by incorporation of the subsidiary Var Applications Srl took place.

B.I.G. Srl
The company, which is 53% owned by Var Group SpA, operates in the sector of business intelligence solutions development and management consulting for the SME segment.

Var One Srl
The Company, which is 65% owned by Var Group SpA, provides solutions and integrated services on the SAP Business One platform. Thanks to its network of qualified partners and a widespread presence on the territory it is one of the main SAP Business One expertise centres in Italy.

BMS SpA
The Company, 51% owned by Var Group SpA and consolidated from August 2015, is a leading consulting firm, focused on SAP ERP services. BMS SpA operates mainly in Northern Italy, with reference to Enterprises.

Var Business Engineering Srl
The Company, which is wholly owned by Var Group SpA, operates in the consulting and supply of SAP R3 solutions.

Apra SpA
The Company, which is 60% owned by Var Group SpA, is a System Integrator active in Central and Eastern Italy that offers software solutions and specific ERP to many production sectors (supplies sector, Wine, fashion, graphics, etc). The Company has entered the scope of consolidation since 10 July 2015.

Sailing Srl
The company, which is 51% owned by Var Group SpA, operates in the production and marketing of software and IT services for the Retail sector, with large retailers as major customers. Sailing Srl entered the scope of consolidation in November 2015.

Var Prime (ex NTT Srl)
The Company is a leader in Italy for the services on the Microsoft Dynamics platform dedicated to the SME segment with value-added expertise through integrated solutions and project management for major industrial sectors. The company, which entered the scope of consolidation in June 2016, will integrate by 30 April 2017 the activities of the subsidiary Dynamics Fashion Group Srl and Porini Technologies' cloud business on Microsoft Dynamics platform.

Delta Phi Sigla Srl
The Company, which is wholly owned by Var Group SpA, develops and markets software and proprietary applications for the Small Business market. Specifically, it owns the SIGLA++ software, which has a user database of a few thousands of customers throughout Italy.

Value Added Distribution (VAD) Segment

Computer Gross Italia SpA
The Company, which is wholly owned by Sesa SpA, distributes value-added ICT products to dealers (software houses, system integrators and dealers) with a portfolio of about 10,000 active customers in Italy, which in turn are present and operate in the small- and medium-business, corporate and public administration markets. Computer Gross Italia SpA is a leading Italian operator in the marketing of products and solutions provided by the main international vendors, including Citrix, Cisco, Dell, EMC², HP, HPE, IBM, Lenovo, Lexmark, Microsoft, Oracle, Symantec, Vmware.
The company with revenues equal to Euro 1,050.6 million and a net profit of Euro 22.1 million recorded in the

year ended on 30 April 2016 represents the main subsidiary of the Sesa Group. Computer Gross Italia SpA with about 300 employees is organized in business units with sales and technical staff dedicated to market segments (software, networking, POS) and/or distributed strategic Brands.

Computer Gross Nessos Srl
Computer Gross Nessos Srl, which is 60% owned by Computer Gross Italia SpA, employs the personnel dedicated to the management of Networking products and solutions, a sector in which it is the Italian market leader thanks to the completeness and added value range of products offered. Its client portfolio includes, among others, Cisco, a leading vendor at global level in the networking market.

ITF Srl
The Company, which is wholly owned by Computer Gross Italia SpA, is the Financial Services business unit of the latter, which provides financial services and solutions in support of the customer business partners.
ITF controls Integration Customer Center Srl.

Computer Gross Accadis Srl
The Company, which is 51% owned by Computer Gross Italy SpA, is the main Italian distributor of the Vendor Hitachi Data Systems. It entered the scope of consolidation of the Sesa Group starting from June 2015.

Performance of operations

General economic trend

The year 2016 began with a substantial stability of global growth, after 2015 closed with a GDP increase of 3.2% on a global basis, slowing down by 0.2% compared to 3.4% achieved in 2014. A 3.1% growth is expected for the full year 2016, slightly down compared to 2015, with a possible slowdown as a result of the reduction of the world trade growth, low inflation and uncertainty on the financial markets. All this has also been impacted by the US and eurozone slowdown, the latter also for the negative effect of the UK's exit from the European Union (source: IMF - WEO, October 2016).

In the Euro Area GDP, after a 2.0% growth in 2015 (in acceleration compared to + 0.9% in 2014), in 2016 and in 2017 is still expected to increase but at a decreasing rate, +1.7% and +1.5% respectively, due to the expected decline in domestic demand (source: IMF - WEO, October 2016).

The Italian GDP, after a 2012-2014 period of continuous contraction (-2.8% in 2012, -1.7% in 2013 and -0.4% in 2014) has been growing again during 2015, albeit in a limited manner (+ 0.8%). In 2016 and in 2017 growth is expected to be 0.8% and 0.9% respectively, thanks to a moderately positive dynamics of domestic demand. The global economic slowdown affects the Italian economy that continues to grow at lower rates compared to the European average, especially in certain geographical areas which are the traditional export markets of the "Made in Italy" products, as well as the vulnerability of the financial sector (source: IMF - WEO, October 2016).

The following table shows the final figures of 2015 and the GDP forecasts for 2016-2017 (source: IMF - WOE, October 2016).

GDP growth rate	Change GDP 2015 (actual)	Change GDP 2016 (expected)	Change GDP 2017 (expected)
World	+3.2%	+3.1%	+3.4%
Advanced Economies	+2.1%	+1.6%	+1.8%
Emerging Market	+4.0%	+4.2%	+4.6%
USA	+2.6%	+1.6%	+2.2%
Japan	+0.5%	+0.5%	+0.6%
China	+6.9%	+6.6%	+6.2%
Great Britain	+2.2%	+1.8%	+1.1%
Euro Area	+2.0%	+1.7%	+1.5%
Italy	+0.8%	+0.8%	+0.9%

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

The Italian Information Technology (IT) market is expected to grow by 1.1% in 2016 and 1.7% in 2017, after a 2015 with a 2.3% decline in demand, compared to a contraction of 2.1% in 2014 (source: Sirmi, October 2016).

The following table shows the trend in IT demand in Italy in 2012-2015 and the forecasts for the years 2016 and 2017 (source: Sirmi, October 2016).

Italian IT Market (in millions of euros)	**2013**	**2014**	**2015**	**2016E**	**2017E**	**Ch. 14/13**	**Ch. 15/14**	**Ch. 16/15**	**Ch. 17/16**
Hardware	6,593	6,427	5,886	5,883	5,882	-2.5%	-8.4%	-0.1%	0.0%
Software	3,951	3,881	3,857	3,842	3,823	-1.8%	-0.6%	-0.4%	-0.5%
Project Services	3,711	3,557	3,475	3,414	3,366	-4.1%	-2.3%	-1.8%	-1.4%
Managed Services	4,764	4,751	4,970	5,251	5,631	-0.3%	4.6%	5.7%	7.2%
Total IT Market	**19,019**	**18,616**	**18,188**	**18,390**	**18,702**	**-2.1%**	**-2.3%**	**+1.1%**	**+1.7%**
O/w Cloud Computing	**789**	**954**	**1,128**	**1,544**	**1,952**	**20.9%**	**28.7%**	**25.8%**	**26.4%**
% Cloud on total IT	*4.15%*	*5.12%*	6.20%	*8.40%*	*10.44%*				

The progressive and constant increase of Managed Services segment (+5.7%) determined a return to growth in 2016. Within the Italian IT market, the segment that shows a higher growth is still the cloud computing services, with growth rates higher than 25% annually. In the Cloud Computing and Managed Services segments the Sesa Group plays a role with investments in skills and infrastructures.

Within the Italian IT market, the IT distribution segment, where the Group has its main business, is still expected to grow slightly in 2016, after the 9% increase in 2015 (source: Sirmi, October 2016). Low growth rates are expected even in 2017, in line with the market trend recorded in the second half of 2016.

Main income statement data of the Sesa Group

The reclassified consolidated income statement at 31 October 2016 is shown below (data in thousands of euros), compared with the reclassified consolidated income statement of the same period of the prior year.

Reclassified income statement	31/10/2016 (6 months)	%	31/10/2015 (6 months)	%	Change 2016/15
Revenues	**551,386**		**512,655**		**7.6%**
Other income	3,858		3,258		18.4%
Total Revenues and Other Income	**555,244**	**100.0%**	**515,913**	**100.0%**	**7.6%**
Purchase of goods	459,906	82.8%	434,706	84.3%	5.8%
Costs for services and leased assets	38,658	7.0%	31,277	6.1%	23.6%
Personnel costs	31,271	5.6%	26,420	5.1%	18.4%
Other operating charges	1,568	0.3%	1,948	0.4%	-19.5%
Total Purchase of goods and Operating Costs	**531,403**	**95.7%**	**494,351**	**95.8%**	**7.5%**
EBITDA	**23,841**	**4.3%**	**21,562**	**4.2%**	**10.6%**
Amortisation and depreciation	3,041		2,066		47.2%
Accruals to provision for bad debts and provision for risks	2,527		2,239		12.9%
EBIT	**18,273**	**3.3%**	**17,257**	**3.3%**	**5.9%**
Profit from companies valued at equity	179		231		-22.5%
Financial income and charges	(1,269)		(2,083)		-39.1%
EBT	**17,183**	**3.1%**	**15,405**	**3.0%**	**11.5%**
Income taxes	5,997		5,466		9.7%
Net profit	**11,186**	**2.0%**	**9,939**	**1.9%**	**12.5%**
Net profit attributable to the Group	*10,591*		*9,602*		*10.3%*
Net profit attributable to minority interests	*595*		*337*		*76.6%*

First half consolidated revenues showed an increase of 7.6% passing from Euro 512,655 thousand at 31 October 2015 to Euro 551,386 thousand at 31 October 2016, thanks to the positive performance of the Group's business sectors. The Value Added Distribution (VAD) and the Software and System Integration (VAR) sectors recorded a growth respectively of 5.7% and 12.8% compared to the same period of the previous year.

The table below shows the trend of the revenues of the Group broken down by operating segment.

	Period ended 31 October			
(in thousands of euros)	**2016**	**2015**	**Change**	**%**
Value Added Distribution (VAD)	481,493	455,706	25,787	5.7%
Software and System Integration (VAR)	101,022	89,522	11,500	12.8%
Corporate	5,933	5,584	349	6.3%
Eliminations	*(37,062)*	*(38,157)*	*1,095*	*-2.9%*
Total Revenues	**551,386**	**512,655**	**38,731**	**7.6%**

The Value Added Distribution (VAD) sector showed a growth of 5.7% compared to the same period of 2015, thanks to, among other things, the development of the subsidiary ITF Srl, specialized in financial services and solutions in support of the customer business partners.

The revenues of the Software and System Integration (VAR) sector increased by 12.8% compared to the same period of the previous year, with a growth in absolute value of Euro 11,500 thousand, benefiting from the development of revenues from services, principally Cloud Computing, Digital Transformation and Managed Services, and the contribution of the companies recently included in the scope of consolidation. Apra SpA, BMS SpA, Sailing Srl and Var Prime Srl contributed to the increase in VAR revenues for a total of Euro 9.2 million compared to the previous period.

Total Revenues and Other Income at 31 October 2016 recorded an improvement of Euro 39,331 thousand (+7.6%), passing from Euro 515,913 thousand at 31 October 2015 to Euro 555,244 thousand at 31 October 2016.

Costs for the purchase of goods rose from Euro 434,706 thousand during the period ended 31 October 2015 to Euro 459,906 thousand at 31 October 2016, with a percentage increase of 5.8%.

The consolidated gross commercial margin measured as the difference between Revenues and Other Income and costs for the purchase of products, showed a growth of Euro 14,131 thousand (+17.4% compared to 31 October 2015) passing from Euro 81,207 thousand at 31 October 2015 to Euro 95,338 thousand at 31 October 2016, thanks to the higher value-added of products and solutions offered.

The ratio between the consolidated gross commercial margin and the Total Revenues and Other Income, equating to 17.2% at 31 October 2016, rose by 150 basis points compared to 15.7% recorded at 31 October 2015, thanks to higher incidence of the VAR sector's revenues (characterised by a higher gross margin), and to the growth in Gross Margin (+29.8%) obtained in the period in the VAR sector. The ratio between the gross commercial margin and the Total Revenues and Other Income in the VAD sector is equal to 8.1% at 31 October 2016, substantially flat compared to 31 October 2015.

The following table details the Gross Commercial Margin by business segment:

	Period ended 31 October				
(in thousands of euros)	2016	%	2015	%	Change
Total Revenues and Other Income	**555,244**	**100.0%**	**515,913**	**100.0%**	**7.6%**
Purchase of goods	(459,906)	-82.8%	(434,706)	-84.3%	5.8%
Consolidated Gross Margin	**95,338**	**17.2%**	**81,207**	**15.7%**	**17.4%**
Total Revenues and Other Income - VAD Segment	**484,553**	**100.0%**	**457,769**	**100.0%**	**5.9%**
Purchase of goods	(445,265)	-91.9%	(420,170)	-91.8%	6.0%
Gross Margin VAD Segment	**39,288**	**8.1%**	**37,599**	**8.2%**	**4.5%**
Total Revenues and Other Income - VAR Segment	**102,432**	**100.0%**	**91,163**	**100.0%**	**12.4%**
Purchase of goods	(45,258)	-44.2%	(47,126)	-51.7%	-4.0%
Gross Margin VAR Segment	**57,174**	**55.8%**	**44,037**	**48.3%**	**29.8%**

The total costs for the purchase of goods and operating costs amounted to Euro 531,403 thousand at 31 October 2016, with an incidence on Total Revenues and Other Income of 95.7%, compared to 95.8% at 31 October 2015 generated by:

- the above-mentioned reduction of the incidence of the costs for purchase of goods on Total Revenues and Other Income from 84.3% at 31 October 2015 to 82.8% at 31 October 2016;
- the higher incidence of operating costs (Costs for services and leased assets, personnel costs and Other operating charges) from 11.6% at 31 October 2015 to 12.9% at 31 October 2016.

Consolidated Operating Costs are broken down as follows:

	Period ended 31 October				
(in thousands of euros)	2016	%	2015	%	Change
Total Revenues and Other Income	**555,244**	**100.0%**	**515,913**	**100.0%**	**7.6%**
Costs for services and leased assets	38,658	7.0%	31,277	6.1%	23.6%
Personnel costs	31,271	5.6%	26,420	5.1%	18.4%
Other operating charges	1,568	0.3%	1,948	0.4%	-19.5%
Total Operating Costs	**71,497**	**12.9%**	**59,645**	**11.6%**	**19.9%**

Costs for services and leased assets, equal to Euro 38,658 thousand at 31 October 2016, recorded an increase of Euro 7,381 thousand compared to the period ended 31 October 2015, following the improvement in turnover recorded in the half year and the growth in revenues from services. The incidence on the item Total Revenues and Other Income passed from 6.1% at 31 October 2015 to 7.0% at 31 October 2016 due to, among other things, the higher incidence of revenues from services on total revenues, also following the companies recently acquired into the VAR sector and specialized in supply of IT services.

Personnel costs passed from Euro 26,420 thousand at 31 October 2015 to Euro 31,271 thousand at 31 October 2016, with a percentage growth of 18.4%, deriving from the increase in the Group's average workforce needed to cope with the growth in turnover and the inclusion of skilled and specialized resources regarding recently acquired companies (VAR sector). The total Group workforce passed from 1,150 units at 31 October 2015 to 1,278 units at 31 October 2016, with a higher incidence of labour costs on Total Revenues and Other Income from 5.1% at 31 October 2015 to 5.6% at 31 October 2016.

Ebitda in the half year at 31 October 2016 amounted to Euro 23,841 thousand, with an increase of Euro 2,279 thousand (+10.6%) compared to 31 October 2015 showing a higher growth in the period compared to the increase in revenues (the Ebitda margin rose to 4.3% at 31 October 2016 from 4.2% at 31 October 2015), growing again after a gradual decline over the past 2 years.

Both sectors contributed to the increase in Group Ebitda. The VAD sector achieved an Ebitda of Euro 18,752 thousand at 31 October 2016, with an improvement of 4.7% compared to Euro 17,915 thousand at 31 October 2015.
More significant is the VAR sector’s contribution, which recorded an Ebitda growth of 52.3% compared to 31 October 2015, as a result of the greater incidence of revenues relating to high value-added IT services and solutions (Cloud Computing, Managed Services, ERP solutions), partly obtained thanks to the integration of acquisitions (Apra SpA, BMS SpA, Sailing Srl) carried out during the previous year and in the current half-year (Var Prime Srl).

Ebitda is broken down by operating segments as follows:

	Period ended 31 October				
(in thousands of euros)	**2016**	**%**	**2015**	**%**	**Change**
Total Revenues and Other Income	**555,244**	**100.0%**	**515,913**	**100.0%**	**7.6%**
Total purchase of goods and operating costs	(531,403)	95.7%	(494,351)	95.8%	7.5%
Consolidated Ebitda	**23,841**	**4.3%**	**21,562**	**4.2%**	**10.6%**
Total Revenues and Other Income - VAD Segment	**484,553**	**100.0%**	**457,769**	**100.0%**	**5.9%**
Total purchase of goods and operating costs	(465,801)	96.1%	(439,854)	96.1%	6.0%
Ebitda - VAD Segment	**18,752**	**3.9%**	**17,915**	**3.9%**	**4.7%**
Total Revenues and Other Income - VAR Segment	**102,432**	**100.0%**	**91,163**	**100.0%**	**12.4%**
Total purchase of goods and operating costs	(97,335)	95.0%	(87,817)	96.3%	10.8%
Ebitda - VAR Segment	**5,097**	**5.0%**	**3,346**	**3.7%**	**52.3%**

Consolidated Ebit at 31 October 2016 recorded an increase of Euro 1,016 thousand (+5.9%) compared to Euro 17,257 thousand at 31 October 2015, after amortisation for Euro 3,041 thousand (+47.2% compared to 31 October 2015) and accruals to the provision for bad debts and to provision for risks for Euro 2,527 thousand (+12.9% compared to 31 October 2015). This change reflects the above-mentioned growth in Ebitda, net of the increase in amortisation and accruals to the provision for bad debts and to provision for risks and charges, which rose from a total of Euro 4,305 thousand at 31 October 2015 to Euro 5,568 thousand at 31 October 2016, up Euro 1,263 thousand compared to the previous period. The increase in amortisation for Euro 975 thousand referred to intangible assets, 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, as well as the purchase of software in the period, while the higher amortization of tangible assets reflected the investments carried out for the expansion of the headquarter in Empoli and the completion of the Cash&Carry network. Accruals to the provision for bad debts and to provisions for risks recorded an increase of Euro 288 thousand reflecting the assessment of the risks of Group companies at the date of this report.

Consolidated Ebt at 31 October 2016 is equal to Euro 17,183 thousand, with an increase of 11.5% compared to the previous period, benefiting, among other things, from a more efficient financial management. The net balance of financial income and charges passed from a negative balance of Euro 2,083 thousand at 31 October 2015 to a negative balance of Euro 1,269 thousand at 31 October 2016, with an improvement of Euro 814 thousand due to the reduction in interest expenses, favoured by the contraction in debt for the period, and lower credit transfer financial costs.

Consolidated net profit was equal to Euro 11,186 thousand at 31 October 2016, showing an increase of 12.5% compared to Euro 9,939 thousand at 31 October 2015.

After minority interests, the net profit attributable to the Group was equal to Euro 10,591 thousand at 31 October 2016, increasing by 10.3% compared to Euro 9,602 thousand at 31 October 2015.

The Diluted Earnings per share at 31 October 2016 related to the first half-year was equal to Euro 0.68 per share, compared to Euro 0.62 per share recorded at 31 October 2015, due to the growth in Net Profit for the period.

Main balance sheet data of the Group

The reclassified consolidated balance sheet at 31 October 2016 is shown below (in thousands of euros). The comparative figures relating to the period ended 30 April 2016 are shown together with the figures of the period ended 31 October 2015, 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	31/10/2016	31/10/2015	30/04/2016
Intangible assets	17,609	13,919	17,251
Property, plant and equipment	45,788	40,261	44,437
Investments valued at equity	4,101	6,605	3,938
Other non-current receivables and deferred tax assets	16,538	16,047	16,340
Total non-current assets	**84,036**	**76,832**	**81,966**
Inventories	66,678	66,917	59,079
Current trade receivables	243,386	277,207	306,474
Other current assets	25,147	20,892	23,487
Current operating assets	**335,211**	**365,016**	**389,040**
Payables to suppliers	162,894	202,754	261,673
Other current payables	43,408	38,301	49,719
Short-term operating liabilities	**206,302**	**241,055**	**311,392**
Net working capital	**128,909**	**123,961**	**77,648**
Non-current provisions and other tax liabilities	6,859	4,973	6,175
Employee benefits	15,908	14,360	15,836
Non-current liabilities	**22,767**	**19,333**	**22,011**
Net Invested Capital	**190,178**	**181,460**	**137,603**
Group equity	**183,497**	**164,079**	**179,414**
Medium-Term Net Financial Position	74,659	36,766	65,103
Short-Term Net Financial Position	(67,978)	(19,385)	(106,914)
Total Net Financial Position (Net Liquidity)	**6,681**	**17,381**	**(41,811)**
Equity and Net Financial Position	**190,178**	**181,460**	**137,603**

Non-current assets at 31 October 2016 amounted to Euro 84,036 thousand, with an increase of Euro 2,070 thousand compared to 30 April 2016, mainly generated by the investments carried out during the period. In particular, the following main effects should be noted:

- a net increase in intangible assets of Euro 358 thousand, from Euro 17,251 thousand at 30 April 2016 to Euro 17,609 thousand at 31 October 2016. The increase is mainly attributable to the acquisition of the controlling share of Var Prime Srl (formerly NTT Srl). The difference in value between the cost for acquisition of controlling share and the relative accounting net assets of Var Prime Srl has been allocated to the client list and technological know-how items for Euro 580 thousand gross of deferred tax assets;
- a net increase in property, plant and equipment of Euro 1,351 thousand from Euro 44,437 thousand at 30 April 2016 to Euro 45,788 thousand at 31 October 2016, mainly due to the investments carried out by the subsidiary Computer Gross Italia SpA in order to complete the Group’s headquarter in Empoli and the Cash&Carry network on the Italian territory.

The net working capital amounted to Euro 128,909 thousand at 31 October 2016 and showed a 4.0% increase compared to Euro 123,961 thousand recorded in the period ended 31 October 2015, less than proportional to the growth in turnover in the period, thanks to the growing efficiency in the management of the receivables portfolio and the management of inventories, in line compared to 31 October 2015.

The item Non-current liabilities, amounting to Euro 22,767 thousand at 31 October 2016, recorded an increase of Euro 756 thousand compared to Euro 22,011 thousand at 30 April 2016, mainly due to the increase in provisions for risks and charges, which rose from Euro 712 thousand to Euro 1,569 thousand.

Details of the Group's Net Financial Position at 31 October 2016 are shown below (with figures in thousands of euros). Together with the comparative figures for the year ended 30 April 2016 are also included those for the period ended 31 October 2015, in order to provide a better analysis of the Net Financial Position considering the seasonality that usually characterises revenues from sales and financial management during the year.

Net Financial Position	**31/10/2016**	**31/10/2015**	**30/04/2016**
Liquidity	117,408	55,404	146,168
Current financial receivables	1,300	233	1,294
Current financial debt	50,730	36,252	40,548
Net current financial debt	**(67,978)**	**(19,385)**	**(106,914)**
Non-current financial debt	74,659	36,766	65,103
Non-current financial debt	**74,659**	**36,766**	**65,103**
Net financial debt	**6,681**	**17,381**	**(41,811)**

Consolidated Net Financial Position (Net Debt) amounted to Euro 6,681 thousand at 31 October 2016, with an improvement of Euro 10,700 thousand compared to the corresponding period at 31 October 2015. The positive trend of the Net Financial Position compared to the same period of 2015 originates from an effective working capital management, together with self-financing of the period.

The change in the Net Financial Position at 31 October 2016 compared to 30 April 2016, which showed a net liquidity of Euro 41,811 thousand, mainly reflects the seasonality of the business where working capital absorption is higher at 31 October than at 30 April of each financial year.

Consolidated Group's equity is equal to Euro 183,497 thousand at 31 October 2016, compared to Euro 179,414 thousand at 30 April 2016. The change compared to 30 April 2016 mainly reflects the Net profit of Euro 11,186 thousand accruing in the period at 31 October 2016 net of dividends paid of Euro 7,408 thousand.

Treasury shares

At the date of approval of the Half-year Financial Report, the parent company Sesa SpA held 79,055 shares, equal to 0.51% of the share capital, purchased in accordance with the purchase plan of treasury shares resolved by the shareholders' meetings on 26 August 2016. In application of the international accounting standards, 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 Digital Srl, Delta Phi Sigla Srl and BMS SpA, 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

Below is reported a set of quantitative data that gives information regarding the extent of the Group companies' exposure to risks.

Operating risks
Operating risks are mainly related to the unfavourable trend of the external environment, represented by the Italian IT market characterized by a weak demand which from 2009 to 2015 recorded negative growth rates.

In spite of the unfavourable trend of the external environment and its potential negative effect on business performance, the Group grew thanks to the signature of new distribution agreements with IT International Vendors and the development of revenues from services.

As regards internal corporate risks, the efficiency of the Group companies' production and commercial processes, directed at achieving both the economic and financial targets set in the budget, is monitored and checked every month.
The Group's relationship with its employees is one of the utmost reciprocal collaboration, as shown by its human resources' high degree of loyalty to their employer. Group companies operate in compliance with the environment and safety for their employees. In this sense, it should be noted that no serious injuries or occupational diseases or improper conduct towards employees took place that would entail the corporate liability.

Credit risk
Credit risk is represented by the Group companies' exposure to potential losses arising from its customers' failure to meet their obligations. Credit risk arising from the Group companies' ordinary operations with its 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. Specifically, the Group showed a negative Net Financial Position of Euro 6,681 thousand at 31 October 2016. In certain phases of the year, especially at the end of the calendar quarters, a borrowing requirement is generated by the seasonal nature of the business and by increases in requirements for 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 Italia SpA and Var Group SpA.

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 30 April 2016 and 31 October 2016, the Group had no derivative instruments in place relating to interest rates.
In the light of present interest rate trends, 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 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 Italia 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 2016 no. 39 forward contracts were in place for an overall notional amount of Dollar 4,957 thousand signed by Computer Gross Italia SpA, of which no. 4 contracts with negative fair value for Euro 147 thousand and no. 35 contracts with positive fair value of Euro 80 thousand.

Price risk
The Company did not hold any financial instruments or shares listed on stock markets as of 31 October 2016, except for the treasury shares of Sesa SpA and shares in mutual funds, amounting to Euro 702 thousand, held by the subsidiary Sailing Srl and recognized at their fair value. 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 2016 was primarily concentrated in the accounts of Computer Gross Italia SpA and Var Group SpA.

Information on Human Resources

Human capital is the Sesa Group's main asset and, consequently, there is a model for the management and improvement of the Group's human resources, with the provision of incentives, training and company welfare.

In order to reach the company targets, individual incentive plans are envisaged and will be implemented, in relation to the achievement of individual qualitative and quantitative targets defined at the beginning of each year. For the executive directors, starting from 30 April 2015, a long-term plan for the assignment of Sesa SpA shares (stock grants) was approved, upon reaching annual/three-year targets for the creation of value for shareholders.

Staff recruitment aims to identify the best resources available, via agreements with the leading Italian universities and job sites, in observance of the principles of transparency and impartiality. To this end, specific internal company recruitment, introduction and professional development procedures have been developed, and about 60 new resources under the age of 30, recruited from Italian universities, were introduced during the calendar year ended 31 October 2016, via internships and apprenticeships.

Within the scope of company welfare programmes aimed at optimising the balance between professional and personal life, various provisions were made, such as the granting of scholarships to the children of Group employees, the provision of company facilities in support of employees, including a crèche and a staff canteen at the managerial centre in Via Piovola, Empoli. The company welfare programmes are funded partly by the Sesa Foundation.

At 31 October 2016, the Group workforce numbered a total of 1,278 units, highlighting a growth trend compared to the previous period ended 31 October 2015.
The figures are summarised in the table below:

	Actual number of employees at 31 October	
(in units)	**2016**	**2015**
Executives	16	15
Middle managers	92	95
Office workers	1,170	1,040
Total	**1,278**	**1,150**

The net increase in workforce compared to the year ended 31 October 2015 mainly reflects the enlargement of the scope of consolidation which, relating to the companies Sailing Srl and Var Prime Srl, recorded a total of about 50 new resources compared to 31 October 2015 and the organic increase for the development of the Cash&Carry network in the VAD sector and services in the VAR sector.
At 31 October 2016, 97% of staff consisted of employees hired under open-ended contracts, with women accounting for 36% of the total.

(in units)	**Men**	**Women**	**Fixed-term contract**	**Open-ended contract**
Group's employees	**818**	**460**	**38**	**1,240**
Incidence on Group's employees	64%	36%	3%	97%

Significant events after the period-end

After the period-end, the Group carried on its strategy in continuity with the first half of the year.

It should be noted that in November 2016 Var Group SpA signed a framework agreement for the inclusion in its system integration offering of Yarix Srl (of which 50% already owned by the Company) allowing Var Group SpA to acquire the control of Yarix Srl and to include it in the Sesa Group's scope of consolidation starting from 1 November 2016 with related consolidation on a line-by-line basis. Yarix's offer of cybersecurity services will be fully integrated in the Var Group's one - Managed and Security Services segments. For the year ending 31 December 2016 Yarix Srl pursues the target of Euro 4 million in revenues, Euro 600 thousand in Ebitda, Euro 350 thousand in net profit, with a Net Financial Position close to break even.

Moreover, in application of the agreements already signed, the development of the pole of Cloud Computing services on Microsoft Dynamics platform continued with the merger of Dynamics Fashion Group Srl into Var Prime Srl and the acquisition by Var Prime Srl of the total share capital of Porini Technologies Srl.

On 12 December 2016, a notice of assessment was notified to Computer Gross Italia SpA by the Revenue Agency of Florence, relating to Value Added Tax for 2011. Further details are provided in Note 23 - Provisions for risks and charges of the explanatory Notes.

No further significant events occurred after the end of the half-year at 31 October 2016.

Outlook on operations

In view of the results obtained during the first-half of the year and the slight growth of the reference market, the Group will continue to operate in the second half of the year with the aim of consolidating the growth in turnover and operational profitability, pursuing balanced and sustainable continuity and growth.

Half-year condensed consolidated financial statements

Consolidated Income Statement

(in thousands of euros)	Note	Period ended 31 October 2016	2015
Revenues	4	551,386	512,655
Other income	5	3,858	3,258
Consumables and goods for resale	6	(459,906)	(434,706)
Costs for services and rent, leasing and similar costs	7	(38,658)	(31,277)
Personnel costs	8	(31,271)	(26,420)
Other operating costs	9	(4,095)	(4,187)
Amortisation, depreciation and write-downs	10	(3,041)	(2,066)
EBIT		**18,273**	**17,257**
Profit from companies valued at equity		179	231
Financial income	11	2,593	2,238
Financial charges	11	(3,862)	(4,321)
Profit before taxes		**17,183**	**15,405**
Income taxes	12	(5,997)	(5,466)
Profit for the period		**11,186**	**9,939**
of which:			
Net profit attributable to minority interests		595	337
Net profit attributable to the Group		10,591	9,602
Earnings per share (basic) (in euros)	20	0.69	0.62
Earnings per share (diluted) (in euros)	20	0.68	0.62

Consolidated Statement of Comprehensive Income

(in thousands of euros)	Note	Period ended 31 October 2016	2015
Profit for the period		**11,186**	**9,939**
Actuarial profit for employees benefits	22	209	398
Comprehensive income for the period		**11,395**	**10,337**
of which:			
Comprehensive income – minority interests		681	398
Comprehensive income - Group		10,714	9,939

Consolidated Statement of Financial Position

(in thousands of euros)	Note	At 31 October 2016	At 30 April 2016
Intangible assets	13	17,609	17,251
Property, plant and equipment	14	45,788	44,437
Investment property	15	290	290
Equity investments valued at equity		4,101	3,938
Deferred tax assets		5,881	5,449
Other non-current receivables and assets	16	8,549	8,783
Total non-current assets		**82,218**	**80,148**
Inventories	17	66,678	59,079
Current trade receivables	18	243,386	306,474
Current tax receivables		3,962	4,269
Other current receivables and assets	16	23,186	20,512
Cash and cash equivalents		116,707	146,168
Total current assets		**453,919**	**536,502**
Non-current assets held for sale		1,818	1,818
Total assets		**537,955**	**618,468**
Share capital	19	37,127	37,127
Share premium reserve		33,102	33,144
Other reserves		6,427	5,330
Profits carried forward		99,244	96,738
Total Group equity		**175,900**	**172,339**
Equity attributable to minority interests		7,597	7,075
Total equity		**183,497**	**179,414**
Non-current loans	21	74,659	65,103
Employee benefits	22	15,908	15,836
Non-current provisions	23	1,569	712
Deferred tax liabilities		5,290	5,463
Total non-current liabilities		**97,426**	**87,114**
Current loans	21	50,730	40,548
Payables to suppliers		162,894	261,673
Current tax payables		8,087	2,260
Other current liabilities	24	35,321	47,459
Total current liabilities		**257,032**	**351,940**
Total liabilities		**354,458**	**439,054**
Total equity and liabilities		**537,955**	**618,468**

Consolidated Statement of Cash Flows

(in thousands of euros)	Note	Period ended 31 October 2016	2015
Profit before taxes		**17,183**	**15,405**
Adjustments to:			
Amortisation and depreciation	10	3,041	2,066
Provisions for personnel and other provisions	9	3,972	2,663
Net financial (income)/charges	11	131	634
Profit from companies valued at equity		(179)	(231)
Other non-monetary items			
Cash flows generated from operating activities before changes in net working capital		**24,148**	**20,537**
Change in inventories	17	(7,599)	(7,453)
Change in trade receivables	18	61,679	7,660
Change in payables to suppliers		(99,146)	(49,884)
Change in other assets		(1,548)	3,486
Change in other liabilities		(12,386)	(4,100)
Use of provisions for risks	23	39	(276)
Payment of employee benefits	22	(1,836)	(2,631)
Change in deferred tax assets and liabilities		(707)	427
Change in current tax payables and tax receivables		137	180
Interest paid		(1,417)	(1,739)
Taxes paid			
Net cash flow generated from operating activities		**(38,636)**	**(33,793)**
Investments in companies net of cash		(353)	(4,412)
Investments in property, plant and equipment	14	(3,243)	(4,502)
Investments in intangible assets	13	(1,250)	(1,677)
Disposals of property, plant and equipment and intangible assets	13, 14	383	1,975
Disposal of assets held for sale			
Investments in associated companies		16	(736)
Investments in non-current financial assets			
Collection of non-current financial assets		245	188
Dividends collected		1	78
Interest collected		1,393	1,122
Net cash flow generated from/(used in) investing activities		**(2,808)**	**(7,964)**
New disbursements of long-term loans		37,500	21,681
Repayments of long-term loans		(6,399)	(7,199)
(Decrease)/increase in short-term loans		(11,366)	(2,814)
Financial investments/disinvestments		(705)	
Change in Group equity	19	655	382
Change in equity attributable to minority interests	19	(29)	599
Treasury shares	19	(154)	(591)
Dividends distributed		(7,520)	(7,019)
Net cash flow generated from/(used in) financing activities		**11,983**	**5,039**
Translation difference on cash and cash equivalents			
Change in cash and cash equivalents		**(29,461)**	**(36,718)**
Cash and cash equivalents at the beginning of the period		146,168	92,122
Cash and cash equivalents at the end of the period		**116,707**	**55,404**

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	Group equity	Equity attributable to minority interests	Total equity
At 30 April 2016	**37,127**	**33,144**	**5,330**	**96,738**	**172,339**	**7,075**	**179,414**
Profit for the period				10,591	10,591	596	9,939
Actuarial gain/(loss) for employees benefit - gross			162		162	113	398
Actuarial gain/(loss) for employees benefit - net			(39)		(39)	(27)	(66)
Comprehensive income for the period			**5,453**	**107,329**	**183,053**	**7,757**	**190,810**
Purchase of treasury shares		(42)	(112)		(154)		**(154)**
Dividends distribution				(7,408)	(7,408)		**(7,408)**
Stock Grant plan – shares vesting in the period			353		353		**353**
Allocation of Net profit			848	(848)			
Changes in the scope of consolidation and other changes			(115)	171	56	(160)	**(104)**
At 31 October 2016	**37,127**	**33,102**	**6,427**	**99,244**	**175,900**	**7,597**	**183,497**

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 Borsa Italiana S.p.A. 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. Furthermore, the Group is active in the field of logistics services, mainly for companies of its Group. The Company is owned by ITH SpA, which holds 53.4% of the voting shares.
These half-year condensed consolidated financial statements were approved by the Company's Board of Directors on 21 December 2016 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 2016.

2.1 Basis of Preparation

The half-year condensed consolidated financial statements at 31 October 2016 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 2016 were drawn up in "short" form and must therefore be read jointly with the Group consolidated financial statements for the year ended 30 April 2016, prepared in compliance with IFRS.

The half-year condensed consolidated financial statements at 31 October 2016 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 2016 include the Company's Interim Financial Report, as well as the Interim Financial Reports of subsidiaries at 31 October 2016. These interim financial reports were properly adjusted, if required, in order to comply them with IFRSs.
The companies included in the scope of consolidation at 31 October 2016 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 2016 comply with those adopted for the consolidated financial statements for the year ended 30 April 2016, 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 2016 has been prepared especially, in accordance with 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 on the closing 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 2016 is of level 2, while the fair value of the shares of mutual funds 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 Recently-issued accounting standards

As at date of this Half-year Condensed Consolidated financial report, the competent bodies of the European Union approved the adoption of the following accounting standards and amendments applied to the Group on 1 May 2016.

- On 6 May 2014, the IASB issued some amendments to IFRS 11 – Joint arrangements: accounting for acquisition of interests in joint operations, clarifying the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are applicable retroactively for years beginning on or after 1 January 2016.
- On 12 May 2014, the IASB issued some amendments to IAS 16 and to IAS 38 – Clarifications of acceptable methods of depreciation and amortisation. The amendments clarify the use of the revenue-based methods to calculate the amortisation/depreciation of an asset and explain that, other than in certain limited circumstances, a revenue-based amortisation/depreciation method cannot be considered acceptable for either tangible assets or intangible assets. The application of the amendments will become effective from years beginning on or after 1 January 2016.
- On 12 August 2014, the IASB issued some amendments to IAS 27 – Separate financial statements. The amendments applicable starting from years beginning on 1 January 2016, allow the use of the equity method for the booking of investments in subsidiaries, associated companies and joint ventures in separate financial statements. The aim is to reduce the complexity of management and the relative costs for companies operating within juridical systems where IFRSs standards are also applicable to separate financial statements.
- On 25 September 2014, the IASB issued a combination of amendments to IFRS (Annual Improvements to IFRSs - 2012-2014 Cycle). The approved provisions amended: (i) IFRS 5 “Non-current assets held for sale and discontinued operations” clarifying that the change in classification of an asset (or disposal groups) from being held for sale to being held for distribution to shareholders, must not be considered as a new plan for disposal but the continuation of the original plan. Therefore, the change in classification does not determine the interruption of the application of IFRS 5 nor the change of the date of classification; (ii) IFRS 7 “Financial instruments: disclosures” clarifying that, for the purposes of disclosure, a servicing agreement which envisages the payment of a fee may represent a continuing involvement in the transferred asset; (iii) IAS 19 “Employee benefits” clarifying that the degree of "depth" of the market for the corporate bonds to be considered for the choice of the discount rate to apply in discounting the liability for post-employment benefits (rate of return on bonds of primary companies rather than the rate of government bonds) must be evaluated in consideration of the market at the level of the currency in which the bond is expressed and not at the level of the single country in which the bond is located; (iv) IAS 34 “Interim Financial Reporting” clarifying that the disclosures required for interim situations must be either supplied in the interim financial statements or mentioned in them through reference to another statement (e.g.: the Directors Report) which is available to users of the financial statements in the same terms and at the same time as the interim financial statements. The amendments will be applicable from years beginning on or after 1 January 2016.
- On 18 December 2014, the IASB amended IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures". IFRS

10 was amended to specify that a holding company, controlled by an investment entity, is not obliged to prepare consolidated financial statements, even if the investment entity measures the subsidiaries at fair value in compliance with IFRS 10. With reference to IFRS 12, the amendment clarifies that an investment entity which measures all its subsidiaries at fair value must provide the disclosures required by IFRS 12 "Disclosure of Interests in Other Entities". As regards IAS 28, the amendment allows a company that is not an investment company but holds an investment in associates or joint ventures that are investment entities, evaluated using the equity method, to retain the fair value applied by the investment company with reference to its interests in subsidiaries. The amendments are applicable from years beginning on or after 1 January 2016.

The adoption of the new standards mentioned above had no significant effect on the consolidated financial statements.

As at the date of the present Half-year Financial Report, the competent bodies of the European Union have not yet completed the necessary process of endorsement for the adoption of the following accounting standards and amendments.

- On 12 November 2009, the IASB published IFRS 9 – Financial instruments, which was then amended on 28 October 2010 and 24 July 2014. The standard, which will be applicable for financial years commencing on or after 1 January 2018 on a retrospective basis, falls within the scope of a multi-phase process aimed at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities and for the derecognition of financial assets from the accounts. Specifically, for financial assets the new standard adopts a single approach based on the method of the management of the financial instruments and the characteristics of their contractual cash flows in order to determine their measurement policy, replacing the different rules laid down in IAS 39. On the contrary, as regards financial liabilities, the main amendment involved the accounting treatment of changes in the fair value of a financial liability designated as financial liability valued at fair value through profit or loss, in the event that said changes are due to a change in the credit risk of the liability itself. Based on the new standard, such adjustments have to be charged in the statement of comprehensive income rather than profit and loss statement.
- On 28 May 2014, the FASB issued IFRS 15 "Revenue from contract with customers". The new standard will be applicable as of years beginning on or after 1 January 2018. The standard replaces IAS 18 – "Revenues," IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programmes", "IFRIC 15 - Agreements for the Construction of Real Estate", IFRIC 18 – "Transfers of Assets from Customers", SIC 31 – "Revenue—Barter Transactions Involving Advertising Services". The new standard applies to all contracts with customers, apart from contracts falling within the scope of application of IAS 17 – Leases, for insurance contracts and financial instruments. It establishes a process consisting of five phases to define the timing and the amount of the revenues to be disclosed (identification of contracts with customers, identification of the performance obligations envisaged by the contract, determination of the price of the transaction, allocation of the price of the transaction, disclosure of revenues upon fulfilment of the performance obligation).
- On 11 September 2014, the IASB issued some amendments to IFRS 10 and IAS 28: "Investments in associates and joint ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments made to the two standards define the accounting treatment in relation to profits or losses deriving from transactions with joint ventures or associates evaluated using the equity method. In particular, it should be noted that, in the case of sale or contribution of a business to an associate or joint venture, the investor applies the principles of IFRS10 and records the whole contingent gain or contingent losses consequential to the loss of control; when the assets sold or contributed to the associate or joint venture do not constitute a business in accordance with IFRS 3, the gain or loss is recognised in compliance with IAS 28. The application of the amendments, originally scheduled for the years beginning on or after 1 January 2016, has been suspended.
- On 13 January 2016, the IASB issued new IFRS 16 – Leases. This standard replaces the current guidance in IAS 17 no more suitable to represent leases in the current economic framework. This new standard requires to recognise lease contracts in the balance sheet as assets or liabilities whether they are financial or

operating leases. Lease contracts with lease term of 12 months or less and leases of low-value assets are out of the new standard scope. IFRS 16 will be applicable from years beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 (Revenue from Contracts with Customers) has also been applied.

- On February 2016, IASB issued some amendments to IAS 12 – Income taxes, Recognition of deferred tax assets for unrealised losses, which clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments will be applicable from years beginning on or after 1 January 2017.
- On 25 February 2016, IASB issued some amendments to IAS 7 - Statement of cash flows - Disclosure initiative. These amendments introduce improved information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will be applicable from years beginning on or after 1 January 2017.
- On 12 April 2016, IASB issued some further amendments to IFRS 15 - Revenue from Contracts with Customers, "Clarifications to IFRS 15", clarifying some points and allowing more simplifications, with the aim to reduce costs and complexity, for early adopters. These amendments will be applicable from years beginning on or after 1 January 2018.
- On June 2016, IASB issued some further amendments to IFRS 2 - Share based payments clarifying the evaluation of the cash-settled share-based payments and how to account for certain types of share-based payment transactions. It also introduces an exception to IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. These amendments will be applicable from years beginning on or after 1 January 2018.
- On December 2016, IASB issued some further amendments to IAS 40 "Investment Property" providing guidance on transfers of property to, or from, "Investment properties" line item, underlying that transfers to investment property can be made when there is an evident change in use. These amendments will be applicable from years beginning on or after 1 January 2018.
- On December 2016, IASB issued a collection of amendments to IFRS (Annual Improvements to IFRSs 2014-2016 Cycle). Improvements amended the following standards: (i) IFRS 1 "First-time Adoption of International Financial Reporting Standards" in relation to the deletion of some exemptions related to IFRS 7, IAS 19 and IFRS 10 in case of first-time adoption, (ii) IFRS 12 "Disclosure of Interests in Other Entities" clarifying the scope of the standard (ii) IAS 28 "Investments in Associates and Joint Ventures" relating to measurement at fair value of associates or joint ventures. These amendments will be applicable from years beginning on or after 1 January 2018.
- On December 2016, IASB issued IFRIC 22 "Foreign currency transactions and advance consideration". The document clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. This standard will be applicable from years beginning on or after 1 January 2018.

The Group will adopt these new standards, amendments and interpretations, on the basis of the expected date of application, and will assess potential impacts, when these will be 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 covered by 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 2016 no. 39 currency forward contracts were in place for an overall notional amount of Dollar 4,957 thousand signed by Computer Gross Italia SpA. There were no.35 contracts with positive fair value for Euro 80 thousand and no.4 contracts with negative fair value for Euro 147 thousand.

CREDIT RISK

The credit risk essentially arises from receivables from customers. The credit risk relating to open financial positions on derivative transactions is considered to be marginal, as the counterparties are selected from among leading financial institutions. As regards the credit risk relating to the management of financial or cash resources, the Group has in place procedures aimed at ensuring that the Group companies maintain relations with independent counterparties that are of high standing and reliable.

In order to mitigate the credit risk correlated to its business counterparties, and therefore to its customers, the Group has implemented procedures aimed at ensuring that its products are sold to customers that are considered to be reliable on the basis of past experience and any available information. Furthermore, the Group controls its commercial exposure on an ongoing basis and monitors that the debt collection takes place within the preset contractual time limits.

With reference to trade receivables, the more risky situation concerns relations with retailers. Therefore, receipts and payment times relating to these receivables are monitored on an ongoing basis. However, the amount of financial assets that are considered to be of insignificant amount and the recoverability of which may be doubtful is covered by appropriate provisions for bad debts.

The tables below provide a breakdown of current receivables from customers at 31 October 2016 and 30 April 2016 grouped by overdue amounts, net of the amount of provision for bad debts covering performing loans.

(in thousands of euros)	**At 31 October 2016**	**At 30 April 2016**
Falling due	209,789	279,115
Overdue from 0-90 days	18,110	18,496
Overdue from 90-180 days	3,890	1,832
Overdue from 180-360 days	3,914	1,185
Overdue from more than 360 days	7,683	5,846
Total	**243,386**	**306,474**

About credit risk management, it should be noted that the Group uses the credit insurance instrument on a considerable part of the annual trade receivables.

LIQUIDITY RISK

The liquidity risk is associated to the Group's ability to meet any commitments mainly arising from financial liabilities. A prudent management of the liquidity risk arising from the Group'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 Group's objective within the scope of the capital risk management is mainly that of safeguarding its existence as a going-concern so as to guarantee returns to shareholders and benefits to any other stakeholders. The Group 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 complex 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 (VAR), 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 includes 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 Italia SpA and Var Group SpA use 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 minority interests by operating segment;
- EBITDA defined as the profit for the year before depreciation, accruals to provisions for bad debts and to provisions for risks, 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 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 2016 and 31 October 2015:

	Period ended 31 October 2016					Period ended 31 October 2015				
(in thousands of euros)	**Value Added Distribution (VAD)**	**Software and System Integration (VAR)**	**Corporate**	**Eliminations**		**Value Added Distribution (VAD)**	**Software and System Integration (VAR)**	**Corporate**	**Eliminations**	
Revenues from third parties	**450,827**	**99,626**	**933**	**-**	**551,386**	**423,402**	**88,549**	**704**	**-**	**512,655**
Inter segment revenues	30,666	1,396	5,000	-	37,062	32,304	973	4,880	-	38,157
Revenues	**481,493**	**101,022**	**5,933**	**(37,062)**	**551,386**	**455,706**	**89,522**	**5,584**	**(38,157)**	**512,655**
Other income	3,060	1,410	944	(1,556)	3,858	2,063	1,641	767	(1,213)	3,258
Total Revenues and other income	**484,553**	**102,432**	**6,877**	**(38,618)**	**555,244**	**457,769**	**91,163**	**6,351**	**(39,370)**	**515,913**
Purchase of goods	(445,265)	(45,258)	(426)	31,043	(459,906)	(420,170)	(47,126)	(348)	32,938	(434,706)
Costs for services and rent, leasing and similar costs	(13,126)	(29,242)	(3,818)	7,528	(38,658)	(13,163)	(21,953)	(2,997)	6,836	(31,277)
Personnel costs	(6,306)	(22,413)	(2,552)	-	(31,271)	(5,527)	(18,417)	(2,478)	2	(26,420)
Other operating costs	(1,104)	(422)	(59)	17	(1,568)	(994)	(321)	(219)	(414)	(1,948)
Ebitda	**18,752**	**5,097**	**22**	**(30)**	**23,841**	**17,915**	**3,346**	**309**	**(8)**	**21,562**
Amortisation, depreciation and write-downs	(3,098)	(2,425)	(45)	-	(5,568)	(2,392)	(1,875)	(38)	-	(4,305)
Ebit	**15,654**	**2,672**	**(23)**	**(30)**	**18,273**	**15,523**	**1,471**	**271**	**(8)**	**17,257**
Profit from companies valued at equity	3	167	9	-	179	15	207	9	-	231
Net financial income and charges	(545)	(746)	22	-	(1,269)	(1,310)	(770)	(3)	-	(2,083)
Profit before taxes	**15,112**	**2,093**	**8**	**(30)**	**17,183**	**14,228**	**908**	**277**	**(8)**	**15,405**
Income taxes	(4,632)	(1,201)	(173)	9	(5,997)	(4,488)	(746)	(235)	3	(5,466)
Profit for the period	**10,480**	**892**	**(165)**	**(21)**	**11,186**	**9,740**	**162**	**42**	**(5)**	**9,939**
Profit attributable to minority interests	20	577	(2)	-	595	56	281	-	-	337
Profit attributable to the Group	**10,460**	**315**	**(163)**	**(21)**	**10,591**	**9,684**	**(119)**	**42**	**(5)**	**9,602**

All the Group's revenues are generated in Italy. Revenues can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Sale of hardware, software and accessories	499,779	469,496
Software development and other services	21,966	20,893
Hardware and software assistance	23,394	16,213
Marketing activity	3,986	4,361
Other sales	2,261	1,692
Total	**551,386**	**512,655**

5 Other Income

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Transport activity	436	236
Capital gains on disposals	27	293
Commissions	153	252
Leases and hires	93	78
Training courses	72	82
Other income	3,077	2,317
Total	**3,858**	**3,258**

6 Consumables and Goods for resale

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Purchase of hardware	300,476	285,690
Purchase of software	159,377	147,800
Consumables and other purchases	53	1,216
Total	**459,906**	**434,706**

7 Costs for services and rent, leasing and similar costs

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Hardware and software technical assistance	13,367	9,886
Consultancy	8,641	6,938
Commissions and contributions due to agents	3,324	3,776
Leases and hires	3,249	2,559
Marketing	1,496	1,453
Transport	1,833	1,532
Insurance	732	795
Utilities	945	823
Logistics and warehousing	699	559
Support and training expenses	321	286
Maintenance	1,347	1111
Other expenses for services	2,704	1,559
Total	**38,658**	**31,277**

8 Personnel costs

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Wages and salaries	21,299	17,900
Social security contributions	5,753	5,012
Contributions to pension funds	1,445	1,247
Reimbursements and other personnel costs	2,774	2,261
Total	**31,271**	**26,420**

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-16**	**31-Oct-15**	**31-Oct-16**	**31-Oct-15**
Executives	16	16	16	15
Middle managers	94	94	92	95
Office workers	1,137	979	1,170	1,040
Total	**1,247**	**1,089**	**1,278**	**1,150**

9 Other Operating costs

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Accruals to provision for bad debts	1,709	1,976
Charges and commissions for assignments of receivables without recourse	721	767
Taxes and duties	302	235
Capital losses on disposals	8	2
Losses not covered by provisions for bad debts	162	73
Provisions for risks and charges	818	263
Other operating costs	375	871
Total	**4,095**	**4,187**

10 Amortisation and depreciation

This item is broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Intangible assets	1,371	900
Property, plant and equipment	1,670	1,166
Investment property		
Total	**3,041**	**2,066**

Amortisation of intangible assets in the period included Euro 707 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.

11 Financial income and charges

This item can be broken down as follows:

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Interest expense for assignments of receivables	759	917
Charges and commissions for assignments of receivables with recourse	154	247
Interest expense on bank accounts and loans	144	342
Other interest expense	514	480
Commissions and other financial charges	1,091	1,156
Financial charges relating to staff severance pay (TFR)	108	92
Foreign exchange losses	1,092	1,087
Total financial charges	**3,862**	**4,321**
Interest income on other short-term receivables	1,280	1,034
In associated companies		28
Other financial income	79	59
Interest income on bank deposits	34	88
Dividends from equity investments	1	78
Foreign exchange gains	1,199	951
Total financial income	**2,593**	**2,238**
Net financial charges	**1,269**	**2,083**

The financial management showed a negative balance of Euro 1,269 thousand at 31 October 2016, showing an improvement compared to the negative balance of Euro 2,083 thousand at 31 October 2015, thanks to a reduction in the costs related to receivables transferred to the factor (assignments with/without recourse), primarily due to the reduction in interest rates and assignment commissions, and lower interest charges generated by the reduction in the average debt level. The reduction of Net financial charges was also favoured by the result of exchange rate management that recorded a positive net balance of Euro 107 thousand at 31 October 2016, with an improvement compared to a negative net balance of Euro 136 thousand at 31 October 2015.

12 Income taxes

Income taxes at 31 October 2016 are equal to Euro 5,997 thousand and are based on the best estimate of taxes in accordance with the legislation in force.

	Period ended 31 October	
(in thousands of euros)	**2016**	**2015**
Current taxes	6,422	5,463
Deferred taxes	(425)	3
Total	**5,997**	**5,466**

The increase in current taxes compared to the previous period ended 31 October 2015 is mainly due to the increase in taxable income.

13 Intangible assets

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

(in thousands of euros)	List of customers	Technological know-how	Software and other intangible assets	Total
Balance at 30 April 2016	**6,819**	**8,575**	**1,857**	**17,251**
Of which:				
- historical cost	*10,505*	*8,878*	*6,730*	*26,113*
- accumulated amortisation	*(3,686)*	*(303)*	*(4,873)*	*(8,862)*
Changes in the scope of consolidation			6	6
Investments	512	290	1,028	1,830
Amortisation	(479)	(228)	(664)	(1,371)
Decreases			(107)	(107)
Other changes				
Reclassifications				
Balance at 31 October 2016	**6,852**	**8,637**	**2,120**	**17,609**
Of which:				
- historical cost	*10,939*	*9,169*	*7,509*	*27,617*
- accumulated amortisation	*(4,087)*	*(532)*	*(5,389)*	*(10,008)*

The balance of intangible assets at 31 October 2016 consists largely of client lists and technological know-how items, acquired in the previous years through business branches and companies. The investment in client lists and technological know-how items, equal to Euro 580 thousand, refers to the acquisition of Var Prime 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 and equipment

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

(in thousands of euros)	Land	Buildings	Office machines	Leasehold improvements	Other property, plant and equipment	Total
Balance at 30 April 2016	**5,225**	**26,398**	**4,180**	**2,544**	**6,090**	**44,437**
Of which:						
- historical cost	*5,225*	*28,206*	*14,182*	*4,290*	*10,372*	***62,275***
- accumulated depreciation		*(1,808)*	*(10,002)*	*(1,746)*	*(4,282)*	***(17,838)***
Changes in the scope of consolidation			22		32	**54**
Investments		347	1,524	638	734	**3,243**
Disposals			(234)		(42)	**(276)**
Depreciation		(227)	(714)	(217)	(512)	**(1,670)**
Balance at 31 October 2016	**5,225**	**26,518**	**4,778**	**2,965**	**6,302**	**45,788**
Of which:						
- historical cost	*5,225*	*28,553*	*15,355*	*4,928*	*10,967*	***65,028***
- accumulated depreciation		*(2,035)*	*(10,577)*	*(1,963)*	*(4,665)*	***(19,240)***

The investments in property, plant and equipment made at 31 October 2016 mainly refer to office and electric machines (servers and storage) necessary to the development of the fully owned Data Center and the offering of Cloud Computing services by the subsidiary Leonet Srl, the costs of preparation of the Cash & Carry network supported by Computer Gross Italia SpA reclassified in leasehold improvement item as well as the restructuring and expansion of a company-owned building based in Via Piovola no. 138.

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 2016	**281**	**9**	**290**
Of which:			
- historical cost	*281*	*10*	***291***
- accumulated depreciation		*(1)*	***(1)***
Investments			
Disposals			
Depreciation			
Balance at 31 October 2016	**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 lands located in Villanova (Empoli) and an apartment for office use located in Rome, fully owned.

16 Other current and non-current receivables and assets

This item can be broken down as follows:

(in thousands of euros)	**At 31 October 2016**	**At 30 April 2016**
Non-current receivables from others	3,767	3,889
Non-current equity investments in other companies	4,781	4,794
Non-current securities	1	37
Non-current receivables from associated companies		-
Other non-current tax receivables		63
Total other non-current receivables and assets	**8,549**	**8,783**
Current receivables from others	9,077	7,825
Other current tax receivables	4,461	3,415
Accrued income and prepaid expenses	7,905	8,286
Derivative assets	80	3
Other current securities	1,563	858
Current receivables from Group's companies out of the scope of consolidation	100	125
Total other current receivables and assets	**23,186**	**20,512**

17 Inventories

This item can be broken down as follows:

(in thousands of euros)	At 31 October 2016	At 30 April 2016
Finished products and goods for resale	63,199	56,524
Work in progress and semi-finished products	3,479	2,555
Total	**66,678**	**59,079**

The increase in inventories compared to the year ended 30 April 2016 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 2016	**812**
Net change	517
Balance at 31 October 2016	**1,329**

18 Current trade receivables

This item can be broken down as follows:

(in thousands of euros)	At 31 October 2016	At 30 April 2016
Receivables from customers (*)	254,273	317,283
Provision for write-down of receivables from customers	(12,122)	(12,030)
Receivables from customers, net of provision for bad debts	**242,151**	**305,253**
Receivables from associated companies	1,235	1,221
Total current trade receivables	**243,386**	**306,474**

(*) For the purposes of a better portrayal of receivables from customers, they are presented net of the balance relating to customers subject to bankruptcy proceedings which at 31 October 2016 were Euro 27,403 thousand, compared to Euro 26,404 thousand at 30 April 2016. These positions have been fully written down via the booking of a specific provision.

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

(in thousands of euros)	**Provision for bad debts**
Balance at 30 April 2016	**12,030**
Allocation	1,709
Use	(1,620)
Changes in the scope of consolidation	3
Balance at 31 October 2016	**12,122**

For the purposes of a better representation, the value of the provision for bad debts is presented net of the amount covering receivables under bankruptcy proceedings which, at 31 October 2016, was Euro 27,403 thousand, compared to Euro 26,404 thousand at 30 April 2016.

19 Equity

Share capital

At 31 October 2016 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 14 September 2016 a dividend equal to Euro 0.48 per share was distributed as approved by the Shareholders' Meeting on 26 August 2016. The total profit distributed by the Parent Company Sesa SpA amounted to Euro 7,408 thousand.

20 Earnings per Share

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

	Period ended 31 October	
(in euros, except otherwise specified)	**2016**	**2015**
Profit for the period – attributable to the Group in thousands of euros	**10,591**	**9,602**
Average number of ordinary shares (*)	15,400,748	15,456,386
Earnings per share – basic	**0.69**	**0.62**
Average number of ordinary shares (**)	15,471,082	15,456,386
Earnings per share – diluted	**0.68**	**0.62**

(*) 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 shows the breakdown of this item at 31 October 2016 and 30 April 2016:

At 31 October 2016 *(in thousands of euros)*	**Within 12 months**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
Long-term loans	36,679	57,927		94,606
Short-term loans	10,266			10,266
Advances received from factors	3,015			3,015
Finance lease liability	770	6,400	10,332	17,502
Total	**50,730**	**64,327**	**10,332**	**125,389**

At 30 April 2016 *(in thousands of euros)*	**Within 12 months**	**Between 1 and 5 years**	**Beyond 5 years**	**Total**
Long-term loans	21,124	47,985		69,109
Short-term loans	9,708			9,708
Advances received from factors	8,953			8,953
Finance lease liability	763	5,253	11,865	17,881
Total	**40,548**	**53,238**	**11,865**	**105,651**

The item "advances received from factors" 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**	
Lending bank	**Initial Amount**	**Financed Company**	**Registration**	**Expiry**	**Applied Rate**	**31 October 2016**	*of which current*
BNL BNP Paribas S.p.A.	14,000	Computer Gross Italia S.p.A	Jun-16	Dec-17	Taeg* 0.35%	14,000	4,000
CARIPARMA S.p.A. - Credit Agricole	10,000	Var Group S.p.A.	May-16	May-20	Euribor 3m + 0.90%	9,383	2,480
Banca MPS S.p.A.	10,000	Computer Gross Italia S.p.A	Nov-15	Dec-20	Euribor 6m + 1.10%	9,000	2,000
Banca CR Firenze S.p.A.	10,000	Computer Gross Italia S.p.A	Nov-15	Dec-20	Euribor 3m + 1.00%	8,500	2,000
Unicredit S.p.A.	8,000	Computer Gross Italia S.p.A	Dec-14	Oct-18	Euribor 3m + 1.50%	8,000	-
BNL BNP Paribas S.p.A.	8,000	Var Group S.p.A.	Jun-15	May-17	Euribor 3m + 0.90%	8,000	8,000
Unicredit S.p.A.	5,000	Var Group S.p.A.	Dec-15	Apr-17	Euribor 3m + 1.00%	5,000	5,000
CARIPARMA S.p.A. - Credit Agricole	5,000	Computer Gross Italia S.p.A	May-16	May-20	Euribor 3m + 0.90%	4,691	1,240
UBI Banca S.p.A.	5,000	Computer Gross Italia S.p.A	Jun-16	Jun-19	Taeg 0.71%	4,587	1,659
Unicredit S.p.A.	5,000	Var Group S.p.A.	Apr-16	Apr-21	Taeg 1.39%	4,511	981
Banca MPS S.p.A.	5,000	Var Group S.p.A.	May-15	Mar-20	Euribor 6m + 1.50%	4,375	1,250
UBI Banca S.p.A.	5,000	Computer Gross Italia S.p.A	May-15	May-20	Euribor 3m + 1.20%	3,778	991

*TAEG – gross annual percentage rate (APR)

It should be noted that loans do not envisage capital and/or financial covenants excepted for the loan of Euro 10 million stipulated with Banca CR Firenze SpA in November 2015 by Computer Gross Italia SpA and expiring in December 2020, which included the obligation to respect ratios of equity/financial debt and/or Ebitda/financial debt. In the year ended 30 April 2016 the above-mentioned ratios were met and at the end of the year a positive Net Financial Position was recorded.

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

(in thousands of euros) Lending bank	Registration	Company	Expiry	At 31 October 2016	*of which current*	At 30 April 2016	*of which current*
Leasint SpA	Computer Gross Italia SpA		Sep-25	8,801		8,801	
Leasint SpA	Computer Gross Italia SpA	Sep-13	Sep-25	597	37	615	*36*
Leasint SpA	Computer Gross Italia SpA	Oct-10	Sep-25	7224	470	7456	*466*
Leasint SpA	Computer Gross Italia SpA	Dec-08	Oct-23	576	68	608	*66*
Dell Bank International Limited	Leonet Srl	May-15	Apr-18	304	195	401	*195*
Total				**17,502**	**770**	**17,881**	**763**

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

At 31 October 2016 and 30 April 2016 the Group's financial debt was made up, for about 100%, of loans raised in euros. Below is a summary of the Group's Net Financial Position:

	(in thousands of euros)	At 31 October 2016	At 30 April 2016
A.	Cash	46	64
B.	Cheques and bank and postal deposits	116,661	146,104
C.	Securities held for trading	701	-
D.	**Liquidity (A) + (B) + (C)**	**117,408**	**146,168**
E.	**Current financial receivables**	**1,300**	**1,294**
F.	Current bank debts	13,281	18,661
G.	Current portion of non-current debt	36,679	21,124
H.	Other current financial payables	770	763
I	**Current financial debt (F) + (G) + (H)**	**50,730**	**40,548**
J.	**Net current financial debt (I) - (E) - (D)**	**(67,978)**	**(106,914)**
K.	Non-current bank debts	57,927	47,985
L.	Bonds issued		-
M.	Other non-current payables	16,732	17,118
N.	**Non-current financial debt (K) + (L) + (M)**	**74,659**	**65,103**
O.	**Net financial debt (J) + (N)**	**6,681**	**(41,811)**

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 relating to the staff severance pay (TFR) for the employees of the Group companies in Italy.

This item can be broken down as follows:

(in thousands of euros)	At 31 October 2016	At 30 April 2016
Balance at the beginning of the period	**15,836**	**13,057**
Service cost	591	1,004
Interest on the obligation	108	189
Uses, advances and transfer	(227)	(1,155)
Actuarial loss/(gain)	(275)	(66)
Changes in the scope of consolidation	(125)	2,807
Balance at the end of the period	**15,908**	**15,836**

The table below shows the actuarial calculation assumptions for the purposes of the determination of defined-benefit pension plans:

(in thousands of euros)	At 31 October 2016	At 30 April 2016
Economic assumptions		
Rate of inflation	1.50%	1.75%
Discount rate	1.30%	1.45%
Rate of increase in staff severance pay (TFR)	2.63%	2.81%

As regards the discount rate, reference has been made to the iBoxx Eurozone Corporates AA index with duration 10+ as at the various valuation dates, commensurate with the residual average term of the staff subject to assessment.

23 Provisions for risks and charges

The change in the item can be broken down as follows:

(in thousands of euros)	Provision for agents' pension fund	Other provisions for risks	Total
At 30 April 2016	**317**	**395**	**712**
Allocations	30	818	913
Uses	(20)	(28)	(48)
Other changes		57	(8)
At 31 October 2016	**327**	**1,242**	**1,569**

Other Provisions for Risks, equal to Euro 1,242 thousand including accruals for the period, are aimed at hedging the risk of legal and tax disputes, and include the estimated future liability deriving from the notice of assessment served by the Revenue Agency of Florence to Computer Gross Italia SpA on 18 December 2015 and 12 December 2016, with regard to the Value Added Tax for 2010 and 2011 respectively.

The higher tax ascertained for both notices amounted to Euro 5.05 million, plus sanctions and interest, and relates to the sale of non-taxable assets pursuant to article 8 par. 2 of Presidential Decree 633/72. Based on the examination of similar situations and of the documentation presented, Computer Gross Italia SpA, having heard the opinions of its tax and legal consultants, considered that the tax authorities' request on the merits was groundless and therefore it appealed against the abovementioned notice of December 2015 relative to 2010. The company is also going to appeal against the notice of December 2016 relative to 2011.

The company also deemed that it has behaved correctly in compliance with the laws on taxation having also gradually strengthened the procedures of validation and monitoring of the clients who perform this type of operations, in order to reduce the potential tax risk.

24 Other current liabilities

This item can be broken down as follows:

(in thousands of euros)	**At 31 October 2016**	**At 30 April 2016**
Accrued expenses and deferred income	9,671	16,202
Tax payables	7,217	10,072
Payables to personnel	10,113	9,999
Other payables	2,745	3,629
Payables to social security institutions	2,052	2,011
Advances from customers	3,376	5,422
Derivative liabilities	147	124
Total other current liabilities	**35,321**	**47,459**

25 Other Information

Contingent liabilities

No significant changes emerged regarding the main existing disputes with respect to the information contained in the explanatory notes to the Consolidated Financial Statements of the Group as of 30 April 2016 except as set forth above in relation to tax litigation in Note 23 - Provisions for Risks and Charges. 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 2016 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 2016, please refer to the interim report on operations.

Annexes

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

(in thousands of euros)	At 31 October 2016	Of which with related parties	% impact
Intangible assets	17,609		
Property, plant and equipment	45,788		
Investment property	290		
Equity investments valued at equity	4,101		
Deferred tax assets	5,881		
Other non-current receivables and assets	8,549		
Total non-current assets	**82,218**	**-**	
Inventories	66,678		
Current trade receivables	243,386	14,791	6.1%
Current tax receivables	3,962		
Other current receivables and assets	23,186	200	0.9%
Cash and cash equivalents	116,707		
Total current assets	**453,919**	**14,991**	**3.3%**
Non-current assets held for sale	1,818		
Total assets	**537,955**	**14,991**	**2.8%**
Share capital	37,127		
Share premium reserve	33,102		
Other reserves	6,427		
Profits carried forward	99,244		
Total Group equity	**175,900**	**-**	
Equity attributable to minority interests	7,597		
Total equity	**183,497**	**-**	
Non-current loans	74,659		
Employee benefits	15,908	127	0.8%
Non-current provisions	1,569		
Deferred tax liabilities	5,290		
Total non-current liabilities	**97,426**	**127**	**0.1%**
Current loans	50,730		
Payables to suppliers	162,894	896	0.6%
Current tax payables	8,087		
Other current liabilities	35,321	117	0.3%
Total current liabilities	**257,032**	**1,013**	**0.4%**
Total liabilities	**354,458**	**1,140**	**0.3%**
Total equity and liabilities	**537,955**	**1,140**	**0.2%**

Trade receivables from related parties include Euro 14,291 thousand for amounts claimed by the Group from the associated company Zucchetti Informatica SpA, attributable to ordinary commercial supplies.

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

(in thousands of euros)	**Period ended 31-Oct-16**	**Of which with related parties**	**% impact**
Revenues	551,386	18,550	3.4%
Other income	3,858	35	0.9%
Consumables and goods for resale	(459,906)	(242)	0.1%
Costs for services and rent, leasing, and similar costs	(38,658)	(2,244)	5.8%
Personnel costs	(31,271)	(323)	1.0%
Other operating costs	(4,095)		
Amortisation, depreciation and write-downs	(3,041)		
EBIT	**18,273**		
Profit from companies valued at equity	179		
Financial income	2,593		
Financial charges	(3,862)	(1)	0.0%
Profit before taxes	**17,183**		
Income taxes	(5,997)		
Profit for the period	**11,186**		
of which:			
Profit attributable to minority interests	595		
Profit attributable to the Group	10,591		
Earnings per share (basic) (in euros)	0.69		
Earnings per share (diluted) (in euros)	0.68		

Revenues from related parties mainly refer to operations with associated company Zucchetti Informatica SpA, relating to ordinary commercial supplies. The transactions between the Group and related parties mainly consist of commercial transactions and refer primarily to hardware and software sales and related technical assistance. The Company believes that all transactions with related parties are substantially regulated on the basis of normal market conditions. Relations with top management mainly relate to the fees due to directors and executives with strategic responsibilities.

List of Subsidiary and operating Associated Companies

Subsidiary Companies

Owned by	Company	Registered Office	Ownership percentage at 31-Oct-16	Ownership percentage at 30-Apr-16
VAR GROUP SRL	365ONLINE SRL	Empoli (Florence)	100.00%	100.00%
COMPUTER GROSS ITALIA SPA	ACCADIS SRL	Rome	51.00%	51.00%
VAR DIGITAL SRL	AFB NET SRL	Ponte San Giovanni (Perugia)	62.00%	62.00%
APRA SPA	AGENZIA SENZA NOME SRL	Jesi (Ancona)	75.00%	70.00%
VAR GROUP SPA	APRA SPA	Jesi (Ancona)	60.00%	60.00%
SESA SPA	ARCIPELAGO CLOUD SRL	Empoli (Florence)	100.00%	100.00%
VAR GROUP SPA	BIG SRL	Empoli (Florence)	53.00%	53.00%
VAR GROUP SPA	BMS SPA	Milan	51.00%	51.00%
APRA SPA	CENTRO 3 CAD SRL	Jesi (Ancona)	80.00%	80.00%
SESA SPA	COMPUTER GROSS ITALIA SPA	Empoli (Florence)	100.00%	100.00%
COMPUTER GROSS ITALIA SPA	COMPUTER GROSS NESSOS SRL	Empoli (Florence)	60.00%	60.00%
VAR GROUP SPA	COSESA SRL	Empoli (Florence)	60.00%	60.00%
VAR GROUP SPA	DELTA PHI SIGLA SRL	Empoli (Florence)	100.00%	100.00%
COMPUTER GROSS ITALIA SPA	ICT LOGISTICA SRL	Empoli (Florence)	33.33%	33.33%
VAR GROUP SPA			33.33%	33.33%
SESA SPA	IDEA POINT SRL	Empoli (Florence)	100.00%	100.00%
MY SMART SERVICE SRL	VAR SERVICES SRL	Empoli (Florence)	55.36%	51.14%
M.F. SERVICES SRL			2.97%	3.50%
ITF SRL	INTEGRATION CUSTOMER CENTER SRL	Empoli (Florence)	100.00%	100.00%
COMPUTER GROSS ITALIA SPA	ITF SRL	Empoli (Florence)	100.00%	100.00%
VAR GROUP SPA	LEONET SRL	Empoli (Florence)	100.00%	100.00%
MY SMART SERVICE SRL	M.F. SERVICES SRL	Empoli (Florence)	70.00%	70.00%
VAR GROUP SPA	MY SMART SERVICES SRL	Empoli (Florence)	100.00%	100.00%
VAR GROUP SPA	OPENIA SRL	Empoli (Florence)	70.00%	n.a.
VAR GROUP SPA	SAILING SRL	Empoli (Florence)	51.00%	51.00%
VAR GROUP SPA	SIRIO INFORMATICA E SISTEMI SPA	Milan	51.00%	51.00%
VAR GROUP SPA	VAR BUSINESS ENGINEERING SRL	Empoli (Florence)	100.00%	100.00%
VAR GROUP SPA	VAR COM SRL	Empoli (Florence)	51.00%	51.00%
VAR GROUP SPA	VAR DIGITAL SRL	Empoli (Florence)	100.00%	100.00%
VAR GROUP SRL	VAR EMILIA ROMAGNA SRL	Rimini (Rimini)	62.4%	62.4%
VAR GROUP SRL	VAR ENGINEERING SRL	Empoli (Florence)	63.0%	63.0%
VAR EMILIA ROMAGNA SRL			15.0%	15.0%
VAR GROUP SRL	VAR GROUP NORD OVEST SRL	Genoa	100.00%	100.00%
SESA SPA	VAR GROUP SPA	Empoli (Florence)	100.00%	100.00%
VAR GROUP SPA	VAR GROUP SRL	Empoli (Florence)	100.00%	100.00%
COSESA SRL	VAR LIFE SRL	Empoli (Florence)	97.00%	97.00%
VAR GROUP SPA	VAR ONE SRL	Empoli (Florence)	64.9%	64.9%
VAR GROUP SPA	VAR PRIME SRL	Empoli (Florence)	55.00%	n.a.
VAR GROUP SRL	VAR TECH SRL	Empoli (Florence)	51.82%	51.82%

Associated Companies

Owned by	Company	Registered Office	Ownership percentage at	
			31-Oct-16	30-Apr-16
COSESA SRL	ARCOS SRL	Empoli (Florence)	50.0%	n.a.
VAR BUSINESS ENGINEERING SRL	B.I.T. SRL	Milan	12.5%	12.5%
BMS SPA			12.5%	12.5%
SESA SPA	C.G.N. SRL	Milan	47.5%	47.5%
COMPUTER NESSOS SRL	COLLABORA SRL	Vinci (Florence)	29.0%	29.0%
APRA SPA	CONSORZIO 3 CAD	Jesi (Ancona)	33.3%	33.3%
VAR DIGITAL SRL	CYMICHIP SRL	Creazzo (Vicenza)	24.0%	24.0%
VAR GROUP SPA	DOTDIGITAL SRL	Empoli (Florence)	50.0%	50.0%
APRA SPA	EVIN SRL	Ascoli Piceno	20.0%	n.a.
VAR DIGITAL SRL	G.G. SERVICES SRL	Pontedera (Pisa)	33.3%	33.3%
VAR GROUP SPA	GLOBAL BUSINESS AREZZO SRL	Arezzo	39.5%	39.5%
VAR GROUP SPA	M.K. ITALIA SRL	Empoli (Florence)	45.0%	45.0%
VAR GROUP SPA	MEDIAMENTE CONSULTING SRL	Empoli (Florence)	20.0%	20.0%
VAR GROUP SPA	NOA SOLUTION SRL	Cagliari	24.0%	24.0%
LEONET SRL	S.A. CONSULTING SRL	Milan	30.0%	30.0%
VAR GROUP SPA	SESA PROGETTI SRL	Empoli (Florence)	25.0%	25.0%
SIRIO INFORMATICA E SISTEMI SPA	SIRIO SPEED & AUTOMAZIONE SRL	Monza	49.0%	49.0%
APRA SPA	SO WINE SRL	Verona	35.0%	35.0%
VAR GROUP SRL	STUDIO 81 DATA SYSTEM SRL	Rome	50.0%	50.0%
VAR GROUP SRL	VAR & ENGINFO SRL	Empoli (Florence)	30.0%	30.0%
MY SMART SERVICE SRL	VAR COPY SRL	Empoli (Florence)	33.3%	33.3%
VAR GROUP SRL	VAR IT SRL	Empoli (Florence)	22.0%	22.0%
SIRIO INFORMATICA E SISTEMI SPA	WEBGATE ITALIA SRL	Milan	30.0%	30.0%
APRA SPA	WINLAKE ITALIA SRL	Novi Ligure (Alessandria)	33.3%	33.3%
VAR GROUP SPA	YARIX SRL	Montebelluna (Treviso)	50.0%	50.0%
VAR GROUP SPA	ZUCCHETTI INORMATICA SPA	Lodi	25.0%	25.0%

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 Director responsible for drawing up the Sesa S.p.A.'s accounting documents, certify, also taking into account that envisaged by article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the enterprise characteristics and

   - the effective application of the administrative and accounting procedures for the preparation of the Half-Year Condensed Consolidated Financial Statements at 31 October 2016.

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 2016 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, 21 December 2016

Paolo Castellacci
Chairman

Alessandro Fabbroni
CEO
Director responsible for drawing up accounting documents

Auditors' Report

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 2016, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity 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 2016 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, 21 December 2016

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