

Annual Report

30 April

2018

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

seSa s.p.a

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Report on operations

Governing and supervisory bodies of Sesa SpA

Board of Directors

Holding office until

Paolo Castellacci	Chairman	approval of the FS at 30.04.2018
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

The Chairman, Paolo Castellacci, was 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.

The Executive Vice-Chairman, Moreno Gaini, was granted all the powers of ordinary administration with regard to the management of equity investments in the IT distribution Sector (VAD).

The Executive Vice-Chairman, Giovanni Moriani, was granted all the powers of ordinary administration for the management of equity investments in the Software and System Integration Segment (VAR).

The CEO, Alessandro Fabbroni, was 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 the Corporate & Services Segment.

Corporate Governance Committees

Holding office until

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 until

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 until

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 Audit Manager

Independent Auditors

Holding office until

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)	STAR segment
Share Capital	37,126,927.50
Outstanding shares	15,494,590
Stake held by the controlling company ITH S.p.A.	52.81%
Specialist operator	Intermonte Sim SpA
Financial coverage	Intermonte Sim SpA, Banca IMI SpA

Conxi Palmero, Investor Relation Manager

Highlights of Group results

Consolidated income statement data at 30 April of each year

(in thousands of euros)	2018	2017	2016	2015	2014*
Revenues	1,350,900	1,260,275	1,223,485	1,054,038	941,023
Total Revenues and Other Income	1,363,035	1,271,469	1,229,602	1,060,160	947,556
EBITDA (Earnings before D&A, other provisions, financial charges and taxes)	63,121	57,885	54,009	51,583	49,718
EBIT	46,290	44,786	43,684	41,361	39,988
EBT	43,031	40,337	37,703	35,611	34,449
Profit for the year	30,183	27,098	25,055	22,605	21,670
Profit for the year attributable to the owners of the Parent	26,861	25,043	23,964	21,803	20,672
Adjusted EBIT	50,121	47,049	45,200	42,407	40,592
Adjusted EBT	46,862	42,600	39,219	36,657	35,053
Adjusted Net Profit	32,910	28,637	26,081	23,313	22,079

(*) Consolidated EBITDA, EBIT, EBT and Profit for the year at 30 April 2014 are presented net of non-recurring costs of listing on the MTA market, equal to Euro 746 thousand before tax effect.

Consolidated balance-sheet data at 30 April of each year

(in thousands of euros)	2018	2017	2016	2015	2014
Total Net Invested Capital	161,339	147,078	137,603	126,527	117,802
Total Equity	216,001	199,028	179,414	160,432	143,983
- attributable to the owners of the Parent	204,955	191,285	172,152	156,028	140,567
- attributable to the non-controlling interests	11,046	7,743	7,262	4,404	3,416
Net Financial Position (Net Liquidity)	(54,662)	(51,950)	(41,811)	(33,905)	(26,181)
Total Equity and Net Financial Position	161,339	147,078	137,603	126,527	117,802

Consolidated profitability ratios at 30 April of each year

	2018	2017	2016	2015	2014
EBITDA / Total Revenues and Other Income	4.63%	4.55%	4.39%	4.87%	5.28%
EBIT / Total Revenues and Other Income (ROS)	3.40%	3.52%	3.55%	3.90%	4.25%
Profit attributable to owners of the Parent/ Total Revenues and Other Income	1.97%	1.97%	1.95%	2.06%	2.20%
Net Financial Position / EBITDA (1)	(0.87)	(0.90)	(0.77)	(0.66)	(0.53)

(1) negative sign due to a positive Net Financial Position at 30 April of each year

Human Resources, amount at period-end (1)

(units or in thousands of euros)	2018	2017	2016	2015	2014
Number of employees at period-end	1,646	1,427	1,215	959	974
Average number of employees	1,537	1,321	1,150	1,025	935
Personnel costs	79,053	70,107	59,004	50,322	47,866
Average cost per unit	51.5	53.1	51.3	49.1	51.2
Percentage of resources with an open ended contract	97%	97%	97%	96%	95%

(1) Including fixed-term contracts, excluding internships

Main Financial Indicators

Financial indicators

Sesa Group	2018	2017	2016	2015	2014
(Euro)					
Trading stock Market (1)	MTA - Star	MTA - Star	MTA - Star	MTA - Star	MTA
Stock price (30 April of each year)	26.30	23.60	15.40	16.34	13.2
Dividend per share (2) (*)	0.60	0.56	0.48	0.45	0.45
Dividend paid (in millions of euros) (3)	9.297	8.677	7.513	7.043	6.984
Pay Out Ratio (4)	31%	32%	30%	31%	32%
Outstanding shares (in millions)	15.49	15.49	15.65	15.65	14.85
Market capitalisation (in millions of euros at 30 April of each year)	407.5	365.7	241.0	255.7	196.0
Market to Book Value (**)	1.9	1.8	1.3	1.6	1.4
Dividend Yield (on Stock price at 30 April) (***)	2.3%	2.4%	3.1%	2.8%	3.4%
Sesa Group	2018	2017	2016	2015	2014
(Euro)					
Earnings per share (basic) (****)	1.74	1.62	1.55	1.40	1.48
Earnings per share (diluted) (*****)	1.73	1.62	1.54	1.39	1.40

(1) Sesa entered into AIM 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 on STAR segment carried out in February 2015

(2) For the FY ended 30 April 2017 calculated according to the proposed resolution on dividends submitted to the Shareholders' Meetings of 24 and 27 August 2018

(3) Dividend gross of treasury shares

(4) Dividend gross of treasury shares/Consolidated Net Profit

(*) Dividend paid in the following year counting on the current year

(**) Market Capitalisation as of April 30 of every Fiscal Year/Consolidated Group equity

(***) Dividend per share/market value per share as of April 30 of every Fiscal Year

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

(***** Consolidated net profit/average number of ordinary shares 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

Letter to the Shareholders

In the year ending 30 April 2018, the Sesa Group recorded Revenues and Other Income for Euro 1.36 billion, with a percentage growth of 7.2% compared to the previous year and a consolidated net profit of Euro 30.1 million, up 11.4% compared to the year ended 30 April 2017. Adjusted net profit amounted to Euro 32.9 million, an increase of 15.0%.

These results confirm the Sesa Group's ability to grow in a continuous and sustainable manner, outperforming the reference market in a phase of profound evolution. The year just ended marks the definitive consolidation of the digital transformation, with the affirmation of new needs by companies and partners (digital solutions, managed and security services, cloud computing, collaboration, A.I., IoT) that represent new development opportunities for our sector.

Today the Sesa Group is a reference operator in Italy recognised in the IT solutions sector for the business segment with a complete range, both in terms of technology and integration services.

In this context, the Sesa Group continued to invest in human resources with more than 150 hires during the year, mainly young graduates from Italian universities, with training and specialization courses in order to strengthen the offer of innovative solutions and services for customers. With the new hires, the Group had more than 1,724 employees (including trainees) at the end of the year, compared to 1,451 at 30 April 2017. We will continue to invest in human capital, hired almost entirely with permanent contracts (more than 97% of the total at 30 April 2018), as this is the main asset and driver of the Group's capacity for sustainable development.

In the year ended 30 April 2018, both business sectors of the Sesa Group (VAD and SSI) outperformed the reference market, contributing to the growth of consolidated revenues. The VAD Sector, active in the IT value distribution market and led by the full-owned subsidiary Computer Gross Italia SpA, generated revenues and other income of Euro 1.154 billion, an increase of 4.7% compared to the previous year, thanks to the development of sales of value added IT solutions, favoured by investments in integration services and

solutions and the expansion of the portfolio of brands offered to customers. The SSI Sector, active in the Software & System Integration market for end users in the SME and Enterprise segments, through its fully-owned subsidiary Var Group SpA, thanks to the strategy of focusing on value added and development potential segments (ERP & Industry Solution, Managed and Security Services, Digital Services) recorded revenues and other income of Euro 289 million, up 20.7% compared to 30 April 2017.

The results for the year confirm an increase in the Group's profitability, both at operating level and in terms of net profit after taxes. Gross operating profit (EBITDA) amounted to Euro 63.1 million, up 9.0% compared to Euro 57.9 million at 30 April 2017. EBITDA went from 4.55% to 4.63% at 30 April 2018, showing a progressive acceleration trend during the year. Consolidated net profit reached Euro 30.2 million, an increase of 11.4% compared to the result of Euro 27.1 million at 30 April 2017, while the Group's share of net profit reached Euro 26.8 million, recording an increase of 7.3%. The adjusted consolidated net profit at 30 April 2018 reached a total of Euro 32.9 million, an increase of 15% compared to 30 April 2017 (the Group adjusted net profit after minority interests was Euro 29.6 million at 30 April 2018, compared to Euro 26.6 million at 30 April 2017).

Since the Group was founded, the business vision and future sustainability have been the values at the basis of each strategic action. The consolidated Net Financial Position at 30 April 2018 is positive (net liquidity) by Euro 54.7 million, with an improvement of Euro 2.7 million compared to 30 April 2017, achieved thanks to the generation of cash deriving from the operating profitability for the year and the control of working capital, net of significant investments for the period in the acquisition of new companies, business branches and technological infrastructures (approximately Euro 30 million) and the distribution of dividends to shareholders for Euro 8.7 million (dividend paid in September 2017). These results confirm the Group's ability to support current investment requirements and growth with its operating cash flow, remunerating its shareholders.

In the **Value Added Distribution (VAD) Sector** the Sesa Group confirmed its leadership in the Italian market by consolidating its market share and integrating new vendors in its offer of value solutions in the enterprise software, data centre and cloud segments (with over 40 new vendors in the year). The team of technical resources dedicated to integration services in support of the channel (Collaboration Value) was also strengthened, with the acquisition of new areas of specialisation. Thanks to this strategy, Computer Gross Italia SpA has strengthened its leadership in the Italian market for the distribution of value IT solutions, recording an increase in revenues of about 5% and a reversal in the profitability trend with gross and net margins in the second half of the year, up compared to the same period of the previous year.

During the year, the majority of the share capital of Icos SpA, a value distributor of enterprise software and data center solutions on the Italian market, with an annual turnover of approximately Euro 50 million, was acquired. The acquisition of 51% of Icos SpA at the price of Euro 2.3 million took place on 10 November 2017.

The **Software and System Integration (SSI) Sector** recorded an acceleration in revenue growth and profitability, particularly in the more dynamic areas of the infrastructure services and business applications market. Var Group SpA consolidates the evolution of its business model in order to support the digital transformation of the Italian medium-sized company, also thanks to the virtuous path of investments in specialised resources. The following are the main corporate acquisition transactions.

In January 2018 Var Group SpA acquired 51% of Tech-Value SpA, a leading company in the Italian market for PLM and CAD solutions in the industry 4.0 sector for the "engineering intensive" manufacturing sector. The operation was completed through the purchase of 51% of Newco Industria 4.0 Srl, owner of 100% of the shares of Tech-Value SpA (with 78% acquired thanks to the contribution of the founding shareholders and the remaining 22% through a public purchase offer on all the shares of Tech-Value on the AIM market). The total price for the acquisition of 51% of Tech Value was Euro 5.3 million, of which Euro 3.7 million at the closing and Euro 1.6 million conditional to the continuity of company management (in the following 24 months), in addition to an earn-out of

up to Euro 1.2 million to achieve the growth targets of the three-year consolidated average Ebitda result for 2019-2021, applying a multiplier of 4.75x Ebitda. Newco Industria 4.0 Srl was merged into Tech-Value in April 2018 (it was included in the Group's consolidation setting from January 2018). In March 2018, Var Group SpA signed a binding agreement with Infracom SpA for the purchase of the ERP Panthera software business. The business branch includes 50 specialised human resources, the ownership of the ERP Panthera software and a customer base of over 800 companies belonging to the SME and Enterprise segments active in the main Italian manufacturing districts. The business branch develops annual revenues for about Euro 6.5 million and an expected Ebitda of Euro 850 thousand. The acquisition of the branch was completed on 7 May 2018 through the company Sirio informatica e sistemi SpA of Milan, a subsidiary of Var Group SpA, for a price, paid in part via cash upon the signing of the document drawn up by the notary public and in part possible and extended over 24 months, depending on the performance of the commercial partnership between Infracom and Var Group for the supply of telecommunications services, determined on the basis of an expected EV/EBITDA multiplier of the business branch in line with those applied in recent acquisitions of the Sesa Group.

The Group determinedly pursues the creation of a sustainable future for the benefit of its stakeholders and its human capital. During the year, significant investments were dedicated to the development of human capital in recruitment, training, worklife balance and company welfare activities.

The preparation of Sesa's first Sustainability Report is an important opportunity to show how the Group operates with its internal and external stakeholders, reveal the medium/long-term strategic guidelines adopted by management and, more generally, to fully understand the drivers of sustainable growth that inspire the management of the Group.

In addition to its positive financial performance, in the year ended 30 April 2018, the Sesa Group achieved extremely positive results in generating value for all its stakeholders, pursuing a business model based on sustainable growth and based primarily on the daily commitment and professionalism of its human resources, as well as

on the solidity of its value system. Actions continued during the year to strengthen the corporate culture and identity of the Group, enhancing diversity, skills and the spirit of integration and developing an evolved corporate welfare system enhanced in terms of flexibility and work-life balance initiatives.

We will continue to operate and invest in our wealth of skills and professionalism with the primary objective of further fuelling the path of sustainable growth to the benefit of creating value for all our stakeholders.



Paolo Castellacci, Chairman



Alessandro Fabbroni, CEO

Company Headquarters and Group's facilities

Sesa SpA's legal and operational headquarters in Empoli (Florence), Via Piovola 138.

The technological pole based in Empoli (Via Piovola - Via del Pino) covers an area of over 21,000 square meters and includes the space dedicated to offices for about 8,000 square meters, datacenter dedicated to cloud computing services for about 1,000 square meters and logistics center and warehouse for about 12,000 square meters, in addition to the company nursery, the canteen and the auditorium. At the Empoli site it has been recently completed an Experience Lab with the most innovative technologies available to the Group's customers.

Experience Lab, Empoli (Florence)



Group's Datacenter, Empoli (Florence)



Other offices cover the whole of Italy, the main premises being in Milan, Genoa, Turin, Verona, Bologna, Florence, Rome, Pescara, Naples, Bari, Palermo, Cagliari. Computer Gross Italia's Cash & Carry Network now has 15 B2B stores and covers all of Italy.

Corporate site

Information about the Group's structure, economic and financial details, Press releases and Corporate Governance is available on the website www.sesa.it and on LinkedIn web address <https://it.linkedin.com/company/sesa-spa>

Operating conditions and business development and structure of the Sesa Group

The Sesa Group is a major Italian operator in offering of value-added IT services and solutions and partner of the leading international software and hardware vendors for the enterprise segment. The Sesa Group is able to offer a wide range of software and hardware solutions in addition to the integration and specialised consultancy services in support of their own clients.

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 (SSI) 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 Software and System Integration 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 the parent company 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 Srl. The Corporate Segment also includes Cloud Computing and services supporting the ICT Channel 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 100% owned by Sesa SpA (of which 66.66% through Computer Gross Italia and 33.33% through Var Group SpA) provides logistics services (product storage, assembly, customisation and handling) applied to ITC, on behalf of shareholders (Computer Gross Italia SpA, Var Group 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.

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 (SSI)

Business Unit Business Technology Solutions ("BTS")

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 and Enterprise. Var Group serves the Italian ERP services and system integration market, through its sub-holdings specialized in specific solutions and business lines, with a model based on 4 business units (Business Technology Solutions, ERP & Verticals, Managed & Security Services and Digital Transformation) and 3 cross functions (Outsourcing, Financial Solutions and Innovation).

Var Group Srl

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

Var Aldebra Srl

The Company, which is 51% owned by Var Group Srl, markets ICT products and solutions and provides system integration services focused on the Emilia Romagna region.

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 market in the North-West of Italy (through the branches of Milan, Turin and Genoa).

Business Unit Digital Transformation

Var Group Digital Srl

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

Agenzia senza nome Srl

The Company, 71.25% owned by Apra SpA, offers digital agency services with specific skills in creating and implementing web sites/e-commerce and digital marketing.

Globo Informatica Srl

The Company, which is 58% owned by Var Group SpA, is an IT Consulting company specialized in Digital Transformation solutions enabled by Enterprise Content and Information Management platforms of Vendor's software OpenText, of which it is a key partner for the Documentum Family and point of reference in the Italian market.

AFB Net Srl

The Company, 62% owned by Var Digital Srl, is active in the digital transformation sector with specific expertise on omnichannel projects, digital marketing, social, BPM and IBM Asset Management Solutions.

Business Unit Managed & Security Services

Leonet Srl

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

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 52.59% 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.

Yarix Srl

The Company, 50% owned by Var Group SpA, is active in the field of services and technology solutions for the IT security of private companies and public administrations.

Yarix Srl opened a R&D center in Tel Aviv for the development of innovative security systems.

Cosesa Srl

The Company, which is 100% owned by Var Group SpA, provides Strategic Outsourcing services to the major corporate customers.

Business Unit ERP & Industry solutions**Sirio Informatica e Sistemi SpA**

The Company, which is 51% owned by Var Group SpA, develops and markets proprietary ERP software and applications for small- and medium-sized businesses.

Var Sirio Industria Srl

The Company, which is 55% owned by Sirio Informatica e Sistemi SpA, operates in the technological innovation sector (Industry 4.0), specialized in production, IoT and Energy.

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.

Synergy Srl

The Company, 51% owned by Var One SpA, operates in the solutions and integrated services sector on the SAP Business One platform for SME market. Synergy Srl provides consulting, business solutions and services to their customers concentrated in central of Italy. The Company entered the scope of consolidation on 1 May 2017.

BMS SpA

The Company, 51% owned by Var Group SpA, is a leading consulting firm, focused on SAP ERP services. BMS SpA operates mainly in Northern Italy, with reference to Enterprise clients.

Apra SpA

The Company, which is 75% 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 (Furniture, Wine, etc).

Centro 3Cad Srl

80% owned by Apra SpA, it develops 3cad products in the furniture industry area. It operates in partnership with DAU and Intres, with which it forms the Consorzio 3cad for the development and support of the graphic

products suite of the “3cad evolution” configurator in Italy and in the world.

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.

Var Prime Srl

The Company, which is 51% owned by Var Group SpA, 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.

Tech-Value Srl

The Company, 51% owned by Var Group SpA, is specialized in IT services and PLM solutions towards “engineering intensive” companies in manufacturing sector with over 1,000 customers and over 120 resources in its branches in Milan, Turin, Genoa, Bologna, Roncade (TV), Fara Vicentina (VI), Viareggio (LU) and Barcelona (Spain). Tech-Value SpA fully owns the companies CCSTeam Srl, Tech.In-Nova Srl, Tech-Value IBERICA SI and through the latter Tech-Value del's Pirineus s.I.. Tech-Value Srl and CCSTeam Srl entered in the scope of consolidation starting from January 2018.

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 platform, which has a user database of a few thousands of customers throughout Italy, mainly small businesses.

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 12,000 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 1,114 million and a net profit of Euro 20.3 million in the year ended 30 April 2018, is 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.

ICOS SpA

Icos SpA, 51% owned by Computer Gross Italia SpA, is a value-added distributor of enterprise software and data center solutions on the Italian market with branches in Ferrara, Milan and Rome, with an historical partnership with the Vendor Oracle and furthermore distributor of NetApp, CommVault and Huawei solutions. Icos SpA entered in the scope of consolidation starting from November 2017.

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 the products offered. In particular, its brand portfolio includes Cisco which is 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 related Financial Services business unit, 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, markets Hitachi Data Systems solutions on behalf of its parent Company Computer Gross Italy SpA.

Performance of operations

General economic trend

In 2017, the growth trend of the world economy was consolidated (+3.8%) compared to the previous two years (3.2% in 2016 and 2015). The growth expectations for the following two years (+3.9% in 2018 and 2019) were confirmed, sustained by a favourable trend in global trade (source: IMF - WEO, April 2018).

In the Euro Zone, GDP growth in 2018 (+2.4%) is expected to accelerate slightly compared to 2017 (+2.3%), thanks to a monetary policy that continues to support the economy and improved prospects for external demand. Growth is expected to slow down in 2019 (+2.0%) as a result of lower productivity and the planned monetary policy adjustment (source: IMF - WEO, April 2018).

Italy ended 2017 with an increase in GDP of 1.5% after two years, 2015 and 2016, with more moderate growth of less than 1%. 2017 is the fourth consecutive year in which GDP has strengthened. Growth is expected to consolidate in 2018 at levels in line with 2017 (+1.5%), despite uncertainties related to the policy framework, international trade developments and monetary policy (source: IMF - WEO, April 2018).

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

GDP growth rate	Change GDP 2015 (actual)	Change GDP 2016 (actual)	Change GDP 2017 (actual)	Change GDP 2018 (expected)	Change GDP 2019 (expected)
World	+3.2%	+3.2%	+3.8%	+3.9%	+3.9%
Advanced Economies	+2.1%	+1.7%	+2.3%	+2.5%	+2.2%
Emerging Market	+4.0%	+4.3%	+4.8%	+4.9%	+5.1%
USA	+2.6%	+1.5%	+2.3%	+2.9%	+2.7%
Japan	+0.5%	+1.0%	+1.7%	+1.2%	+0.9%
China	+6.9%	+6.7%	+6.9%	+6.6%	+6.4%
Great Britain	+2.2%	+1.8%	+1.8%	+1.6%	+1.5%
Euro Area	+2.0%	+1.8%	+2.3%	+2.4%	+2.0%
Italy	+0.8%	+0.9%	+1.5%	+1.5%	+1.1%

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

The Information Technology market shows a trend of progressive development with more marked growth in the areas of higher added value, services and cloud computing solutions.

Since 2014, the IT market in Italy has reversed its trend, showing growing growth rates with values well above the Gross Domestic Product. In 2017 there was a strengthening of the growth of the IT market (+1.9%), which began in 2016 (+1.6%) and is expected to continue in 2018. The progressive market development trend is expected to accelerate further in 2018 and 2019 (+2.5% in 2018 and +3.5% in 2019) (source: Sirmi, June 2018).

The recovery of the IT market was mainly driven by the development of the Management Services segment (+4.5% in 2016, +6.0% in 2017 and +7.4% in 2018), which was the most dynamic and included IT services for infrastructures, security and cloud computing, the latter with growth rates of over 20% (source: Sirmi, June 2018).

The following table represents the IT market trend in Italy in 2014-2017 and the forecasts for 2018 and 2019 (Source: Sirmi, June 2018).

Italian IT Market (in millions of euros)	2014	2015	2016	2017	2018E	2019E	Ch. 15/14	Ch. 16/15	Ch. 17/16	Ch. 18/17	Ch. 19/18
Hardware	6,427	5,886	6,006	6,044	6,088	6,131	-8.4%	2.0%	0.6%	0.7%	0.7%
Software	3,881	3,857	3,848	3,833	3,825	3,820	-0.6%	-0.2%	-0.2%	-0.2%	-0.1%
Project Services	3,557	3,475	3,423	3,436	3,471	3,511	-2.3%	-1.5%	0.4%	1.0%	1.2%
Management Services	4,751	4,970	5,193	5,504	5,910	6,353	4.6%	4.5%	6.0%	7.4%	7.5%
Total IT Market	18,616	18,188	18,470	18,817	19,294	19,815	-2.3%	1.6%	1.9%	2.5%	2.7%
O/w Cloud Computing	954	1,128	1,510	1,862	2,282	2,784	28.7%	23.0%	23.3%	22.6%	22.0%
<i>% Cloud on total IT</i>	<i>5.1%</i>	<i>6.8%</i>	<i>8.2%</i>	<i>9.9%</i>	<i>11.8%</i>	<i>14.1%</i>					

The IT distribution segment, where the Group operates through its main subsidiary Computer Gross Italia SpA (VAD Sector) grew by approximately 2% in 2017, with expectations of a slight acceleration in 2018 with rates between 2% and 3%, supported by the networking, enterprise software (analytics, security, etc.) segments.

Thanks to the development of the market areas connected with Technological Innovation (Digital transformation of companies and organisations, Security services and infrastructure and application Cloud services), the System Integrator segment recorded average growth in 2017 of 5%, with more marked development prospects in 2018 in the areas of greatest value (mainly Application services, Infrastructure services, Security, IOT). These market areas are covered by the Sesa Group with its SSI Sector, the reference system integrator of the Italian market for the SME and Enterprise segments, with investments that continued into the year just ended.

Foreword

The reclassified balance sheets, income statements and statements of cash flows of the Group and of the parent company Sesa SpA, reported hereunder, have been prepared on the basis of the consolidated and separate financial statements at 30 April 2018, drawn up in observance of the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005. In accordance with Recommendation CESR/05-178b on alternative performance measures, within the scope of the report on operations, in addition to the financial measures envisaged by the 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 to be considered as an alternative to those envisaged by the IFRS.

Main income statement data of the Sesa Group

The reclassified consolidated income statement at 30 April 2018 is shown below (data in thousands of euros), compared with the reclassified consolidated income statement of the previous year at 30 April 2017.

Reclassified Income statement	30/04/2018	%	30/04/2017	%	Change 2018/17
Revenues	1,350,900		1,260,275		7.2%
Other income	12,135		11,194		8.4%
Total Revenues and Other Income	1,363,035	100.0%	1,271,469	100.0%	7.2%
Purchase of goods	1,114,393	81.8%	1,055,182	83.0%	5.6%
Costs for services and leased assets	102,820	7.5%	85,106	6.7%	20.8%
Personnel costs	79,053	5.8%	70,107	5.5%	12.8%
Other operating charges	3,648	0.3%	3,189	0.3%	14.4%
Total Purchase of goods and Operating Costs	1,299,914	95.4%	1,213,584	95.4%	7.1%
EBITDA	63,121	4.63%	57,885	4.55%	9.0%
Depreciation and Amortisation of tangible and intangible assets (software)	6,546		5,289		23.8%
Amortisation client lists and technological know-how	2,438		1,557		56.6%
Accruals to provision for bad debts and risks and other non-monetary costs	7,847		6,253		25.5%
EBIT	46,290	3.40%	44,786	3.52%	3.4%
Profit from companies valued at equity	376		172		118.6%
Financial income and charges	(3,635)		(4,621)		-21.3%
EBT	43,031	3.16%	40,337	3.17%	6.7%
Income taxes	12,848		13,239		-3.0%
Net Profit	30,183	2.21%	27,098	2.13%	11.4%
<i>Net profit attributable to the Group</i>	<i>26,861</i>		<i>25,043</i>		<i>7.3%</i>
<i>Net profit attributable to non-controlling interests</i>	<i>3,322</i>		<i>2,055</i>		<i>61.7%</i>
Adjusted EBIT *	50,121	3.68%	47,049	3.70%	6.5%
Adjusted EBT *	46,862	3.44%	42,600	3.35%	10.0%
Adjusted Net Profit *	32,910	2.41%	28,630	2.25%	15.0%
<i>Adjusted Net Profit attributable to the Group*</i>	<i>29,588</i>		<i>26,575</i>		<i>11.3%</i>

* Adjusted EBIT and Adjusted EBT are gross of non-monetary items related to the Stock Grant plans towards Executive Directors and powered by buy back and gross of the amortization of intangible assets (client lists and technological know-how) recorded as a result of the Purchase Price Allocation (PPA) process. Adjusted Net profit and Adjusted Net profit attributable to the Group are gross of non-monetary items related to the Stock Grant plans towards Executive Directors and powered by buy back and gross of the amortization of intangible assets (client lists and technological know-how) recorded as a result of the Purchase Price Allocation (PPA) process, both net of the related tax effects

Total Revenues and Other Income recorded an increase of Euro 91,556 thousand (+7.2%), from Euro 1,271 million at 30 April 2017 to Euro 1,363 million at 30 April 2018 thanks to the positive performance of both of the Group's main business areas. The Value Added Distribution (VAD) sector and the Software and System Integration (SSI) sector recorded a growth of 4.7% and 20.7% respectively, compared to the previous year.

The positive trend in revenues is mainly organic, with a contribution by the changes in the scope of consolidation (ICOS S.p.A., Tech-Value S.p.A. and its subsidiaries and Synergy Srl equal to Euro 31.7 million net of intercompany eliminations) of approximately 30% of consolidated annual growth.

During the year it should be noted a significant growth in Gross margin¹, equal to Euro 248,642 thousand at 30 April 2018 (18.2% of Revenues and Other Income) up by 15.0% compared to Euro 216,287 thousand (17.0% of Revenues and Other Income) at 30 April 2017, due to the Group's greater focus on higher value-added business segments.

Total Purchase of goods and Operating Costs, equal to Euro 1,300 million at 30 April 2018, showed a 95.4% incidence on Total Revenues and Other Income, in line compared to 30 April 2017. The incidence of Total Operating costs on Revenues and Other income increase of about 110 basis point, passing from 12.5% to 13.6% in 2018, compared to Gross margin growth of about 120 basis point (from 17% of Total Revenues and Other income in 2017 to 18.2% at 30 April 2018). It follows a growth of Ebitda margin from 4.55% of Total Revenues and Other Income at 30 April 2017 to 4.63% at 30 April 2018.

This trend is a consequence of the evolution of the Group's business model, which is increasingly focused on IT service and solutions provider activities.

Consolidated Operating Costs are broken down as follows:

(in thousands of euros)	Period ended 30 April				
	2018	%	2017	%	Change
Total Revenues and Other Income	1,363,035	100.0%	1,271,469	100.0%	7.2%
Consolidated Gross Margin	248,642	18.2%	216,287	17.0%	15.0%
Costs for services and leased assets	102,820	7.5%	85,106	6.7%	20.8%
Personnel costs	79,053	5.8%	70,107	5.5%	12.8%
Other operating charges	3,648	0.3%	3,189	0.3%	14.4%
Total Operating Costs	185,521	13.6%	158,402	12.5%	17.1%

The incidence of costs for services and leased assets on revenues and other income pass from 6.7% at 30 April 2017 to 7.5% at 30 April 2018, due to the greater weight of the turnover of IT services on total consolidated revenues as well as higher costs incurred for marketing and sales activities.

Personnel costs rose from Euro 70,107 thousand at 30 April 2017 to Euro 79,053 thousand at 30 April 2018, with a percentage growth of 12.8%, deriving from the increase in the Group's average workforce with highly specialized resources needed to cope with the growth in SSI turnover (with the entry in the scope of consolidation of recently acquired companies). The Group's total workforce passed from 1,427 units at 30 April 2017 to 1,642 units at 30 April 2018, leading to an increase of the incidence of personnel costs on Total Revenues and Other Income from 5.5% at 30 April 2017 to 5.8% at 30 April 2018.

The change in the workforce originated mainly from the entries in the scope of consolidation of Icos SpA, Tech-Value SpA, CCS Team Srl and Synergy Srl, as well as the inclusion of young resources subject to recruitment during the year.

The consolidated Ebitda at 30 April 2018 is equal to Euro 63,121 thousand, up Euro 5,236 thousand (+9.0%) compared to 30 April 2017, highlighting a more than proportional growth compared to sales for the period in question (the Ebitda margin, rising to 4.63% of revenues from 4.55% in the previous year), consolidating the

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

growth trend recorded, quarter by quarter, during the whole fiscal year. The increase of consolidated Ebitda was reached thanks to the performance of SSI's sector (+39.7%), which contributed to the consolidated Ebitda's result, passing from 25.5% at 30 April 2017 to 32.7% at 30 April 2018.

The growth in Ebitda achieved during the year is essentially organic; the contribution of the companies included in the scope of consolidation for the first time in the fiscal year to 30 April 2018 (ICOS SpA, Tech-Value SpA and Synergy Srl) to the change in consolidated Ebitda is equal to about 10% (Euro 581 thousand).

The consolidated Ebit is equal to Euro 46,290 thousand (Ebit margin 3.40%), up by 3.4% compared to Euro 44,786 thousand (Ebit margin 3.52%) at 30 April 2017, after amortisation for a total amount of Euro 8,984 thousand (+31.2% YoY) and provisions and other non monetary items for Euro 7,847 thousand (+25.5% YoY). The growth in Ebit reflects the above-mentioned increase in Ebitda net of the increase in amortisation and depreciation following the Group's investments in technology and software solutions supporting the growth and the commercial offer, as well as the increase in the item amortisation client lists and technological know-how related to the recent acquisitions. Provisions and other non-monetary costs equal to Euro 7,847 thousand at 30 April 2018 reflect the hedging requirements of provisions for risks and bad debts together with the figurative costs recognized in application of IFRS 2. Excluding amortisation of the items client lists and technological know-how and the figurative costs related to the stock grant plan, the Adjusted Ebit recorded a 6.5% increase, from Euro 47,049 thousand at 30 April 2017 to Euro 50,121 thousands at 30 April 2018.

The consolidated Ebt at 30 April 2018 is equal to Euro 43,031 thousand (Ebt margin 3.16%) up by 6.7% compared to Euro 40,337 thousand (Ebt margin 3.17%) at 30 April 2017, benefiting from a more efficient financial management.

The net balance between financial income and charges increased from a negative amount of Euro 4,621 thousand at 30 April 2017 to a negative amount of Euro 3,635 thousand at 30 April 2018, thanks, among other things, to the reduction in factoring charges and the result of foreign exchange management which showed a net balance of Euro 559 thousand at 30 April 2018, with an improvement compared to a negative net balance of Euro 12 thousand at 30 April 2017.

The consolidated Net profit after taxes recorded Euro 30,183 thousand at 30 April 2018, with an increase of 11.4% compared to Euro 27,098 thousand at 30 April 2017, benefiting, among other things, from the lower IRES tax rate, passing from 27.5% at 30 April 2017 to 24% in the fiscal year ended on 30 April 2018. Excluding amortisation of the items client lists and technological know-how and the figurative costs related to the stock grant plan, the consolidated Adjusted Net profit showed an even stronger positive trend (+15.0%), from Euro 28,630 thousand at 30 April 2017 to Euro 32,910 thousand at 30 April 2018.

The consolidated Net profit attributable to the Group at 30 April 2018 is equal to Euro 26,861 thousand, showing a 7.3% growth compared to Euro 25,043 thousand at 30 April 2017 (the consolidated Adjusted Net profit attributable to the Group up by 11.3% from Euro 26,575 thousand at 30 April 2017 to Euro 29,588 thousand at 30 April 2018).

Main balance sheet data of the Group

The reclassified consolidated balance sheet at 30 April 2018 is shown below (data in thousands of euros), compared with the reclassified consolidated balance sheet of the previous year ended 30 April 2017.

Reclassified Balance Sheet	30/04/2018	30/04/2017	Change 2018/17
Intangible assets	39,083	21,848	17,235
Property, plant and equipment	55,221	49,736	5,485
Investments valued at equity	9,179	8,835	344
Other non-current receivables and deferred tax assets	17,264	13,998	3,266
Total non-current assets	120,747	94,417	26,330
Inventories	67,752	61,570	6,182
Current trade receivables	328,760	315,399	13,361
Other current assets	37,423	25,407	12,016
Current operating assets	433,935	402,376	31,559
Payables to suppliers	295,706	270,984	24,722
Other current payables	62,967	52,847	10,120
Short-term operating liabilities	358,673	323,831	34,842
Net working capital	75,262	78,545	(3,283)
Non-current provisions and other tax liabilities	14,175	8,457	5,718
Employee benefits	20,495	17,427	3,068
Non-current liabilities	34,670	25,884	8,786
Net Invested Capital	161,339	147,078	14,261
Total Equity	216,001	199,028	16,973
Medium-Term Net Financial Position	123,172	81,118	42,054
Short-Term Net Financial Position	(177,834)	(133,068)	(44,766)
Total Net Financial Position (Net Liquidity)	(54,662)	(51,950)	(2,712)
Equity and Net Financial Position	161,339	147,078	14,261

The balance sheet at 30 April 2018 showed a growth equal to 9.7% of Net Invested Capital, which rose from Euro 147,078 thousand to Euro 161,339 thousand, essentially as a result of:

- increase in Total non-current assets, equal to Euro 120,747 thousand at 30 April 2018 compared to Euro 94,417 thousand at 30 April 2017, generated by investments in company acquisitions and tangible assets;
- improvement in Net working capital decreasing to Euro 75,262 thousand (NWC/Revenue 5.5%) at 30 April 2018 from Euro 78,545 thousand (NWC/Revenue equal to 6.2%) at 30 April 2017.

Regarding financing sources it should be noted:

- a further improvement in Net Financial Position from a positive balance of Euro 51,950 (net liquidity) to a positive balance of Euro 54,662 (net liquidity) at 30 April 2018 with an improvement of 5.2% thanks to self-financing for the period;
- the increase in the Group equity which reached a total of Euro 216,001 thousand at 30 April 2018 compared to Euro 199,028 thousand at 30 April 2017 thanks to the profit for the period of Euro 30,183 thousand, net of the payment of dividends by the parent company Sesa SpA for Euro 8.7 million.

Non-current assets at 30 April 2018 amounted to Euro 120,747 thousand with an increase of Euro 26,330 thousand compared to 30 April 2017, generated essentially by:

- increase of intangible assets rising from Euro 21,848 thousand at 30 April 2017 to Euro 39,083 thousand at 30 April 2018, due mainly to the acquisition of controlling interests carried out in the year, such as Icos SpA and Tech-Value SpA. The difference between the price to acquire control and the net book value of related assets was allocated to the client list and technological know-how items, for a total amount of Euro 8.5 million (net of deferred taxes for Euro 3.5 million) for Tech-Value SpA and its subsidiaries and Euro 1.8 million for Icos SpA (net of deferred taxes for Euro 0.7 million);
- increase of property, plant and equipment, rising from Euro 49,736 thousand at 30 April 2017 to Euro 55,221

thousand at 30 April 2018, mainly due to technological investments carried out by the Group in support of the development of cloud computing services towards the customers.

Net working capital amounted to Euro 75,262 thousand at 30 April 2018 and despite an increase in turnover, it showed a reduction of 6.2% compared to the amount of Euro 78,545 thousand for the fiscal year ended 30 April 2017, thanks to a more efficient working capital management. Inventories showed a 10.0% growth compared to 30 April 2017, substantially in line with the increase in turnover, mainly recorded in the last months of the fiscal year as a result of the expansion of the portfolio of distributed brands.

The Group's Net Financial Position at 30 April 2018 is positive (net liquidity) and equal to Euro 54,662 thousand with an improvement of Euro 2,712 thousand compared to Euro 51,950 thousand at 30 April 2017. The positive change in the Net Financial Position compared to the previous period is mainly attributable to the cash flow generated by operating management and working capital management, net of investments in acquisitions of new companies and technological infrastructures carried out in the period and the distribution of dividends to shareholders. During the year, the efficiency of financial management carried on with the finding of medium-term financing lines covering the pro-tempore financial requirements arising during the year and supporting future investments (the financial debt over 12 months is equal to 63% of the total loans at 30 April 2018 compared to 57% at 30 April 2017).

The Group's Net Financial Position (in thousands of euros) for the year ending 30 April 2018 is given below, compared with the previous year, ending 30 April 2017.

Net financial position	30/04/2018	30/04/2017	Change 2018/17
Liquidity	247,194	191,951	55,243
Current financial receivables	3,344	1,995	1,349
Current financial debt	72,704	60,878	11,826
Short-term net financial position	(177,834)	(133,068)	(44,766)
Non-current financial debt	123,172	81,118	42,054
Net financial position	(54,662)	(51,950)	(2,712)

VAD Sector main economic and financial figures

Below is shown the reclassified income statement of the VAD Sector (Euro thousand) as of 30 April 2018, compared with the previous year ended 30 April 2017.

VAD Segment <i>(in thousand of euros)</i>	30 April				
	2018	%	2017	%	Change
Revenues from third parties	1,069,553		1,028,041		4.0%
Inter segment revenues	77,762		68,802		13.0%
Total Revenues	1,147,315		1,096,843		4.6%
Other income	6,556		5,640		16.2%
Total Revenues and Other Income	1,153,871	100.0%	1,102,483	100.0%	4.7%
Consumables and goods for resale	(1,066,272)	-9.4%	(1,015,968)	-92.2%	5.0%
Gross Margin	87,599	7.6%	86,515	7.8%	1.3%
Costs for services and rent, leasing and similar costs	(30,102)	-2.6%	(29,140)	-2.6%	3.3%
Personnel costs	(14,649)	-1.3%	(13,610)	-1.2%	7.6%
Other operating costs	(2,283)	-0.2%	(1,951)	-0.2%	17.0%
Ebitda	40,565	3.5%	41,814	3.8%	-3.0%
Amortisation/depreciation, provisions and other non-monetary costs	(7,752)		(6,305)	-0.6%	23.0%
Ebit	32,813	2.8%	35,509	3.2%	-7.6%
Profit from companies valued at equity	930		145		541.4%
Net financial income and charges	(2,474)		(2,969)		-16.7%
Profit before taxes	31,269		32,685	3.0%	-4.3%
Income taxes	(8,748)		(9,806)		-10.8%
Net Profit for the year	22,521	2.0%	22,879	2.1%	-1.6%
Net profit attributable to non-controlling interests	36		(62)		-158.1%
Net profit attributable to the Group	22,485		22,942		-2.0%

VAD sector showed an increase equal to 4.7% of Total revenues and Other income, in a reference market characterized by modest growth. In such scenario, Computer Gross Italia SpA continued to invest in the research and the conclusion of nw distribution agreements (over 40 new Vendors) in the innovative digital market areas (enterprise software, cloud computing, security), as well as to acquire 51% of the capital of ICOS SpA, value distributor in the market of the software enterprise.

During the year the team of technical resources active in the offer of integration services supporting the channel (Collaboration Value) was strengthened.

The net contribution to the growth of the Sector's revenues generated by ICOS SpA (included in the scope of consolidation starting from November 2017) amounted to Euro 24.2 million (about 45% of the total).

Gross margin² increased by 1.3% in the year, from Euro 86,515 thousand (Gross Margin equal to 7.8%) at 30 April 2017 to Euro 87,599 thousand (Gross Margin equal to 7.6%) at 30 April 2018, mainly due to the increase in turnover generated during the second half of the fiscal year.

Ebitda for the year amounted to Euro 40,565 thousand (Ebitda margin 3.5%), down by 3.0% compared to Euro 41,814 thousand (Ebitda margin 3.8%) at 30 April 2017, due to the higher incidence of operating costs generated by investments in human resources, commercial and organizational initiatives supporting the market positioning. It should be noted a turnaround starting from the third and fourth quarters of the fiscal year; in the second half of the year, Ebitda grew from Euro 22.5 million (Ebitda margin 3.66%) recorded in 2017 to Euro 25.0 million (Ebitda margin 3.67%) in the second half of the year at 30 April 2018, with an over 10% growth.

Net profit for the year amounted to Euro 22,521 thousand, down by 1.6% compared to 30 April 2017 mainly due to the Ebitda reduction, partly offset by lower financial charges (Net financial income and charges), a greater contribution from associated companies valued at equity and a lower incidence of taxes on Ebt, thanks

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

to the change in the IRES rate (from 27.5% to 24%). At 30 April 2018, the Net profit incidence on Total Revenues and Other Income is equal to 2.0%, substantially in line compared to 2.1% at 30 April 2017.

Below is shown the reclassified balance sheet of the VAD Sector (Euro thousand) as of 30 April 2018, compared with the previous year-end 30 April 2017.

Reclassified Balance Sheet	30/04/2018	30/04/2017	Change
Intangible assets	3,388	1,211	2,177
Property, plant and equipment	41,034	41,772	(738)
Investments valued at equity	5,923	4,749	1,174
Other non-current receivables and deferred tax assets	7,937	6,832	1,105
Total non-current assets	58,282	54,564	3,718
Inventories	57,380	51,738	5,642
Current trade receivables	269,031	266,331	2,700
Other current assets	15,044	7,385	7,659
Current operating assets	341,455	325,454	16,001
Payables to suppliers	257,030	245,002	12,028
Other current payables	14,586	9,534	5,052
Short-term operating liabilities	271,616	254,536	17,080
Net working capital	69,839	70,918	(1,079)
Non-current provisions and other tax liabilities	4,284	2,680	1,604
Employee benefits	1,828	1,479	349
Non-current liabilities	6,112	4,159	1,953
Net Invested Capital	122,009	121,323	686
Group Equity	172,123	160,530	11,593
Medium-Term Net Financial Position	77,401	59,717	17,684
Short-Term Net Financial Position	(127,515)	(98,924)	(28,591)
Total Net Financial Position (Net Liquidity)	(50,114)	(39,207)	(10,907)
Equity and Net Financial Position	122,009	121,323	686

The VAD Sector showed a further improvement in key financial indicators. The equity recorded a positive change of Euro 11,593 thousand during the year, reaching a total amount of Euro 172,123 at 30 April 2018 thanks to profits net of dividends distributed. The Net Financial Position recorded a further improvement of Euro 10,907 thousand in the year, passing from a positive balance (net liquidity) of Euro 39,207 thousand at 30 April 2017 to Euro 50,114 at 30 April 2018, net of the dividend distribution towards the parent company Sesa SpA and investments in client list and technological know how (intangible assets) relating to the acquisition of 51% of Icos SpA.

SSI Sector main economic and financial figures

The reclassified income statement of the SSI Sector at 30 April 2018 is shown below (data in thousands of euros), compared with the previous period ended at 30 April 2017.

SSI Segment <i>(in thousands of euros)</i>	30 April				Change
	2018	%	2017	%	
Revenues from third parties	279,666		230,424		21.4%
Inter segment revenues	2,639		2,583		2.2%
Total Revenues	282,305		233,007		21.2%
Other income	7,086		6,838		3.6%
Total Revenues and other income	289,391	100.0%	239,845	100.0%	20.7%
Consumables and goods for resale	(117,673)	-40.7%	(107,892)	-45.0%	9.1%
Costs for services and rent, leasing and similar costs	(91,145)	-31.5%	(65,115)	-27.1%	40.0%
Personnel costs	(58,656)	-20.3%	(50,926)	-21.2%	15.2%
Other operating costs	(1,256)	-0.4%	(1,127)	-0.5%	11.4%
Ebitda	20,661	7.1%	14,785	6.2%	39.7%
Amortisation/depreciation, provisions and other non-monetary costs	(7,491)		(5,969)	-2.5%	25.5%
Ebit	13,170	4.6%	8,816	3.7%	49.4%
Share of profits of equity-accounted companies	(578)		25		-2412.0%
Net financial income and charges	(1,175)		(1,681)		-30.1%
Profit before taxes	11,417		7,160	3.0%	59.5%
Income taxes	(3,787)		(3,089)		22.6%
Net Profit for the year	7,630	2.6%	4,071	1.7%	87.4%
Net profit attributable to non-controlling interests	3,274		2,098		56.1%
Net profit attributable to the Group	4,356		1,972		120.9%

In the year ended on 30 April 2018, the SSI Sector recorded Total Revenues and Other Income equal to Euro 289,391 thousand, with an increase of 20.7% compared to 30 April 2017. The growth of the SSI Sector's turnover was mainly organic favored by the development of revenues of Var Group SpA and its subsidiaries operating in higher value-added areas with Ebitda margin greater than the average (Digital Solutions, Managed & Security Services, ERP & Industry Solutions). The contribution to the turnover growth generated by the companies recently acquired and not included in the scope of consolidation at 30 April 2017, amounted to Euro 7.1 million (approximately 15% of the Sector's growth).

Ebitda at 30 April 2018 is equal to Euro 20,661 thousand (Ebitda margin 7.1%), up by 39.7% compared to Euro 14,785 thousand (Ebitda margin 6.2%) at 30 April 2017, thanks to the increase in turnover and the greater incidence of the revenues in ERP & Industry Solution and Managed & Security Services areas, with higher margins (average Ebitda margin of 10%). The Ebitda margin of the Sector reached 7.1% at 30 April 2018, compared to 6.2% at 30 April 2017, with a progressive and steady growth trend quarter after quarter for more than two years.

After amortisation/depreciation and provisions for Euro 7,491 thousand, up by Euro 1,522 thousand compared to 30 April 2017 due to higher amortisation charges relative to investments in infrastructure for the development of cloud computing solutions and IT services for customers, the Ebit is positive for Euro 13,170 thousand, with a 49.7% growth compared to 30 April 2017.

The lower contribution from associates is substantially offset by a more efficient financial management, passing from a negative net balance of Euro 1,681 thousand at 30 April 2017 to a negative net balance equal to Euro 1,175 thousand.

Net profit after tax amounted to Euro 7,630 thousand (EAT 2.6%) at 30 April 2018, compared to Euro 4,071 thousand (EAT 1.7%), with an increase of 87.4%.

Below is shown the reclassified balance sheet of the SSI Sector (Euro thousand) at 30 April 2018, compared

with the previous period ended at 30 April 2017.

Reclassified Balance Sheet	30/04/2018	30/04/2017	Change
Intangible assets	35,627	20,556	15,071
Property, plant and equipment	13,661	7,477	6,184
Investments valued at equity	2,602	3,296	(694)
Other non-current receivables and deferred tax assets	8,777	7,085	1,692
Total non-current assets	60,667	38,414	22,253
Inventories	10,497	9,977	520
Current trade receivables	93,228	80,799	12,429
Other current assets	22,695	17,738	4,957
Current operating assets	126,420	108,514	17,906
Payables to suppliers	82,610	70,408	12,202
Other current payables	45,949	38,490	7,459
Short-term operating liabilities	128,559	108,898	19,661
Net working capital	(2,139)	(384)	(1,755)
Non-current provisions and other tax liabilities	10,113	5,989	4,124
Employee benefits	17,109	14,518	2,591
Non-current liabilities	27,222	20,507	6,715
Net Invested Capital	31,306	17,523	13,783
Equity	26,366	21,136	5,230
Medium-Term Net Financial Position	45,771	21,401	24,370
Short-Term Net Financial Position	(40,831)	(25,014)	(15,817)
Total Net Financial Position (Net Liquidity)	4,940	(3,613)	8,553
Equity and Net Financial Position	31,306	17,523	13,783

From a financial point of view, the Sector recorded an increase in Net Invested Capital of Euro 13,783 thousand mainly due to investments in non-current assets, which rose from Euro 38,414 thousand at 30 April 2017 to Euro 60,667 thousand at 30 April 2018. The change in non-current assets reflects investments for business development in the sectors with higher margins: intangible assets, up by Euro 15,071 thousand compared to 30 April 2017, and tangible assets, up by Euro 6,184 thousand compared to 30 April 2017, mainly reflect investments in software and technologies supporting the development of cloud computing services and IT solutions for customers, together with investments for the purchase of 51% of Tech-Value SpA which contributed to the growth in the items technological know-how and client lists for Euro 8.6 million net of deferred taxes for Euro 3.4 million.

Regarding financing sources, the growth in Net Invested Capital was covered thanks to company self-financing (the equity increased by Euro 5,230 thousand in the year) and through the third-party financing, maintaining a balance between the different maturities. As a result of the above, the Net Financial Position increased by Euro 8.6 million, from a positive balance of Euro 3.6 million at 30 April 2017 to a negative balance of Euro 4.9 million at 30 April 2018.

Corporate Sector main economic and financial figures

Below is shown the reclassified income statement of the Corporate Sector (Euro thousand) as of 30 April 2018, compared with the previous year ended 30 April 2017.

Corporate Segment (in thousand of euros)	30 April				Change
	2018	%	2017	%	
Revenues from third parties	1,681		1,810		-7.1%
Inter segment revenues	12,019		10,727		12.0%
Revenues	13,700		12,537		9.3%
Other income	2,501		2,575		-2.9%
Total Revenues and other income	16,201	100.0%	15,112	100.0%	7.2%
Consumables and goods for resale	(396)	-2.4%	(629)	-4.2%	-37.0%
Costs for services and rent, leasing and similar costs	(7,973)	-49.2%	(7,422)	-49.1%	7.4%
Personnel costs	(5,748)	-35.5%	(5,571)	-36.9%	3.2%
Other operating costs	(208)	-1.3%	(156)	-1.0%	33.3%
Ebitda	1,876	11.6%	1,334	8.8%	40.6%
Amortisation, depreciation and other non-monetary costs	(1,588)		(825)	-5.5%	92.5%
Ebit	288	1.8%	509	3.4%	-43.4%
Profit from companies valued at equity	24		2		1100.0%
Net financial income and charges	14		29		-51.7%
Profit before taxes	326		540	3.6%	-39.6%
Income taxes	(308)		(360)		-14.4%
Net Profit for the year	18	0.1%	180	1.2%	-90.0%
Net profit attributable to non-controlling interests	-		18		-100.0%
Net profit attributable to the Group	18		162		-88.9%

Total Revenues and other income of the Sector, equal to Euro 16,201 thousand, showed an increase compared to the previous year, thanks to the growth of professional services, financial and administrative management and human resources and IT consulting provided by Sesa SpA towards Group's companies. The composition of turnover changed with a lower contribution of services, mainly logistics, to companies outside the Group.

The Ebitda was up by 40.6% compared to the previous year thanks to the lower incidence of operating costs on sales.

Despreciation and amortisation, provisions and other non-monetary costs mainly included the amount related to the stock grant plan, increased compared to the previous year as a result of the increase in the stock price of the Sesa SpA shares.

After financial management, equity investments and taxes, the net profit for the year is equal to Euro 18 thousand at 30 April 2018, compared to Euro 180 thousand at 30 April 2017.

From a financial point of view, there is an improvement in the main indicators compared to the previous year.

Reclassified Balance Sheet	30/04/2018	30/04/2017	Change
Intangible assets	68	81	(13)
Property, plant and equipment	816	777	39
Investments valued at equity	901	1,037	(136)
Other non-current receivables and deferred tax assets	68,661	67,538	1,123
Total non-current assets	70,446	69,433	1,013
Inventories			
Current trade receivables	5,538	7,940	(2,402)
Other current assets	1,117	2,958	(1,841)
Current operating assets	6,655	10,898	(4,243)
Payables to suppliers	3,104	4,494	(1,390)
Other current payables	2,521	4,885	(2,364)

Short-term operating liabilities	5,625	9,379	(3,754)
Net working capital	1,030	1,519	(489)
Non-current provisions and other tax liabilities	17	27	(10)
Employee benefits	1,558	1,430	128
Non-current liabilities	1,575	1,457	118
Net Invested Capital	69,901	69,495	406
Group Equity	85,889	85,125	764
Medium-Term Net Financial Position			
Short-Term Net Financial Position	(15,988)	(15,630)	(358)
Total Net Financial Position (Net Liquidity)	(15,988)	(15,630)	(358)
Equity and Net Financial Position	69,901	69,495	406

Parent Company Sesa SpA main economic and financial figures

Below is shown the reclassified income statement (Euro thousand) as of 30 April 2018, compared with the previous year ended 30 April 2017.

Reclassified income statement	30/04/2018	%	30/04/2017	%	Change 2018/17
Revenues	6,784		5,483		23.7%
Other income	1,143		1,585		-27.9%
Total Revenues and Other Income	7,927	100.0%	7,068	100.0%	12.2%
Goods for resale	48	0.6%	43	0.6%	11.6%
Costs for services and leased assets	2,131	26.9%	1,921	27.2%	10.9%
Personnel costs	4,119	52.0%	3,972	56.2%	3.7%
Other operating charges	84	1.1%	70	1.0%	20.0%
Total operating costs	6,382	80.5%	6,006	85.0%	6.3%
EBITDA	1,545	19.5%	1,062	15.0%	45.5%
Amortisation and depreciation	104		42		147.6%
Accruals to provisions for bad debts and risks and other non-monetary costs	1,393		713		95.4%
EBIT	48	0.6%	307	4.3%	-84.4%
Financial income and charges	9,383		8,790		6.7%
EBT	9,431	119.0%	9,097	128.7%	3.7%
Income taxes	224		290		-22.8%
Net profit	9,207	116.1%	8,807	124.6%	4.5%

Total revenues and Other Income are equal to Euro 7,927 thousand at 30 April 2018, an increase of Euro 859 thousand (+12.2%) compared to previous fiscal year, thanks to an increase of the activities in the core area of administrative and financial management, organization, planning and control, management of information systems, human resources, general, corporate and legal affairs of the main group companies. The shares of Parent Company Sesa SpA are listed on the MTA market, STAR segment.

At 30 April 2018 the Total operating costs were equal to Euro 6,382 thousand, up by Euro 376 thousand compared to Euro 6,006 thousand at 30 April 2017, thanks to the increase of the business volume. The most relevant changes refer to higher costs for services, mainly relating to the supply of specialist services to customers and to the personnel costs resulting in the consolidation of the workforce necessary to tackle the increase in the scope of services provided.

Ebitda amounted to Euro 1,545 thousand at 30 April 2018, up by Euro 483 thousand compared to Euro 1,062 thousand at 30 April 2017, due to the increase in operating efficiency generated by incremental revenues. Ebitda margin rose from 15.0% at 30 April 2017 to Euro 19.5% at 30 April 2018.

Accruals to provision for bad debts and risks and other non-monetary costs reflected the higher cost of the three-year Stock Grant plan resolved by shareholders' meeting on 25 August 2017.

Cash flow operations and the management of investments grew from Euro 8,790 thousand at 30 April 2017 to Euro 9,383 thousand at 30 April 2018, thanks to the higher dividends resolved by subsidiaries compared to the previous year.

Net profit after taxes amounted to Euro 9,207 thousand at 30 April 2018, with an increase of Euro 400 thousand compared to Euro 8,807 thousand as of 30 April 2017.

Below is shown the reclassified balance sheet (Euro thousand) as of 30 April 2018, compared with the previous year ended 30 April 2017.

Reclassified balance sheet	30/04/2018	30/04/2017	Change 2018/17
Intangible assets	59	70	(11)
Property, plant and equipment	352	322	30
Equity Investments and Other non-current receivables	69,839	68,761	1,078
Total non-current assets	70,250	69,153	1,097
Inventories			
Current trade receivables	859	675	184
Other current assets	1,562	5,547	(3,985)
Current operating assets	2,421	6,222	(3,801)
Payables to suppliers	431	409	22
Other current payables	2,550	6,365	(3,815)
Short-term operating liabilities	2,981	6,774	(3,793)
Net working capital	(560)	(552)	(8)
Non-current provisions and other tax liabilities			
Employee benefits	1,268	1,146	122
Non-current liabilities	1,268	1,146	122
Net Invested Capital	68,422	67,455	967
Group Equity	82,978	82,239	739
Medium-Term Net Financial Position			
Short-Term Net Financial Position	(14,556)	(14,784)	228
Total Net Financial Position (Net Liquidity)	(14,556)	(14,784)	228
Equity and Net Financial Position	68,422	67,455	967

At 30 April 2018 the balance sheet of the Parent company Sesa SpA showed a slight growth (+1.4%) of the Net invested capital, passing from Euro 67,455 thousand to Euro 68,422 thousand, thanks to the increase in non-current assets, resulting from the acquisition of 1.93% of the capital of the Cabel Holding SpA by Sesa SpA (additional 1.93% by Var Group SpA) for a total of Euro 1,007 thousand, with which it signed of a commercial and operative partnership.

Despite the changes in the turnover, there are not significant changes in the net workins capital thanks to an efficient management.

About source of finance, the net financial position is positive by Euro 14,556 thousand at 30 April 2018 down by Euro 228 thousand compared to Euro 14,784 thousand at 30 April 2017, due to the day-to-day running and equity investments portfolio. At 30 April 2018 Equity amounted to Euro 82,978 thousand, up by Euro 739 thousand compared to Euro 82,239 thousand at 30 April 2017. The positive change is mainly due to the Net profit of the current year equal to Euro 9,207 thousand, net of dividends paid in September 2017, equal to Euro 8,666 thousand, as well as to the purchase of treasury shares for Euro 1,190 thousand and to the accounting for the Stock Grant for the period.

Net financial position	30/04/2018	30/04/2017	Change 2018/17
Liquidity	8,056	8,284	(228)
Current financial receivables	6,500	6,500	0
Current financial debt	-	-	
Short-term net financial position	(14,556)	(14,784)	228
Non-current financial debt	-	-	
Net financial position	(14,556)	(14,784)	228

Corporate Governance

The Corporate Governance system adopted by Sesa SpA complies with the indications contained in the Code of Corporate Governance of Italian listed companies, published by Borsa Italiana SpA with integrations of the specific characteristics of the Group. In particular, numerous meetings of the Audit and Risks and Related Parties Committee, the Remuneration Committee and the Strategic Committee were held during the year. The first two of these Committees are made up entirely of non-executive members of the Board of Directors with a majority of independent directors.

In addition, pursuant to Law 231 of 2001, the Company has a Supervisory Body and an Internal Audit office, which also operated with reference to the main subsidiaries Computer Gross Italia SpA and Var Group SpA. The Board of Directors held on 12 July 2018, on the proposal of the Remuneration Committee, defined the Remuneration Policy, in compliance with the recommendations of the Corporate Governance Code and with the regulatory provisions issued by Consob.

The Board of Directors held on 12 July 2018 also approved the Report on Corporate Governance, which contains a general description of the corporate governance system adopted by the Group and contains information on the ownership structure and compliance with the Corporate Governance Code, including the main governance procedures applied and the characteristics of the internal control and risk management system also in relation to the financial reporting process. The above-mentioned Report is available on the website www.sesa.it, Corporate Governance section. The Corporate Governance Code can be consulted on the Borsa Italiana SpA website www.borsaitaliana.it.

At the meeting held on 12 July 2018, the Board of Directors approved the update of the Procedure for Transactions with Related Parties as no longer applicable to Sesa SpA the facilitations for the recently listed companies on the approval of the transactions of greater relevance.

It should be noted also that the Board of Directors held on 12 July 2018 approved the Audit Report at 30 April 2018 prepared by the Internal Audit function and previously approved by the Control and Risk Committee, verified the adequacy of the administrative and accounting organizational structure of the Company and its strategic subsidiaries, and examined and expressed a favorable opinion on the Report of the Financial Manager regarding the adequacy and effectiveness of the administrative and accounting procedures.

Finally, the Board of Directors examined and approved the annual report prepared by the Supervisory Body.

Treasury shares

At 30 April 2018, the parent company Sesa SpA held 38,712 shares, equal to 0.2498% of the share capital, purchased at an average price of Euro 25.59 in accordance with the purchase plan of Treasury shares resolved by the shareholders' meeting on 25 August 2017. In application of the international accounting standards, these instruments are deducted from the company shareholders' equity.

Research and development activity

Pursuant to article 2428, paragraph 2 no. 1, it is acknowledged that some Group companies, in particular Sirio Informatica e Sistemi SpA, Var Digital Srl, Delta Phi Srl, Apra SpA, Sailing Srl, Leonet Srl, Var Aldebra Srl and BMS SpA, carried out research and development activities.

Relations with subsidiaries, associates, controlling companies and related concerns

With regard to the information concerning relations with related parties pursuant to articles 2427 and 2428 of the Civil Code and in compliance with the provisions of IAS 24, it should be noted that the transactions carried out with these entities, which pertain to ordinary management, have been concluded at market conditions and with mutual economic convenience.

The management of relations with Related Parties is subject to a specific regulation approved by the Risk Committee and Related Parties Committee in application of the Corporate Governance Code for listed companies.

The identification of the Group's related parties was carried out in accordance with IAS 24. For further details on the relationships with related parties, please refer to the specific section reported in the explanatory notes to the Group's consolidated financial statements.

These relationships, which do not include atypical and / or unusual transactions, are regulated at normal market conditions.

Social responsibility of the Sesa Group (declaration of non-financial data)

Corporate Social Responsibility is a founding element of the Sesa Group's corporate culture.

Since its foundation, the Group has actively contributed to the creation of a fair and loyal working environment, attentive to the needs of its human resources and all its stakeholders. In particular, during the year, a number of important initiatives aimed at structuring the actions of the Sesa Group in terms of social responsibility and corporate welfare in a more organic and systematic manner were implemented.

A detailed description of the corporate social responsibility actions carried out by the Sesa Group is provided in the consolidated non-financial declaration which constitutes a separate report and which is approved by Sesa's Board of Directors at the same time as this Annual Report. The declaration of non-financial data has been prepared in compliance with the provisions of Article 5, paragraph 3, letter b. of Legislative Decree 254/2016, according to the "GRI Standards" reporting framework and is available on the Group's website www.sesa.it.

Evolution of human capital

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

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

During the year, investments in human resources continued, with more than 150 hires, mainly of young graduates from Italian universities, brought into the company with training plans in the areas of the greatest growth and development potential in Information Technology (cloud computing, security, digital services, IT consulting), professional traineeships and apprenticeships (54 trainees and 116 apprentices at 30 April 2018), confirmed for an indefinite period at the end of the training period with percentages close to 100%.

The average age of the Group's resources is about 40 and the composition of the workforce shows a qualified component of more than 30% of the total and this percentage is gradually increasing.

The Group's selection process aims to identify the best resources available through agreements with the main

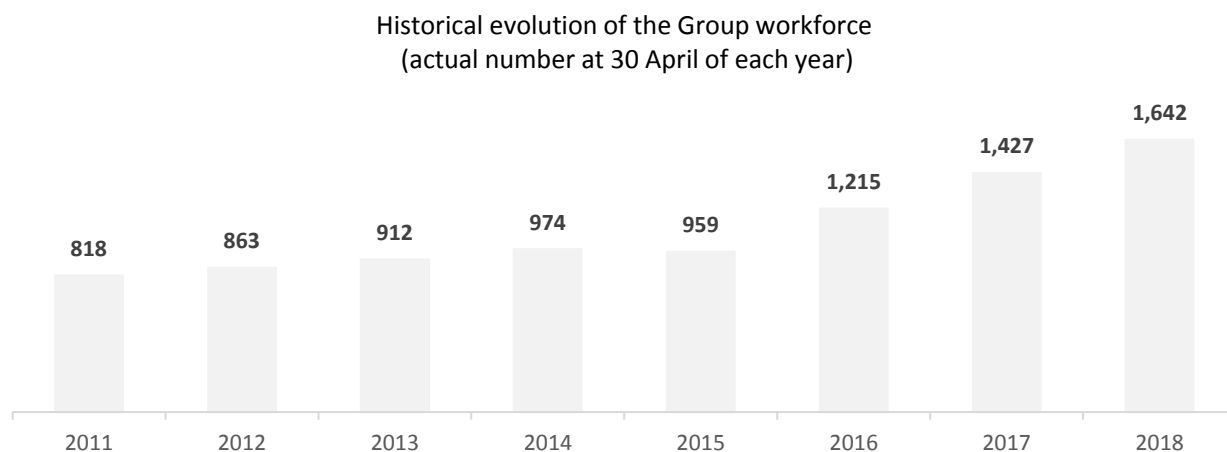
universities in Italy, participation in career days and the use of primary job sites, in compliance with the principles of transparency and impartiality. To this end, special internal company procedures have been developed for the selection, placement and professional development of personnel.

Continuous training and refresher courses are in place, involving a significant percentage of employees in the current year, covering technical areas (also through dedicated seminars and events), as well as legislative and motivational aspects. Around 10,000 hours of training were provided during the year, including professional, technical and regulatory training.

In order to achieve management objectives, individual incentive plans are assigned, involving the majority of commercial resources and all key Group figures, linked to the achievement of qualitative/quantitative performance defined at the beginning of each year in line with the Group's strategy. Targeted career paths and professional development plans are also defined for the growth and enhancement of key figures, particularly those that are younger, and human capital in general.

Lastly, during the year, the Group's welfare system was further strengthened by introducing flexible plans, customisable through a dedicated corporate portal with the option of selecting benefits and services from a digital menu. This initiative complements and reinforces the corporate welfare system that has been in operation for over five years within the Group, which, for 2018, includes benefits and work-life balance services for workers to support income, education and the wellbeing of human resources (scholarships, grants to stay in health-related spa centres and travel abroad to study in summer, contributions to crèches, flexible benefits and work-life balance services).

The historical evolution of the Group's human resources shows continuous growth, supporting the development of the Group's revenues and business.



At 30 April 2018, the Group workforce had reached a total of 1,642 units, showing a growth trend of around 200 resources, of which 120 units following consolidated of ICOS SpA, Tech-Value SpA e Synergy Srl, and about 80 units following targeted recruitment plans, in partnership with some of the main Italian Universities, for the development of higher value business areas.

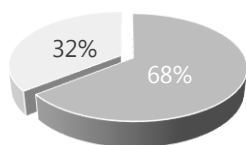
The average and exact number of Group employees is indicated below, divided by type of contract:

<i>(in units)</i>	Average number of employees for the financial year ended 30 April		Exact number of employees at 30 April	
	2018	2017	2018	2017
Executives	17	16	18	16
Middle managers	111	98	122	100
Office workers	1,407	1,207	1,502	1,311
Total	1,535	1,321	1,642	1,427

The Group considers Human Capital a strategic resource, to be retained and developed with long-term professional growth paths and a permanent contract for the resources. At 30 April 2018, staff on permanent contracts accounted for 97.5% of the total Group resources.

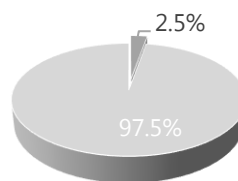
The number of female employees accounted for 32% of the total.

Group workforce by gender



■ Men ■ Women

Group workforce by type of contract



■ Temporary ■ Permanent

As a demonstration of the great attention paid to the protection and enhancement of its human resources, it should be noted that the Sesa Group has a high level of staff loyalty (turnover rate of leavers of approximately 4%, which is very low for the sector in question), without ever having resorted to mobility or redundancy schemes, and has managed welfare programmes which, in the current year, have involved almost all employees, in collaboration with the SeSa Foundation, aimed at optimising the quality of work and the balance with private and family life.

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

Main risks and uncertainties to which the Group and Sesa SpA are exposed

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

External Risks

Risks linked to the macroeconomic context and the ICT market

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

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

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

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

Internal Risks

Risks relating to dependency on key resources

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

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

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

Risks linked to failure to fulfil contractual and compliance obligations

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

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

Market risks

Credit risk

Credit risk is represented by the Group companies' exposure to potential losses arising from 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 and covered through insurance and assignments without recourse (*pro soluto*). An appropriate provision for bad debts is allocated and monitored.

Liquidity risk

During the financial year the Sesa Group Companies' core business generates a requirement for working capital with an ensuing financial exposure. Specifically, the Group closed the financial statements at 30 April 2018, with a net liquidity of Euro 54,662 thousand. In certain phases of the year, especially at the end of 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. In the year ended 30 April 2018, the Group increased the medium/long-term share of financial debt by exploiting the reduction of market rates and further reducing the liquidity risk.

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 2018, the Group had no derivative instruments in place relating to interest rates.

In the light of present interest rate trends and the moderate level of average annual debt, the Company's risk management policy does not envisage recourse to derivatives to hedge interest rate risks.

Exchange rate risk

The Group companies do not operate on foreign markets and primarily use the euro as the currency for its 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. There were 50 transactions in place at 30 April 2018 with a fair value of Euro 165 thousand.

Price risk

The Group did not hold any financial instruments or shares listed on stock markets as of 30 April 2018, except for Sesa SpA treasury shares as a deduction of the shareholders' equity. 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 the steps to take to curb the risk. Moreover, it should be noted that the value of inventories at 30 April 2018 was primarily concentrated in the accounts of Computer Gross Italia SpA and Var Group SpA.

Significant events occurring after the end of the year

After the end of the year, the Group's management continued in line with its strategy of focusing on the market for value added IT solutions and services in the areas of the ICT market with the greatest potential, confirming its commitment to developing its human capital in support of the technological innovation of its clientele.

Commercial initiatives and investments in areas of the IT market with higher than average Group margins are continuing. In this context, the ERP Panthera branch was purchased on 7 May 2018 by the subsidiary Panthera Srl, a company incorporated and 100% controlled by Sirio informatica e Sistemi SpA. The contribution of Panthera Srl to the results of the Sesa Group will therefore be recognised from May 2018.

No other significant events occurred after the end of the year.

Outlook

In the first months of the new year the Group operated in a context of moderate growth of the IT market, sustained by the innovative trends of the digital economy, continuing its management in continuity with the previous year.

The Group will continue to operate and invest in the wealth of skills and professionalism of its human resources, with the primary objective of further fuelling the path of sustainable growth to the benefit of creating value for all stakeholders.

Allocation of the profit for the year of the parent Sesa SpA

The shareholders' meeting is invited to distribute a dividend equal to Euro 0.60 per share totalling Euro 9.3 million gross of treasury shares in portfolio.

Thanking you for the confidence you place in us, you are invited to approve the separate financial statements of the Parent Company Sesa SpA and the Consolidated financial statements of the Group.

The Chairman of the Board of Directors
Paolo Castellacci

Consolidated Financial Statements at 30 April 2018

Consolidated Income Statement

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Revenues	6	1,350,900	1,260,275
Other income	7	12,135	11,194
Consumables and goods for resale	8	(1,114,393)	(1,055,182)
Costs for services and rent, leasing, and similar costs	9	(104,213)	(85,812)
Personnel costs	10	(79,053)	(70,107)
Other operating costs	11	(10,102)	(8,736)
Amortisation and depreciation	12	(8,984)	(6,846)
EBIT		46,290	44,786
Profit from companies valued at equity	13	376	172
Financial income	14	5,608	4,224
Financial charges	14	(9,243)	(8,845)
Profit before taxes		43,031	40,337
Income taxes	15	(12,848)	(13,239)
Profit for the year		30,183	27,098
<i>of which:</i>			
Profit attributable to non-controlling interests		3,322	2,055
Profit attributable to the Group		26,861	25,043
Earnings per share (basic) (in euros)	24	1.74	1.62
Earnings per share (diluted) (in euros)	24	1.73	1.62

Consolidated Statement of Comprehensive Income

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Profit for the year		30,183	27,098
Actuarial gain/loss for employees benefits - gross effect	24	(285)	(71)
Actuarial loss for employees benefits - tax effect	24	68	16
Comprehensive income for the year		29,966	27,043
<i>of which:</i>			
Comprehensive income – non-controlling interests		3,237	2,159
Comprehensive income - Group		26,729	24,884

Consolidated Statement of Financial Position

<i>(in thousands of euros)</i>	Note	At 30 April	
		2018	2017
Intangible assets	16	39,083	21,848
Property, plant and equipment	17	55,221	49,736
Investment property	18	290	290
Equity investments valued at equity	13	9,179	8,835
Deferred tax assets	19	6,532	5,548
Other non-current receivables and assets	20	10,442	8,160
Total non-current assets		120,747	94,417
Inventories	21	67,752	61,570
Current trade receivables	22	328,760	315,399
Current tax receivables		7,452	4,687
Other current receivables and assets	20	33,315	22,715
Cash and cash equivalents	23	247,194	191,951
Total current assets		684,473	596,322
Non-current assets held for sale			
Total assets		805,220	690,739
Share capital		37,127	37,127
Share premium reserve		33,144	33,144
Other reserves		1,723	6,587
Profits carried forward		132,961	114,427
Total Group Equity		204,955	191,285
Equity attributable to non-controlling interests		11,046	7,743
Total Equity	24	216,001	199,028
Non-current loans	25	123,172	81,118
Employee benefits	26	20,495	17,427
Non-current provisions	27	2,836	1,746
Deferred tax liabilities	19	11,339	6,711
Total non-current liabilities		157,842	107,002
Current loans	25	72,704	60,878
Payables to suppliers		295,706	270,984
Current tax payables		2,187	3,241
Other current liabilities	28	60,780	49,606
Total current liabilities		431,377	384,709
Total liabilities		589,219	491,711
Total equity and liabilities		805,220	690,739

Consolidated Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Profit before taxes		43,031	40,337
Adjustments for:			
Amortisation and depreciation	12	8,984	6,846
Accruals to provisions for personnel and other provisions	11,10	9,448	7,119
Net financial (income)/charges	14	2,219	1,608
Profit from companies valued at equity	13	(376)	(172)
Other non-monetary items		1,151	395
Cash flows generated from operating activities before changes in net working capital		64,457	56,133
Change in inventories	21	(5,658)	(2,234)
Change in trade receivables	22	(2,542)	(7,757)
Change in payables to suppliers		13,428	4,279
Change in other assets	20	(5,725)	(522)
Change in other liabilities	28	6,778	354
Use of provisions for risks	27	(87)	(87)
Payment of employee benefits	26	(796)	(514)
Change in deferred taxes	19	(569)	(351)
Change in current tax payables and receivables		(6,969)	(1,241)
Interest paid	14	(2,535)	(2,907)
Taxes paid		(9,698)	(11,435)
Net cash flow generated from operating activities		50,084	33,718
Investments in companies, net of acquired cash	5	(8,622)	(2,246)
Investments in property, plant and equipment	17	(10,007)	(7,444)
Investments in intangible assets	16	(4,923)	(2,522)
Disposals of property, plant and equipment and intangible assets	16,17	576	876
Disposals of investment property	18	-	-
Disposal of assets held for sale		-	-
Investments in associated companies	13	(545)	(5,563)
Disposals of associated companies	13	-	-
Investments in other non-current financial assets	20	(2,014)	-
Receipts from non-current financial assets	20	360	462
Dividends collected		250	91
Interest collected	14	543	1,413
Net cash flow generated from/(used in) investing activities		(24,382)	(14,933)
New disbursements of long-term loans and finance lease	3,25	95,420	71,500
Repayments of long-term loans	3,25	(56,176)	(32,462)
(Decrease)/increase in short-term loans	3,25	663	(2,968)
Financial investments/disinvestments		(48)	
Capital increase	24		(697)
Change in group equity	24		505
Change in equity attributable to non-controlling interests	24		(1,178)
Treasury shares	24	(1,189)	158
Dividends distributed	24	(9,129)	(7,860)
Net cash flow generated from/(used in) financing activities		29,541	26,998
Translation difference on cash and cash equivalents			
Change in cash and cash equivalents		55,243	45,783
Cash and cash equivalents at the beginning of the year		191,951	146,168
Cash and cash equivalents at the end of the year		247,194	191,951

Consolidated Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Share premium reserve	Other reserves	Profit for the year and Profits carried forward	Group Equity	Equity attributable to non-controlling interests	Total Equity
At 30 April 2016	37,127	33,144	5,330	96,738	172,339	7,075	179,414
Profit for the year				25,043	25,043	2,055	27,098
Actuarial gain/(loss) for employees benefit - gross			(76)		(76)	5	(71)
Actuarial gain/(loss) for employees benefit - tax effect			18		18	(2)	16
Comprehensive income for the year			5,272	121,781	197,324	9,133	206,457
Purchase of treasury shares			(1,342)		(1,342)		(1,342)
Sale of treasury shares			1,500		1,500		1,500
Dividends ditribution				(7,408)	(7,408)	(452)	(7,860)
Stock Grant Plan - shares vesting in the period			706		706		706
Non-refundable shareholders' payment							
Allocation of profit for the year			848	(848)			
Changes in the scope of consolidation and other changes			(397)	902	505	(938)	(433)
At 30 April 2017	37,127	33,144	6,587	114,427	191,285	7,743	199,028
Profit for the year				26,861	26,861	3,322	30,183
Actuarial gain/(loss) for employees benefit - gross			(173)		(173)	(112)	(285)
Actuarial gain/(loss) for employees benefit - tax effect			41		41	27	68
Comprehensive income for the year			6,455	141,288	218,014	10,980	228,994
Purchase of treasury shares			(1,189)		(1,189)		(1,189)
Sale of treasury shares							
Dividends ditribution			(299)	(8,367)	(8,666)	(463)	(9,129)
Assignment of shares in execution Stock Grant plan			371		371		371
Stock Grant Plan - shares vesting in the period			1,022		1,022		1,022
Allocation of profit for the year			440	(440)			
Changes in the scope of consolidation and other changes			(5,077)	480	(4,597)	529	(4,068)
At 30 April 2018	37,127	33,144	1,723	132,961	204,955	11,046	216,001

Explanatory Notes to the 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.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) operate in Italy in the field of Information Technology, and in particular in the value-added distribution of software and hardware (value-added distribution or VAD) and in the offering of software, technology, services and consultancy aimed at training and supporting businesses as end-users of IT (Software and System Integration or VAR). 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 a stake of 52.81%.

This document was approved by the Company’s Board of Directors on 12 July 2018.

2 Summary of Accounting Policies

Below are reported the main accounting policies and standards applied in the preparation of these consolidated financial statements for the financial year ended 30 April 2018 (hereinafter the “Consolidated Financial Statements”).

2.1 Basis of Preparation

The Consolidated Financial Statements at 30 April 2018 were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree no. 38/2005. The designation “IFRS” also includes all revised International Accounting Standards (“IAS”), as well as all interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and by the formerly Standing Interpretations Committee (“SIC”).

The Consolidated Financial Statements were prepared on a going-concern basis, since the Directors verified that there were no financial or operating indicators, or indicators of any other kind, that suggested the existence of any doubts regarding the Group’s ability to meet its obligations in the foreseeable future and in particular in the next 12 months. The procedures through which the Group manages financial risks are described in note 3 “Financial risk management” below.

The Consolidated Financial Statements were prepared and presented in Euro, which is the currency of the primary economic environment in which the Group operates. All amounts included in this document are expressed in thousands of euros, except as otherwise specified.

Below are specified the financial statement schedules and the related classification criteria adopted by the Group, within the scope of the options envisaged in IAS 1 *Presentation of financial statements*.

- 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 year 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 Consolidated Financial Statements were prepared according to the conventional historical cost method, except for the measurement of financial assets and liabilities, in cases in which it is mandatory to apply the fair value criterion.

2.2 Scope of Consolidation and Consolidation Criteria

The Consolidated Financial Statements include the Company’s separate financial statements as well as the separate financial statements of subsidiaries approved by their respective governing bodies. These financial statements were properly adjusted, if required, in order to comply them with IFRS and at the reporting date of the Company at 30 April.

The companies included in the scope of consolidation at 30 April 2018 are detailed in annex 1, which forms an integral part of the Consolidated Financial Statements. For additional information on the main changes in the scope of consolidation that occurred in the financial years under examination, see note 5.

SUBSIDIARY COMPANIES

Subsidiary companies are consolidated on a line-by-line basis from the date on which control is actually acquired and cease to be consolidated from the date on which control is transferred to third parties. Below are reported the criteria adopted for consolidation on a line-by-line basis:

- assets and liabilities, income and expenses of subsidiary companies are accounted for on a line-by-line basis, allocating to minority shareholders their respective share of equity and of the net result for the period, if applicable; these shares are reported separately under equity and in the income statement;
- any business combinations by virtue of which control is acquired over a business entity are recognised, in accordance with IFRS 3, according to the acquisition method. The acquisition cost is represented by the current value (fair value) of the assets sold, of the liabilities assumed and of the equity instruments issued, at the acquisition date. Any identifiable assets acquired, as well as any liabilities and contingent liabilities assumed are entered at the related current value at the acquisition date, except for deferred tax assets and liabilities, assets and liabilities for employee benefits and assets held for sale, which are entered on the basis of the related reference accounting standards. If the difference between acquisition cost and the current value (fair value) of the assets or liabilities that have been acquired is positive, it is recognised as goodwill under intangible assets and if it is negative, after rechecking that the current values of the assets and liabilities acquired and the acquisition cost have been correctly measured, it is recognised directly as income in the income statement. Any additional charges relating to the transaction are recognised in the income statement when incurred;
- the acquisition cost also includes the contingent consideration, measured at fair value on the date of the acquisition of control. Any subsequent changes in the fair value are recognised in the income statement or in the statement of comprehensive income if the contingent consideration is a financial asset or liability. Contingent considerations classified as equity are not recalculated and the subsequent settlement is recognised directly in equity;
- if the business combinations whereby control is acquired take place in more than one phase, the Group recalculates the stake that it previously held in the acquiree at its fair value at the acquisition date and recognises any resulting profit or loss in the income statement;
- any acquisitions of non-controlling interests relating to entities for which control has already been acquired or the transfer of non-controlling interests that do not entail any loss of control are considered to be equity transactions; therefore, any difference between the acquisition/transfer cost and the related fraction of equity acquired/transferred is accounted for as an adjustment to the Group equity;
- business combinations whereby the participating companies are permanently controlled by the same company or companies both before and after the combination transaction, control not being transitional,

are described as transactions "under common control". These transactions do not fall within the scope of application of IFRS 3, which regulates the method of accounting for business combinations, nor of other IFRS. In the absence of an applicable accounting standard, the Group, in accordance with OPI 1 (*Orientamenti Preliminari*, Preliminary Guidelines) – "Accounting treatment of business combinations of entities under common control in separate and consolidated financial statements" (*Trattamento contabile delle "business combinations of entities under common control" nel bilancio d'esercizio e nel bilancio consolidato*), issued by Assirevi and with IAS 8, adopted, as the accounting criterion for the recognition of such transactions that of accounting for the acquirees on the basis of their carrying amounts resulting from the financial statements of the same on the date of transfer. Any differences between the cost incurred for the acquisition and the related shares of equity acquired are accounted for directly in equity;

- any substantial profits and losses, including their tax effects, arising from transactions carried out between companies that have been consolidated on a line-by-line basis and that have not been settled with the counterparties are derecognised, except for losses that are not derecognised when the transaction provides evidence of an impairment loss of the transferred asset. Furthermore, any mutual credit and debt relations, costs and revenues, as well as financial income and charges, are also eliminated, if significant.

The financial statements of subsidiary companies have been prepared by using the currency of the primary economic environment in which they operate.

ASSOCIATED COMPANIES

Associated companies are entities over which the Group has significant influence, which is presumed to exist when equity investments are included between 20% and 50% of voting rights. Investments in associated companies are valued according to the equity method and are initially recognised at cost. Below is described the equity method:

- the carrying amount of these equity investments appears to be in line with the adjusted equity, if required, to reflect the application of the IFRS and includes the recognition of any higher values attributed to assets and liabilities and of goodwill (if any), as identified at the time of the acquisition;
- any profits or losses attributable to the Group are reported from the date on which the significant influence starts and up to the date on which it ceases. Should the company whose value is measured using this method return negative equity as a result of the losses, the carrying amount of the investment is cancelled and any excess attributable to the Group, if the Group has undertaken to meet legal or constructive obligations in the investee company, or in any case has undertaken to cover its losses, is recognised in a specific provision; any changes in equity of companies valued according to the equity method, which are not represented by the result in the income statement, are accounted for directly in the statement of comprehensive income;
- any profits and losses that have not been realised generated on transactions carried out between the Company/subsidiaries and an investee company valued at equity, including any distribution of dividends, are derecognised according to the value of the Group's investment in the investee itself, except for losses that represent an impairment in the underlying asset.

TRANSLATION OF TRANSACTIONS DENOMINATED IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

Any transactions in a currency other than the functional currency of the entity that undertakes the transaction are translated by using the exchange rate prevailing on the date of the transaction. Any foreign exchange gains and losses generated from the closing of the transaction or from the year-end translation of foreign currency assets and liabilities are entered in the income statement.

2.3 Accounting policies

Below are summarised the most significant accounting standards and policies used for the preparation of the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are entered at their purchase or production cost, net of accumulated depreciation and impairment losses (if any). Purchase or production cost includes any costs directly sustained in preparing the assets for their use, as well as any dismantling or removal costs that are to be incurred as a result of contractual obligations that require the asset to be restored to its original condition. Any borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer.

Any costs of day-to-day and/or periodic maintenance and repairs are recognised in the income statement when incurred. Costs related to the enlargement, modernisation or improvement of owned or leased structural elements are capitalised within the limits to which they meet the requirements for being classified separately as assets or parts of an asset. Any assets recognised in relation to leasehold improvements are depreciated on the basis of the lease term, or on the basis of the specific useful life of the asset, if lower.

Depreciation is calculated on a straight-line basis by applying rates that allow the assets concerned to be depreciated until the end of their useful life. When the asset being depreciated is composed of distinctly identifiable elements whose useful lives differ significantly from those of the other parts of the asset, the depreciation is carried out separately for each of such parts, in the application of the component approach method.

Below is reported the indicative useful life estimated for the various categories of property, plant and equipment:

Class of property, plant and equipment	Useful life in years
Buildings	33
Generic plants	7
Specific data center plants	20
Furniture and furnishings	8
Office machines	2-5
Motor vehicles	4

The useful life of property, plant and equipment is reviewed and updated, if necessary, at least at the end of each financial year.

Land are not depreciated.

Leased assets

Property, plant and equipment held under finance lease agreements, under which the risks and benefits of ownership are substantially transferred to the Group, are recognised as Group assets at fair value on the date of the execution of the agreement or, if lower, at the present value of the minimum lease payments, including any amount to be paid for the exercise of the option to purchase. The corresponding liability to the lessor is entered under financial payables in the accounts.

The assets are depreciated applying the policy and the rates specified above, unless the term of the lease agreement is shorter than the useful life represented by these rates and there is no reasonable certainty of the transfer of the ownership of the leased asset on the natural expiry of the agreement; in this case, the period of depreciation will be represented by the lease term.

The leases in which the lessor substantially retains all the risks and benefits incident to the ownership of the assets are classified as operating leases. Operating lease rentals are recognised as an expense on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are made up of identifiable non-monetary assets without physical substance, which can be controlled and from which future economic benefits are expected. These assets are initially recognised at their purchase and/or production cost, including any directly attributable cost of preparing the asset for its intended use. Any interest payable accrued during and for the development of intangible assets are considered part of the purchase cost. Specifically, the following main intangible assets can be identified within the Group:

(a) Goodwill

If goodwill exists, it is classified as an intangible asset with an indefinite useful life and is initially measured at cost, as described above, and is subsequently subjected to measurement at least once a year in order to verify whether there has been any impairment (impairment test). The value of goodwill that has previously suffered an impairment loss may not be reinstated.

(b) Other intangible assets with definite useful life

Intangible assets with definite useful life are recognised at cost, as previously described, net of accumulated amortization and impairment losses (if any). Amortisation begins when the asset is available for use and is allocated on a systematic basis in relation to the residual possible use of the same, i.e. on the basis of its estimated useful life.

Below is reported the estimated useful life of the Group for the various categories of intangible assets:

Class of intangible asset	Useful life in years
Software licences and similar rights	5
List of customers	10
Technological know-how	20

The useful life of intangible assets is reviewed and updated, if necessary, at least at the end of each financial year.

INVESTMENT PROPERTY

Property held to earn rentals or for capital appreciation is classified under "Investment Property"; it is measured at its purchase or production cost, as increased by additional costs (if any), net of accumulated depreciation and impairment losses (if any).

IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND OF INVESTMENT PROPERTY

(a) Goodwill

As previously mentioned, if goodwill exists, it is subjected to an impairment test once a year or more frequently when there are indications of possible impairment. No goodwill is recognised in the Consolidated Financial Statements at 30 April 2018.

If goodwill exists, the impairment test is conducted on each of the Cash Generating Units (CGU) to which goodwill has been allocated. Any impairment of goodwill is recognised in the event that the recoverable value of the same is lower than the carrying amount. Recoverable value means the higher of fair value of the CGU, net of costs of disposal, and the related value in use, i.e. the present value of estimated future cash flows from this asset. In measuring value in use, the expected future cash flows are discounted by using a pre-tax discount rate that reflects current market assessments of the time value of money, compared to the investment period and to the risks specific to the asset. In the event that the impairment loss arising from the impairment test exceeds the value of the goodwill allocated to the CGU, any residual excess is allocated to the assets included in the CGU in proportion to their carrying amount. This allocation should not be reduced below the highest of:

- the asset's fair value, less costs of disposal;
- the value in use, as defined above;
- zero.

The original carrying amount of goodwill may not be reinstated when the reasons that led to its impairment no longer exist.

(b) Assets (intangible assets, property, plant and equipment and investment property) with definite useful life

An assessment is carried out on each reporting date to verify whether there are indications that property, plant and equipment, intangible assets and investment property may have incurred an impairment loss. For this purpose, both external and internal sources of information may be made use of. Among the former (internal sources), consideration is given to the obsolescence or physical deterioration of the asset or significant changes in the use of the asset or in its economic performance in comparison with expectations. Among external sources of information, consideration is given to trends in the asset's market price or possible adverse changes in technology, the market or legislation, the trend in market interest rates or the cost of capital used to assess investments.

If such indications are found to exist, the recoverable value of the asset is estimated and the write-down (if any) with respect to its carrying amount is recognised in the income statement. The recoverable value of an asset is represented by the higher of fair value, net of additional costs to sell, and the related value in use, i.e. the present value of estimated future cash flows from this asset. In measuring value in use, the expected future cash flows are discounted by using a pre-tax discount rate that reflects current market assessments of the time value of money, compared to the investment period and to the risks specific to the asset. The recoverable value of an asset that does not generate cash flows that are largely independent is determined in relation to the cash generating unit to which said asset belongs.

An impairment loss is recognised in profit or loss when the carrying amount of an asset, or of the related CGU to which it is allocated, exceeds its recoverable amount. Any impairment losses of CGUs are firstly allocated to reduce the carrying amount of any goodwill allocated to the same and, then, to reduce the carrying amounts of other assets, on a pro-rata basis and within the limits of the related recoverable value. If the grounds for a write-down previously recognised no longer exist, the asset's carrying amount is reinstated and the increase is recognised in the income statement within the limits of the net carrying amount of the asset if the write-down had not been carried out and had been amortised/depreciated.

RECEIVABLES FROM CUSTOMERS AND OTHER FINANCIAL ASSETS

Receivables from customers and other financial assets are initially measured at fair value and subsequently measured at amortised cost according to the effective interest rate method. Receivables from customers and other financial assets are recognised under current assets, except for those that have a contract term exceeding twelve months compared to the reporting date, which are classified under non-current assets.

For trade receivables, factoring transactions that do not envisage the risks and rewards related to the receivables assigned being transferred to the factor (therefore, the Group remains exposed to the risk of insolvency and delayed payments – so-called assignments with recourse (*pro solvendo*)), the transaction is considered equivalent to taking out a secured loan backed by the assigned receivable. In these circumstances the assigned receivable remains reported in the Group's statement of financial position until it is collected by the factor and a financial debt is reported as a contra-entry to the advance (if any) obtained from the factor. The financial cost of factoring transactions is represented by interest on advanced amounts charged to the income statement in compliance with the accruals principle, which is classified under financial charges. Any commissions that accrue on assignments with recourse are recognised under financial charges, while any commissions on assignments without recourse (*pro soluto*) are recognised under other operating costs.

Impairment losses on receivables are accounted for in the accounts if there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty on the basis of the conditions of the contract.

Objective evidence includes circumstances such as:

- significant financial difficulties of the debtor;
- legal disputes entered into with the debtor in relation to the receivables;
- the likelihood of the debtor declaring bankruptcy or of the initiation of other debt restructuring procedures.

The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows and is recognised under "Other operating costs" in the income statement. If the reasons for the previous write-downs no longer exist in subsequent periods, the value of the asset is reinstated up to the amount that would have resulted from the application of amortised cost.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Equity investments in other companies that constitute available-for-sale financial assets are measured at fair value, if this is determinable, and any profits and losses arising from fair value changes are recognised directly under other comprehensive income (expense) until they are sold or have suffered an impairment loss; at that time, other comprehensive income (expense) previously recognised under equity is charged to the income statement for the period. Any other unlisted equity investments classified under "available-for-sale financial assets", the fair value of which cannot be measured reliably, are valued at cost adjusted by any impairment losses, which are recognised in the consolidated income statement, as required by IAS 39.

Any dividends received from equity investments in other companies are recognised under financial income.

INVENTORIES

Inventories are recognised at the lower of purchase or production cost and net realizable value, which is represented by the amount which the Group expects to obtain from their sale in the ordinary course of business, net of selling costs. Cost is determined according to the FIFO method.

The cost of finished and semi-finished products includes any costs of design, raw materials, direct labour and other production costs (as determined on the basis of the normal operating capacity). The measurement of

inventories does not include financial charges, which are charged to the income statement when they are incurred, as the temporal requirements for their capitalisation are not satisfied.

Inventories of raw materials and semi-finished products that can no longer be used in the production cycle and inventories of finished products that cannot be sold are written down.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, available bank deposits and the other forms of short-term investment with an original maturity of three months or fewer. Any items entered under cash and cash equivalents are measured at fair value and the related changes are recognised through profit or loss.

NON-CURRENT ASSETS HELD FOR SALE

Any non-current assets whose carrying amount will be recovered mainly through its sale, rather than through its continuous use, are classified as held for sale and are recognised separately from other assets in the statement of financial position. This condition is deemed to have been fulfilled when sale is highly probable and the asset or group of assets being disposed of is available for immediate sale in its or their present condition.

Non-current assets held for sale are not amortised/depreciated and are measured at the lower of carrying amount and fair value, less costs to sell.

A discontinued operation is a part of an enterprise that has been disposed of or classified as held for sale and (i) is an important branch of business or geographical area of business; (ii) is part of a coordinated plan for the disposal of an important branch of business or geographical area of business; or (iii) a subsidiary acquired exclusively in order to be sold.

The results from discontinued operations are recognised separately in the income statement, net of tax effects. The corresponding values posted in the previous financial year, if any, are reclassified and recognised separately in the income statement, net of tax effects, for comparative purposes.

FINANCIAL PAYABLES

Financial payables are initially recognised at fair value, net of any directly-attributable additional costs, and subsequently are measured at amortised cost, applying the effective interest rate method. If there is a change in estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the effective initially determined internal rate. Financial payables are classified under current liabilities, except those due by contract more than twelve months beyond the reporting date and those whose payment the Group has an unconditional right to defer for at least twelve months after the reporting date.

Financial payables are accounted for at the trade date and are derecognised at the time when they are discharged and when the Group has transferred all risks and charges related to the instrument itself.

DERIVATIVE INSTRUMENTS

Derivatives are valued as securities held for trading and measured at fair value through profit or loss and are classified under other current and non-current assets or liabilities.

Financial assets and liabilities through profit or loss are initially recognised and subsequently measured at fair value and the related additional costs are expensed immediately in the income statement. Any profits and

losses arising from fair value changes in derivatives on exchange rates are reported under financial income and financial charges in the income statement, in the period when they are recognised.

EMPLOYEE BENEFITS

Short-term benefits are made up of salaries, wages, related social security contributions, allowance in lieu of paid annual leave and incentives paid out in the form of bonuses payable in the twelve months from the reporting date. These benefits are accounted for as components of personnel costs in the period when service is rendered. Under defined-benefit plans, which also include the severance pay due to employees pursuant to article 2120 of the Italian Civil Code ("*TFR*", *Trattamento di Fine Rapporto*), the amount of the benefit payable to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, length of service and compensation; therefore, the related charge is recognised in the relevant income statement on the basis of an actuarial calculation. The liability recognised for defined-benefit plans corresponds to the present value of the obligation at the reporting date.

Obligations for defined-benefit plans are determined by an independent actuary on an annual basis, by using the projected unit credit method. The present value of defined-benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in Euro and which reflects the duration of the related pension plan. Any actuarial gains and losses arising from the abovementioned adjustments and any changes in actuarial assumptions are charged to the statement of comprehensive income.

On 1 January 2007 the so-called 2007 Finance Act and the relative implementing decrees introduced substantial amendments to the regulations governing staff severance pay, among which the possibility for the workers to choose where to send their accrued entitlement. In particular, workers may send the new TFR flows to selected pension funds or retain them in their company. If the TFR is transferred to pension funds, the company is only liable to pay a defined contribution to the chosen fund and from that date the newly-acrued contributions have the nature of defined-contribution plans that are not subjected to actuarial measurement.

STOCK GRANT PLAN

As provided for in IFRS 2 - Share-Based Payment, the total amount of the present value of stock grant at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right (achievement of objectives), the cost for payments, determined on the basis of the present value of the shares at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a determinate nature, whose existence is certain or probable, but whose amount and/or timing are uncertain. The provision is recognised only when there is a present, legal or constructive obligation entailing a future outflow of resources as the result of past events and it is probable that the outflow will be necessary in order to settle the obligation.

Such amount is the best estimate of the expenditure required to settle the obligation. The rate used in determining the present value of the liabilities reflects the current market conditions and takes account of the specific risk attached to each liability.

When the financial effect of timing is significant and the dates of the payment of the obligation can be estimated reliably, provisions are measured at the present value of the expected outflow of funds, using a rate that reflects market conditions, variations in the cost of money over time and the specific risk attached to the obligation. Any increase in the provision, determined by changes in the time value of money, is accounted for as an interest expense.

Risks for which a liability is only possible are mentioned in the appropriate section on contingent liabilities and for the same no provision has been set aside.

PAYABLES TO SUPPLIERS AND OTHER LIABILITIES

Payables to suppliers and other liabilities are initially measured at fair value, net of any directly-attributable additional costs, and subsequently are measured at amortised cost, applying the effective interest rate method.

EARNINGS PER SHARE

(a) Earnings per share - basic

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding own shares.

(b) Earnings per share – diluted

Diluted earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding own shares. For the purposes of the calculation of diluted earnings per share, the weighted average of outstanding shares is changed by assuming the exercise by all the assignees of rights that potentially have a dilutive effect, while the net profit attributable to the Group is adjusted to take account of effects (if any), net of taxes, of the exercise of said rights.

TREASURY SHARES

Treasury shares are recognised as a reduction in equity. The initial cost of treasury shares and any revenues arising from subsequent sales (if any) are recognised as changes in equity.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received for the sale of goods and services in the ordinary operations of the Group's business. Revenue is recognised net of added-value tax, expected returns, rebates, discounts and some marketing activities carried out with the help of the customers, whose value is a function of the revenues themselves.

Revenues from the sale of products are recognised when the risks and rewards related to the ownership of the asset are transferred to the buyer and when the sale price has been agreed and can be determined and is expected to be collected.

COST RECOGNITION

Costs are recognised when they relate to goods and services acquired or consumed in the financial year or by systematic allocation. The invoice discounts defined with the technology vendors are reduced to the purchase cost since the commercial component is considered to be the most prevalent.

TAXES

Current taxes are determined on the basis of the estimated taxable income, in accordance with the tax regulations applicable to the Group companies.

Deferred tax assets and liabilities are calculated on all the differences that arise between the taxable base of an asset or liability and its carrying amount, except for goodwill when initially recognised and the differences resulting from investments in subsidiaries, when the timing of the reversal of these differences is under the Group's control and it is likely that they will not be reversed in a reasonably foreseeable period of time. The portion of deferred tax assets, including those related to past tax losses, that is not offset by deferred tax liabilities, is recognised to the extent that there will be future taxable income from which they can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply in the financial years during which the differences will be realised or settled.

Current taxes, deferred tax assets and liabilities are recognised under "Income taxes" in the income statement, except for those relating to items recognised under comprehensive income components other than net profit and those relating to items directly debited or credited to equity. In the latter cases, deferred tax liabilities are recognised in the statement of comprehensive income and directly in equity. Deferred tax assets and liabilities are offset when they are applied by the same tax authority, when there is a legal right to offset them and when the net balance is expected to be settled.

Other taxes that are not correlated to income, such as indirect taxes and duties, are entered under "Other operating costs" in the income statement.

2.4 Newly issued accounting standards

As at date of the Annual 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 2017.

- On February 2016 IASB issued some amendments to IAS 12 – Income taxes on the 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 are 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 on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are applicable from years beginning on or after 1 January 2017.
- On December 2016, the IASB issued an amendment (Annual Improvements to IFRSs 2014-2016 Cycle) concerning IFRS 12 "Disclosure of interests in other entities". The amendments are effective for annual periods beginning on or after 1 January 2017. The amendment clarifies that the information required by the standard must be provided for equity investments classified as held for sale, with the exception of that required by point B12.

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

As at the date of the present Consolidated Financial Statements, the competent bodies of the European Union have approved the adoption of the following accounting standards and amendments, not yet applied by the Group.

- 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. During the year, the Group carried out a preliminary assessment of the effects of IFRS 9 determining that there will be no significant effects on the Group's equity and net profit.
- On June 2016 the IASB issued some further amendments to IFRS 2 – “Share based payment” 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 28 May 2014 the FASB issued IFRS 15 “Revenue from contracts with customers”. The new standard will be applicable as of years beginning on or after 1 January 2018. The standard replaces IAS 18 – “Revenue” 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). The Group plans to apply this new standard from the mandatory effective date, using the method of full retrospective application. During the period the Group carried out a preliminary assessment of the effects of IFRS 15. On the basis of such analysis, the Group will continue to recognize its revenues consistently with the accounting policies of the previous years. Consequently, no significant impacts are expected on Group's equity and net profit.
- On 12 April 2016 the 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 September 2016, the IASB issued an amendment to IFRS 4 “Insurance contracts” regarding the application of IFRS 9 “Financial instruments”. The amendments will allow all companies that issue insurance contracts the option of recognising in the statement of comprehensive income, rather than in the income statement, the volatility that could arise when IFRS 9 is applied before the new standard on insurance contracts is issued. In addition, it will allow companies whose business is predominantly related to insurance contracts an optional temporary derogation in the application of IFRS 9 until 2021. Entities deferring the application of IFRS 9 will continue to apply IAS 39. The amendments apply for annual periods beginning on or after 1 January 2018.
- On December 2016, the 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) 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 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 business. New standard now requires to recognise lease contracts in the balance sheet as assets or liability whether financial or operating lease. Lease contracts with 12 months or less duration and leases of low-value assets are out of new standard scope. The standard will be applicable from years beginning on or after 1 January 2019. New standards can generally be adopted early by IFRS 15 (Revenue from contracts with customers) adopters.
- On December 2016, the 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 IFRIC 22 "Foreign currency transactions and advance consideration". The document clarifies the accounting for transactions or part of transactions where there is consideration that is priced in a foreign currency. These amendments will be applicable from years beginning on or after 1 January 2018.
- On October 2017, the IASB published an amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures". The amendment clarifies the accounting treatment of investments in associates and joint ventures that are not evaluated using the equity method in accordance with IFRS 9. The amendments are effective for annual periods beginning on or after 1 January 2019.

As at the date of the present Consolidated Financial Statements, 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 June 2017, the IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments". The document provides guidance on how to reflect uncertainties in the tax treatment of a given phenomenon in the accounting for current and/or deferred income taxes. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On October 2017, the IASB published an amendment to IFRS 9 "On prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is modified without this leading to its de-recognition, the related gain or loss must be recognised immediately in the income statement. The gain or loss is measured as the difference between the previous cash flow and the cash flow restated to reflect the change. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On May 2017 the IASB issued the new standard IFRS 17 - Insurance Contracts. The new standard will replace IFRS 4 and will be effective for annual periods beginning on or after 1 January 2021.
- On December 2017, the IASB issued a set of amendments to IFRS (Annual Improvements to IFRSs 2015-2017 Cycle). The provisions approved have amended: (i) IFRS 3 "Business Combinations"; (ii) IFRS 11 "Joint arrangements"; (iii) IAS 12 "Income Taxes"; (iv) IAS 23 "Borrowing costs" in relation to the accounting treatment of loans originally linked to the development of a business. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On February 2018, the IASB published an amendment to IAS 19 "Employee benefits" that introduces changes essentially aimed at requiring the use of updated actuarial assumptions in the calculation of current service cost and net interest for the period following a change in an existing defined benefit plan. Application of the amendments is effective for financial years beginning on or after 1 January 2019.

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 are approved by the European Union.

3 Financial risk management

The Group's business is exposed to the following risks: market risk (defined as exchange and interest rate risk), credit risk, liquidity risk and capital risk.

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

MARKET RISK

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

Interest Rate Risk

The exposure to interest rate risks mainly arises from the fact that the Group companies carry out business activities characterized by negative financing requirements during certain periods of the year. These requirements are covered through assignments of receivables, loans and variable-rate credit lines. The Group has not deemed it appropriate to enter into specific financial instruments to hedge interest rate risks, as the same would result, as a whole, particularly onerous compared to benefits (if any), considering the current level of financial debt and interest rates.

The amount of variable-rate indebtedness that is not 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.

On the basis of the analysis of the Group's indebtedness, it should be noted that 100% of long- and short-term debt at 30 April 2018 is variable-rate debt.

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 30 April 2018, there are 50 forward contracts with a positive fair value of Euro 165 thousand.

CREDIT RISK

The credit risk essentially arises from receivables from customers for the sale of products and services. As regards the credit risk relating to the management of financial or cash resources, temporarily deposited with banks, 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. At 30 April 2018 almost all of the financial and cash resources were held with counterparties with a good credit rating and investment grade.

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. The Group also adopted procedures to hedge credit risk by purchasing credit insurance and/or through factoring without recourse. 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. For more details on the provision for bad debts, see note 22.

The table below provides a breakdown of current receivables from customers at 30 April 2018 and 30 April 2017, by overdue amounts, net of the portion of provision for bad debts.

<i>(in thousands of euros)</i>	At 30 April 2018	At 30 April 2017
Falling due	296,266	274,572
Overdue from 0-90 days	25,334	26,151
Overdue from 90-180 days	2,433	5,208
Overdue from 180-360 days	1,612	3,269
Overdue from more than 360 days	3,115	6,198
Total	328,760	315,399

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.

Furthermore, it should be noted that:

- there are different sources of financing, with different banks;
- there are no significant concentrations of liquidity risk both as regards financial assets and as regards sources of financing.

The tables below report the expected cash flows in the coming financial years in relation to financial liabilities at 30 April 2018 and 30 April 2017:

At 30 April 2018 <i>(in thousands of euros)</i>	Book value	Within 12 months	Between 1 and 5 years	Beyond 5 years
Current and non-current loans	153,214	44,164	109,050	
Short-term loans	26,121	26,121		
Advances received from factors	1,121	1,121		
Liabilities for finance leases	15,420	1,298	5,504	8,618
Derivatives on exchange rates				
Payables to suppliers	295,706	295,706		
Other current and non-current payables	3,193	3,193		

At 30 April 2017 <i>(in thousands of euros)</i>	Book value	Within 12 months	Between 1 and 5 years	Beyond 5 years
Current and non-current loans	111,319	45,621	65,698	
Short-term loans	9,021	9,021		
Advances received from factors	4,787	4,787		
Liabilities for finance leases	16,869	1,449	4,622	10,798
Derivatives on exchange rates	77	77		
Payables to suppliers	270,984	270,984		
Other current and non-current payables	5,322	5,322		

CAPITAL RISK

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

FINANCIAL ASSETS AND LIABILITIES BY CLASS

The fair value of receivables from customers and of other financial assets, payables to suppliers and other payables and of other financial liabilities, recognised under the "current" items of the consolidated statement of financial position, measured using the amortised cost method, does not differ from the book values reported in the financial statements at 30 April 2018 and 30 April 2017, as reference is mainly made to assets underlying business relations, the settlement of which is expected in the short term.

Non-current financial liabilities and assets are settled or measured at market rates and, therefore, their fair value is considered to be substantially in line with the present book values.

A classification of financial assets and liabilities by class at 30 April 2018 and 30 April 2017 is reported below:

At 30 April 2018 <i>(in thousands of euros)</i>	Loans and receivables	Held-to-maturity investments	Financial asset or liability at fair value	Total financial assets or liabilities	Non-financial assets and liabilities	Total
Assets						
Current receivables from customers	328,760			328,760		328,760
Other current and non-current assets	19,822	16	7,586	27,424	16,333	43,757
Cash and cash equivalents			247,194	247,194		247,194
Total assets	348,582	16	254,780	603,378	16,333	619,711
Liabilities						
Current and non-current loans	191,342		4,534	195,876		195,876
Payables to suppliers	295,706			295,706		295,706
Other current liabilities	3,193			3,193	57,587	60,780
Total liabilities	490,241			494,775	57,587	552,362

At 30 April 2017 <i>(in thousands of euros)</i>	Loans and receivables	Held-to- maturity investments	Financial asset or liability at fair value	Total financial assets or liabilities	Non- financial assets and liabilities	Total
Assets						
Current receivables from customers	315,399			315,399		315,399
Other current and non-current assets	12,878	1,615	4,155	18,648	12,227	30,875
Cash and cash equivalents			191,951	191,951		191,951
Total assets	328,277	1,615	196,106	525,998	12,227	538,225
Liabilities						
Current and non-current loans	141,996			141,996		141,996
Payables to suppliers	270,984			270,984		270,984
Other current liabilities	5,322		77	5,399	44,207	49,606
Total liabilities	418,302		77	418,379	44,207	462,586

FAIR VALUE ESTIMATE

IFRS 13 defines the fair value as the price that would be received for the sale of an asset or that would be paid for the transferral of a liability on the date of evaluation on a free transaction between market operators.

The fair value of financial instruments listed on an active market is based on market prices on the reporting date. The fair value of instruments that are not listed on an active market is calculated using evaluation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

The fair value classification of financial instruments is given below, based on the following hierarchical levels:

Level 1: fair value calculated with reference to listed prices (not adjusted) on active markets for identical financial instruments;

Level 2: fair value calculated using evaluation techniques with reference to variables that can be observed on active markets;

Level 3: fair value calculated using evaluation techniques with reference to market variables that cannot be observed.

The table below shows the assets and liabilities which, at 30 April 2018, were measured and booked at fair value, providing an indication of the hierarchical level of the relative fair value:

<i>(in thousands of euros)</i>	Level 1	Level 2	Level 3
Assets measured at Fair Value			
Financial derivatives		165	
Assets destined for sale			
Equity investments in other enterprises			5,759
Other Assets		1,662	
Total	0	1,827	5,759
Liabilities measured at Fair Value			
Financial derivatives			
Financial liabilities at Fair Value recognised in the Income Statement		2,329	
Other Liabilities		2,205	
Total	0	4,534	0

Financial derivatives are forward transactions in foreign currency entered into by the Group for the management of the exchange rate risk on certain supplies in currencies other than the Euro. The positive and negative fair value was determined using the exchange risks observable at the reporting date.

Other assets included the mutual fund investemet shares issues by primary intermediaries and measured at fair value in accordance with the data observable on the active market and an insurance policy valued at fair value on the basis of the ransom value.

In the derivatives financial instruments item is reported fair value (MtM) of the forward transactions Euro/ Dollars at 30 April 2018.

Non-current equity investments in other companies refer to companies that are not listed on an active market, the fair value of which cannot be reliably measured; therefore, such equity investments are measured at cost, net of any losses in value. The measurement of the above-mentioned equity investments, therefore, represents the best approximation of the market value.

In the Financial liabilities at Fair Value and Other liabilities are included financial debts for contracted earn out and the payables for the put options issued on the shares of companies for which the Group has already acquired control, respectively. The valuation was determined on the basis of the expected net value of the earn out and exercise of the put options.

The following tables highlight the changes in Level 1, Level 2 and Level 3 during the year ended 30 April 2018:

<i>(in thousands of euros)</i>	Level 1
Balance at 30.04.2017	-
Profit and (losses) recognised in income statement	
Increases/(Decreases)	
Balance at 30.04.2018	-
Total	-

<i>(in thousands of euros)</i>	Level 2
Balance at 30.04.2017	1,538
Profit and (losses) recognised in income statement	242
Increases/(Decreases)	(4,487)
Balance at 30.04.2018	(2,707)
Total	(2,707)

<i>(in thousands of euros)</i>	Level 3
Balance at 30.04.2017	4,155
Profit and (losses) recognised in income statement	
Increases/(Decreases)	1,604
Balance at 30.04.2018	5,759
Total	5,759

The change of Level 2 value derives from the fair value measurement of forward currency transactions and from the recognition of financial debts for contracted earn-out and payables for put options issued on shares of companies for which the Group has already acquired control.

The change of Level 3 value derives mainly of the purchases of the Cabel Holding SpA shares, by Sesa SpA and Var Group SpA (a total of 3.86%).

4 Estimates and Assumptions

The preparation of financial statements requires the directors to apply accounting standards and methods which, in some circumstances, are based on difficult and subjective valuations and assumptions based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the related circumstances. The application of these estimates and assumptions affects the

amounts reported in the financial statement schedules, the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, as well as any information provided. The final results of the financial statement items for which the abovementioned estimates and assumptions have been used could differ from those reported in the financial statements that recognise the effects of the occurrence of the event being estimated, because of the uncertainty that characterizes the assumptions and conditions on which estimates are based.

Below are summarised the areas that require, more than others, greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data.

(a) Impairment of assets

In accordance with the accounting standards applied by the Group, property, plant and equipment, intangible assets and investment property are tested for impairment in order to establish whether there is evidence of an impairment loss, which must be recognised through a write-down, when there are indications that it may be difficult to recover the related net book value through their use. The verification of the existence of the abovementioned indicators requires the directors to apply subjective valuations based on the information available within the Group and in the market, as well as on historical experience. Furthermore, if it is established that a potential impairment loss may have occurred, the Group takes steps to determine the same by using valuation techniques that are considered to be suitable. The correct identification of any evidence of the existence of a potential impairment loss of property, plant and equipment, intangible assets and investment property, as well as any estimates for the determination of the same, depend on factors that can vary over time, thus affecting the valuations and estimates made by the directors.

(b) Amortisation and depreciation

The cost of property, plant and equipment and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful life of the related assets. The useful economic life of said assets is determined by the directors at the time when they are acquired; it is based on historical experience for similar assets, market conditions and anticipations of future events that could have an impact on the useful life of the assets, including changes in technology. Therefore, the actual economic life could differ from the estimated useful life.

(c) Provision for bad debts

The provision for bad debts reflects any losses estimated for the Group's portfolio of receivables. The Group has set aside provisions against expected losses on receivables, which have been estimated on the basis of past experience with reference to receivables with a similar credit risk, to current and historical outstanding amounts, as well as to the careful monitoring of the quality of the portfolio of receivables and of the current and expected conditions of the relevant economy and markets. The estimates and assumptions are reviewed periodically and the effects of any change are reported in the income statement in the relevant financial year.

(d) Provision for obsolescence of inventories

The Group recognises probable liabilities attributable to impairment losses of inventories in the provision for obsolescence of inventories. The determination of these provisions entails the assumption of estimates based on the current knowledge of factors that can vary over time, thus being able to generate final results that may also be significantly different from those taken into account in the preparation of these disclosures.

(e) Employee benefits

The present value of pension funds entered in the Consolidated Financial Statements depends on an independent actuarial calculation and on the different assumptions taken into consideration. Any changes in

the assumptions and in the discount rate used are promptly reflected in the calculation of the present value and could have a significant impact on the data reported in the accounts. The assumptions used for the purposes of the actuarial calculation are examined on an annual basis.

The present value is determined by discounting the future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan. For additional information, reference is made to notes 26 Employee benefits and 10 Personnel costs.

5 Business Combinations

During the fiscal year the most significant business combination are reported below: the acquired control of Icos SpA and Tech-Value Srl respectively in the VAD and SSI segment.

In September 2017 Computer Gross Italia SpA (VAD segment) signed a binding agreement for the purchase of 51% of the company Icos SpA, value distributor of enterprise software and solutions for datacenter on the Italian market based in Ferrara, Milan and Rome, with an historic partnership with the Vendor Oracle, of which is an authorized distributor on the Italian market, and Vendors NetApp, CommVault and Huawei. Following AGCM's favourable authorization, the acquisition of 51% of Icos Spa was completed on 10 November 2017, for a price of Euro 2.29 million. The amount of Euro 1,264 thousand (before taxes) was allocated to the item Technological Know-How, amortised over a twenty-year horizon and Euro 1,264 thousand (before taxes) to the item Client list, amortised over a ten-year horizon, due to allocation of the consideration paid.

To the founders, who will remain active in the management, has been granted the possibility to exercise put options for the sale to CGI of such 49% of ICOS in two tranches, in April 2019 and April 2020, for a total price of Euro 2.21 million, including the share of profits earned by ICOS during the three-year period 2018-2020 and following the achievement of fixed business continuity conditions. These options were reflected in financial liabilities.

In January 2018 Var Group SpA (SSI segment) acquired 51% of Tech-Value SpA (which then became Tech-Value Srl), leading company in Italian market of PLM and CAD solutions in Industry 4.0 for the "engineering intensive" manufacturing sector. The transaction was completed on 22 January 2018 through the purchase by Var Group SpA of 51% of Newco Industria 4.0 Srl which held 100% of the Tech-Value SpA shares. 78% of such shares were acquired following the contribution of the founders and the remaining 22% through a public bid on totality of Tech-Value shares for a price of Euro 5.3 million paid for Euro 3.7 million at the closing and for the remaining amount of Euro 1.6 million conditional on the continuity in business management and paid in the following 24 months, plus an earn-out up to a maximum of Euro 1.2 million subject to the achievement of Tech-Value average consolidated Ebitda targets in the three-year period 2019- 2021, applying a multiple of 4.75x Ebitda. The completion of the reverse merger of Newco Industria 4.0 Srl into Tech-Value Srl took place in April 2018. Tech-Value Srl and totalitarian subsidiary CCS Team Srl were consolidated in January 2018, with the consequent registration of the total amount of Euro 12,066 thousand (before taxes) in the item Technological Know-How, amortized in twenty-years horizon.

In accordance with IFRS 3, the fair value of assets, liabilities and contingent liabilities was determined at 30 April 2018.

The following table shows the details of the fair value of acquired assets and liabilities for all the companies included in the scope of consolidation at 30 April 2018:

<i>(in thousands of euros)</i>	Synergy Srl	Icos SpA	Tech-Value Srl and CCS Team Srl	Total
Property, plant and equipment	313	2,535	12,297	15,145
Investment property	95	14	265	374
Other current and non-current assets	43	142	4,418	4,603
Inventories		522	2	524
Current trade receivables	371	9,586	7,336	17,293
Cash and cash equivalents	289	5	1,643	1,937
Acquired assets	1,111	12,804	25,961	39,876
Non-current loans		1,725	6,979	8,704
Employee benefits	180	393	760	1,333
Current loans	36	200	-	236
Deferred tax liabilities	74	728	3,478	4,280
Payables to suppliers	199	6,574	4,456	11,229
Other liabilities	293	398	3,918	4,609
Acquired liabilities	782	10,018	19,591	30,391
Non-controlling interests	(99)	(491)	(1,033)	(1,623)
Acquired net assets	230	2,295	5,337	7,862

The amount paid for acquisitions made during the year is shown below:

<i>(in thousands of euros)</i>	Synergy Srl	Icos SpA	Tech-Value Srl and CCS Team Srl	Total
Fee	230	2,295	5,337	7,862
Net financial debt (net cash)*	(289)	(5)	(1,643)	(1,937)
Amount paid	(59)	2,290	3,694	5,925

* Net financial debt calculated at the date of the corporate control acquisition and entry in the scope of consolidation

6 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 Italia SpA, of IT products and solutions in the categories of servers, storage, software and networking to the operators in the enterprise and small/medium enterprise segment. The Group's VAD offer, integrated to software houses and integrators of technology for the implementation of complex technology solutions, is targeted at the end users of products distributed.
- Software and System Integration (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 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 Italia SpA to Var Group SpA. Computer Gross Italia SpA uses the logistics services included in the Corporate segment.

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

- revenues from third parties by operating segment;
- Ebitda defined as the profit for the year before amortisation/depreciation, accruals to provisions for bad debts, accruals to provision for risks, non-monetary costs related to stock grant plans assigned to executive directors, financial income and charges, the profit (loss) of companies valued at equity and taxes;
- profit for the year.

As Ebitda is not a recognized measure of financial performance under IFRS (Non-GAAP Measures) the quantitative calculation may not be unique. Ebitda is a measure used by management to monitor and evaluate the operating performance of the companies of the Group.

The criteria in determining the Ebitda reported above and applied by the Group may not be consistent with that used by other companies or groups, and therefore the figures may not be comparable with those determined by such groups.

The table below shows the segment reporting applied for the fiscal years ended 30 April 2018 and 30 April 2017.

	FY ended 30 April 2018					FY ended 30 April 2017				
	Value Added Distribution	Software and System Integration	Corporate	Eliminations		Value Added Distribution	Software and System Integration	Corporate	Eliminations	
<i>(in thousands of euros)</i>										
Revenues from third parties	1,069,553	279,666	1,681		1,350,900	1,028,041	230,424	1,810		1,260,275
Inter segment revenues	77,762	2,639	12,019		92,420	68,802	2,583	10,727		82,112
Revenues	1,147,315	282,305	13,700	(92,420)	1,350,900	1,096,843	233,007	12,537	(82,112)	1,260,275
Other income	6,556	7,086	2,501	(4,008)	12,135	5,640	6,838	2,575	(3,859)	11,194
Total Revenues and other income	1,153,871	289,391	16,201	(96,428)	1,363,035	1,102,483	239,845	15,112	(85,971)	1,271,469
Consumables and goods for resale	(1,066,272)	(117,673)	(396)	69,948	(1,114,393)	(1,015,968)	(107,892)	(629)	69,307	(1,055,182)
Costs for services and rent, leasing and similar costs	(30,102)	(91,145)	(7,973)	26,400	(102,820)	(29,140)	(65,115)	(7,422)	16,571	(85,106)
Personnel costs	(14,649)	(58,656)	(5,748)		(79,053)	(13,610)	(50,926)	(5,571)		(70,107)
Other operating costs	(2,283)	(1,256)	(208)	99	(3,648)	(1,951)	(1,127)	(156)	45	(3,189)
Ebitda	40,565	20,661	1,876	19	63,121	41,814	14,785	1,334	(48)	57,885
Amortisation, depreciation and write-downs and other non-monetary costs	(7,752)	(7,491)	(1,588)	-	(16,831)	(6,305)	(5,969)	(825)		(13,099)
Ebit	32,813	13,170	288	19	46,290	35,509	8,816	509	(48)	44,786
Profit from companies valued at equity	930	(578)	24	-	376	145	25	2		172
Net financial income and charges	(2,474)	(1,175)	14	-	(3,635)	(2,969)	(1,681)	29		(4,621)
Profit before taxes	31,269	11,417	326	19	43,031	32,685	7,160	540	(48)	40,337
Income taxes	(8,748)	(3,787)	(308)	(5)	(12,848)	(9,806)	(3,089)	(360)	16	(13,239)
Profit for the year	22,521	7,630	18	14	30,183	22,879	4,071	180	(32)	27,098
Net profit attributable to non-controlling interests	36	3,274	-	12	3,322	(62)	2,098	18	1	2,055
Net profit attributable to the Group	22,485	4,356	18	2	26,861	22,942	1,972	162	(33)	25,043

The table below shows the financial segment reporting applied for the fiscal years ended 30 April 2018 and 30 April 2017.

<i>(in thousands of euros)</i>	FY ended 30 April 2018					FY ended 30 April 2017				
	Value Added Distribution	Software and System Integration	Corporate	Eliminations		Value Added Distribution	Software and System Integration	Corporate	Eliminations	
Intangible assets	3,388	35,627	68		39,083	1,211	20,556	81		21,848
Property, plant and equipment	41,034	13,661	526		55,221	41,772	7,477	487		49,736
Investment property			290		290			290		290
Equity investments valued at equity	5,923	2,602	901	(247)	9,179	4,749	3,296	1,037	(247)	8,835
Deferred tax assets	3,510	2,698	392	(68)	6,532	3,172	2,119	321	(64)	5,548
Other non-current receivables and assets	4,427	6,079	68,269	(68,333)	10,442	3,660	4,966	67,217	(67,683)	8,160
TOTAL NON-CURRENT ASSETS	58,282	60,667	70,446	(68,648)	120,747	54,564	38,414	69,433	(67,994)	94,417
Inventories	57,380	10,497		(125)	67,752	51,738	9,977		(145)	61,570
Current trade receivables	269,031	93,228	12,038	(45,537)	328,760	266,331	80,799	14,440	(46,171)	315,399
Current tax receivables	3,705	3,449	298		7,452	619	2,075	1,993		4,687
Other current receivables and assets	11,339	22,590	819	(1,433)	33,315	6,766	17,658	965	(2,674)	22,715
Cash and cash equivalents	164,818	72,888	9,488		247,194	135,720	47,101	9,130		191,951
TOTAL CURRENT ASSETS	506,273	202,652	22,643	(47,095)	684,473	461,174	157,610	26,528	(48,990)	596,322
Non-current assets held for sale										
TOTAL ASSETS	564,555	263,319	93,081	(115,743)	805,220	515,738	196,024	95,961	(116,984)	690,739
Share capital	40,000	3,800	37,126	(43,799)	37,127	40,000	3,800	37,127	(43,800)	37,127
Share premium reserve		4,051	33,144	(4,051)	33,144		4,051	33,144	(4,051)	33,144
Other reserves and Profits carried forward	131,254	8,515	15,619	(20,704)	134,684	119,701	7,162	14,299	(20,148)	121,014
TOTAL GROUP EQUITY	171,254	16,366	85,889	(68,554)	204,955	159,701	15,013	84,570	(67,999)	191,285
Equity attributable to non-controlling interests	869	10,000		177	11,046	829	6,123	555	236	7,743
TOTAL EQUITY	172,123	26,366	85,889	(68,377)	216,001	160,530	21,136	85,125	(67,763)	199,028
Non-current loans	77,401	45,771			123,172	59,717	21,401			81,118
Employee benefits	1,828	17,109	1,558		20,495	1,479	14,518	1,430		17,427
Non-current provisions	1,878	958			2,836	1,299	447			1,746
Deferred tax liabilities	2,406	9,155	17	(239)	11,339	1,381	5,542	27	(239)	6,711
TOTAL NON-CURRENT LIABILITIES	83,513	72,993	1,575	(239)	157,842	63,876	41,908	1,457	(239)	107,002
Current loans	37,303	35,401			72,704	36,796	24,082			60,878
Payables to suppliers	257,030	82,610	3,104	(47,038)	295,706	245,002	70,408	4,494	(48,920)	270,984
Current tax payables	177	1,990	10	10	2,187	1,097	2,116	18	10	3,241
Other current liabilities	14,409	43,959	2,511	(99)	60,780	8,437	36,374	4,867	(72)	49,606
TOTAL CURRENT LIABILITIES	308,919	163,960	5,625	(47,127)	431,377	291,332	132,980	9,379	(48,982)	384,709
TOTAL LIABILITIES	392,432	236,953	7,200	(47,366)	589,219	355,208	174,888	10,836	(49,221)	491,711
TOTAL EQUITY AND LIABILITIES	564,555	263,319	93,089	(115,743)	805,220	515,738	196,024	95,961	(116,984)	690,739

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

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Sale of hardware, software and accessories	1,193,892	1,145,009
Software development and other services	71,729	55,067
Hardware and software assistance	70,233	48,034
Marketing activity	7,966	7,957
Other sales	7,080	4,208
Total	1,350,900	1,260,275

Group revenues, equal to Euro 1,350,900 thousand at 30 April 2018 recorded a 7.2% growth compared to the previous year thanks to the growth in sales of IT solutions and software and the performance of services in both IT projects (developments, consulting and other services) and in infrastructural ones (assistance, cloud computing, etc.)

7 Other income

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Transport activity	1,151	1,356
Capital gains on disposals	36	430
Commissions	1,351	945
Leases and hires	287	194
Training courses	148	160
Other income	9,162	8,109
Total	12,135	11,194

The item Other income relates mainly to the recovery of the transport costs.

8 Consumables and Goods for resale

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Purchase of hardware	715,466	690,755
Purchase of software	396,910	362,860
Consumables and other purchases	2,017	1,567
Total	1,114,393	1,055,182

Cash discount granted by the suppliers are reclassified to reduce the purchase cost of the goods since the commercial component is considered prevalent, as practiced in the distribution sector.

9 Costs for services and rent, leasing and similar costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Hardware and software technical assistance	37,294	27,692
Consultancy	24,609	19,516
Commissions and contributions due to agents	8,805	7,475
Leases and hires	9,080	6,961
Marketing	4,488	3,394
Transport	3,722	3,985
Insurance	1,756	1,619
Utilities	1,889	1,650
Logistics and warehousing	1,516	1,492
Support and training expenses	1,037	689
Maintenance	3,343	2,957
Other expenses for services	6,674	8,382
Total	104,213	85,812

10 Personnel costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Wages and salaries	54,376	48,124
Social security contributions	14,901	12,987
Contributions to defined-contribution pension funds	3,591	3,151
Contributions to defined-benefit pension funds	27	8
Reimbursements and other personnel costs	6,158	5,837
Total	79,053	70,107

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

<i>(in units)</i>	Average number of employees for the financial year ended 30 April		Exact number of employees at 30 April	
	2018	2017	2018	2017
Executives	17	16	18	16
Middle managers	111	98	122	100
Office workers	1,407	1,207	1,502	1,311
Total	1,535	1,321	1,642	1,427

11 Other Operating Costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Net accruals to provision for bad debts (net of recovery)	5,756	4,431
Charges and commissions for assignments of receivables without recourse	1,210	1,121
Taxes and duties	629	582
Capital losses on disposals	35	17
Losses not covered by provisions for bad debts	335	340
Provisions for risks and charges	698	1,117
Other operating costs	1,439	1,128
Total	10,102	8,736

12 Amortisation and depreciation

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Intangible assets	3,547	2,969
Property, plant and equipment	5,437	3,877
Total	8,984	6,846

13 Profit from companies valued at equity

Below is reported the breakdown of changes in the value of equity investments in associated companies valued at equity in the financial years ended 30 April 2018 and 30 April 2017:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Balance at the beginning of the period	8,835	3,938
Acquisitions and capital increases	563	5,563
Transfers and winding-ups	(18)	
Dividends received	(249)	
Profit from companies valued at equity	376	172
Reclassifications	(328)	(838)
Balance at the end of the period	9,179	8,835

Below is reported the share of profit of the main associated companies and the combined value of their assets, liabilities and revenues:

<i>(in thousands of euros)</i>	Total assets	Total liabilities	Revenues	Profit (loss) for the year	Ownership %
30 April 2018					
ATTIVA SPA	60,871	35,956	324,475	3,588	20.0%
M.K. ITALIA S.r.l.	1,628	1,206	5,326	93	45.0%
STUDIO 81 DATA SYSTEM SRL	1,579	1,359	2,209	24	50.0%
C.G.N. Srl	1,221	5	165	8	47.5%
WEBGATE SRL	623	53	606	140	30.0%

14 Financial income and charges

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Interest expense for assignments of receivables	934	1,325
Charges and commissions for assignments of receivables with recourse	499	727
Interest expense on bank accounts and loans	287	415
Other interest expense	1,314	1,166
Commissions and other financial charges	2,282	2,275
Financial charges relating to staff severance pay (TFR)	228	205
Foreign exchange losses	3,699	2,732
Total financial charges	9,243	8,845
Interest income on other short-term receivables	510	1,213
Other financial income	806	144
Interest income on bank deposits	33	56
Dividends from equity investments	1	91
Foreign exchange gains	4,258	2,720
Total financial income	5,608	4,224
Net financial charges	3,635	4,621

15 Income taxes

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Current taxes	13,738	13,342
Deferred tax liabilities	(890)	(103)
Taxes relating to previous financial years		
Total	12,848	13,239

Starting from the fiscal year ended 30 April 2018 the income tax rate ("IRES"), applied for the assessment of current and deferred taxes, passed from 27.5% to 24%.

The table below reports the reconciliation of the theoretical and effective tax burden for the financial years ended 30 April 2018 and 30 April 2017.

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017

Profit before taxes	43,031	40,337
Theoretical taxes	10,327	11,093
Taxes relating to previous years	52	9
Tax relief on dividends	120	129
Permanent differences	270	(981)
IRAP tax, including other changes	2,079	2,989
Effective tax burden	12,848	13,239

16 Intangibles assets

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

<i>(in thousands of euros)</i>	Client list	Software and other intangible assets	Technological know-how	Total
Balance at 30 April 2017	8,236	2,148	11,464	21,848
<i>Of which:</i>				
- historical cost	12,060	7,888	12,251	32,199
- accumulated amortisation	(3,824)	(5,740)	(787)	(10,351)
Change in the scope of consolidation	1,354	1,158	13,420	15,932
Investments	2,749	947	1,227	4,923
Disinvestments		(73)		(73)
Amortisation	(1,516)	(1,110)	(921)	(3,547)
Transfer of historical cost/accumulated amortisation				
Transfer of accumulated amortisation/historical cost				
Balance at 30 April 2018	10,823	3,070	25,190	39,083
<i>Of which:</i>				
- historical cost	16,163	9,920	26,898	52,981
- accumulated amortisation	(5,340)	(6,850)	(1,708)	(13,898)

The balance of intangible assets at 30 April 2018 consists largely of client lists and technological know-how items, increasing in the year mainly following the entry in the scope of consolidation of Tech-Value Srl, CCS Team Srl, ICOS SpA and Synergy Srl.

17 Property, plant and equipment

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

<i>(in thousands of euros)</i>	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
<i>Of which:</i>						
- 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)
Investments		987	3,359	1,215	1,883	7,444
Disinvestments			(235)		(117)	(352)
Change in the scope of consolidation			139	105	22	266
Depreciation		(567)	(1,667)	(544)	(1,099)	(3,877)
Other movements	2,725	(907)				1,818
Balance at 30 April 2017	7,950	25,911	5,776	3,320	6,779	49,736
<i>Of which:</i>						
- historical cost	7,950	28,287	17,477	5,624	12,124	71,462
- accumulated depreciation		(2,376)	(11,701)	(2,304)	(5,345)	(21,726)
Investments		263	6,413	1,458	1,873	10,007
Disinvestments		(197)	(268)		(38)	(503)
Change in the scope of consolidation			1,316		102	1,418
Depreciation		(921)	(2,466)	(811)	(1,239)	(5,437)
Other movements						
Balance at 30 April 2018	7,950	25,056	10,771	3,967	7,477	55,221
<i>Of which:</i>						
- historical cost	7,950	28,353	24,937	7,082	14,061	82,383
- accumulated depreciation		(3,297)	(14,166)	(3,115)	(6,584)	(27,162)

The investments in office machines recorded in the fiscal year mainly refer to servers and storage necessary for the increase in the Cloud Computing services of the cloud company Leonet Srl and to technological investments required for the supply of IT services and solutions towards the customers.

18 Investment Property

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

<i>(in thousands of euros)</i>	Land	Buildings	Total
Balance at 30 April 2016	281	9	290
<i>Of which:</i>			
- historical cost	281	10	291
- accumulated depreciation		(1)	(1)
Depreciation			
Disposals			
Balance at 30 April 2017	281	9	290
<i>Of which:</i>			
- historical cost	281	10	291
- accumulated depreciation		(1)	(1)
Investments			
Disposals			
Depreciation			
Balance at 30 April 2018	281	9	290

19 Deferred tax assets and liabilities

Below is the breakdown of the expected maturity of deferred tax assets and deferred tax liabilities:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Deferred tax assets due within 12 months	5,974	4,951
Deferred tax assets due beyond 12 months	558	597
Total deferred tax assets	6,532	5,548
Deferred tax liabilities within 12 months		400
Deferred tax liabilities beyond 12 months	11,339	6,311
Total deferred tax liabilities	11,339	6,711

The net change in the items in question can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Balance at the beginning of the year	(1,163)	(14)
<i>Of which:</i>		
- deferred tax assets	5,548	5,449
- deferred tax liabilities	6,711	5,463
Change in the scope of consolidation	(4,602)	(1,270)
Effect on the income statement	890	105
Effect on the statement of comprehensive income	68	16
Balance at the end of the year	(4,807)	(1,163)
<i>Of which:</i>		
- deferred tax assets	6,532	5,548
- deferred tax liabilities	11,339	6,711

The change in deferred tax assets can be broken down as follows:

Deferred tax assets	Value differences on property, plant and equipment and intangible assets	Accruals to provisions for risks and charges and other allocations	Employee benefits	Other items	Total
<i>(in thousands of euros)</i>					
Balance at 30 April 2016	2,203	3,046	198	2	5,449
Change in the scope of consolidation	126				126
Effect on the income statement	(4)	(39)		16	(27)
Effect on the statement of comprehensive income					
Balance at 30 April 2017	2,325	3,007	198	18	5,548
Change in the scope of consolidation		179			179
Effect on the income statement	(44)	507		342	805
Effect on the statement of comprehensive income					
Balance at 30 April 2018	2,281	3,693	198	360	6,532

The change in deferred tax liabilities can be broken down as follows:

Deferred tax liabilities	Value differences on property, plant and equipment and intangible assets	Employee benefits	Other items	Total
<i>(in thousands of euros)</i>				
Balance at 30 April 2016	5,170	(291)	584	5,463
Change in the scope of consolidation	1,525		(129)	1,396
Effect on the income statement	(157)	25		(132)
Effect on the statement of comprehensive income		(16)		(16)
Balance at 30 April 2017	6,538	(282)	455	6,711
Change in the scope of consolidation	4,731	50		4,781
Effect on the income statement	(148)	27	36	(85)
Effect on the statement of comprehensive income		(68)		(68)
Balance at 30 April 2018	11,121	(273)	491	11,339

Receivables for deferred tax assets refer to accruals to provisions for obsolescence, bad debts and risks, which will be deductible for tax purposes only when the loss becomes certain, and to intangible assets used to reduce equity during transition to IFRS.

Deferred tax liabilities are mainly related to tangible and intangible assets (client lists and technological know-how) for which the value deductible for tax purposes is lower than the book value.

20 Other current and non-current receivables and assets

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Non-current receivables from others	3,745	3,705
Non-current equity investments in other companies	5,759	4,155
Non-current securities	16	51
Other non-current tax receivables	912	249
Non-current receivables from associated companies	10	
Total other non-current receivables and assets	10,442	8,160
Current receivables from others	14,462	9,167
Other current tax receivables	3,734	2,761
Accrued income and prepaid expenses	11,687	9,167
Derivative assets	165	
Other current securities	3,267	1,615
Current receivables from Group's companies out of the scope of consolidation		5
Total other current receivables and assets	33,315	22,715

Non-current receivables from others mainly include receivables relating to the recovery of VAT for invoices issued to customers subject to bankruptcy procedures.

Non-current equity investments in other companies refer to companies not listed on an active market, the fair value of which cannot be measured reliably; therefore, these investments are valued at cost, net of any losses in value. Among these, we point out Cabel Holding SpA and Tech-In-Nova Srl.

Non-current equity investments in other companies can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Balance at the beginning of the year	4,155	4,794
Acquisitions and capital increase	4,288	356
Disposals, write-downs and impairment	(2,211)	(798)
Reclassifications	(473)	(197)
Balance at the end of the year	5,759	4,155

In the year ended 30 April 2018 increases in other equity investments are due to the acquisition of equity investments by companies belonging to the SSI segment. In particular, we note the acquisition of interest in Cabel Holding SpA for Euro 2.0 million and in Tech-In-nova Srl for Euro 1.1 million. Among disposals, write-

downs and impairments it should be noted the sale of the equity investment in Dedagroup SpA, previously recorded for Euro 1.9 million with a gain of Euro 508 thousand.

21 Inventories

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Finished products and goods for resale	65,243	57,813
Work in progress and semi-finished products	2,509	3,757
Total	67,752	61,570

Finished products and goods for resale were recognised net of the provision for write-down for obsolescence. The related changes are reported in the table below.

<i>(in thousands of euros)</i>	Provision for obsolescence of finished products and goods for resale
Balance at 30 April 2017	1,406
Net changes	(160)
Balance at 30 April 2018	1,246

22 Current trade receivables

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Receivables from customers (*)	339,767	324,205
Provision for write-down of receivables from customers (**)	(13,402)	(12,381)
Receivables from customers, net of provision for bad debts	326,365	311,824
Receivables from associated companies	2,395	3,575
Total current trade receivables	328,760	315,399

(*) For the purposes of a better portrayal of receivables from customers, they are presented net of the balance of customers subject to bankruptcy and composition with creditors proceedings which at 30 April 2018 was equal to Euro 31,553 thousand, compared to Euro 28,789 thousand at 30 April 2017. These positions have been fully written down via the booking of a specific provision.

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

<i>(in thousands of euros)</i>	Provision for bad debts
Balance at 30 April 2016	12,030
Allocation	4,848
Use and other changes	(4,552)
Change in scope of consolidation	55
Balance at 30 April 2017	12,381
Allocation	6,858
Use and other changes	(6,080)
Change in scope of consolidation	243
Balance at 30 April 2018	13,402

23 Cash and cash equivalents

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Bank and postal deposits	247,137	191,620
Cheques	17	281
Cash	40	50
Total cash and cash equivalents	247,194	191,951

The following table shows the Group's cash and cash equivalents by currency at 30 April 2018 and 30 April 2017:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Cash and cash equivalents in euros	246,961	190,258
Cash and cash equivalents in other currency	233	1,693
Total cash and cash equivalents	247,194	191,951

24 Equity

Share capital

At 30 April 2018 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. The Company has no outstanding Warrants or shares other than ordinary ones.

The treasury shares held at 30 April 2018 are no. 38,712, equivalent to Euro 959 thousand.

The table below shows details of the changes during the year of the outstanding and treasury shares:

	Number of shares
Balance at 30 April 2017	
Issued shares	15,494,590
Treasury shares	44,383
Outstanding shares	15,450,207
Changes during the year	
Assignment of shares in execution of the Stock Grant Plan	53,000
Purchase of treasury shares	47,329
Balance at 30 April 2018	
Issued shares	15,494,590
Treasury shares	38,712
Outstanding shares	15,455,878

Below are the Shareholders who, at 30 April 2018, held a significant equity investment with voting right of the share capital of the Issuer:

Declarer	Direct Shareholder	No. of shares with voting right held	% on the total share capital with voting right
HSE S.p.A.	ITH S.p.A.	8,183,323	52.814%
Franklin Templeton Institutional LLC	Franklin Templeton Institutional LLC	753,000	4.860%

There are no other shareholders in addition to those mentioned above, with a significant equity investment who informed Consob and Sesa SpA, pursuant to art. 117 of the Consob Regulation no. 11971/99 about the obligation to notify any significant equity investments.

Other reserves

The item "Other reserves" and "Reserve for actuarial gain (loss) attributable to non-controlling interests" can be broken down as follows:

<i>(in thousands of euros)</i>	Legal reserve	Treasury shares reserve	Reserve for actuarial gain (loss) attributable to the Group	Sundry reserves	Total Other reserves	Reserve for actuarial gain (loss) attributable to Non-controlling Interests
At 30 April 2016	1,026	(3,019)	(1,207)	8,530	5,330	(291)
Actuarial gain/(loss) for employee benefits – gross			(76)		(76)	5
Actuarial gain/(loss) for employee benefits – tax effect			18		18	(2)
Purchase of treasury shares		(1,342)			(1,342)	-
Sale of treasury shares		3,167		(1,667)	1,500	-
Dividends distribution						-
Assignment of shares in execution Stock Grant plan		327		(327)		
Stock Grant Plan - shares vesting in the period				706	706	
Allocation of the profit for the year	413			435	848	-
Changes in the scope of consolidation and other changes				(397)	(397)	-
At 30 April 2017	1,439	(867)	(1,265)	7,280	6,587	(288)
Actuarial gain/(loss) for employee benefits – gross			(173)		(173)	(112)
Actuarial gain/(loss) for employee benefits – tax effect			41		41	27
Purchase of treasury shares		(1,189)			(1,189)	
Sale of treasury shares						
Dividends distribution				(299)	(299)	
Assignment of shares in execution Stock Grant plan		1,097		(726)	371	
Stock Grant Plan - shares vesting in the period				1,022	1,022	
Allocation of the profit for the year	440				440	
Changes in the scope of consolidation and other changes				(5,077)	(5,077)	
At 30 April 2018	1,879	(959)	(1,397)	2,200	1,723	(373)

The item "Changes in the scope of consolidation and other changes" mainly includes the recognition of the put option released to Computer Gross Italia Spa for the sale of 49% of Icos Spa and the effect on equity of the acquisition of a further share in Apra Spa.

Dividends

On 27 September 2017 a dividend of 0.56 Euro per share was distributed and approved by the Shareholders' Meeting on 25 August 2017. The net profit distributed by the parent company Sesa SpA amounted to Euro 8.67 million net of dividends on treasury shares in portfolio for which formal waiver has been made.

Earnings per Share

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

<i>(in euros, except otherwise specified)</i>	FY ended 30 April	
	2018	2017
Profit for the year – attributable to the Group in thousands of euros	26,861	25,043
Average number of ordinary shares (*)	15,456,974	15,418,016
Earnings per share – basic	1.74	1.62
Average number of ordinary shares and warrants (**)	15,494,590	15,471,016
Earnings per share – diluted	1.73	1.62

(*) 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 (within the limit of treasury shares in portfolio), Warrants and/or convertible bonds.

Other components of the statement of comprehensive income:

<i>(in euros, except otherwise specified)</i>	Earnings Reserve	Total Group	Non-controlling interests	Total other comprehensive Income
At 30 April 2018				
Items that cannot be reclassified in the income statement				
Actuarial gain/(loss) for employee benefits	(132)	(132)	(85)	(217)
Total	(132)	(132)	(85)	(217)
Items that may be reclassified in the income statement				
Total	-	-	-	-
Other comprehensive income	(132)	(132)	(85)	(217)

25 Current and non-current loans

This item at 30 April 2018 and 30 April 2017 can be broken down as follows:

At 30 April 2018 <i>(in thousands of euros)</i>	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Long-term loans	44,164	109,050		153,214
Short-term loans	26,121			26,121
Advances received from factors	1,121			1,121
Finance lease liability	1,298	5,504	8,618	15,420
Total	72,704	114,554	8,618	195,876
At 30 April 2017 <i>(in thousands of euros)</i>	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Long-term loans	45,621	65,698		111,319
Short-term loans	9,021			9,021
Advances received from factors	4,787			4,787
Finance lease liability	1,449	4,622	10,798	16,869
Total	60,878	70,320	10,798	141,996

The table below summarises the main outstanding loans with a book value higher than Euro 5,000 thousand:

<i>(in thousands of euros)</i>	Lending bank	Initial amount	company	New loan	Expiry	Applied rate	At 30 April					
							2018	of which current	2017	of which current	2016	of which current
	BNL BNP Paribas S.p.A.	20,000	Computer Gross Italia S.p.A.	May-17	May-20	Taeg 0.52%	20,000					
	Unicredit S.p.A.	10,000	Computer Gross Italia S.p.A.	Apr-17	May-19	Taeg 0.75%	10,000		10,000			
	Banca MPS S.p.A.	10,000	Computer Gross Italia S.p.A.	Apr-17	Jun-22	Taeg 0.51%	8,500	2,000	10,000	1,500		
	UBI Banca S.p.A.	10,000	Computer Gross Italia S.p.A.	Jun-17	Jun-20	Euribor 3m + 0.57%	7,239	3,330				
	Banca MPS S.p.A.	10,000	Computer Gross Italia S.p.A.	Nov-15	Dec-20	Euribor 6m + 1.10%	6,000	2,000	8,000	2,000	10,000	2,000
	Banca CR Firenze S.p.A.(Gruppo Intesa)	10,000	Computer Gross Italia S.p.A.	Nov-15	Dec-20	Euribor 3m + 1.00%	5,500	2,000	7,500	2,000	9,500	2,000
	CARIPARMA S.p.A. - Credit Agricole	10,000	Var Group S.p.A.	May-16	May-20	Euribor 3m + 0.9%	5,654	2,504	8,144	2,490		
	BNL BNP Paribas S.p.A.	10,000	Var Group S.p.A.	May-17	May-19	Taeg 0.61%	10,000	5,000				
	Unicredit S.p.A.	10,000	Var Group S.p.A.	Dec-17	Dec-22	Euribor 3m + 1.10%	9,509	1,972				
	Banco BPM S.p.A.	10,000	Var Group S.p.A.	Mar-18	Mar-23	Euribor 3m + 0.75%	10,000	1,983				
	Banca MPS S.p.A.	8,000	Var Group S.p.A.	Dec-17	Dec-22	Euribor 6m + 0.5%	8,000	1,600				

It should be noted that current loans do not include capital and / or financial covenants, but essentially termination clauses in case of cross-default or change-of-control events with the following exception:

- Euro 5.0 million (residual value Euro 4.3 million) signed by Computer Gross Italia SpA with Banca CR Firenze on May 2017 (expiry 2022);
- Euro 10.0 million (residual value Euro 5.5 million) signed by Computer Gross Italia SpA with Banca CR Firenze on November 2015 (expiry 2020);
- Euro 5.0 million (residual value Euro 4.3 million) signed by Var Group SpA with Banca CR Firenze on May 2017 (expiry 2022);
- Euro 10.0 million (residual value Euro 10.0 million) signed by Var Group SpA with Banco BMP SpA on March 2018 (expiry 2023).

The above parameters provide for compliance with certain Net Financial Position/Equity and/or Net Financial Position/Ebitda on a consolidated basis. In the fiscal year ended 30 April 2018 those parameters were met.

The table below summarises the financial lease agreements of which the main ones were entered into with Leasint SpA and refer to properties in Empoli owned by Computer Gross Italia SpA:

<i>(in thousands of euros)</i>			At 30 April					
			2018	of which current	2017	of which current	2016	of which current
Lending bank	New lease agreement	Expiry						
Leasint SpA	Jan-17	Sep-25	7,880	689	8,552	671	8,801	
Leasint SpA	Sep-13	Sep-25	541	40	579	38	615	36
Leasint SpA	Oct-10	Sep-25	6,516	484	6,990	475	7,456	466
Leasint SpA	Dec-08	Oct-23	472	74	542	70	608	66
Dell Bank International Limited	May-15	Jun-18	11	11	206	195	401	195
Total			15,420	1,298	16,869	1,449	17,881	763

The table below summarises the minimum payments for finance lease liabilities:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Minimum payments due		
Within 12 months		1861
Between 1 and 5 years		6,674
Beyond 5 years		10,691
	17,364	19,226
Future financial charges	-1,944	-2,357
Present value of finance lease liabilities	15,420	16,869

At 30 April 2018 and 30 April 2017, the Group's financial debt was represented by loans raised in Euro.

A summary of the Group's net financial position is shown below:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
A. Cash	40	51
B. Cheques and bank and postal deposits	247,154	191,900
C. Securities held for trading		-
D. Liquidity (A) + (B) + (C)	247,194	191,951
E. Current financial receivables	3,344	1,294
F. Current bank debts	27,242	13,808
G. Current portion of non-current debt	44,164	45,621
H. Other current financial payables	1,298	1,449

I. Current financial debt (F) + (G) + (H)	72,704	60,878
J. Net current financial debt (I) - (E) - (D)	(177,834)	(132,367)
K. Non-current bank debts	109,050	65,698
L. Bonds issued		-
M. Other non-current payables	14,122	15,420
N. Non-current financial debt (K) + (L) + (M)	123,172	81,118
O. Net financial debt (J) + (N)	(54,662)	(51,249)

26 Employee Benefits

This item includes the provision relating to the staff severance pay (TFR) for the employees of the Group companies.

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

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Balance at the beginning of the year	17,427	15,836
Service cost	1,603	1,142
Interest on the obligation	228	205
Uses and advances	(796)	(729)
Actuarial loss/(gain)	284	107
Change in the scope of consolidation and purchase of corporate branches	1,749	866
Balance at the end of the year	20,495	17,427

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

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Economic assumptions		
Rate of inflation	1.50%	1.50%
Discount rate	1.44%	1.35%
Rate of increase in staff severance pay (TFR)	2.63%	2.63%

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.

Sensitivity analysis

According to IAS 19R, a sensitivity analysis was carried out when the main actuarial assumptions used in the calculation model changed. In detail, the most significant assumptions, meaning the average annual discount rate, the average annual rate of inflation and the turnover rate, were increased and decreased by half a percentage point, a quarter of a percentage point and two percentage points, respectively.

<i>(in thousands of euros)</i>	Scenario	Past service liability
Annual discount rate	0.50%	20,937
	-0.50%	19,206
Average annual rate of inflation	0.25%	20,240
	-0.25%	19,844
Turnover rate	2.00%	20,036
	-2.00%	20,110

27 Provisions for risks and charges

The change in the items in question can be broken down as follows:

<i>(in thousands of euros)</i>	Provision for agents' pension fund	Other provisions for risks	Total
At 30 April 2017	266	1,480	1,746
Change in the scope of consolidation	90	100	190
Allocations	289	698	987
Uses	(17)	(70)	(87)
Releases			
At 30 April 2018	628	2,208	2,836

Other provisions for risks equal to Euro 2,208 thousand at 30 April 2018 are aimed to cover the risks relating to tax and legal disputes and, in particular, include an estimate of the future charges connected with the notices of assessment notified by the Florence Revenue Agency to Computer Gross Italia SpA on 18 December 2015, 12 December 2016 and 19 October 2017, concerning value added tax for the year 2010, 2011 and 2012 respectively.

The higher tax established amounts to a total of Euro 8.6 million, in addition to sanctions and interest, for the three notices received and involves the sale of non-taxable assets under art. 8 para. 2 of the Presidential Decree 633/72.

From an examination of the analogous disputes in the abovementioned notices, after hearing the opinion of its legal and tax consultants, Computer Gross Italia SpA deems that the claims of the revenue authorities are groundless. The company also believes that it has had a proper tax behavior, having progressively strengthened the validation and monitoring procedures of customers who resort to this type of transaction in order to reduce potential fiscal risk. Such transactions represent an extremely reduced and decreasing percentage of the turnover of Computer Gross Italia SpA.

In relation to the notice issued in December 2015 referred to taxes for 2010, Computer Gross Italia SpA filed an appeal in February 2016. In January 2017, the decision of the Provincial Tax Commission was served which accepted the appeal filed and allowed the repayment of the expenses. Following said decision, which fully confirms the company's correct conduct, the revenue authorities filed an appeal in June 2017.

In relation to the notices referred to taxes for 2011 and 2012, the appeal filed by Computer Gross Italia SpA, which is based on the same assumptions of the appeal won for 2010, is pending with the Provincial Commission.

It is also stated that at the date of the preparation of this Annual Report, the above is the only tax claim of insignificant amount for all the Sesa Group companies.

28 Other current liabilities

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Accrued expenses and deferred income	27,348	19,006
Tax payables	4,865	6,599
Payables to personnel	13,085	10,934
Other payables	3,193	5,322
Payables to social security institutions	2,796	2,408
Advances from customers	9,493	5,260
Derivative liabilities		77
Total other current liabilities	60,780	49,606

29 Other information

Potential Liabilities

We are not aware of the existence of additional tax disputes or proceedings able to have a material impact on the Group's economic and financial position with the exception of the tax disputes mentioned above in Note 27 - Provisions for risks and charges.

Other information

There is no further information to underline.

Commitments

At 30 April 2018 the Group did not undertake commitments which were not recognised in the accounts.

Fees due to Directors and Statutory Auditors

Details of fees due to the parent company Directors and Statutory Auditors are given below, gross of welfare charges and taxes paid by Sesa SpA and the other Group's companies for the year. For a full description and analysis of the fees due to Directors, Statutory Auditors and Executives with strategic responsibilities, please refer to the Remuneration Report available for consultation at the head office and on the company website, in the "Corporate Governance" section.

	FY ended 30 April 2018
<i>(in thousands of euros)</i>	
Fees due to Directors	640
Fees due to Statutory Auditors	68

The fees to Directors reported in the table include fixed and variable amounts, as well as those due for participation in internal committees. They do not include amounts to be paid to directors and shares assigned under the stock grant plan approved by the Shareholders' Meeting on 25 August 2017. In relation to the stock grant plan at 30 April 2018 42,000 shares matured.

To gain an organic picture of the fees and payments disbursed to the corporate bodies, please refer to the Remuneration Report.

Fees due to Independent Auditors

The following statement, drawn up in compliance with article 149-duodecies of the Consob Issuers' Regulations, highlights the payments related to the year ended 30 April 2018 for auditing and other services rendered by the Independent Auditors and by organisations belonging to their network, including expenses.

Service	Entity providing the service	Recipient	Fees for the year ended 30 April 2018 (Thousands of euros)
Audit	PwC	Parent company Sesa SpA	99
Audit	PwC	Subsidiaries	180

The amounts include fees, out-of-pocket expenses and the supervisory fee. At 30 April 2018 no services other than the audit were rendered by Independent Auditors or by the organisations belonging to its network.

30 Transactions with Related Parties

Relations maintained by the Group with associated and parent companies are mainly of a commercial nature and mainly concern the purchase and sale of hardware and software materials and their related technical assistance.

The Company believes that all relations maintained with related parties are substantially regulated on the basis of standard market conditions.

The table below shows details of the financial balances with related parties at 30 April 2018 and 30 April 2017:

<i>(in thousands of euros)</i>	Associated companies	Parent companies	Top management	Other related parties	Total	Effect on the balance- sheet item
Current trade receivables						
At 30 April 2018	2,648	3	1	23	2,675	0.81%
At 30 April 2017	3,529	5	1	30	3,565	1.13%
Other current receivables and assets						
At 30 April 2018	93				93	0.29%
At 30 April 2017	198				198	0.87%
Employee benefits						
At 30 April 2018			123		123	0.60%
At 30 April 2017			108		108	0.62%
Payables to suppliers						
At 30 April 2018	1,477			28	1,505	0.51%
At 30 April 2017	1,905			83	1,988	0.73%
Other current liabilities						
At 30 April 2018	311		177		488	0.79%
At 30 April 2017	375		140		515	1.04%

The table below reports the effects on the income statement of the transactions with related parties in the financial years ended 30 April 2018 and 30 April 2017:

<i>(in thousands of euros)</i>	Associated companies	Parent companies	Top management	Other related parties	Total	Effect on the balance sheet item
Revenues						
At 30 April 2018	22,274	53	3	32	22,362	1.65%
At 30 April 2017	32,913	53	3	164	33,133	2.63%
Other income						
At 30 April 2018	53	1	14		68	0.60%
At 30 April 2017	30	1	13	7	51	0.46%
Consumables and goods for resale						
At 30 April 2018	1,753				1,753	0.16%
At 30 April 2017	1,275				1,275	0.12%
Costs for services and rent, leasing and similar costs						
At 30 April 2018	5,230		2,930	336	8,496	8.23%
At 30 April 2017	4,691		1,582	385	6,658	7.76%
Personnel costs						
At 30 April 2018			797		797	1.01%
At 30 April 2017			727		727	1.04%
Other operating costs						
At 30 April 2018	1		2		3	0.03%
At 30 April 2017	1				1	0.01%
Financial income						
At 30 April 2018						0.00%
At 30 April 2017	2				2	0.05%
Financial charges						
At 30 April 2018	2				2	0.02%
At 30 April 2017	2				2	0.02%

Associated companies

Relationships with associated companies mainly relate to the purchase and sale of hardware and software and to related technical assistance services carried out at ordinary market conditions. The associated companies operate in ICT sector and are mainly owned by Var Group SpA.

Parent Companies

Relations with parent companies are related to services carried out by Sesa SpA.

Top management

Relations with top management mainly relate to the fees due to directors and executives with strategic responsibilities, as well as to their close relatives. In particular, "personnel costs" include the remuneration of directors and executives with strategic responsibilities as wage-earning employee, while "costs for service and rent, leasing and similar costs" include fees due as company directors.

Other related parties

Relations with other related parties, which are mainly companies in which statutory auditors or directors of the controlling companies of Sesa SpA hold equity investments, relate to commercial activities regulated under standard market conditions.

31 Events After the Year-end

No significant events occurred after the end of the year at 30 April 2018.

32 Authorization for publication

Publication of the Sesa Group's consolidated financial statements as at 30 April 2018 was authorised by resolution of the Board of Directors on 12 July 2018.

Attestation of the 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 of Directors, and Alessandro Fabbroni, in his capacity as Financial Reporting Manager Of 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 consolidated financial statements at 30 April 2018.

2. No important aspects emerged from the application of the administrative and accounting procedures for the preparation of the consolidated financial statements at 30 April 2018.

3. It is also certified that:
 - 3.1 The consolidated financial statements:
 - a) are drawn up in compliance with the applicable international accounting standards recognised in the European Community, pursuant to EC regulation no. 1606/2002 of the European Parliament and the 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, result of operations and cash flows of the issuer and of the group of companies included within the scope of consolidation.
 - 3.2 the Report on Operations includes a reliable analysis of the performance and of the operating result as well as of the situation of the issuer and of the group of companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Empoli, 12 July 2018

Paolo Castellacci
Chairman of the Board of Directors

Alessandro Fabbroni
Financial Reporting Manager

Independent Auditor's Report on the Consolidated Financial Statements of the Sesa Group



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Sesa SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sesa Group (the Group), which comprise the consolidated statement of financial position as of 30 April 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 30 April 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Sesa SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters
Auditing procedures performed in response to key audit matters

Revenue recognition

“Note 6 to the consolidated financial statements as of 30 April 2018. Revenues”

In the consolidated financial statements as of 30 April 2018 revenues were recognised for an amount equal to Euro 1,350,900 thousand.

The Group operates in Italy in the supply of value added IT services and solutions for entities, integrating the offer of the main software and hardware technologies available on the market.

The revenue analysis represented one of the main activities of our audit process in consideration of the significance of such item in the financial statements and of the high number of transactions carried out at variable conditions for different markets and different types of customers.

As part of our audit, in order to address this key matter, we carried out an understanding, evaluation and validation of the relevant controls (automated and manual) implemented by the main Group’s companies.

Furthermore, we examined the correct revenue recognition according to the requirements set out by “IAS 18 - Revenue” adopted by the European Union, obtaining, on a sample basis, sufficient and appropriate audit evidence on the accounting records and also analysing the contract terms regulating revenue recognition on an accrual basis of accounting.

Finally, our activities included sending accounts receivable confirmation letters to a sample of customers, the analysis of the related replies and the check, on a sample basis, of the period end accruals.

Evaluation of trade receivables

“Note 22 to the consolidated financial statements as of 30 April 2018. Current trade receivables”

In the consolidated financial statements as of 30 April 2018, trade receivables were recognised for an amount equal to Euro 326,365 thousand, net of the related provision for bad debts, which represent 40.5% of the Group’s assets.

Periodically, the Group estimates the collectability of trade receivables performing specific analyses based on: the type of customer, the receivable ageing and other possible information on customers under valuation.

As part of our audit process, the evaluation of

As part of our audit, in order to address this key matter, we carried out an understanding and evaluation of the procedures adopted by the Group to determine the provision for bad debts.

We analysed the change in the provision for bad debts during the year ended 30 April 2018 and verified the accuracy and completeness of the AR ticklers generated by the IT systems used by management to support their analyses on recoverability of trade receivables.

We also held interviews with the credit managers of the single companies, we



receivables represented a key matter given the significance of the item under analysis, the numerous customers and the high professional judgment needed to verify the recoverability of the values accounted for in the financial statements.

analysed the information received from the lawyers and evaluated any other element gathered after the reporting date to be considered for the purpose of a revision of the estimate performed by the Company.

Finally, we analysed if the assumptions used by the directors were reasonable, for the purposes of the estimate of the recoverable amount of the receivables recognised.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sesa SpA or to cease operations, or have no realistic alternative but to do so. The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:



- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 15 July 2013, the shareholders of Sesa SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 30 April 2014 to 30 April 2022.



We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Sesa SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Sesa Group as of 30 April 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Sesa Group as of 30 April 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Sesa Group as of 30 April 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Sesa SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 24 July 2018

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

Annex 1

Subsidiary Companies

Owned by	Company	Registered Office	Share capital in Euro	Ownership percentage at 30 April	
				2018	2017
VAR GROUP SRL	365ONLINE S.r.l.	Empoli (Florence)	100,650	100.0%	100.0%
VAR GROUP DIGITAL SRL	AFB NET SRL	Ponte San Giovanni (Perugia)	15,790	62.0%	62.0%
APRA SPA	AGENZIA SENZA NOME SRL	Jesi (Ancona)	25,000	75.0%	75.0%
VAR GROUP SPA	APRA SPA	Jesi (Ancona)	150,000	71.3%	60.0%
SESA SPA	ARCIPELAGO CLOUD SRL	Empoli (Florence)	50,000	100.0%	100.0%
VAR GROUP SPA	BMS SPA	Milan	1,000,000	51.0%	51.0%
TECH VALUE SRL	CCSTEAM SRL	Roncade (Treviso)	50,000	100.0%	n.a.
APRA SPA	CENTRO 3 CAD SRL	Jesi (Ancona)	10,000	80.0%	80.0%
COMPUTER GROSS ITALIA SPA	COMPUTER GROSS ACCADIS SRL	Rome	100,000	51.0%	51.0%
SESA SPA	COMPUTER GROSS ITALIA SPA	Empoli (Florence)	40,000,000	100.0%	100.0%
COMPUTER GROSS ITALIA SPA	COMPUTER GROSS NESSOS SRL	Empoli (Florence)	52,000	60.0%	60.0%
VAR GROUP SRL	VAR GROUP NORD OVEST SRL	Genoa	10,000	100.0%	100.0%
VAR GROUP SPA	COSESA SRL	Empoli (Florence)	15,000	100.0%	100.0%
VAR GROUP SPA	DELTA PHI SIGLA SRL	Empoli (Florence)	99,000	100.0%	100.0%
VAR GROUP SPA	GLOBO INFORMATICA SRL	Druento (Turin)	10,200	57.5%	57.5%
COMPUTER GROSS ITALIA SPA	ICOS SPA	Ferrara	500,000	51.0%	n.a.
COMPUTER GROSS ITALIA SPA	ICT LOGISTICA SRL	Empoli (Florence)	775,500	66.7%	33.3%
VAR GROUP SPA				33.3%	33.3%
SESA SPA	IDEA POINT SRL	Empoli (Florence)	10,000	100.0%	100.0%
MY SMART SERVICES SRL	VAR SERVICE SRL	Empoli (Florence)	66,263	52.6%	55.4%
M.F. SERVICES SRL				2.8%	3.0%
COMPUTER GROSS ITALIA SPA	COLLABORATION VALUE SRL	Empoli (Florence)	104,000	58.0%	100.0%
COMPUTER GROSS ITALIA SPA	ITF SRL	Empoli (Florence)	100,000	100.0%	100.0%
VAR GROUP SPA	LEONET SRL	Empoli (Florence)	60,000	100.0%	100.0%
MY SMART SERVICES SRL	M.F. SERVICES SRL	Campagnola Emilia (Reggio Emilia)	118,000	70.0%	70.0%
VAR GROUP SPA	MY SMART SERVICES SRL	Empoli (Florence)	20,000	100.0%	100.0%
SIRIO INFORMATICA E SISTEMI SPA	PANTHERA SRL	Milan	16,920	89.4%	n.a.
VAR GROUP SPA				10.6%	n.a.
VAR GROUP SPA	VAR EVOLUTION SRL	Empoli (Florence)	10,000	70.0%	70.0%
VAR GROUP SPA	VAR GROUP DIGITAL SRL	Empoli (Florence)	10,400	100.0%	100.0%
VAR GROUP SPA	SAILING SRL	Reggio Emilia	10,000	51.0%	51.0%
VAR ONE SRL	SYNERGY SRL	Carpi (Modena)	10,400	51.0%	51.0%
VAR GROUP SPA	SIRIO INFORMATICA E SISTEMI SPA	Milan	1,020,000	51.0%	51.0%
TECH VALUE SRL	TECH IN NOVA SRL	Roncade (Treviso)	12,000	100.0%	n.a.
VAR GROUP SPA	TECH VALUE SRL	Milan	308,504	51.0%	n.a.
TECH VALUE SRL	TECH VALUE IBERICA SRL	Milan	50,000	100.0%	n.a.

TECH VALUE IBERICA SRL	TECH VALUE DELS PIRINEUS S.L.	Andorra La Valle (AND)	3,000	100%	n.a.
VAR GROUP SPA	VAR COM SRL	Empoli (Florence)	26,786	56.0%	51.0%
VAR GROUP SRL	VAR ALDEBRA SRL	Rimini	223,325	50.5%	50.5%
VAR GROUP SRL	VAR ENGINEERING SRL	Empoli (Florence)	50,000	63.0%	63.0%
VAR ALDEBRA SRL				15.0%	15.0%
AFB NET SRL	VAR GROUP CENTRO SRL	Rome	12,000	91.7%	n.a.
SESA SPA	VAR GROUP SPA	Empoli (Florence)	3,800,000	100.0%	100.0%
VAR GROUP SPA	VAR GROUP SRL	Empoli (Florence)	100,000	100.0%	100.0%
LEONET SRL	VAR ITT SRL	Empoli (Florence)	392,272	50.0%	n.a.
VAR GROUP SPA				15.0%	n.a.
VAR GROUP SPA	VAR ONE SRL	Empoli (Florence)	248,535	64.9%	65.3%
VAR GROUP SPA	VAR PRIME SRL	Empoli (Florence)	136,402	51.8%	51.0%
SIRIO INFORMATICA E SISTEMI SPA	VAR SIRIO INDUSTRIA SRL	Milan	165,000	54.6%	54.6%
VAR GROUP SRL	VAR TECH SRL	Empoli (Florence)	22,000	n.a.	71.8%
VAR GROUP SPA	YARIX SRL	Montebelluna (Treviso)	30,000	50.0%	50.0%

Associated Companies

Owned by	Company	Registered Office	Share capital in Euro	Ownership percentage at 30 April	
				2018	2017
COSESA SRL	ARCOS SRL	Empoli (Florence)	20,000	n.a.	50.0%
COMPUTER GROSS ITALIA SPA	ATTIVA SPA	Brendola (Vicenza)	4,680,000	20.0%	20.0%
BMS SPA	B.I.T. SRL	Milan	100,000	25.0%	25.0%
SESA SPA	C.G.N. SRL	Milan	100,000	47.5%	47.5%
VAR PRIME SRL	COCAI SRL	Venice	22,000	50.0%	n.a.
COMPUTER NESSOS SRL	COLLABORA SRL	Vinci (Florence)	15,000	29.0%	29.0%
APRA SPA	CONSORZIO 3 CAD	Milan	15,000	n.a.	33.3%
VAR GROUP SPA	DOTDIGITAL SRL	Empoli (Florence)	50,000	50.0%	50.0%
APRA SPA	EVIN SRL	Ascoli Piceno	30,000	20.0%	20.0%
AFBNET SRL	GO2TECH SRL	Perugia	28,334	40.0%	40.0%
VAR GROUP DIGITAL SRL	G.G. SERVICES SRL	Pontedera (Pisa)	10,200	33.3%	33.3%
VAR GROUP SPA	GLOBAL BUSINESS AREZZO SRL	Arezzo	16,519	39.5%	39.5%
VAR GROUP SPA	GVWAY SRL	Paderno Dugnano (Milan)	150,000	30.0%	n.a.
VAR GROUP SPA	M.K. ITALIA SRL	Empoli (Florence)	100,000	45.0%	45.0%
VAR GROUP SPA	MEDIAMENTE CONSULTING SRL	Empoli (Florence)	10,000	20.0%	20.0%
VAR GROUP SPA	NOA SOLUTION SRL	Cagliari	118,000	24.0%	24.0%
LEONET SRL	S.A. CONSULTING SRL	Milan	10,000	30.0%	30.0%
VAR GROUP SPA	SESA PROGETTI SRL	Cascina (Pisa)	10,400	25.0%	25.0%
APRA SPA	SO WINE SRL	Verona	10,000	35.0%	35.0%
VAR GROUP SRL	STUDIO 81 DATA SYSTEM SRL	Rome	18,504	50.0%	50.0%
VAR GROUP SRL	VAR & ENGINFO SRL	Empoli (Florence)	70,000	30.0%	30.0%
VAR GROUP SRL	VAR IT SRL	Parma	50,000	22.0%	22.0%
VAR GROUP SPA	VAR ITT SRL	Verona	392,272	n.a.	30.0%
SIRIO INFORMATICA E SISTEMI SPA	WEBGATE ITALIA SRL	Milan	40,000	30.0%	30.0%
APRA SPA	WINLAKE ITALIA SRL	Novi Ligure (Alessandria)	10,200	33.3%	25.0%
VAR GROUP SPA	XAUTOMATA TECHNOLOGY GMBH	Klagenfurt	40,000	50.0%	n.a.
VAR GROUP SPA	ZUCCHETTI INFORMATICA SPA	Lodi	100,000	25.0%	25.0%

Other Companies

Owned by	Company	Registered Office	Share capital in Euro	Ownership percentage at 30 April	
				2018	2017
DELTA PHI SRL	3ND PROGETTI SRL	Turin	55,555	10.0%	20.0%
VAR GROUP SPA	ALDEBRA SPA	Trento	1,398,800	9.0%	9.0%
VAR GROUP SPA	AXED SPA	Latina	2,000,000	0.1%	0.1%
VAR GROUP SPA	BIG SRL	Empoli (Florence)	25,000	2.5%	2.5%
YARIX SRL	BLOCKIT SRL	Padua	10,000	19.0%	n.a.
VAR GROUP SPA	CAP SOLUTIONS SRL	Genoa	100,000	15.0%	15.0%
VAR GROUP DIGITAL SRL	VAR CONNECT SRL	Milan	115,000	19.0%	19.0%
SESA SPA	CABEL HOLDING SPA	Empoli (Florence)	12,000,000	1.9%	n.a.
VAR GROUP SPA				1.9%	n.a.
VAR GROUP SPA	CITIEMME INFORMATICA SRL	Bergamo	99,000	10.0%	10.0%
APRA SPA	COMPUTER VAR TORINO SRL	Turin	20,000	14.0%	14.0%
APRA SPA	CONSORZIO EIDOS	Civitanova Marche (Macerata)	16,527	10.0%	10.0%
APRA SPA	CONSORZIO NIDO INDUSTRIA VALLESI	Ancona	55,555	1.8%	1.8%
LEONET SRL	CONSORZIO SIS	Sassari	50,000	4.0%	4.0%
VAR GROUP SPA	CONSORZIO TEKNOBUS	San Donà di Piave (Verona)	16,000	25.0%	25.0%
YARIX SRL	D3LAB SRL	Rosignano M.mo (Livorno)	21,053	10.0%	10.0%
VAR GROUP SPA	DEDAGROUP SPA	Trento	1,409,182	n.a.	4.1%
VAR GROUP SRL	DELTA INFOR SRL	Lodi	100,000	10.0%	10.0%
VAR PRIME SRL	DOITSOFT SRL	Villorba (Treviso)	100,000	10.0%	n.a.
COMPUTER GROSS ITALIA SPA	EMPOLI F.B.C. SPA	Empoli (Florence)	1,040,000	3.4%	3.4%
APRA SPA	G.L. ITALIA Srl	Milan	10,400	9.0%	9.0%
VAR GROUP SPA	G.T.S. Srl	Reggio Emilia	10,000	10.0%	10.0%
BMS SPA	INNORG SRL	Turin	12,000	10.0%	n.a.
VAR GROUP SPA	MACRO GROUP COMMERCIALE SRL	Bologna	50,000	19.0%	19.0%
COSESA SRL	NEGENTIS SRL	Florence	82,051	2.5%	2.5%
VAR GROUP SPA	NEKTE SRL	Milan	54,890	10.0%	10.6%
BMS SPA	POEMA SRL	Naples	12,000	10.0%	n.a.
VAR GROUP SPA	PRIVATAMENTE SRL	Empoli (Florence)	12,500	10.0%	n.a.
YARIX SRL				10.0%	n.a.
MF SERVICES SRL	QUASAR SERVICE SRL	San Donà di Piave (Verona)	50,000	10.0%	10.0%
GLOBO INFORMATICA SRL	SAIL CLOUD SOLUTIONS SRL	Turin	13,000	9.5%	n.a.
VAR GROUP DIGITAL SRL				9.5%	n.a.
VAR GROUP SRL	S.I.L. COMPUTER SRL	Livorno	10,000	19.9%	19.9%
DELTA PHI SRL	SESA CONSORZIO-CENTRO SOLUZIONE	Empoli (Florence)	33,053	6.3%	6.3%
ICT LOGISTICA SRL				6.3%	6.3%
VAR GROUP DIGITAL SRL				6.3%	6.3%
VAR GROUP SPA	SIGLA TAILOR MADE SRL	Empoli (Florence)	10,000	12.5%	12.5%
DELTA PHI SRL				19.0%	19.0%
VAR SERVICE SRL	SIRIO NORD SRL	Rome	10,400	23.7%	10.0%
AGENZIA SENZA NOME SRL	SKEELER SRL	Perugia	35,000	15.0%	n.a.
TECH VELUE SRL	SOLVE.IT SRL	Turin	90,000	12.0%	n.a.
VAR GROUP SPA	SYS-DAT SPA	Milan	1,015,000	5.0%	5.0%
VAR GROUP SPA	SYSDAT.IT Srl	Milan	100,000	10.0%	10.0%
VAR GROUP SRL	VAR SOLUTIONS SRL	Milan	10,000	10.0%	10.0%
VAR GROUP SPA	VTF SRL	Empoli (Florence)	1,412,700	18.6%	18.6%

Separate Income Statement

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Revenues	5	6,784	5,483
Other income	6	1,143	1,585
Consumables and goods for resale	7	(48)	(43)
Costs for services and rent, leasing, and similar costs	8	(3,524)	(2,627)
Personnel costs	9	(4,119)	(3,972)
Other operating costs	10	(84)	(77)
Amortisation and depreciation	11	(104)	(42)
EBIT		48	307
Profit from companies valued at equity			
Financial income	12	9,413	8,822
Financial charges	12	(30)	(32)
Profit before taxes		9,431	9,097
Income taxes	13	(224)	(290)
Profit for the year		9,207	8,807

Separate Statement of Comprehensive Income

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Profit for the year		9,207	8,807
Actuarial gain (loss) for employees benefits - gross effect		(8)	1
Actuarial gain (loss) for employees benefits - tax effect		2	0
Comprehensive income for the year		9,201	8,808

Separate Statement of Financial Position

<i>(in thousands of euros)</i>	Note	At 30 April	
		2018	2017
Intangible assets	14	59	70
Property, plant and equipment	15	352	322
Investment property	16	289	289
Equity investments	17	68,241	68,241
Deferred tax assets	18	258	187
Other non-current receivables and assets	19	1,051	44
Total non-current assets		70,250	69,153
Current trade receivables	20	859	675
Current tax receivables		236	1,916
Other current receivables and assets	19	7,827	10,131
Cash and cash equivalents		8,056	8,284
Total current assets		16,978	21,006
Total assets		87,228	90,159
Share capital	21	37,127	37,127
Share premium reserve		33,144	33,144
Other reserves	21	3,500	3,161
Profits carried forward		9,207	8,807
Total Equity		82,978	82,239
Non-current loans	23		
Employee benefits	24	1,268	1,146
Non-current provisions	25		
Deferred tax liabilities	18	1	
Total non-current liabilities		1,269	1,146
Current loans	23		
Payables to suppliers		431	409
Current tax payables		9	
Other current liabilities	26	2,541	6,365
Total current liabilities		2,981	6,774
Total liabilities		4,250	7,920
Total equity and liabilities		87,228	90,159

Separate Statement of Cash Flows

<i>(in thousands of euros)</i>	Note	FY ended 30 April	
		2018	2017
Profit before taxes		9,431	9,097
Adjustments for:			
Amortisation and depreciation	11	104	42
Provisions for personnel and other provisions	24	118	113
Net financial (income)/charges	12	(9,383)	(8,804)
Profit from companies valued at equity			
Other non-monetary items		1,393	706
Cash flows generated from operating activities before changes in net working capital		1,663	1,154
Change in inventories			
Change in trade receivables	20	(184)	427
Change in payables to suppliers		22	78
Change in other assets	19	2,304	4,771
Change in other liabilities	26	(3,824)	(2,855)
Use of provisions for risks			
Payment of employee benefits	24	(21)	(68)
Change in deferred taxes		2	
Change in current tax payables and receivables		1,636	(1,954)
Interest paid		(13)	
Taxes paid		(241)	(12)
Net cash flow generated from operating activities		1,344	1,541
Investments in companies, net of acquired cash			
Investments in property, plant and equipment	15	(117)	(319)
Investments in intangible assets	14	(6)	(63)
Investments in non-current financial assets		(1,007)	
Disposals of non-current financial assets			4
Disbursement of loans			(1,500)
Dividends collected		9,364	8,750
Interest collected		49	72
Net cash flow generated from/(used in) investing activities		8,283	6,944
Repayments of financial assets			
(Decrease)/increase in short-term loans			
Treasury shares	21	(1,189)	158
Capital increase and/or shareholders payment			
Change in equity			
Dividends distribution		(8,666)	(7,408)
Net cash flow generated from/(used in) financing activities		(9,855)	(7,250)
Translation difference on cash and cash equivalents			
Cash and cash equivalents of assets held for sale			
Change in cash and cash equivalents		(228)	1,235
Cash and cash equivalents at the beginning of the year		8,284	7,049
Cash and cash equivalents at the end of the year		8,056	8,284

Separate Statement of Changes in Equity

<i>(in thousands of euros)</i>	Share capital	Share premium reserve	Other reserves	Profit for the year and Profits carried forward	Equity
At 30 April 2016	37,127	33,144	1,448	8,256	79,975
Actuarial gain/(loss) for employees benefit - gross			1		1
Actuarial gain/(loss) for employees benefit - tax effect					
Purchase of treasury shares			(1,342)		(1,342)
Sale of treasury shares			1,500		1,500
Dividends ditribution				(7,408)	(7,408)
Assignment of shares in execution Stock Grant plan					
Stock Grant Plan - shares vesting in the period			706		706
Other changes					
Allocation of the profit for the year			848	(848)	
Profit for the year				8,807	8,807
At 30 April 2017	37,127	33,144	3,161	8,807	82,239
Actuarial gain/(loss) for employees benefit - gross			(8)		(8)
Actuarial gain/(loss) for employees benefit - tax effect			2		2
Purchase of treasury shares			(1,189)		(1,189)
Sale of treasury shares					
Dividends ditribution			(299)	(8,367)	(8,666)
Assignment of shares in execution Stock Grant plan			371		371
Stock Grant Plan - shares vesting in the period			1,022		1,022
Other changes					
Allocation of the profit for the year			440	(440)	
Profit for the year				9,207	9,207
At 30 April 2018	37,127	33,144	3,500	9,207	82,978

Explanatory Notes to the Separate Financial Statements

1 General Information

Sesa SpA 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.

Sesa SpA is the parent company of the Sesa Group and provides administrative and financial services, namely organisation, planning and management control, manages IT systems and human resources on behalf of subsidiaries and also acts as a holding company, mainly as regards companies operating in the ICT sector.

In particular, Sesa SpA is the company resulting from the merger of the pre-merger Sesa SpA into Made in Italy 1 SpA that was the first special purpose acquisition company (so-called "SPAC") established in Italy. On 1 February 2013, the merger of the pre-merger Sesa S.p.A. into Made in Italy 1 became effective and at the same time, the company name was changed from "Made in Italy 1 SpA" to "Sesa SpA".

Sesa SpA is an Italian company with shares listed on the Italian Stock Exchange - MTA market, STAR segment.

This document was approved by the Company's Board of Directors on 12 July 2018.

2 Summary of Accounting Policies

Below are reported the main accounting policies and standards applied in the preparation of these separate financial statements for the financial year ended 30 April 2018.

2.1 Basis of Preparation

The Separate Financial Statements at 30 April 2018 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, as well as with the provisions implementing Article 9 of Legislative Decree no. 38/2005. The designation "IFRS" also includes all the revised International Accounting Standards ("IAS"), as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and by the formerly Standing Interpretations Committee ("SIC").

These separate financial statements present the comparative data at 30 April 2017 that were prepared in compliance with the same standards.

The Separate Financial Statements were prepared on a going-concern basis, since the Directors verified that there were no financial or operating indicators, or indicators of any other kind, that suggested the existence of any doubts regarding the Company's ability to meet its obligations in the foreseeable future and in particular in the next 12 months. The procedures through which the Company manages financial risks are described in note 3 "Financial risk management" below.

The Separate Financial Statements were prepared and presented in Euro, which is the currency of the primary economic environment in which the Company operates. All amounts included in this document are expressed in thousands of euros, except as otherwise specified.

Below are specified the financial statement schedules and the related classification criteria adopted by the Group, within the scope of the options envisaged in IAS 1 *Presentation of financial statements*.

- 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 year arising from the income statement, as well as any other changes in equity attributable to transactions that have not been 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 Separate Financial Statements were prepared according to the conventional historical cost method, except for the measurement of financial assets and liabilities, in cases in which it is mandatory to apply the fair value criterion.

2.2 Accounting policies

Below are summarised the most significant accounting standards and policies used for the preparation of the Separate Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are entered at their purchase or production cost, net of accumulated depreciation and impairment losses (if any). Purchase or production cost includes any costs directly sustained in preparing the assets for their use, as well as any dismantling or removal costs that are to be incurred as a result of contractual obligations that require the asset to be restored to its original condition. Any borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized and depreciated on the basis of the useful life of the asset to which they refer.

Any costs of day-to-day and/or periodic maintenance and repairs are recognised in the income statement when incurred. Costs related to the enlargement, modernisation or improvement of owned or leased structural elements are capitalised within the limits to which they meet the requirements for being classified separately as assets or parts of an asset. Any asset recognised in relation to leasehold improvements is depreciated on the basis of the lease term, or on the basis of the specific useful life of the asset, if lower.

Depreciation is calculated on a straight-line basis by applying rates that allow the assets concerned to be depreciated until the end of their useful life. When the asset being depreciated is composed of distinctly identifiable elements whose useful lives differ significantly from those of the other parts of the asset, the depreciation is carried out separately for each of such parts, in the application of the "component approach" method.

Below is reported the indicative useful life estimated for the various categories of property, plant and equipment:

Class of property, plant and equipment	Useful life in years
Buildings	33
Furniture and furnishings	8
Office machines	5
Motor vehicles	4

The useful life of property, plant and equipment is reviewed and updated, if necessary, at least at the end of each financial year.

Leased assets

Property, plant and equipment held under finance lease agreements, under which the risks and benefits of ownership are substantially transferred to the Company, are recognised as Company's assets at fair value at the date of the execution of the agreement or, if lower, at the present value of the minimum lease payments, including any amount to be paid for the exercise of the option to purchase.

The corresponding liability to the lessor is entered under financial payables in the accounts. The assets are depreciated applying the policy and the rates specified above, unless the term of the lease agreement is shorter than the useful life represented by these rates and there is no reasonable certainty of the transfer of the ownership of the leased asset on the natural expiry of the agreement; in this case, the period of depreciation will be represented by the lease term.

The leases in which the lessor substantially retains all the risks and benefits incident to the ownership of the assets are classified as operating leases. Operating lease rentals are recognised as an expense on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets are made up of identifiable non-monetary assets without physical substance, which can be controlled and from which future economic benefits are expected. These assets are initially recognised at their purchase and/or production cost, including any directly attributable cost of preparing the asset for its intended use. Any interest payable accrued during and for the development of intangible assets are considered part of the purchase cost. Specifically, the following main intangible assets can be identified within the Company:

(a) Goodwill

If goodwill exists, it is classified as an intangible asset with an indefinite useful life and is initially measured at cost, as described above, and is subsequently subjected to measurement at least once a year in order to verify whether there has been any impairment ("impairment test"). The value of goodwill that has previously suffered an impairment loss may not be reinstated.

(b) Other intangible assets with definite useful life

Intangible assets with definite useful life are recognised at cost, as previously described, net of accumulated amortization and impairment losses (if any).

Amortisation begins when the asset is available for use and is allocated on a systematic basis in relation to the residual possible use of the same, i.e. on the basis of its estimated useful life.

Below is reported the useful life estimated for the various categories of intangible assets:

Class of intangible asset	Useful life in years
Software licences and similar rights	5
List of customers	10
Trademarks and patents	5

The useful life of intangible assets is reviewed and updated, if necessary, at least at the end of each financial year.

INVESTMENT PROPERTY

Properties held to earn rentals or for capital appreciation are classified under "Investment Property"; they are measured at their purchase or production cost, as increased by additional costs (if any), net of accumulated depreciation and impairment losses (if any).

IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND OF INVESTMENT PROPERTY

(a) Goodwill

As previously mentioned, if goodwill exists, it is subjected to an impairment test once a year or more frequently when there are indications of possible impairment. No goodwill was recognised at 30 April 2018.

If goodwill exists, the impairment test is conducted on each of the "Cash Generating Units" ("CGU") to which goodwill has been allocated. Any impairment of goodwill is recognised in the event that the recoverable value of the same is lower than the carrying amount. Recoverable value means the higher of fair value of the CGU, net of costs of disposal, and the related value in use, i.e. the present value of estimated future cash flows from this asset. In measuring value in use, the expected future cash flows are discounted by using a pre-tax discount rate that reflects current market assessments of the time value of money, compared to the investment period and to the risks specific to the asset.

In the event that the impairment loss arising from the impairment test exceeds the value of the goodwill allocated to the CGU, any residual excess is allocated to the assets included in the CGU in proportion to their carrying amount. This allocation should not be reduced below the highest of:

- the asset's fair value, less costs of disposal;
- the value in use, as defined above;
- zero.

The original carrying amount of goodwill may not be reinstated when the reasons that led to its impairment no longer exist.

(b) Assets (intangible assets, property, plant and equipment and investment property) with definite useful life

An assessment is carried out on each reporting date to verify whether there are indications that property, plant and equipment, intangible assets and investment property may have incurred an impairment loss. For this purpose, both external and internal sources of information may be made use of. Among the former (internal sources), consideration is given to the obsolescence or physical deterioration of the asset or significant changes in the use of the asset, if any, and its economic performance in comparison with expectations. Among external sources of information, consideration is given to trends in the asset's market price or possible adverse changes in technology, the market or legislation, the trend in market interest rates or the cost of capital used to assess investments.

If such indications are found to exist, the recoverable value of the asset is estimated and the write-down (if any) with respect to its carrying amount is recognised in the income statement. The recoverable value of an asset is represented by the higher of fair value, net of additional costs to sell, and the related value in use, i.e. the present value of estimated future cash flows from this asset. In measuring value in use, the expected

future cash flows are discounted by using a pre-tax discount rate that reflects current market assessments of the time value of money, compared to the investment period and to the risks specific to the asset. The recoverable value of an asset that does not generate cash flows that are largely independent is determined in relation to the cash generating unit to which said asset belongs.

An impairment loss is recognised in profit or loss when the carrying amount of an asset, or of the related CGU to which it is allocated, exceeds its recoverable amount. Any impairment losses of CGUs are firstly allocated to reduce the carrying amount of any goodwill allocated to the same and, then, to reduce the carrying amounts of other assets, on a pro-rata basis and within the limits of the related recoverable value. If the grounds for a write-down previously recognised no longer exist, the asset's carrying amount is reinstated and the increase is recognised in the income statement within the limits of the net carrying amount of the asset if the write-down had not been carried out and had been amortised/depreciated.

RECEIVABLES FROM CUSTOMERS AND OTHER FINANCIAL ASSETS

Receivables from customers and other financial assets are initially measured at fair value and subsequently measured at amortised cost according to the effective interest rate method. Receivables from customers and other financial assets are recognised under current assets, except for those that have a contract term exceeding twelve months compared to the reporting date, which are classified under non-current assets.

For trade receivables, factoring transactions that do not envisage the risks and benefits related to the receivables assigned being transferred to the factor (therefore, the Company remains exposed to the risk of insolvency and delayed payments – so-called assignments with recourse (*pro solvendo*)), the transaction is considered equivalent to taking out a secured loan backed by the assigned receivable. In these circumstances the assigned receivable remains reported in the Company's statement of financial position until it is collected by the factor and a financial debt is reported as a contra-entry to the advance (if any) obtained from the factor. The financial cost of factoring transactions is represented by interest on advanced amounts charged to the income statement in compliance with the accruals principle, which is classified under financial charges. Any commissions that accrue on assignments with recourse are recognised under financial charges, while any commissions on assignments without recourse (*pro soluto*) are recognised under other operating costs.

Impairment losses on receivables are accounted for in the accounts if there is objective evidence that the Company will not be able to recover the receivable owed by the counterparty on the basis of the conditions of the contract.

Objective evidence includes circumstances such as:

- significant financial difficulties of the debtor;
- legal disputes entered into with the debtor in relation to the receivables;
- the likelihood of the debtor declaring bankruptcy or of the initiation of other debt restructuring procedures.

The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows and is recognised under "Other operating costs" in the income statement. If the reasons for the previous write-downs no longer exist in subsequent periods, the value of the asset is reinstated up to the amount that would have resulted from the application of amortised cost.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Equity investments in other companies that constitute available-for-sale financial assets are measured at fair value, if this is determinable, and any profits and losses arising from fair value changes are recognised directly under other comprehensive income (expense) until they are sold or have suffered an impairment

loss; at that time, other comprehensive income (expense) previously recognised under equity is charged to the income statement for the period.

Any other unlisted equity investments classified under "available-for-sale financial assets", the fair value of which cannot be measured reliably, are valued at cost adjusted by any impairment losses, which are recognised in the income statement, as required by IAS 39.

Any dividends received from equity investments in other companies are recognised under financial income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, available bank deposits and the other forms of short-term investment with an original maturity of three months or fewer. Any items entered under cash and cash equivalents are measured at fair value and the related changes are recognised through profit or loss.

NON-CURRENT ASSETS HELD FOR SALE

Any non-current assets whose carrying amount will be recovered mainly through its sale, rather than through its continuous use, are classified as held for sale and are recognised separately from other assets in the statement of financial position. This condition is deemed to have been fulfilled when sale is highly probable and the asset or group of assets being disposed of is available for immediate sale in its or their present condition.

Non-current assets held for sale are not amortised/depreciated and are measured at the lower of carrying amount and the related fair value, less costs to sell.

A discontinued operation is a part of an enterprise that has been disposed of or classified as held for sale and (i) is an important branch of business or geographical area of business; (ii) is part of a coordinated plan for the disposal of an important branch of business or geographical area of business; or (iii) a subsidiary acquired exclusively in order to be sold.

The results from discontinued operations are recognised separately in the income statement, net of tax effects. The corresponding values posted in the previous financial year, if any, are reclassified and recognised separately in the income statement, net of tax effects, for comparative purposes.

FINANCIAL PAYABLES

Financial payables are initially recognised at fair value, net of any directly-attributable additional costs, and subsequently are measured at amortised cost, applying the effective interest rate method. If there is a change in estimated expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the effective initially determined internal rate. Financial payables are classified under current liabilities, except those due by contract more than twelve months beyond the reporting date and those whose payment the Company has an unconditional right to defer for at least twelve months after the reporting date.

Financial payables are accounted for at the trade date and are derecognised at the time when they are discharged and when the Company has transferred all risks and charges related to the instrument itself.

DERIVATIVE INSTRUMENTS

Derivatives are valued as securities held for trading and measured at fair value through profit or loss and are classified under other current and non-current assets or liabilities.

Financial assets and liabilities through profit or loss are initially recognised and subsequently measured at fair value and the related additional costs are expensed immediately in the income statement. Any profits and losses arising from fair value changes in derivatives on exchange rates are reported under financial income and financial charges in the income statement, in the period when they are recognised.

EMPLOYEE BENEFITS

Short-term benefits are made up of salaries, wages, related social security contributions, allowance in lieu of paid annual leave and incentives paid out in the form of bonuses payable in the twelve months from the reporting date. These benefits are accounted for as components of personnel costs in the period when service is rendered. Under defined-benefit plans, which also include the severance pay due to employees pursuant to article 2120 of the Italian Civil Code ("*TFR*", *Trattamento di Fine Rapporto*), the amount of the benefit payable to the employee can be quantified only after the termination of the employment relationship, and is linked to one or more factors, such as age, length of service and compensation; therefore, the related charge is recognised in the relevant income statement on the basis of an actuarial calculation. The liability recognised for defined-benefit plans corresponds to the present value of the obligation at the reporting date.

Obligations for defined-benefit plans are determined by an independent actuary on an annual basis, by using the projected unit credit method. The present value of defined-benefit plans is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in Euro and which reflects the duration of the related pension plan. Any actuarial gains and losses arising from the abovementioned adjustments and any changes in actuarial assumptions are charged to the statement of comprehensive income.

On 1 January 2007 the so-called 2007 Finance Act and the relative implementing decrees introduced substantial amendments to the regulations governing staff severance pay, among which the possibility for the workers to choose where to send their accrued entitlement. In particular, workers may send the new TFR flows to selected pension funds or retain them in their company. If the TFR is transferred to pension funds, the company is only liable to pay a defined contribution to the chosen fund and from that date the newly-accrued contributions have the nature of defined-contribution plans that are not subjected to actuarial measurement.

STOCK GRANT PLAN

As provided for in IFRS 2 - Share-Based Payment, the total amount of the present value of stock grant at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right (achievement of objectives), the cost for payments, determined on the basis of the present value of the shares at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recognised for losses and charges of a determinate nature, whose existence is certain or probable, but whose amount and/or timing are uncertain. The provision is recognised

only when there is a present, legal or constructive obligation entailing a future outflow of resources as the result of past events and it is probable that the outflow will be necessary in order to settle the obligation. Such amount is the best estimate of the expenditure required to settle the obligation. The rate used in determining the present value of the liabilities reflects the current market conditions and takes account of the specific risk attached to each liability.

When the financial effect of timing is significant and the dates of the payment of the obligation can be estimated reliably, provisions are measured at the present value of the expected outflow of funds, using a rate that reflects market conditions, variations in the cost of money over time and the specific risk attached to the obligation. Any increase in the provision, determined by changes in the time value of money, is accounted for as an interest expense.

Risks for which a liability is only possible are mentioned in the appropriate section on contingent liabilities and for the same no provision has been set aside.

PAYABLES TO SUPPLIERS AND OTHER LIABILITIES

Payables to suppliers and other liabilities are initially measured at fair value, net of any directly-attributable additional costs, and subsequently are measured at amortised cost, applying the effective interest rate method.

EARNINGS PER SHARE

(a) Earnings per share - basic

Basic earnings per share are calculated by dividing the net profit attributable to the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding own shares.

(b) Earnings per share – diluted

Diluted earnings per share are calculated by dividing the net profit attributable to the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding own shares. For the purposes of the calculation of diluted earnings per share, the weighted average of outstanding shares is changed by assuming the exercise by all the assignees of rights that potentially have a dilutive effect, while the net profit attributable to the Company is adjusted to take account of effects (if any), net of taxes, of the exercise of said rights.

TREASURY SHARES

Treasury shares are recognised as a reduction in equity. The initial cost of treasury shares and any revenues arising from subsequent sales (if any) are recognised as changes in equity.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received for the sale of goods and services in the ordinary operations of the Company's business. Revenue is recognised net of added-value tax, expected returns, rebates, discounts and some marketing activities carried out with the help of the customers, whose value is a function of the revenues themselves.

Revenues from the sale of products are recognised when the risks and rewards related to the ownership of the asset are transferred to the buyer and when the sale price has been agreed and can be determined and is expected to be collected.

COST RECOGNITION

Costs are recognised when they relate to goods and services acquired or consumed in the financial year or by systematic allocation.

TAXES

Current taxes are determined on the basis of the estimated taxable income, in accordance with the tax regulations applicable to the Group companies.

Deferred tax assets and liabilities are calculated on all the differences that arise between the taxable base of an asset or liability and its carrying amount, except for goodwill when initially recognised and the differences resulting from investments in subsidiaries, when the timing of the reversal of these differences is under the Company's control and it is likely that they will not be reversed in a reasonably foreseeable period of time. The portion of deferred tax assets, including those related to past tax losses, that is not offset by deferred tax liabilities, is recognised to the extent that there will be future taxable income from which they can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply in the financial years during which the differences will be realised or settled.

Current taxes, deferred tax assets and liabilities are recognised under "Income taxes" in the income statement, except for those relating to items recognised under comprehensive income components other than net profit and those relating to items directly debited or credited to equity. In the latter cases, deferred tax liabilities are recognised in the statement of comprehensive income and directly in equity. Deferred tax assets and liabilities are offset when they are applied by the same tax authority, when there is a legal right to offset them and when the net balance is expected to be settled.

Other taxes that are not correlated to income, such as indirect taxes and duties, are entered under "Other operating costs" in the income statement.

2.4 Recently-issued accounting standards

As at the date of the Annual Report, the competent bodies of the European Union approved the adoption of the following accounting standards and amendments applied to the Company on 1 May 2017.

- On February 2016 the IASB issued some amendments to IAS 12 – Income taxes on the 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 are applicable from years beginning on or after 1 January 2017.
- On 25 February 2016 the IASB issued some amendments to IAS 7 - Statement of cash flows on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are applicable from years beginning on or after 1 January 2017.
- On December 2016, IASB issued a collection of amendments (Annual Improvements to IFRSs 2014-2016 Cycle to IFRS 12 "Disclosure of Interests in Other Entities". The application of the amendments is effective starting from the fiscal years beginning on or after 1 January 2017. The amendment clarifies that the disclosure required by the standard must be given for investments classified as held for sale, excepted as provided at point B12.

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

As at the date of the present Separate Financial Statements, the competent bodies of the European Union have approved the adoption of the following accounting standards and amendments, not yet applied by the Group.

- 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. During the year, the Company carried out a preliminary assessment of the effects of IFRS 9 determining that there will be no significant effects on the Company's equity and net profit.
- On June 2016 the IASB issued some further amendments to IFRS 2 – “Share-based payment” 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 28 May 2014 the FASB issued IFRS 15 “Revenue from contracts with customers”. The new standard will be applicable as of years beginning on or after 1 January 2018. The standard replaces IAS 18 – “Revenue” 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). The Company plans to apply this new standard from the mandatory effective date, using the method of full retrospective application. During the period the Company carried out a preliminary assessment of the effects of IFRS 15. On the basis of such analysis, the Company will continue to recognize its revenues consistently with the accounting policies of the previous years. Consequently, no significant impacts are expected on Company's equity and net profit.
- On 12 April 2016 the 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 September 2016, the IASB issued an amendment to IFRS 4 “Insurance contracts” as regards the application of IFRS 9 “Financial instruments”. The amendments will allow all the companies that issue insurance contracts the option to recognize in the statement of comprehensive income, rather than in the income statement, the volatility that could arise when IFRS 9 will be applied before the new principle on insurance contracts is issued. In addition, it will allow companies whose activities are mainly linked to insurance contracts an optional temporary exemption in the application of IFRS 9 up to 2021. Entities that postpone the application of IFRS 9 will continue to apply IAS 39. These amendments will be applicable from years beginning on or after 1 January 2018.
- On December 2016, the 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) 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 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 business. New standard now requires to recognise lease contracts in the balance sheet as assets or liability whether financial or operating lease. Lease contracts with 12 months or less duration and leases of low-value assets are out of new standard scope. The standard will be applicable from years beginning on or after 1 January 2019. New standards can generally be adopted early by IFRS 15 (Revenue from contracts with customers) adopters.
- On December 2016, the 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 IFRIC 22 "Foreign currency transactions and advance consideration". The document clarifies the accounting for transactions or part of transactions where there is consideration that is priced in a foreign currency. These amendments will be applicable from years beginning on or after 1 January 2018.
- On October 2017, the IASB published an amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures". The amendment clarifies the accounting treatment of investments in associates and joint ventures that are not evaluated using the equity method in accordance with IFRS 9. The amendments are effective for years beginning on or after 1 January 2019.

As at the date of the present Separate Financial Statements, 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 June 2017, the IASB published the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments". The document provides guidance on how to reflect uncertainties in the tax treatment of a given phenomenon in the accounting for current and/or deferred income taxes. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On October 2017, the IASB published an amendment to IFRS 9 "On prepayment features with negative compensation". The amendment confirms that when a financial liability recognised at amortised cost is modified without this leading to its de-recognition, the related gain or loss must be recognised immediately in the income statement. The gain or loss is measured as the difference between the previous cash flow and the cash flow restated to reflect the change. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On May 2017 the IASB issued the new standard IFRS 17 - Insurance Contracts. The new standard will replace IFRS 4 and will be effective for annual periods beginning on or after 1 January 2021.
- On December 2017, the IASB issued a set of amendments to IFRS (Annual Improvements to IFRSs 2015-2017 Cycle). The provisions approved have amended: (i) IFRS 3 "Business Combinations"; (ii) IFRS 11 "Joint arrangements"; (iii) IAS 12 "Income Taxes"; (iv) IAS 23 "Borrowing costs" in relation to the accounting treatment of loans originally linked to the development of a business. The amendments are effective for annual periods beginning on or after 1 January 2019.
- On February 2018, the IASB published an amendment to IAS 19 "Employee benefits" that introduces changes essentially aimed at requiring the use of updated actuarial assumptions in the calculation of current service cost and net interest for the period following a change in an existing defined benefit plan. Application of the amendments is effective for financial years beginning on or after 1 January 2019.

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

3 Financial risk management

The Company business is exposed to the credit risk.

Risk management strategy is aimed at minimizing potential adverse effects on the company financial performance. Risk management is centralised within the treasury function that identifies, assesses and hedges financial risks. The treasury function provides instructions to monitor risk management, as well as provides instructions for specific areas, concerning interest rate risks and exchange rate risks.

MARKET RISK

The Company is exposed to market risks only in relation to credit risks.

Interest Rate Risk

The Company presents a financial structure characterized by a positive net financial position thus is not exposed to interest rate risk.

Exchange Rate Risk

In the financial year ended 30 April 2018, the Company did not operate with a currency different from Euro.

Credit Risk

Credit risk is represented by the Company's exposure to potential losses arising from its customers' failure to meet their obligations. In order to mitigate the credit risk correlated to its business counterparties, and therefore to its customers, the Company has implemented procedures aimed at ensuring that services were delivered to customers that are considered to be reliable on the basis of past experience and any available information. Furthermore, the company controls its commercial exposure on an ongoing basis and monitors that the debt collection takes place within the preset contractual time limits. Moreover, the exposure of the Company is mainly related to the Sesa Group companies.

Credit risk due to ordinary operations is monitored on an ongoing basis through the use of information and client assessment with an appropriate provision for bad debts.

The table below provides a breakdown of current receivables from customers at 30 April 2018 and 30 April 2017, by overdue amounts, net of provision for bad debts.

	FY ended 30 April	
	2018	2017
Falling due	799	653
Overdue from 0-30 days	48	8
Overdue from 31-90 days	2	8
Overdue from 91-360 days	3	3
Overdue from more than 360 days	7	3
Total	859	675

LIQUIDITY RISK

The liquidity risk is associated to the Company's ability to meet any commitments mainly arising from financial liabilities. A prudent management of the liquidity risk arising from the Company's ordinary

operations requires the maintenance of an adequate level of cash and cash equivalents and the availability of funds that can be obtained through an adequate amount of credit lines.

The Company has a financial structure characterized by a structurally positive net financial position and is therefore not exposed to liquidity risk.

The tables below report the expected cash flows in the coming financial years in relation to financial liabilities at 30 April 2018 and 30 April 2017:

At 30 April 2018 <i>(in thousands of euros)</i>	Book value	Within 12 months	Between 1 and 5 years	Beyond 5 years
Payables to suppliers	431	431	-	-
Other current and non-current payables	2,550	2,550	-	-

At 30 April 2017 <i>(in thousands of euros)</i>	Book value	Within 12 months	Between 1 and 5 years	Beyond 5 years
Payables to suppliers	409	409	-	-
Other current and non-current payables	6,365	6,365	-	-

Other current and non-current payables refers mainly to the tax liabilities for group Vat and other relationships with the company within the scope of tax consolidation.

CAPITAL RISK

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

FINANCIAL ASSETS AND LIABILITIES BY CLASS

The fair value of receivables from customers and of other financial assets, payables to suppliers and other payables and of other financial liabilities, recognised under the "current" items of the statement of financial position and measured at amortised cost, mainly related to commercial transactions to be settled in the short term, does not differ from the book values reported in the financial statements at 30 April 2018 and 30 April 2017.

Non-current financial liabilities and assets are settled or measured at market rates, and, therefore, the fair value of the same is considered to be substantially in line with the present book values.

Below is reported a classification of financial assets and liabilities by class at 30 April 2018 and 30 April 2017:

At 30 April 2018 <i>(in thousands of euros)</i>	Loans and receivables	Held-to-maturity investments	Financial asset or liability at fair value	Total financial assets or liabilities	Non-financial assets and liabilities	Total
Assets						
Current receivables from customers	859	-	-	859	-	859

Other current and non-current assets	9,372	-	-	9,372	-	9,372
Cash and cash equivalents	8,056	-	-	8,056	-	8,056
Total assets	18,287	-	-	18,287	-	18,287
Liabilities						
Current and non-current loans	-	-	-	-	-	-
Payables to suppliers	431	-	-	431	-	431
Other current liabilities	2,541	-	-	2,541	-	2,541
Total liabilities	2,972	-	-	2,972	-	2,972

At 30 April 2017						
<i>in thousands of euros</i>	Loans and receivables	Held-to-maturity investments	Financial asset or liability at fair value	Total financial assets or liabilities	Non-financial assets and liabilities	Total
Assets						
Current receivables from customers	675	-	-	675	-	675
Other current and non-current assets	12,278	-	-	12,278	-	12,278
Cash and cash equivalents	8,284	-	-	8,284	-	8,284
Total assets	21,237	-	-	21,237	-	21,237
Liabilities						
Current and non-current loans	-	-	-	-	-	-
Payables to suppliers	409	-	-	409	-	409
Other current liabilities	6,365	-	-	6,365	-	6,365
Total liabilities	6,774	-	-	6,774	-	6,774

FAIR VALUE ESTIMATE

IFRS 13 defines the fair value as the price that would be received for the sale of an asset that would be paid for the transferral of a liability at the date of evaluation on a free transaction between market operators.

The fair value of financial instruments listed on an active market is based on market prices at the reporting date. The fair value of instruments that are not listed on an active market is calculated using evaluation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

The fair value classification of financial instruments is given below, based on the following hierarchical levels:
Level 1: fair value calculated with reference to listed prices (not adjusted) on active markets for identical financial instruments;

Level 2: fair value calculated using evaluation techniques with reference to variables that can be observed on active markets;

Level 3: fair value calculated using evaluation techniques with reference to market variables that cannot be observed.

At 30 April 2018 the amount of non current equity investments in other companies is equal 1,007 thousand and mainly includes the investment in Cabel Holding SpA.

4 Estimates and Assumptions

The preparation of financial statements requires the directors to apply accounting standards and methods which, in some circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic depending on the related circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statement schedules, the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, as well as any information provided.

The final results of the financial statement items for which the abovementioned estimates and assumptions have been used could differ from those reported in the financial statements that recognise the effects of the occurrence of the event being estimated, because of the uncertainty that characterizes the assumptions and conditions on which estimates are based.

Below are summarised the areas that require, more than others, greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data.

(a) Impairment of assets

In accordance with the accounting standards applied by the Company, property, plant and equipment, intangible assets and investment property are tested for impairment in order to establish whether there is evidence of an impairment loss, which must be recognised through a write-down, when there are indications that it may be difficult to recover the related net book value through their use. The verification of the existence of the abovementioned indicators requires the directors to apply subjective valuations based on the information available within the Company and in the market, as well as on historical experience.

Furthermore, if it is established that a potential impairment loss may have occurred, the Company takes steps to determine the same by using valuation techniques that are considered to be suitable. The correct identification of any evidence of the existence of a potential impairment loss of property, plant and equipment, intangible assets and investment property, as well as any estimates for the determination of the same, depend on factors that can vary over time, thus affecting the valuations and estimates made by the directors.

(b) Amortisation and depreciation

The cost of property, plant and equipment and intangible assets is amortised/depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of said assets is determined by the directors at the time when they are acquired; it is based on historical experience for similar assets, market conditions and anticipations of future events that could have an impact on the useful life of the assets, including changes in technology. Therefore, the actual economic life could differ from the estimated useful life.

(c) Provision for bad debts

The provision for bad debts reflects any losses estimated for the Company portfolio of receivables. The Company has set aside provisions against expected losses on receivables, which have been estimated on the basis of past experience with reference to receivables with a similar credit risk, to current and historical outstanding amounts, as well as to the careful monitoring of the quality of the portfolio of receivables and of the current and expected conditions of the relevant economy and markets. The estimates and

assumptions are reviewed periodically and the effects of any change are reported in the income statement in the relevant financial year.

(d) Employee benefits

The present value of pension funds entered in the Separate Financial Statements depends on an independent actuarial calculation and on the different assumptions taken into consideration. Any changes in the assumptions and in the discount rate used are promptly reflected in the calculation of the present value and could have a significant impact on the data reported in the accounts. The assumptions used for the purposes of the actuarial calculation are examined on an annual basis.

The present value is determined by discounting the future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in the currency in which the liability will be settled and which takes account of the duration of the related pension plan. For additional information, reference is made to notes 24 Employee benefits and 9 Personnel costs.

5 Revenues

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

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Services rendered and other revenues	6,097	4,983
Other revenues	687	500
Total	6,784	5,483

Revenues were mainly related to services such as administration, finance and control services, personnel management and information systems management rendered to the companies of the Sesa Group.

6 Other Income

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Leases and hires	40	40
Other income	1,103	1,545
Total	1,143	1,585

Leases were related to the lease of the premises in Rome.

Other income was mainly related to the reversible fees of the Chairman of the Board of Directors and of an Executive Vice-Chairman.

7 Consumables and Goods for resale

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Consumables and other purchases	48	43
Total	48	43

8 Costs for services and rent, leasing and similar costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Hardware and software technical assistance	73	51
Consultancy	2,826	2,085
Leases and hires	246	171
Marketing	62	79
Transport		
Insurance	65	58
Utilities	22	10
Support and training expenses	9	6
Maintenance	1	
Other expenses for services	220	167
Total	3,524	2,627

The item Consultancy includes the costs relative to the Stock Grant Plan towards Executive Directors for Euro 1,393 thousand.

9 Personnel costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Wages and salaries	2,929	2,812
Social security contributions	856	835
Contributions to defined-contribution pension funds	190	185
Contributions to defined benefit pension funds		
Reimbursements and other personnel costs	144	140
Total	4,119	3,972

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

<i>(in units)</i>	Average number of employees at 30 April		Actual number of employees at 30 April	
	2018	2017	2018	2017
Executives	2	2	2	2
Middle managers	8	8	8	8
Office workers	68	65	70	66

Total	78	75	80	76
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10 Other Operating costs

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Accruals to provision for bad debts		
Taxes and duties	41	31
Losses not covered by provision for bad debts		3
Losses on disposal		
Other operating costs	43	43
Total	84	77

11 Amortisation and depreciation

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Intangible assets	17	11
Property, plant and equipment	87	31
Investment property		
Total	104	42

12 Financial income and charges

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Other interest expense		
Commissions and other financial charges	(13)	(15)
Financial charges relating to staff severance pay (TFR)	(17)	(17)
Total financial charges	(30)	(32)
Other financial income	43	40
Interest income on bank deposits	6	32
Dividends from equity investments	9,364	8,750
Total financial income	9,413	8,822
Net financial income	9,383	8,790

13 Income taxes

This item can be broken down as follows:

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Current taxes	293	156
Deferred taxes	(69)	134
Total	224	290

Starting from financial year ended 30 April 2014 and with renew in January 2017, the Company exercised, as consolidating company, the option to adopt the national tax consolidation mechanism (*Consolidato fiscale nazionale*) (art. 117 et seq. of TUIR, Consolidated Income Tax Code) which enables to calculate the IRES (Corporate income tax) tax on a consolidated taxable base, made up of the sum of taxable profits and losses of each company adopting the tax consolidation mechanism, specifically Computer Gross Italia SpA, Var Group SpA and ICT Logistica Srl (the consolidated companies). The financial statements were prepared taking into account the effects of the consolidated companies' tax positions transferred to the consolidating entity arising from the mechanism above and as governed by the relevant tax consolidation arrangements; in particular, the financial statements reflect receivables/payables from/to the consolidated companies accordingly.

Furthermore, in February 2017, the option to adopt the VAT Group regime was exercised, sending the specific form to the Revenue Agency. Therefore, Sesa SpA has acted, since such date, as the payer of the VAT receivables and payables also for the subsidiaries Computer Gross Italia SpA and Var Group SpA.

It should be noted that, starting from the financial year ended 30 April 2018, the IRES rate applied for the calculation of current and deferred taxes passed from 27.5% to 24%.

The table below reports the reconciliation of the theoretical tax burden with the effective tax burden for the financial years ended 30 April 2018 and 30 April 2017:

<i>(in thousands of euros)</i>	FY ended 30 April			
	2018		2017	
Profit before taxes	9,431		9,097	
Theoretical taxes	2,263	24.0%	2,502	27.5%
Taxes relating to previous years			3	
Favourable taxation on dividends	(2,135)		(2,286)	
Taxes on costs for the year charged as a reduction of equity during the FTA			(184)	
Other differences	77		113	
IRAP tax, including other changes	19		142	
Effective tax burden	224	2.38%	290	3.19%

14 Intangible assets

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

<i>(in thousands of euros)</i>	Client list	Software and other intangible assets	Trademarks and patents	Total
Balance at 30 April 2016	12	5	1	18
<i>Of which:</i>				
- historical cost	25	56	9	90
- accumulated amortisation	(13)	(51)	(8)	(72)
Investments		63		63
Disinvestments				
Amortisation	(2)	(8)	(1)	(11)
Balance at 30 April 2017	10	60		70
<i>Of which:</i>				
- historical cost	25	119	9	153
- accumulated amortisation	(15)	(59)	(9)	(83)
Investments		6		6
Disinvestments				
Amortisation	(3)	(14)		(17)
Balance at 30 April 2018	7	52		59
<i>Of which:</i>				
- historical cost	25	125	9	159
- accumulated amortisation	(18)	(73)	(9)	(100)

The balance of intangible assets as of 30 April 2018 is mainly formed by management software used by the Company. For further details please refer to note 4.

15 Property, plant and equipment

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

<i>(in thousands of euros)</i>	Office machines	Other property, plant and equipment	Total
Balance at 30 April 2016	33	1	34
<i>Of which:</i>			
- historical cost	142	131	273
- accumulated depreciation	(109)	(130)	(239)
Investments	328	2	330
Disinvestments	(13)		(13)
Depreciation	(28)	(1)	(29)

Other changes historical cost			
Other changes accumulated depreciation			
Balance at 30 April 2017	320	2	322
<i>Of which:</i>			
- historical cost	457	133	590
- accumulated depreciation	(137)	(131)	(268)
Investments	115	2	117
Disinvestments			
Depreciation	(84)	(3)	(87)
Other changes historical cost			
Other changes accumulated depreciation			
Balance at 30 April 2018	351	1	352
<i>Of which:</i>			
- historical cost	572	135	707
- accumulated depreciation	(221)	(134)	(355)

The investments made during the year ended 30 April 2018 mainly include the purchase of office machines (server and storage) for corporate services performed by the Company towards other Group's companies.

16 Investment Property

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

	Land	Buildings	Total
<i>(in thousands of euros)</i>			
Balance at 30 April 2016	281	9	290
<i>Of which:</i>			
- historical cost	281	10	291
- accumulated depreciation	-	(1)	(1)
Depreciation		(1)	(1)
Balance at 30 April 2017	281	8	289
<i>Of which:</i>			
- historical cost	281	10	291
- accumulated depreciation	-	(2)	(2)
Depreciation			
Balance at 30 April 2018	281	8	289
<i>Of which:</i>			
- historical cost	281	10	291
- accumulated depreciation	-	(2)	(2)

17 Equity Investments

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

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Computer Gross Italia S.p.A.	53,163	53,163
Var Group S.p.A.	13,999	13,999
C.G.N. S.r.l.	994	994
Arcipelago Cloud S.r.l.	50	50
Idea Point S.r.l.	35	35
Total	68,241	68,241

At 30 April 2018, the value of the portion of equity related to subsidiaries is higher than their book value recorded in the financial statements.

The changes in Equity investments can be broken down as follows:

<i>(in thousands of euros)</i>	Equity Investments
Balance at 30 April 2016	68,241
<i>Changes:</i>	
- Purchases or subscriptions	-
- Sales	-
Balance at 30 April 2017	68,241
<i>Changes:</i>	
- Purchases or subscriptions	-
- Sales	-
Balance at 30 April 2018	68,241

18 Deferred tax assets and Deferred tax liabilities

Below is the breakdown of the expected maturity of deferred tax assets and deferred tax liabilities:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Deferred tax assets due within 12 months	255	184
Deferred tax assets due beyond 12 months	3	3
Total deferred tax assets	258	187

Deferred tax liabilities within 12 months	1	-
Deferred tax liabilities beyond 12 months	-	-
Total deferred tax liabilities	1	-

The net change in the items in question can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Balance at the beginning of the year	187	317
Increase by merger		
Effect on the income statement	72	(130)
Effect on the statement of comprehensive income		
Reclassifications		
Balance at the end of the year	259	187
<i>Of which:</i>		
- deferred tax assets	258	187
- deferred tax liabilities	1	0

The change in deferred tax assets can be broken down as follows:

Deferred tax assets	Value differences on property, plant and equipment and intangible assets	Provisions for risks and charges and other allocations	Employee benefits	Other items	Total
<i>(in thousands of euros)</i>					
Balance at 30 April 2016	327		(10)	-	317
Effect on the income statement	(130)			-	(130)
Effect on the statement of comprehensive income					
Other changes					
Balance at 30 April 2017	197		(10)	-	187
Effect on the income statement	72			-	72
Effect on the statement of comprehensive income					
Other changes					
Balance at 30 April 2018	269		(10)	-	259

The change in deferred tax liabilities can be broken down as follows:

Deferred tax liabilities	Value differences on property, plant and equipment and intangible assets	Employee benefits	Other items	Total
<i>(in thousands of euros)</i>				
Balance at 30 April 2016	-	-	-	
Reclassifications				
Effect on the income statement				
Effect on the statement of comprehensive income				
Balance at 30 April 2017				
Reclassifications				

Effect on the income statement	1	1
Effect on the statement of comprehensive income		
Balance at 30 April 2018	1	1

19 Other current and non-current receivables and assets

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Non-current receivables from others	44	44
Non-current equity investments in other companies	69,248	68,241
Non-current securities		
Total other non-current receivables and assets	69,292	68,285
Current receivables from subsidiaries	7,616	9,743
Current receivables from others	21	132
Other current tax receivables	5	13
Accrued income and prepaid expenses	185	243
Derivative assets	-	-
Total other current receivables and assets	7,827	10,131

Non-current equity investments in other companies relate to companies that are not listed on an active market and the fair value of which cannot be measured reliably; therefore, these investments are valued at cost, net of any losses in value.

Among receivables from subsidiaries we note the interest-bearing financial receivables for Euro 6.5 million from Computer Gross Italia SpA and Var Group SpA.

20 Current trade receivables

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Receivables from customers (*)	835	711
Provision for write-down of receivables from customers	(85)	(118)
Receivables from customers, net of provision for bad debts	750	593
Receivables from subsidiaries	106	77
Receivables from associated companies		
Receivables from parent companies	3	5
Total current trade receivables	859	675

(*) For the purposes of a better portrayal of receivables from customer, they are presented net of the balance relating to customers subject to bankruptcy and composition with creditors proceedings which, at 30 April 2017 and 30 April 2018 were respectively Euro 109 thousand and Euro 77 thousand. These positions have been fully written down via the booking of a specific provision. Receivables from customers pertain mainly

to the companies of the Sesa Group despite not having a controlling relationship or connection with Sesa SpA.

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

<i>(in thousands of euros)</i>	Provision for bad debts
Balance at 30 April 2016	151
Allocation	
Use	(33)
Balance at 30 April 2017	118
Allocation	
Use	(33)
Balance at 30 April 2018	85

21 Equity

Share capital

At 30 April 2018 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.

At 30 April 2018 the treasury shares in portfolio amounted to no. 38,712 for a total value of Euro 959 thousand.

The changes in the outstanding shares and treasury shares during the financial year can be broken down as follows:

	Number of shares
Balance at 30 April 2017	
Issued shares	15,494,590
Treasury shares	44,383
Outstanding shares	15,450,207
Movements during the year	
Assignment of shares in execution Stock Grant plan	53,000
Purchase of treasury shares	47,329
Balance at 30 April 2018	
Issued shares	15,494,590
Treasury shares	38,712
Outstanding shares	15,455,878

Other reserves

The item "Other reserves" and "Reserve for actuarial gain (loss) attributable to non-controlling interests" can be broken down as follows:

<i>(in thousands of euros)</i>	Legal reserve	Treasury shares reserve	Reserve for actuarial gain (loss)	Sundry reserves	Total Other reserves
At 30 April 2016	1,026	(3,019)	(164)	3,605	1,448
Actuarial gain/(loss) for employee benefits – gross			1		1
Actuarial gain/(loss) for employee benefits – tax effect					
Purchase of treasury shares		(1,342)			(1,342)
Sale/cancellation of treasury shares		3,167		(1,667)	1,500
Dividends distributed					
Assignment of shares in execution Stock Grant plan		327		(327)	0
Stock Grant Plan - shares vesting in the period				706	706
Other changes					0
Allocation of the profit for the year	413			435	848
At 30 April 2017	1,439	(867)	(163)	2,752	3,161
Actuarial gain/(loss) for employee benefits – gross			(8)		(8)
Actuarial gain/(loss) for employee benefits – tax effect			2		2
Purchase of treasury shares		(1,189)			(1,189)
Sale/cancellation of treasury shares					0
Dividends distributed				(299)	(299)
Assignment of shares in execution Stock Grant plan		1,097		(726)	371
Stock Grant Plan - shares vesting in the period				1,022	1,022
Other changes					0
Allocation of the profit for the year	440				440
At 30 April 2018	1,879	(959)	(169)	2,749	3,500

22 Earnings per Share

For the purposes of calculating the earnings per share and the diluted earnings per share, please see the notes to the Group's Consolidated Financial Statements.

23 Current and non-current loans

At 30 April 2018 and 30 April 2017 the item is equal to zero.

Below is a summary of the net financial position:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
A. Cash		
B. Cheques and bank and postal deposits	8,056	8,284
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	8,056	8,284
E. Current financial receivables	6,500	6,500
F. Current bank debt	-	-
G. Current portion of non-current debt	-	-
H. Other current financial payables	-	-
I. Current financial debt (F) + (G) + (H)	-	-
J. Net current financial debt (I) - (E) - (D)	(14,556)	(14,784)
K. Non-current bank debt	-	-
L. Bonds issued	-	-
M. Other non-current payables	-	-
N. Non-current financial debt (K) + (L) + (M)	-	-
O. Net financial debt (J) + (N)	(14,556)	(14,784)

Under current financial receivables are recognised the interest-bearing financial receivables for Euro 6.5 million from Computer Gross Italia SpA and Var Group SpA.

24 Employee benefits

This item includes the provision relating to the staff severance pay (TFR).

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

<i>(in thousands of euros)</i>	FY ended 30 April	
	2018	2017
Balance at the beginning of the year	1,146	1,084
Service cost	119	113
Interest on the obligation	17	17
Uses and advances	(20)	(67)
Actuarial loss/(gain)	6	(1)
Changes for personnel transfers		
Balance at the end of the year	1,268	1,146

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

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Economic assumptions		
Rate of inflation	1.50%	1.50%
Discount rate	1.44%	1.35%
Rate of increase in staff severance pay (TFR)	2.63%	2.63%

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.

Sensitivity analysis

According to IAS 19R, a sensitivity analysis was carried out when the main actuarial assumptions used in the calculation model changed. In detail, the most significant assumptions, meaning the average annual discount rate, the average annual rate of inflation and the turnover rate, were increased and decreased by half a percentage point, a quarter of a percentage point and two percentage points, respectively.

<i>(in thousands of euros)</i>	Scenarios	Past service liability
Annual discount rate	0.50%	1,277
	-0.50%	1,409
Rate of inflation	0.25%	1,354
	-0.25%	1,327
Turnover rate	2.00%	1,330
	-2.00%	1,356

25 Provisions for risks and charges

At 30 April 2018 the item was equal to zero.

26 Other current liabilities

This item can be broken down as follows:

<i>(in thousands of euros)</i>	At 30 April	
	2018	2017
Accrued expenses and deferred income	13	18
Tax payables	1,159	3,550
Payables to personnel	770	724
Other payables	472	1,944
Payables to social security institutions	127	129
Advances from customers		
Derivatives		
Total other current liabilities	2,541	6,365

27 Other information

Contingent liabilities

There are no pending disputes.

Commitments

The Company issued surety guarantees in favour of a leading Group supplier, in the interest of certain Group companies. At 30 April 2018, the amount of the guarantees, net of the sum already paid, is equal to Euro 1,125 thousand.

Fees due to Directors and Statutory Auditors

Details of fees due to Sesa SpA directors and Statutory Auditors are given below, gross of welfare charges and taxes paid by them for the year. For a full description and analysis of the fees due to Directors, Statutory Auditors and Executives with strategic responsibilities, please refer to the Remuneration Report, which is available for consultation at the head office and on the website of the company in the "Corporate Governance" section.

<i>(in thousands of euros)</i>	FY ended 30 April
	2018
Fees due to Directors	508
Fees due to Statutory Auditors	55

Fees to Directors reported in the table above include fixed and variable amounts, as well as those due for participation in internal committees. They do not include reversible fees to directors and shares assigned under the stock grant plan approved by the shareholders' meeting on 25 August 2017. In relation to the foregoing, it should be noted that, at 30 April 2018, a total of 42,000 shares matured.

Fees due to Independent Auditors

The following table, prepared pursuant to art. 149 duodecies of the Consob Issuers' Regulations, shows the fees for the year ended 30 April 2018 for audit and non-audit services provided by the independent Auditors and by entities belonging to their network, including expenses.

Service	Entity providing the service	Recipient	Fees for the year ended 30 April 2018 (thousands of euros)
Audit	PWC	Sesa SpA	99

The amount includes the fees, out-of-pocket expenses and the supervisory fee.

28 Transactions with related parties

Relations maintained by the Company with related parties that are associated and parent companies are mainly of a commercial and financial nature.

The Company believes that all relations maintained with related parties are substantially regulated on the basis of standard market conditions.

The table below shows details of the financial balances with related parties at 30 April 2018 and 2017.

<i>(in thousands of euros)</i>	Subsidiaries	Associated Companies	Parent Companies	Top management	Other related parties	Total	% on the balance-sheet item
Current trade receivables							
At 30 April 2018	260	8	3			271	31.5%
At 30 April 2017	222	13	5			240	35.6%
Other current receivables and assets							
At 30 April 2018	6,500					6,500	83.0%
At 30 April 2017	9,857					9,857	97.3%
Employee benefits							
At 30 April 2018				1		1	0.1%
At 30 April 2017				1		1	0.1%
Payables to suppliers							
At 30 April 2018	59					59	13.7%
At 30 April 2017	40					40	9.8%
Other current liabilities							
At 30 April 2018	-			72		72	2.8%
At 30 April 2017	1			63		64	1.0%

The following table details the effects on the income statement of transactions with related parties for the years ended 30 April 2018 and 30 April 2017.

	Subsidiaries	Associated Companies	Parent Companies	Top management	Other related parties	Total	% on the balance-sheet item
<i>(in thousands of euros)</i>							
Revenues							
At 30 April 2018	6,485	67	53			6,605	97.36%
At 30 April 2017	5,196	80	52			5,328	97.17%
Other income							
At 30 April 2018	1,094	5	1	7		1,107	96.85%
At 30 April 2017	1,534	1	1	5		1,541	97.22%
Consumables and goods for resale							
At 30 April 2018	13					13	27.08%
At 30 April 2017	11					11	25.58%
Costs for services and rent, leasing and similar costs							
At 30 April 2018	231	-		1,908	-	2,139	60.70%
At 30 April 2017	136	25		1,220	2	1,383	52.65%
Personnel costs							
At 30 April 2018				338		338	8.21%
At 30 April 2017				323		323	8.13%
Other operating costs							
At 30 April 2018						-	0.00%
At 30 April 2017						-	0.00%
Financial income							
At 30 April 2018	44					44	0.47%
At 30 April 2017	40					40	0.45%
Financial charges							
At 30 April 2018						-	0.00%
At 30 April 2017						-	0.00%

The information provided in the table does not include dividends received by subsidiaries and associates.

Subsidiaries, Associated and Parent Companies

Relations with subsidiaries, associated and parent companies mainly relate to the supply of administration, finance and control services, organisation, personnel management and the management of information systems for the Group companies. At 30 April 2018 there are interest-bearing financial receivables from subsidiaries for Euro 6.5 million. Under payables and receivables to/from subsidiaries are recognised receivables and payables relating to tax consolidation and Group VAT.

Top Management

Relations with top management mainly relate to the fees due to directors and executives with strategic responsibilities. Specifically, "personnel costs" include fees due to members of the companies' Board of Directors, which were not included in "costs for services".

29 Events After the Year-End

No significant events occurred after the year-end.

30 Authorisation for publication

The publication of the Separate financial statements of Sesa SpA at 30 April 2018 was authorised by resolution of the Board of Directors on 12 July 2018.

Attestation of the Separate 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 of Directors, and Alessandro Fabbroni, in his capacity as Financial Reporting Manager of 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 separate financial statements at 30 April 2018.

2. No important aspects emerged from the application of the administrative and accounting procedures for the preparation of the separate financial statements at 30 April 2018.

3. It is also certified that:
 - 3.1 The separate 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.

 - 3.2 the Report on Operations includes a reliable analysis of the performance and of the operating result, as well as of the situation of the issuer and of the group of companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Empoli, 12 July 2018

Paolo Castellacci
Chairman of the Board of Directors

Alessandro Fabbroni
Financial Reporting Manager

Independent Auditor's Report on the Separate Financial Statements of Sesa SpA



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Sesa SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sesa SpA (the Company), which comprise the separate statement of financial position as of 30 April 2018, the separate income statement, separate statement of comprehensive income, separate statement of changes in equity, separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 April 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Equity investments in subsidiaries and associated companies

“Note 17 to the financial statements as of 30 April 2018. Equity investments”

In the financial statements as of 30 April 2018 equity investments in subsidiaries and associated companies, valued at cost, were recognised for an amount equal to Euro 68,241 thousand representing 78.2% of the Company’s assets.

As part of our audit process, we paid special attention to the valuation of such equity investments given the significance of the item under analysis and the high professional judgement necessary to verify the recoverability of the values recognized in the financial statements.

Annually the Company verifies the existence, if any, of indicators showing that equity investments held in subsidiaries and associated companies may have been impaired, and, where necessary, compares their book value with the estimated recoverable value pursuant to “IAS 36 – impairment of assets”. As of 30 April 2018, management did not identify any impairment indicator and the value of the portion of equity related to subsidiaries is higher than their book value in the financial statements.

As part of our audit, in order to address such key matter, we carried out an understanding and evaluation of the procedures adopted by the management to verify the book value of the equity investments in subsidiaries and associated companies and the existence of any impairment indicators.

We analysed the changes in this item during the year.

Furthermore, we examined the financial statements of the investees and verified, by inquiries of management and by the acquisition of sufficient and appropriate evidence, the completeness of the external and internal sources of information considered by the Company for its valuations.



Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required



to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 15 July 2013, the shareholders of Sesa SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 30 April 2014 to 30 April 2022.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Sesa SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Sesa SpA as of 30 April 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Sesa SpA as of 30 April 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Sesa SpA as of 30 April 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 24 July 2018

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

Report of the Board of Statutory Auditors to the Shareholders' Meeting

Dear Shareholders,

With this report, prepared pursuant to art. 153 of Legislative Decree no. 58/98 and art. 2429, paragraph 3 of Civil Code, the Board of Statutory Auditors of Sesa S.p.A. wants to make you aware of supervisory and control activities, according to its role, during the year ended 30 April 2018.

1. NORMATIVE, REGULATORY AND DEONTOLOGICAL SOURCES

During the year ended 30 April 2018, the Board of Statutory Auditors carried out the supervisory activity pursuant to article 149 of Legislative Decree no. 58/98 in accordance with the Rules of Conduct of the Board of Statutory Auditors, as recommended by the National Councils of Professional and Public Accountants with documents of April 2015 updated on April 2018 (Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili) and the recommendations of Consob about audit and activities of the Board of Statutory Auditors (and, in particular: Communication no. 1025564 of 6 April 2001, as subsequently integrated with Communication no. 3021582 of 4 April 2003 and Communication no. 6031329 of 7 April 2006) and the guidance provided in the Code of Corporate Governance in the version updated to July 2015, adopted by the Company.

The Board of Statutory Auditors, during the year, carried out its activities by performing 6 meetings, all duly recorded, lasting about 80 minutes each; at the meetings of the Board of Statutory Auditors attended the Group's Internal Auditor.

The Board also took part in 6 meetings of the Board of Directors held during the year ended 30 April 2018.

The Board of Statutory Auditors, together with the Supervisory Board (of which a member of the Board of Statutory Auditors holds the office of President), every six months, met with representatives of the company in charge of statutory audit of accounts.

The Chairman of the Board of Statutory Auditors attended the meetings of Control and Risk Committee.

The Board of Statutory Auditors asked for and received regular reports from the administrative body, the Independent Auditors, the Parties involved in Control and Risk Management, the Internal Auditor, the Supervisory Board.

The Board of Statutory Auditors also examined the company's documentation, accounting and not, that was provided by the persons responsible of the various functions.

On the Basis of the information acquired during the supervisory activities, the Board of Statutory Auditors did not verify any omissions and/or reprehensible events and/or irregularities or anyway significant facts, such as to be reported to supervisory Bodies or to be mentioned in this report; the Board of Statutory Auditors also noted that have not received any complaints pursuant to art. 2408 Civil Code.

The Board of Statutory Auditors also reports that, with reference to the obligations relating to non-financial information pursuant to Legislative Decree no. 254/2016, the

legislation introduced provides that the public-interest entities involved prepare, for each fiscal year, a declaration aimed to ensuring to the public a properly information about the company's business, its performance, its results and the impact on energetic, environmental, social and personnel issues as well as on respect for human rights and the fight against active and passive corruption. The declaration reports, among other things, the main risks generated or suffered in relation to the above-mentioned issues as well as the business model of activities' management and organization, the policies carried out and the actions adopted by the Group in order to manage them.

The Independent Auditors verified the preparation of the non-financial information and expressed, with a specific report issued on 24/07/2018, separate from that relative to the financial statements, a report of compliance about the information provided compared to the provisions of the Legislative Decree.

2. SUPERVISORY ACTIVITY

2.1. Supervisory activity on compliance with the law, the Statute and the Code of Corporate Governance for Listed Companies currently in force

The Board of Statutory Auditors notes that the flow of internal and external information, have been implemented by the Company by means the coordination between the parties involved pursuant the law, the Statute and the Code of Corporate Governance, as outlined in the Report on Corporate Governance and ownership structure prepared by Board of Directors pursuant to art . 123-bis of TUF.

The Board of Statutory Auditors also states that:

- the obligations relative to confidential information are regulated by a "Procedure for reporting to the public of Confidential Information" adopted by the Board of Directors in the meeting of 25 June 2013;
- The Group continues to manage and update the Register of Internal Dealing according to Internal Dealing Procedure approved by the Board of Directors on 25 June 2013, recently updated by Board of Directors on 30 May 2016 in order to make it compliant to some of the provisions contained in art. 18 of the EU Regulation n. 596/2014, even in advance of its applications on 3 July 2016, issuing a mandate to the Chairman of the Board of Directors to make the amendments to the Internal Dealing Procedure that would have been necessary following any interventions by Consob;
- the management of the requirements arising from the Internal Dealing regulation takes place according to the Internal Dealing Procedure approved by the Board of Directors on 25 June 2013, as amended on 22 December 2015 and on 30 May 2016 and finally on 14 July 2017.

The Board of Statutory Auditors acknowledges that, according to information collected during its supervisory activity, every office or function of the Company has duly complied with the information requirements imposed by law.

Based on information obtained referring to the period before the appointment of this Board of Statutory Auditors, no violations of law, the Code of Corporate Governance, Statute of the Company and its Board/Committees have been noted or compliant received from

shareholders.

The Board of Statutory Auditors met regularly in the year, during which it also took part in meetings of the Board of Directors.

The Board of Statutory Auditors notes that starting from July 2017, Sesa Group has undertaken a project to adapt the organization to the data processing in compliance with the provisions from the above Regulation. Specifically, it's appointed a Group's company that already carries out privacy consulting, for assessment, gap analysis and remediation activities relating to companies belonging to the Group. At the same time, an inter-functional working group made up of Group's legal resources was set up in order to support the consulting company in the implementation of the legislation on Group's companies. With subsequent resolution of the Board of Directors held on 16 May 2018, Sesa Spa appointed the Data Protection Manager to perform the activities identified in art. 39 of the GDPR and the specific data protection guidelines.

2.2. Supervisory activity on compliance with principles of proper management

Based on information obtained performing control and supervisory activities, in particular information received from the Directors on quarterly basis regarding the Group (parent and subsidiaries) main activities and operations with economics, financial e patrimonial impact, as well as information obtained from corporate documentation, we are not aware of any:

- operations not compliant with principles of good management;
- operations not compliant with law and the Statute;
- operations outside Company scope;
- operations in contrast with Shareholders' Meetings' resolutions or such as to compromise the integrity of social assets;
- operations in a potential conflict of interest.

2.3. Supervisory activity on adequacy of the Company's structure

The Board of Statutory Auditors checked the adequacy of the Company's structure, through information collecting from the function responsables and regular exchanges of information with the Auditing Company.

The Board of Statutory Auditors has no particular observations about the Company's organization, that, as regards the structure, procedures, skills and responsibilities, at the moment, seems to be appropriate to the size of the Company, as well as the nature and mode through which it is proposed the achievement of the corporate objects.

The Board of Directors in office is made up of eight components; The members of the Board of Directors include three independent directors, of which the company confirmed compliance with independence requirements art. 147-ter, par. 4, of the TUF and by art. 3 of the Code of Corporate Governance, according with art. 2.2.3, par. 3, letter l) of the Regulation of the Borsa Italiana and by art. IA.2.10.6 of the Instructions for Regulation of the

Borsa - both applicable to issuers in possession of STAR qualification. In this respect, Board of Statutory Auditors confirms the compliance by the Company with the law and regulations and principles and criteria established by the Code of Corporate Governance.

The Company's Board of Directors has full powers for the ordinary and extraordinary management of the Company, with the authority to perform all acts deemed appropriate to achieve the corporate objects, excluding only those reserved by law to the Shareholders' Meeting; In compliance with art. 15 of the Statute, the board of directors is granted the faculty, notwithstanding the concurrent competence of the extraordinary Shareholders' Meeting, to take on the resolutions concerning mergers and demergers in the cases envisaged by articles 2505 and 2505-bis, c.c., the setting up or shutting down of secondary offices, the indication of which among the Directors shall represent the Company, the reduction of the share capital in the event of withdrawal by a Shareholder, the adaptations of the Statute to legislative provisions, the transferral of the registered office within Italy.

Board of directors decided to allocate powers within the Board instead of appoint an Executive Committee. In this respect, Board of Statutory Auditors verified correspondence between organizational structure and power of attorney.

Board of Statutory Auditors in charge, composed by three standing auditors and two supplementary auditors, verified the existence of the requirements of independence of each auditors (check performed and sent on 27 June 2018) , in compliance with art. 2397 Civil Code, as well as no grounds for ineligibility or incompatibility exist, and that they meet the requirements established by art. 2382 and 2399 Civil Code, art. 148, paragraph 3 of the TUF and art.8 of the Code of Corporate Governance. Members of the Board of Statutory Auditors compliant with the limits on the cumulation of positions established by the prevailing legislation art 148-bis of TUF and artt. 144-duodecies and following of the Consob Issuer's Regulation.

The function of audit of accounts has been given in accordance with art. 2364 Civil Code to the Auditing Company PricewaterhouseCoopers SpA, by resolution of 15 July 2013 with effect until approval of the financial year ended 30 April 2022.

2.4. Supervisory activity on adequacy of internal control systems and risk management

Board of Statutory Auditors confirms that the Board of Directors of Sesa Spa established the type and level of risk compatible with the issuer's strategic aims, both during the preparation for the listing and systematically in relation to the indications supplied by the Audit and Risks Committee. This has been disclosed in the Annual Report at 30 April 2017 and Board of Statutory Auditors has no issues to report.

The Board of Directors, in line with the contents of par. 7.C.1 of the Code of Corporate Governance, performs the role of guiding and assessing the adequacy of the internal audit and risk management system, using work performed by Appointed Director for the Internal Audit and Risk Management System and an Audit and Risks Committee.

The subjects and functions involved in internal control systems and risk management are:

- the Board of Directors, assisted by the Control and Risk Committee and the Internal Auditor;
- the Board of Statutory Auditors;
- the Supervisory Board;

- Internal Auditor;
- the Manager responsible for drawing up the Company's accounts.

The Board of Statutory Auditors states that, in the year:

- checked the activities of Subjects responsible of internal control;
- had regular meetings with subjects involved in internal control systems and risk management; in this regard, it should be noted that the Internal Auditor participated in all Board of Statutory Auditors' meetings;
- its Chairman participated to meetings of Control and Risk Committee;
- one of its members participated to the Supervisory Board's meetings, as Chairman;
- examined business documents;
- analyzed the results obtained by the Independent Auditors;
- verified the results obtained by the Supervisory Board.

During the year, Board of Statutory Auditors obtained from the Supervisory Board all the useful information in order to verify independence, adequacy, and competences requirements necessary to performs activities assigned.

Board of Statutory Auditors has been informed by the Supervisory Board regarding the effectiveness and observance of the Organisational and management model pursuant to Legislative Decree 231/2001.

With a report of 30 May 2018, the Supervisory Board disclosed results of its activities of the year ended at 30 April 2018 with no significant issue, confirming compliance with the management model pursuant to Legislative Decree 231/2001 and demanding update of the general part of the management model.

The Board of Statutory Auditors appreciated the effort of the Company to improve and amend its internal control framework, quickly updated in order to be compliant to the latest regulamentary requirements adopted. In this regard, we noted:

- the update of 14 July 2017 of the procedure adopted by the Board of Directors on 25 June 2013 for the management of the Group Register of persons who have access to Confidential Information to comply with the regulatory updates introduced by art. 18 of EU Regulation n. 596/2014, empowering the Chairman of the Board of Directors to review the procedure in order to be compliant with Consob;
- Management model pursuant to Legislative Decree 231/2001 adopted on 27 February 2013 has been amended on December 2016 and a subsequent regulatory update (last update registered of 31 October 2017);
- Issuing of a plan to integrate administrative and accounting procedures aimed at harmonizing control standards and procedures and group risk analysis. The project was shared with the Board of Statutory Auditors, Supervisory Board pursuant to Legislative Decree 231/2001 as well as with the Control and Risks Committee. At the moment the project is under construction ad it is expected to be completed on October.

Based on information obtained we confirms the methods of coordination set up by the Company among the various parties involved in the Internal Audit and Risk Management

System guarantee, an effective and efficient sharing of information among the bodies with these functions and Company internal controls is adequate.

2.5. Supervisory activity on adequacy of administrative and accounting system and auditing activity

2.5.1 Supervisory activity on administrative and accounting system

The Board of Statutory Auditors supervised on the adequacy of administrative and accounting system to correctly represent the business events through direct observations, information obtained from the heads of the various departments, the exam of company's documents and the analysis of the results obtained by the Independent Auditors.

The Board of Statutory Auditors examined the results of tests conducted by KPMG S.p.A. (the relative report was made available on 09/07/2018) to test the operating effectiveness of the internal control system on the administrative and accounting procedures to oversee the financial reporting and, taking into account the outcome of the tests, no deficiencies in the adequacy and effective application of procedures is revealed.

2.5.2 Supervisory activity on Independent Auditors' job

The Board of Statutory Auditors carried out the supervisory activity on the job of Independent Auditors which, as said, is PricewaterhouseCoopers S.p.A.

The Board of Statutory Auditors met the Independent Auditors several times during the year in order to exchange data and information relating to their respective activities. The Board of Statutory Auditors acknowledges that PricewaterhouseCoopers S.p.A. performed the audit of financial statements in accordance with International Standards on Auditing (ISA Italy) established pursuant to art. 11 of Legislative Decree no. 39/2010 and that the resulting report pursuant to art. 14, paragraph 2, of Legislative Decree no. 39/2010, issued on 24 July 2018, did not reveal any facts considered reprehensible or irregularities to be pointed out pursuant art. 155 of Consolidated Financial Act (TUF).

It is pointed out that, according to the express declaration of the Board of Directors, confirmed by PricewaterhouseCoopers S.p.A., Sesa S.p.A. did not confer additional assignments to the Independent Auditors or to parties related to the latter by continuous relationships.

2.6. Comments on statutory and consolidated financial statements

The Board of Statutory Auditors examined the draft of the statutory and consolidated financial statements at 30 April 2018, which is available notwithstanding to art. 154-ter, paragraph 1-ter of Legislative Decree no. 58/98.

Not being entitled to this Board the analytical control of the content of the financial statements, the Board of Statutory Auditors monitored the compliance with the procedural requirements concerning the preparation and setting of the draft of the statutory and

consolidated financial statements at 30 April 2018 and points out to have no particular comments.

In particular, regarding the statutory financial statements as of 30 April 2018, the Board of Statutory Auditors verified the compliance with laws regulating its setting and development, by means of checks and through the information provided by the Independent Auditors, within the Board's competence pursuant to art. 149 Legislative Decree no. 58/98.

The Board of Statutory Auditors also verified the compliance of the financial statements to the facts and information known following the execution of its duties and has no comments.

The Board of Statutory Auditors has no specific comments about the Report on Operations which has been prepared in accordance with the law.

2.7. Application of corporate governance principles

Board of Statutory Auditors noted the Company's adoption of the Code of Corporate Governance drawn up by the Committee for Corporate Governance of listed companies in the latest version of July 2015 and relative amendments to corporate governance structure.

Board of Statutory Auditors confirmed the Report on corporate governance and ownership structures has been prepared in compliance with art. 123-bis of the TUF, according to instructions and principles included in Regulation of the Borsa Italiana and noted the disclosure of adoption level of the Code of Corporate Governance.

2.8. Supervisory activities regarding relations with subsidiaries and transactions with related parties

Board of Statutory Auditors confirmed periodic inspections and audits of the Company didn't show atypical and/or unusual, with third parties, related parties or within the Group, as defined by Consob Communication of 28 July 2006.

Regarding intra-group transactions, Board of Statutory Auditors confirmed, as disclosed by the Directors in the Note to financial statements, the existence of numerous commercial relations, concerning overall the sale and purchase of hardware and software products and technical support, stating that they have been regulated on the basis of normal market conditions.

In this regard, we note that at the meeting of 23 September 2013, the Board of Directors also approved the adoption of the "Procedure for transactions with related parties" adopted pursuant to Consob Regulation n. 17221 of 12 March 2010 and subsequent amendments thereto, appointing the Audit and Risks Committee as Related Parties Committee.

3. CONCLUSIONS

On the basis of the above, a compendium of the supervisory activity carried out during the year, the Board of Statutory Auditors, taking into account the results of the activity carried out by the Auditing Company and contained in the Audit Reports relating to statutory and consolidated financial statements, do not have observations to make pursuant to art. 153 of Legislative Decree n. 58/98 on the extent of its competence regarding statutory and consolidated financial statements and related notes and the management report.

Empoli, 24 July 2018

THE BOARD OF STATUTORY AUDITORS

Prof. Avv. Sergio Menchini – *Chairman*

Dott. Luca Parenti – *Standing Auditor*

Dott.ssa Chiara Pieragnoli – *Standing Auditor*

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