Esprinet Group

Half-year Financial Report as at 30 June 2020

Approved by the Board of Directors on 7 September 2020

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159 R.E.A. (economic and administrative index) 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 30/06/2020: Euro 7,860,651

www.esprinet.com - info@esprinet.com

Company officers

Board of Directors:

(Term of office expiring with approval of the financial statements for the year ending 31 December 2020)

Chairman	Maurizio Rota	(SC) (CSC)
Chief Executive Officer	Alessandro Cattani	(SC) (CSC)
Director	Marco Monti	(SC)
Director	Matteo Stefanelli	(SC) (CSC)
Director	Tommaso Stefanelli	(SC) (CSC)
Director	Ariela Caglio	(InD)
Director	Cristina Galbusera	(InD) (CRC) (RAC)
Director	Mario Massari	(InD) (CRC) (RAC)
Director	Chiara Mauri	(InD) (RAC)
Director	Emanuela Prandelli	(InD)
Director	Renata Maria Ricotti	(InD) (CRC)
Secretary	Manfredi Vianini Tolomei	Studio Chiomenti

Key:
InD: Independent Director
CRC: Member of the Control and Risks Committee
RAC: Member of the Appointments and Remuneration Committee
SC: Strategies Committee
CSC: Competitiveness and Sustainability Committee

Board of Statutory Auditors:

(Term of office expiring with approval of the financial statements for the year ending 31 December 2020)

Chairman	Bettina Solimando
Permanent Auditor	Patrizia Paleologo Oriundi
Permanent Auditor	Franco Aldo Abbate
Alternate Auditor	Mario Conti

Independent auditors:

(Term of office expiring with approval of the financial statements for the year ending 31 December 2027)

PricewaterhouseCoopers S.p.A.

Waiver of obligation to provide information on extraordinary transactions

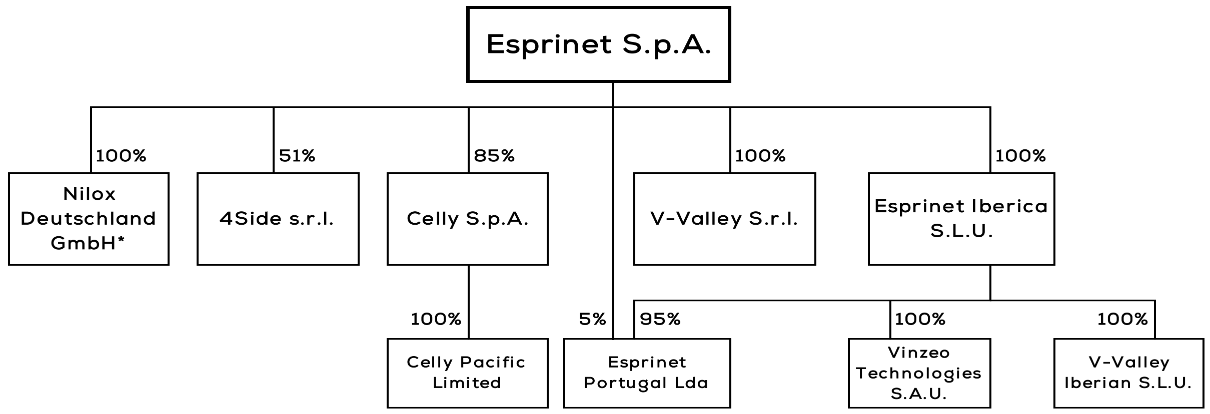
Pursuant to Art. 70, paragraph 8, and Art. 71, paragraph 1-bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to make use of the right to waive the obligation to publish the information documents stipulated for significant transactions relating to mergers, demergers, increases in capital by the contribution of goods in kind, acquisitions and transfers.

CONTENTS

Activities and structure of the Esprinet Group

1. General information about the Esprinet Group

The structure of the Esprinet Group as at 30 June 2020 is as follows:



* Discontinued on 30.06.2020

In legal terms, the parent company, Esprinet S.p.A., was formed in September 2000 following the merger of the two leading distributors operating in Italy: Comprel S.p.A. and Celomax S.p.A..
The Esprinet Group later assumed its current composition as a result of the carve-out of micro-electronic components from the parent company and of various business combinations and establishment of new companies.

References to "Subgroup Italy" and "Subgroup Iberica" can be found below.
At period end, the Subgroup Italy includes not only the parent company Esprinet S.p.A., but also the companies it directly controls: V-Valley S.r.l., Celly S.p.A., Nilox Deutschland Gmbh (in liquidation from 16 September 2019) and 4Side S.r.l..

When referring to the Subgroup Italy, the subsidiary Celly S.p.A., a company operating in the "business-to-business" (B2B) distribution of Information Technology (IT) and consumer electronics, and more specifically in the wholesale distribution of accessories for mobile devices, also includes its wholly owned subsidiary Celly Pacific LTD, a Chinese company operating in the same operating sector as the holding.

At the same date, Subgroup Iberica is made up of the Spanish-law and Portuguese-law subsidiaries operating in the Iberian Peninsula, i.e. Esprinet Iberica S.L.U. as well as its subsidiaries, Esprinet Portugal Lda, Vinzeo Technologies S.A.U. and V-Valley Iberian S.L.U..

Esprinet S.p.A. has its registered office and administrative headquarters in Vimercate (Monza e Brianza) in Italy, while warehouses and logistics centres are located in Cambiago (Milan), Cavenago (Monza e Brianza) and Basiano (Milan).
Esprinet S.p.A. uses Intesa San Paolo S.p.A. for specialist activities.

2. Target Market Trend

The technology distribution industry

Europe

In the first half of 2020, the IT and electronics distribution industry generated revenues of around 37.8 billion euro, up (+5%) compared with roughly 36.0 billion euro in the first half 2019, as measured by a research firm, Context (June 2020), with reference to a panel of distributors representative of the general trend.
A detailed look by quarter shows that the second quarter recorded an increase of +4.9% compared with the previous year, a slight decrease compared with the increase recorded in the first quarter (+5.1%).

Germany, the main market in Europe with approximately 8.5 billion euro, grew by +8.2%, while the UK and Ireland distribution market (the second largest in Europe) is substantially in line compared with the same period in 2019 (+0.3%).
Also Italy (third country in terms of revenues - around 3.9 billion euro), Spain and Portugal recorded notable increases (Italy and Portugal +7.9%, Spain +2.9%).
By contrast, France was among the few countries to record a decrease (-3.1%) compared to the first half of the previous year.
It should also be noted that the countries in Eastern Europe (Poland, Czech Republic, Baltic Countries and Slovakia) together recorded growth of 15.1%.

The table below summarises the distribution trend in the first two quarters:

	1st quarter 2020 vs 2019	2nd quarter 2020 vs 2019	H1 2020 vs 2019
Total	**5.1%**	**4.9%**	**5.0%**
Germany	10.0%	6.1%	8.2%
UK & Ireland	-1.5%	2.3%	0.3%
Italy	**7.1%**	**8.8%**	**7.9%**
France	-2.5%	-3.8%	-3.1%
Spain	**3.6%**	**2.2%**	**2.9%**
Merged countries	17.6%	9.4%	13.6%
Poland	14.4%	24.9%	19.6%
Switzerland	7.2%	14.4%	10.6%
Sweden	-2.1%	-4.2%	-3.1%
Belgium	-2.6%	-0.1%	-1.4%
Czech Republic	15.4%	9.6%	12.5%
Austria	-4.3%	-8.9%	-6.5%
Denmark	2.2%	-0.2%	1.1%
Portugal	**7.6%**	**8.2%**	**7.9%**
Finland	15.6%	6.7%	11.3%
Norway	3.9%	3.8%	3.9%
Baltics	4.3%	16.1%	10.1%
Slovakia	4.7%	-10.9%	-2.7%

Source: Context, June 2020

Italy

In the first half of 2020, the Italian technology distribution market mapped in the Context Panel grew by +7.9% compared with the same period in 2019.
The second quarter actually recorded growth of +8.8%, despite or perhaps indeed due to the lockdown. The first quarter recorded an increase of +7.1%.
The growth was driven in the first half and, in the second quarter in particular, by the product categories linked to smart-working and home schooling: notebooks +32.7%, smartphones + 10.2%, tablets +37.1%, headphones and microphones +115.6%.
Software also recorded an increase of +19.2% compared to the first half of 2019, in respect of which we highlight the increase of 29.5% in security software products, also related in this case to company smart-working projects during the lockdown period.
By contrast, printers (-17.6%) and consumables (-8.3%) decreased.
A look at the consumer products shows growth in the gaming world (software gaming +16.3%, consoles + 5.3%) and in the home & garden world (+53.6%), again in relation to the lockdown.
The Group recorded revenue growth of +6.5%, slightly increasing its market share (+0.3%).
"Business" customers grew by +8.2% and the Group slightly underperformed, losing around 1.5% of market share; while the "retail" market segment grew by 7.4% and the Group also improved its market share, by almost 3.8% in this segment.

Spain

In the first half of 2020, the Spanish technology distribution market grew by +2.9% compared with 2019, while the quarter just ended was up +2.2%. The first quarter recorded an increase of +3.6%.
Also in Spain, the growth was driven in the first half and, in the second quarter in particular, by the product categories linked to smart-working and home schooling: notebooks +24.1%, tablets +16.2%, monitors +25.1%, headphones and microphones +50.4%, security software +7.4%.
As in Italy, printers and consumables recorded a significant drop compared to the same period of the previous year of -11.7% and -4.3% respectively.
As regards consumer products, note should be taken of the growth in the sales of software gaming (+453.2%) and console gaming (+6.2%).
"Business" customers grew by +1.7% and the Group kept its market share almost unchanged, while the "retail" market segment grew by +4.9% and the Group also improved its market share, by 1.2% in this segment.

Portugal

In the first half of 2020, the Portuguese technology distribution market mapped in the Context Panel grew by +7.9% compared with the same period in 2019, with the quarter just ended up +8.2%. The first quarter recorded an increase of +7.6%.
As in Italy and in Spain, also in Portugal, significant growth was recorded in the product categories linked to smart-working and home schooling: notebooks +30.5%, tablets +11.6%, headphones and microphones +164.9%, security software +27.0%.
"Business" customers grew by +3.9% and the Group kept its market share almost unchanged, while the "retail" market segment grew by +13.7% and the Group also greatly improved its market share, by 2.8% in this segment.

Group's results for the period

1. Summary of the Group's economic and financial results for the period

(euro/000)	6 months*							Q2 **					
	notes	2020	%	2019	notes	%	% var. 20/19	2020	%	2019	notes	%	% var. 20/19
Profit & Loss													
Sales from contracts with customers		1,834,676	100.0%	1,717,485		100.0%	7%	920,914	100.0%	842,020		100.0%	9%
Gross profit		82,409	4.5%	81,079		4.7%	2%	40,316	4.4%	40,269		4.8%	0%
EBITDA	(1)	22,834	1.2%	20,636	(1)	1.2%	11%	10,906	1.2%	10,296		1.2%	6%
Operating income (EBIT)		14,612	0.8%	13,983		0.8%	4%	6,269	0.7%	7,239		0.9%	-13%
Profit before income tax		10,739	0.6%	10,238		0.6%	5%	4,873	0.5%	6,057		0.7%	-20%
Net income		7,683	0.4%	7,577		0.4%	1%	3,746	0.4%	4,646		0.6%	-19%
Financial data													
Cash flow	(2)	15,905		14,230	(2)								
Gross investments		1,850		1,458									
Net working capital	(3)	50,131		(122,381)	(3)								
Operating net working capital	(4)	61,459		(121,027)	(4)								
Fixed assets	(5)	220,342		226,007	(5)								
Net capital employed	(6)	252,430		86,747	(6)								
Net equity		365,656		359,022									
Tangible net equity	(7)	275,357		267,826	(7)								
Net financial debt	(8)	(113,224)		(272,275)	(8)								
Main indicators													
Net financial debt / Net equity		(0.3)		(0.8)									
Net financial debt / Tangible net equity		(0.4)		(1.0)									
EBIT / Finance costs - net		3.8		3.7									
EBITDA / Finance costs - net		5.9		5.5									
Net financial debt/ EBITDA	(9)	(2.0)		(7.6)									
ROCE	(10)	11.4%		8.3%	(10)								
Operational data													
N. of employees at end-period		1,325		1,287									
Avarage number of employees	(11)	1,322		1,275	(11)								
Earnings per share (euro)													
- Basic		0.16		0.14			14%	0.03		0.09			-67%
- Diluted		0.16		0.14			14%	0.03		0.08			-63%

(*) Comparative financial data indicators are calculated on 31 December 2019 figures.
(**) Not subject to limited audit.

(1) EBITDA is equal to the operating profit (EBIT) gross of amortisation, depreciation and write-downs.
(2) Sum of consolidated net profit and amortisations.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of net current financial debts.
(4) Sum of trade receivables, inventory and trade payables.
(5) Equal to non-current assets net of non-current derivative financial assets.
(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.
(7) Equal to net equity less goodwill and intangible assets.
(8) Sum of financial payables, financial liabilities for leasing, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.
(9) 12-month rolling EBITDA.
(10) Ratio between (a) current EBIT – excluding the effects of IFRS 16 – net of taxes calculated at the effective tax rate of the last set of published annual consolidated financial statements, and (b) average net invested capital.
(11) Calculated as the average of opening balance and closing balance of consolidated companies.

The earnings and financial results in the first half 2020 and those of the relative periods of comparison have been drawn up according to International Financial Standards ("IFRS"), endorsed by the European Union and in force during the period.
These results were subject to limited audit by the company PricewaterhouseCoopers S.p.A. with exception of figures relating only to the second quarter.

In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some "alternative performance indicators", although not defined by the IFRSs, are presented. These "alternative performance indicators", consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the Management

for measuring and controlling the Group's profitability, performance, capital structure and financial position.
As required by the ESMA/2015/1415 Guidelines issued by ESMA (European Securities and Market Authority) under Article 16 of the ESMA Regulation, updating the previous recommendation CESR/05-178b of the CESR (Committee of European Securities Regulators) and adopted by Consob with Communication no. 0092543 of 03/12/2015, the basis of calculation adopted is defined below the table.

2. Review of economic and financial results of the period

A) Esprinet Group's financial highlights

The Group's main earnings as at 30 June 2020 are hereby summarised:

(€/000)	H1 2020	H1 2019	% Var.	Q2 2020	Q2 2019	% Var.
Sales from contracts with customers	**1,834,676**	**1,717,485**	**7%**	**920,914**	**842,020**	**9%**
Cost of goods sold excl. factoring/securitisation	1,750,181	1,634,060	7%	879,483	800,534	10%
Financial cost of factoring/securisation(1)	1,692	1,994	-15%	912	1,043	-13%
Gross Profit(2)	**82,803**	**81,431**	**2%**	**40,519**	**40,443**	**0%**
Gross Profit %	*4.51%*	*4.74%*		*4.40%*	*4.80%*	
Personnel costs	32,961	32,450	2%	16,077	16,184	-1%
Other operating costs	25,891	28,344	-9%	12,419	13,963	-11%
EBITDA adjusted	**23,951**	**20,637**	**16%**	**12,023**	**10,296**	**17%**
EBITDA adjusted %	*1.31%*	*1.20%*		*1.31%*	*1.22%*	
Depreciation e amortisation	2,184	2,315	-6%	1,063	1,140	-7%
IFRS 16 Right of Use depreciation	4,939	4,339	14%	2,475	1,917	29%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**16,828**	**13,983**	**20%**	**8,485**	**7,239**	**17%**
EBIT adjusted %	*0.92%*	*0.81%*		*0.92%*	*0.86%*	
Non recurring costs(3)	2,216	-	100%	2,216	-	100%
EBIT	**14,612**	**13,983**	**4%**	**6,269**	**7,239**	**-13%**
EBIT %	*0.80%*	*0.81%*		*0.68%*	*0.86%*	
IFRS 16 interest expenses on leases	1,682	1,358	24%	834	312	>100%
Other financial (income) expenses	1,350	1,711	-21%	932	822	13%
Foreign exchange (gains) losses	841	676	24%	(370)	48	<100%
Profit before income taxes	**10,739**	**10,238**	**5%**	**4,873**	**6,057**	**-20%**
Income taxes	3,056	2,661	15%	1,127	1,411	-20%
Net income	**7,683**	**7,577**	**1%**	**3,746**	**4,646**	**-19%**

(1) Cash discounts for "non-recourse" advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 1.1 million euro otherwise included in "Other operating costs" and 1.1 million otherwise included in the item "Impairment of Goodwill".

Sales from contracts with customers, equal to 1,834.7 million euro, showed an increase of +7% compared with 1,717.5 million euro in the first half of 2019. In the second quarter, an increase of +9% was recorded compared with the same period of the previous year (from 842.0 million euro to 920.9 million euro).

The Gross Profit came to 82.8 million euro, marking an increase of +2% compared to H1 2019 (81.4 million euro) due to higher sales, which offset the slight reduction in the percentage margin (4.51% compared to 4.74%) and despite the diluting effect linked to the significant drop in sales and subsequent profit margin of Celly caused by the partial suspension of activities. In the second quarter alone, the gross sales margin, amounting to 40.5 million euro, was essentially in line with the same period of the previous year, with a percentage margin down from 4.80% to 4.40%.

EBITDA Adjusted, amounted to 24.0 million euro, +16% compared to 20.6 million euro in H1 2019, calculated gross of one-off costs of 1.1 million euro (0.9 million euro connected with the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y

Networking S.A., and 0.2 million euro incurred to deal with the Covid-19 pandemic). The second quarter alone reflects similar changes with respect to the corresponding quarter of the previous year.

EBIT Adjusted, gross of non-recurring costs of 2.2 million euro (1.1 million euro in one-off costs cited above and 1.1 million euro in impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly), amounted to 16.8 million euro, +20% compared to 14.0 million euro in H1 2019. The incidence on sales rose to 0.92% from 0.81% in the previous period. The trend in the second quarter alone is almost in line with the change at half level (+17%).

EBIT was equal to 14.6 million euro, marking an increase of +4% compared to H1 2019 while the second quarter alone recorded a drop of -13% due to non-recurring expenses.

Profit before income taxes was equal to 10.7 million euro (+5% compared to 10.2 million euro in H1 2019), while the second quarter alone recorded a drop of -20% due to the aforementioned non-recurring expenses.

Net income amounted to 7.7 million euro, +1% (7.6 million euro in H1 2019). Changes of the same amount were registered in the second quarter in pre-tax profit with respect to the corresponding quarter of the previous year.

Basic earnings per ordinary share as at 30 June 2020, standing at 0.16 euro, showed an increase of +14% compared with the first half 2019 (0.14 euro). In the second quarter basic earnings per ordinary share was 0.08 euro compared with 0.09 euro of the corresponding quarter in 2019 (-11%).

The Group's main earnings, financial and net assets position as at 30 June 2020 are hereby summarised:

(euro/000)	**30/06/2020**	**31/12/2019**
Fixed assets	220,342	226,007
Operating net working capital	61,459	(121,027)
Other current assets/liabilities	(11,328)	(1,354)
Other non-current assets/liabilities	(18,042)	(16,879)
Total uses	**252,431**	**86,747**
Short-term financial liabilities	52,364	35,862
Lease liabilities	8,673	8,597
Financial receivables from factoring companies	(654)	(3,526)
Other current financial receivables	(9,476)	(9,719)
Cash and cash equivalents	(333,237)	(463,777)
Net current financial debt	(282,330)	(432,563)
Borrowings	73,277	61,045
Lease liabilities	96,323	100,212
Other non - current financial receivables	(495)	(969)
Net financial debt (A)	(113,225)	(272,275)
Net equity (B)	365,656	359,022
Total sources of funds (C=A+B)	**252,431**	**86,747**

The distribution of technology is characterised by a high degree of seasonality and consequently the invested capital, in support of the business, is also subject to relevant fluctuations. In particular, the net working capital showed significant variability between 31 December and 30 June, also due to the effect of the channel support plans by the main suppliers in the peak season periods.

Net Invested Capital as at 30 June 2020 amounted to Euro 252.4 million and was covered by:

- shareholders' equity, including minority interests, amounting to Euro 365.7 million (Euro 359.0 million as at 31 December 2019);
- positive net financial position of Euro 113.2 million (compared to a positive net financial position of Euro 272.3 million as at 31 December 2019).

The value of the exact net financial position as at 30 June is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the half. The aforementioned factoring and securitisation plans, which define the complete transfer of risks and benefits to the buyers and therefore contemplate the derecognition of receivables from the statement of financial position assets in compliance with IFRS 9, determine an overall effect on the level of consolidated net financial debt as at 30 June, quantifiable in Euro 343.0 million (Euro 480.1 million as at 31 December 2019 and Euro 334.4 million as at 30 June 2019).

Equity and financial indicators confirm the strength of the Group.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The Italy Sub-Group's main earnings as at 30 June 2020 are hereby summarised:

(€/000)	H1 2020	H1 2019	% Var.	Q2 2020	Q2 2019	% Var.
Sales from contracts with customers	**1,206,889**	**1,149,391**	**5%**	**595,814**	**552,549**	**8%**
Cost of goods sold excl. factoring/securitisation	1,146,027	1,088,476	5%	566,222	522,949	8%
Financial cost of factoring/securisation(1)	1,030	1,225	-16%	558	642	-13%
Gross Profit(2)	**59,832**	**59,690**	**0%**	**29,034**	**28,958**	**0%**
Gross Profit %	*4.96%*	*5.19%*		*4.87%*	*5.24%*	
Personnel costs	23,356	23,065	1%	11,399	11,406	0%
Other operating costs	21,080	23,345	-10%	10,157	11,749	-14%
EBITDA adjusted	**15,396**	**13,280**	**16%**	**7,478**	**5,803**	**29%**
EBITDA adjusted %	*1.28%*	*1.16%*		*1.26%*	*1.05%*	
Depreciation e amortisation	1,587	1,600	-1%	780	782	0%
IFRS 16 Right of Use depreciation	3,805	3,308	15%	1,901	1,422	34%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**10,004**	**8,372**	**19%**	**4,797**	**3,599**	**33%**
EBIT adjusted %	*0.83%*	*0.73%*		*0.81%*	*0.65%*	
Non recurring costs(3)	2,216	-	100%	2,216	-	100%
EBIT	**7,788**	**8,372**	**-7%**	**2,581**	**3,599**	**-28%**
EBIT %	*0.65%*	*0.73%*		*0.43%*	*0.65%*	

(1) Cash discounts for "non-recourse" advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 1.1 million euro otherwise included in "Other operating costs" and 1.1 million otherwise included in the item "Impairment of Goodwill".

Sales from contracts with customers, equal to 1,206.9 million euro, showed an increase of +5% compared with 1,149.4 million euro in the first half of 2019. In the second quarter, an increase of +8% was recorded compared with the same period of the previous year (from 552.5 million euro to 595.8 million euro).

The Gross Profit came to 59.8 million euro, essentially in line with H1 2019 (59.7 million euro) due to higher sales, which offset the slight reduction in the percentage margin (4.96% compared to 5.19%) and despite the diluting effect linked to the significant drop in sales and subsequent profit margin of Celly caused by the partial suspension of activities. In the second quarter alone, the gross profit, amounting to 29.0 million euro, was essentially in line with the same period of the previous year, with a percentage margin down from 5.24% to 4.87%.

EBITDA Adjusted, amounted to 15.4 million euro, +16% compared to 13.3 million euro in H1 2019, calculated gross of one-off costs of 1.1 million euro (0.9 million euro connected with the transaction aimed at the acquisition of GTI and 0.2 million euro incurred to deal with the Covid-19 pandemic). In the second quarter alone, an increase of +29% was recorded compared with the corresponding period of the previous year.

EBIT Adjusted, gross of non-recurring costs of 2.2 million euro (1.1 million euro in one-off costs cited above and 1.1 million euro in impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly), amounted to 10.0 million euro, +19% compared to 8.4 million euro in H1 2019. The incidence on revenues rose to 0.83% from 0.73% in the previous period. In the second quarter alone, an increase of +33% was recorded compared with the corresponding quarter of the previous year.

EBIT was equal to 7.8 million euro, marking a decrease of -7% compared to H1 2019 due to non-recurring expenses, while in the second quarter alone, a drop of -28% was recorded, again due to the aforementioned non-recurring expenses.

The Italy Sub-Group's main earnings as at 30 June 2020 are hereby summarised:

(euro/000)	**30/06/2020**	**31/12/2019**
Fixed assets	199,261	204,170
Operating net working capital	69,580	(80,254)
Other current assets/liabilities	(1,426)	15,311
Other non-current assets/liabilities	(10,686)	(10,037)
Total uses	**256,729**	**129,190**
Short-term financial liabilities	39,249	24,179
Lease liabilities	6,603	6,563
Financial receivables from factoring companies	(654)	(3,526)
Other current financial receivables	(9,475)	(9,717)
Cash and cash equivalents	(179,728)	(294,967)
Net current financial debt	(144,005)	(277,468)
Borrowings	16,849	22,294
Lease liabilities	79,234	82,243
Other non - current financial receivables	(495)	(969)
Net Financial debt (A)	(48,417)	(173,900)
Net equity (B)	305,146	303,090
Total sources of funds (C=A+B)	**256,729**	**129,190**

The net financial position was a positive 48.4 million euro, a reduction compared to the liquidity surplus of 173.9 million euro as at 31 December 2019.

The value of the exact net financial position as at 30 June is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter. The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from balance sheet assets, determine an overall effect on the level of consolidated net financial debts as at 30 June of 193.8 million euro (268.0 million euro as at 31 December 2019 and 179.6 million euro as at 30 June 2019).

B.2) Subgroup Iberica

The Iberian Sub-Group's main earnings as at 30 June 2020 are hereby summarised:

(€/000)	H1 2020	H1 2019	% Var.	Q2 2020	Q2 2019	% Var.
Sales from contracts with customers	**642,574**	**590,860**	**9%**	**328,589**	**299,958**	**10%**
Cost of goods sold excl. factoring/securitisation	619,036	568,310	9%	316,790	288,066	10%
Financial cost of factoring/securisation[1]	661	769	-14%	353	401	-12%
Gross Profit[2]	**22,877**	**21,781**	**5%**	**11,446**	**11,491**	**0%**
Gross Profit %	*3.56%*	*3.69%*		*3.48%*	*3.83%*	
Personnel costs	9,605	9,386	2%	4,678	4,779	-2%
Other operating costs	4,990	5,299	-6%	2,345	2,360	-1%
EBITDA adjusted	**8,282**	**7,096**	**17%**	**4,423**	**4,352**	**2%**
EBITDA adjusted %	*1.29%*	*1.20%*		*1.35%*	*1.45%*	
Depreciation e amortisation	427	436	-2%	203	223	-9%
IFRS 16 Right of Use depreciation	1,134	1,031	10%	574	495	16%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**6,721**	**5,629**	**19%**	**3,646**	**3,634**	**0%**
EBIT adjusted %	*1.05%*	*0.95%*		*1.11%*	*1.21%*	
Non recurring costs[3]	-	-	n/s	-	-	n/s
EBIT	**6,721**	**5,629**	**19%**	**3,646**	**3,634**	**0%**
EBIT %	*1.05%*	*0.95%*		*1.11%*	*1.21%*	

(1) Cash discounts for "non-recourse" advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.

Sales from contracts with customers, equal to 642.6 million euro, show an increase of +9% compared Euro 590.9 million euro in the first half of 2019. In the second quarter alone, sales recorded an increase of +10% compared with the same period of the previous year.

The gross profit as at 30 June 2020 totalled 22.9 million euro, showing an increase of +5% compared with 21.8 million euro of the same period of 2019 with an incidence on revenues down from 3.69% to 3.56%. In the second quarter alone, gross profit was essentially in line with respect to the previous period, with an incidence on revenues down from 3.83% to 3.48%.

EBITDA Adjusted amounted to 8.3 million euro, +17% compared to 7.1 million euro in H1 2019. In the second quarter alone, an increase of +2% was recorded compared with the corresponding quarter of the previous year.

EBIT Adjusted and EBIT, the same as non-recurring costs were not recognised, stood at 6.7 million euro, marking an increase of +19% compared to H1 2019. Values in the second quarter were essentially in line with the second quarter of the previous year.

The Spain Sub-Group's main earnings as at 30 June 2020 are hereby summarised:

(euro/000)	30/06/2020	31/12/2019
Fixed assets	95,768	96,529
Operating net working capital	(7,820)	(40,367)
Other current assets/liabilities	(9,903)	(16,666)
Other non-current assets/liabilities	(7,356)	(6,842)
Total uses	**70,689**	**32,654**
Short-term financial liabilities	13,115	11,683
Lease liabilities	2,070	2,034
Other current financial receivables	(0)	(2)
Cash and cash equivalents	(153,509)	(168,810)
Net current financial debt	(138,324)	(155,095)
Borrowings	56,428	38,751
Lease liabilities	17,089	17,969
Net Financial debt (A)	(64,807)	(98,375)
Net equity (B)	135,496	131,029
Total sources of funds (C=A+B)	**70,689**	**32,654**

The net financial position was a positive 64.8 million euro, a reduction compared to the liquidity surplus of 98.4 million euro as at 31 December 2019.

The value of the exact net financial position as at 30 June is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter. The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from balance sheet assets, determine an overall effect on the level of consolidated net financial debts as at 30 June of 149.2 million euro (212.1 million euro as at 31 December 2019 and 154.8 million euro as at 30 June 2019).

C) Esprinet Group's financial highlights Pre-IFRS 16

The Group's main financial results are shown below using the adjusted figures following the application of IFRS 16:

(€/000)	**H1 2020**	**H1 2019**	**% Var.**
	Pre-IFRS16	Pre-IFRS16	
Sales from contracts with customers	**1,834,676**	**1,717,485**	**7%**
Cost of goods sold excl. factoring/securitisation	1,750,181	1,634,060	7%
Financial cost of factoring/securisation(1)	1,692	1,994	-15%
Gross Profit(2)	**82,803**	**81,431**	**2%**
Gross Profit %	*4.51%*	*4.74%*	
Personnel costs	32,961	32,450	2%
Other operating costs	31,836	34,164	-7%
EBITDA adjusted	**18,006**	**14,817**	**22%**
EBITDA adjusted %	*0.98%*	*0.86%*	
Depreciation e amortisation	2,184	2,315	-6%
IFRS 16 Right of Use depreciation	-	-	n/s
Goodwill impairment	-	-	n/s
EBIT adjusted	**15,822**	**12,502**	**27%**
EBIT adjusted %	*0.86%*	*0.73%*	
Non recurring costs(3)	2,216	-	100%
EBIT	**13,606**	**12,502**	**9%**
EBIT %	*0.74%*	*0.73%*	
IFRS 16 interest expenses on leases	-	-	n/s
Other financial (income) expenses	1,350	1,711	-21%
Foreign exchange (gains) losses	841	676	24%
Profit before income taxes	**11,415**	**10,115**	**13%**
Income taxes	3,188	2,583	23%
Net income	**8,227**	**7,532**	**9%**

(1) Cash discounts for "non-recourse" advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 1.1 million euro otherwise included in "Other operating costs" and 1.1 million otherwise included in the item "Impairment of Goodwill".

The Group's main financial results are shown below using the adjusted figures following the application of IFRS 16:

(euro/000)	**30/06/2020**	**31/12/2019**
Fixed assets	117,339	118,544
Operating net working capital	61,459	(121,074)
Other current assets/liabilities	(11,494)	(1,370)
Other non-current assets/liabilities	(18,042)	(16,879)
Total uses	**149,262**	**(20,779)**
Short-term financial liabilities	52,364	35,862
Lease liabilities	-	-
Financial receivables from factoring companies	(654)	(3,526)
Other financial receivables	(9,476)	(9,719)
Cash and cash equivalents	(333,237)	(463,777)
Net current financial debt	(291,003)	(441,160)
Borrowings	73,277	61,045
Lease liabilities	-	-
Other financial receivables	(495)	(969)
Net Financial debt (A)	(218,221)	(381,084)
Net equity (B)	367,483	360,305
Total sources of funds (C=A+ B)	**149,262**	**(20,779)**

3. Revenue trends by product family and customer type

(euro/million)	**H1 2020**	**%**	**H1 2019**	**%**	**Var.**	**% Var.**	**Q2 2020**	**%**	**Q2 2019**	**%**	**Var.**	**% Var.**
Retailers & E-Tailers	834.6	45.5%	778.7	45.3%	55.9	*7%*	450.2	48.9%	416.0	49.4%	34.2	*8%*
IT Resellers	1,030.2	56.2%	973.5	56.7%	56.7	*6%*	508.5	55.2%	476.1	56.5%	32.4	*7%*
IFRS15 and other adjustments	(30.1)	-1.6%	(34.7)	-2.0%	4.6	*-13%*	(37.8)	-4.1%	(50.1)	-5.9%	12.3	*-25%*
Sales from contracts with customers	**1,834.7**	**100.0%**	**1,717.5**	**100.0%**	**117.2**	***7%***	**920.9**	**100.0%**	**842.0**	**100.0%**	**78.9**	***9%***

(euro/million)	**H1 2020**	**%**	**H1 2019**	**%**	**Var.**	**% Var.**	**Q2 2020**	**%**	**Q2 2019**	**%**	**Var.**	**% Var.**
PC (notebook, tablet, desktop, monitor)	704.5	38.4%	633.8	36.9%	70.7	*11%*	379.3	41.2%	323.2	38.4%	56.1	*17%*
Printing devices and supplies	193.5	10.5%	210.8	12.3%	(17.3)	*-8%*	88.4	9.6%	99.6	11.8%	(11.2)	*-11%*
Other IT products	115.4	6.3%	118.2	6.9%	(2.8)	*-2%*	59.1	6.4%	54.6	6.5%	4.5	*8%*
Total IT Clients	**1,013.4**	**55.2%**	**962.8**	**56.1%**	**50.6**	***5%***	**526.8**	**57.2%**	**477.4**	**56.7%**	**49.4**	***10%***
Smartphones	487.3	26.6%	395.1	23.0%	92.2	*23%*	250.3	27.2%	213.6	25.4%	36.7	*17%*
White goods	26.4	1.4%	23.3	1.4%	3.1	*13%*	16.4	1.8%	13.3	1.6%	3.1	*23%*
Gaming hardware and software	8.5	0.5%	10.4	0.6%	(1.9)	*-18%*	4.8	0.5%	7.0	0.8%	(2.2)	*-31%*
Other consumer electronics products	69.4	3.8%	85.4	5.0%	(16.0)	*-19%*	40.5	4.4%	49.0	5.8%	(8.5)	*-17%*
Total Consumer Electronics	**591.6**	**32.2%**	**514.2**	**29.9%**	**77.4**	***15%***	**312.0**	**33.9%**	**282.9**	**33.6%**	**29.1**	***10%***
Hardware (networking, storage, server & others)	174.3	9.5%	204.4	11.9%	(30.1)	*-15%*	79.2	8.6%	96.2	11.4%	(17.0)	*-18%*
Software, Services, Cloud	85.5	4.7%	70.8	4.1%	14.7	*21%*	40.7	4.4%	35.6	4.2%	5.1	*14%*
Total Advanced Solutions	**259.8**	**14.2%**	**275.2**	**16.0%**	**(15.4)**	***-6%***	**119.9**	**13.0%**	**131.8**	**15.7%**	**(11.9)**	***-9%***
IFRS15 and other adjustments	(30.1)	-1.6%	(34.7)	-2.0%	4.6	*-13%*	(37.8)	-4.1%	(50.1)	-6.0%	12.3	*-25%*
Sales from contracts with customers	**1,834.7**	**100.0%**	**1,717.5**	**100.0%**	**117.2**	***7%***	**920.9**	**100.0%**	**842.0**	**100.0%**	**78.9**	***9%***

In H1 2020, the market recorded growth of +5% in the *Business Segment*, and +7% in the *Consumer Segment.* The monthly performance shows, for IT Resellers (*Business Segment*) continuous growth and significant resilience in April (-6.6%) also favoured by many "smart working" projects implemented by companies and Government institutions; the *Consumer Segment* instead recorded a significant slump in volumes in the March-April two-month period (-14% and -23% respectively) due to the long period of closure of the sales points, only partially offset by the better performance of on-line sales, then recorded double-digit post-lockdown growth of +50% in June.

Sales by customer type recorded an increase in both the *Business Segment* (+6%) and the *Consumer Segment* (+7%); in this context the Esprinet Group helped to guarantee the business continuity of end users of IT Resellers, also dealing with spikes in post-lockdown demand of the Retailer / E-tailer channel.

The analysis of the second quarter alone also discloses the same trends (even though with different percentages) with the exception of the "Other products" category of the IT Clients sub-category, that shows growth of +8% compared with an overall downturn in the first half (-2%).

Significant events occurring in the period

The significant events that occurred during the period are briefly described as follows:

Annual Shareholders' Meeting of the parent company Esprinet S.p.A. and subsequent cancellation of shares

The Ordinary and Extraordinary Shareholders' Meeting of Esprinet S.p.A. was held on 25 May 2020 which, as regards the various matters:

- approved the financial statements for the year ended as at 31 December 2019, allocating 4.6 million euro of the net profit realised to increase the extraordinary reserve;
- acknowledged the consolidated financial statements for the year ended as at 31 December 2019;
- revoked the authorisation to purchase own shares resolved by the previous Shareholders' Meeting on 8 May 2019;
- resolved the cancellation, which occurred materially on 22 June 2020, of 1,470,217 own shares in the portfolio, with no reduction of share capital.

Binding agreement for the acquisition of 100% of the GTI Software Networking S.A. Group through the wholly-owned subsidiary Esprinet Iberica S.L.U.

On 19 June 2020, a binding agreement was stipulated for the purchase, through the Spanish sub-holding Esprinet Iberica S.L.U., of 100% of the capital of GTI Software Networking S.A., active in the field of Advanced Solutions, leading distributor in Spain of "cloud" software and solutions and the sixth distributor worldwide in terms of revenues, with registered office in Madrid, and also operating in Portugal and North Africa.
The total consideration for the acquisition of 100% of the shareholding was set at 33.8 million euro and will be paid at closing using available resources.
The execution of the agreement is subject to the necessary anti-trust authorisations in the countries concerned, for which the authorisation has already been obtained for the Spanish market.
Expenses of 0.9 million euro were incurred to complete the transaction as at 30 June 2020.

Loans guaranteed by the Spanish Government in favour of the subsidiaries Esprinet Iberica and Vinzeo

During the first half, the Spanish subsidiaries Esprinet Iberica S.L.U. and Vinzeo Technologies S.A.U., as part of the measures to support companies adopted by the Spanish Government to tackle Covid-19, took out a total of 4 five-year loans and one three-year loan, all amortising and fixed-rate, guaranteed by the Spanish Government through l'Instituto de Crédito Official ("ICO"). The total value of the loans subscribed and disbursed by 30 June 2020 amounted to 24.0 million euro.

Developments in tax disputes

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, with a total amount of 18.7 million euro, plus penalties and interest, with respect to transactions occurred between 2011 and 2013. Since some customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.

In relation to the aforementioned disputes, it should be noted that an unfavourable Appeal judgment was issued on 17 February 2020 by the Regional Tax Commission of Lombardy, relating to the appeal presented by the Italian Revenue Agency against the favourable first instance ruling for the Company concerning 2012 and in relation to which the tax challenged amounted to 3.1 million euro.
The Company is preparing an appeal before the Supreme Court.

Relationships with related parties

Group operations with related parties, as defined by IAS 24, were effected in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were sold under the same conditions as those usually applied to employees.
Transactions between the parent company Esprinet S.p.A. and its subsidiaries included in the consolidation scope were de-recognised in the interim consolidated financial statements and therefore do not appear in this section.

During the period, relationships with related parties consisted essentially of the sale of products and services under market conditions between Group's entities and companies where the key management personnel or shareholders of Esprinet S.p.A. play important roles.
Relationships with key managers consisted of the compensation awarded for services rendered by the same.
Revenues realised are related to the sales of consumer electronic products to business and private customers under normal market conditions.

The total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

The balances of the statement of financial position and of income statements deriving from operations with related parties are summarised in the *"Notes to income statement"*.
It should be noted that, in the first half of this year, there were no transactions of "greater importance" as defined by the "Procedure for the discipline of Transactions with Related Parties", approved by the Board of Directors of Esprinet S.p.A. in compliance with Consob resolution no. 17221 of 12 March 2010, as amended, which came into force on 1 January 2011.

Main risks and uncertainties

Esprinet Group activities are exposed to risk factors that may influence its economic and financial situation.
The Group identifies assesses and manages risks in compliance with internationally recognised models and techniques such as the Enterprise Risk Management - Integrated Framework (CoSo 3).
The identification of key risks has enabled their classification in the following categories:

- strategic risks;
- operational risks;
- compliance risks;
- financial risks.

A brief description of the main risks follows for each category identified, along with the response actions implemented or planned to keep risk levels within acceptable thresholds for the Group.

Strategic risks: criticality in the ability to plan and implement strategies in a systematic and co-ordinated fashion, inadequate response to unfavourable macro-economic scenarios, inadequate response to changes in customers' and suppliers' needs, inadequate management of the analysis/reaction process to price dynamics (deflationary events).
Protection against strategic risks is usually linked to the quality of strategic planning processes and to the generation of new ideas and/or the validation of existing management models, to the frequency and effectiveness of business reviews and to the availability of competitive analysis methods and tools.

Operating risks: interruption of logistic and storage services, dependency on IT and "web" systems as well as from key vendors, inefficient management of stocks and warehouse turnover.
Operational risks are typically defended against by a mixture of rules and procedures aimed at guaranteeing adequate prevention from risky events, as well as by insurance tools and business continuity and disaster recovery plans aimed at minimizing any possible financial impact of the risky events.

Compliance risks: violation of laws, rules and regulations, including tax ones, which govern the Group operations (please see paragraph "*Developments of disputes*", point 26 "*Non-current provisions and other liabilities*" in the "*Notes to the condensed consolidated half-year financial statements*").
These risks are mainly guarded against by an external structure made up of professionals who also guarantee that internal administrative resources are updated on new laws and regulations of any possible interest to the Group.

Financial risks: credit risk and liquidity risk. Credit risk management strategies are as follows:

- in the case of cash and cash equivalents and financial derivatives, by the choice of leading national and international banks;
- in the case of trade receivables, within the limits of the ceiling negotiated and with the aim of optimising the balance of costs and benefits, by the transfer of the risk to leading insurance and/or factoring firms, as well as the application of special checking procedures regarding the assignment and periodical revision of lines of credit to customers, and the requirement of collateral in the case of customers whose ratings are insufficient to guarantee operations.

Liquidity risk management hinges on cash-flow planning and also on the maintenance of consistent amounts of unused lines of credit in Italy and in Spain of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources including that for financing working capital.

Covid-19 health emergency

The first half of 2020 was characterised by a factor of macroeconomic and financial instability related to the global spread of the pandemic, as defined by the World Health Organisation, namely Coronavirus "Covid-19", whose overall medium/long-term effects are difficult to evaluate.
Initially rearing its head in China in January, the pandemic spread to Italy, Spain and Europe between the end of February and the first half of March.
As a result of the pandemic, the Government authorities in the various nations have randomly issued provisions for the suspension of production and sales activities, limiting the freedom of movement of people in various cases ("lockdown" period) within and beyond national borders.

The Esprinet Group continued to operate effectively and so kept its profitability unchanged, thanks to the implementation of the necessary "business continuity" controls, rigorous observance of the health protocols aimed at protecting the health and safety of employees and associates, to the

operation in the various countries in a chain, like that of ICT production, distribution and sale, which did not suffer any particular interruptions due to the Government restrictions.
The large-scale use of smart-working and e-learning resulting, first, from the lockdown measures, then, social distancing, in addition, expanded and accelerated the need of all types of customers (business, public administrations, private entities) for rapid and effective implementation of the most cutting edge IT solutions, as well as full availability of devices. This favoured market growth, bucking the trend in the majority of economic sectors and, in this market, the Esprinet Group continued to operate from a position of leadership and as a point of reference for suppliers and customers.

Only two Italian subsidiaries, Celly S.p.A. and 4Side S.r.l., dealing with distribution, respectively, of accessories for mobile telephone devices and gaming products, were subject to a suspension of commercial activities, with repercussions on the results achieved in the second quarter.
This had an impact on the evaluation of the recoverability of goodwill booked in relation to the acquisition of the sub-group Celly. For details please refer to note "2) Goodwill" in the *Condensed Consolidated Half-year Financial Statements*.

The pandemic also led to risks of a supply shortage of some products due to the reduced production capacity of the suppliers most heavily dependent on the production facilities situated in areas like China and South Korea, where the emergency initially exploded. After an initial, short period where procurement stopped, offset by the supply capacity and availability of stock which has always been a hallmark of the Esprinet Group, the situation was resolved and has virtually fully re-stabilised.

In the wake of the explosion of the health emergency, uncertainties initially emerged also in relation to customers' solvency capacity for which, albeit with no evidence to suggest so, the risk of a deterioration in creditworthiness could not be ruled out.
The financial evidence on show in the first half, but also subsequently, does not lead us to believe that the aforementioned customer creditworthiness has deteriorated to such an extent to call for changes also to the "Expected Credit Loss" valuation model implemented by the Group companies; therefore, no additional special provisions were needed to counteract this risk.

At the current state of play, based on the information available and taking account of the financial situation, as well as the following main factors, we can conclude that:

- the main external risks to which the Group is exposed;
- the changes in the general macroeconomic situation in the European market in general and the Italian and Spanish markets in particular;
- changes in environmental and business conditions and competitive dynamics;
- changes in the legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;
- financial risks.

there are no doubts surrounding the Group's going concern assumption.

Other significant information

1. Research and development activities

The research and development of EDP and "Web" activities are related to the definition and planning of new processes and services relating to the IT platform used by the Group, which is at customers' and suppliers' disposal for information communication as well as for the management of sales and purchase orders. These costs were entirely recorded in the income statement, mainly among the costs of the respective departments.

2. Number and value of own shares held

At the closing date of this interim report on operations, Esprinet S.p.A. held 1,150,000 own ordinary shares, representing 2.3% of the share capital, fully in service of the Long-Term Incentive Plan, valid for the 2018-2020 three-year period, approved by the shareholders' meeting of 4 May 2018.
At the closing date of the 2019 annual financial report, Esprinet S.p.A. held 2,620,217 own ordinary shares, composed of 1,470,217 rights acquired in execution of the resolution of the shareholders' meeting of Esprinet S.p.A of 8 May 2019 and subsequently cancelled, with the proportional attribution of the rights embedded by the same to the benefit of all other shares, in implementation of the resolution of the extraordinary shareholders' meeting of 25 May 2020.

Thus, this programme represents an opportunity for the Company to award its shareholders extra compensation on top of dividend distribution.

For further information please refer to the paragraph "*Significant events occurred in the period*" in the "Directors' Interim Report on Operations".

3. Atypical and/or unusual operations

No atypical and/or unusual events or operations according to the definition as per Consob Communication No. DEM 6064293 of 28 July 2006 occurred during the period.

4. Share incentive plans

Within the scope of share incentive policies aimed at strengthening the loyalty of executives deemed essential for the purpose of achieving the Group operating targets, on 4 May 2018 Esprinet Shareholders' Meeting approved a new compensation Plan ("Long Term Incentive Plan") for the benefit of the members of the Board of Directors and executives, as proposed by the Remuneration Committee. Such plan will apply for the 3-year period 2018-20 with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet. S.p.A. ordinary shares. On 25 June 2018, pursuant to the above-mentioned AGM resolution, 1,150,000 rights (equal to the number of rights resolved by the AGM) were freely granted. The exercise of the stock plan is conditional upon the achievement of some financial targets for the period 2018-2020 and the beneficiary being still employed by the Group at the date of presentation of the 2020 Consolidated Financial Statements.

Further information can be found in the "*Notes to the condensed consolidated half-year financial statements*" – paragraph "*Labour costs and number of employees*".

5. Equity and result reconciliation between Group and parent company

In compliance with Consob Communication No. DEM/6064293 of 28 July 2006 the reconciliation between the Group net equity and result for the period together with the relative data of the parent company, Esprinet S.p.A., is illustrated in the table below:

(euro/000)	Net Income/(loss)		Equity	
	30/06/20	30/06/19	30/06/20	31/12/19
Esprinet S.p.A. separate financial statements	**2,488**	**2,966**	**296,869**	**295,412**
Consolidation adjustement:				
Net equity and result for the year of consolidated companies,net of minority interests	4,222	4,265	147,662	143,414
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(88,058)	(88,013)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,039	1,039
Goodwill from Celly S.p.A. business combination	(1,100)	-	3,053	4,153
Goodwill from 4Side srl business combination	-	-	122	121
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	92	(29)	(222)	(314)
Subsidiaries's risk provision deletion	-	-	743	743
Investments in subsidiaries write-down deletion	1,981	-	3,581	1,600
Option on Celly shares	-	375	-	-
Other movements	-	-	867	867
Consolidated net equity	**7,683**	**7,577**	**365,656**	**359,022**

Outlook and main risk factors in the second half of the year

There is still a high level of uncertainty connected with the trend in the COVID-19 pandemic, which makes it difficult to estimate the trend in revenues, despite the current presence of an especially favourable level of revenues, fuelled in particular by demand for telephones and personal computers.

Similar uncertainty is affecting the supply chain, in terms of the operation of factories and the transport chain as far as our warehouses.

After a highly critical start to the year, the situation appears to have fully returned to normal but we cannot rule out localised fresh waves of the pandemic which may bring closures or slowdowns in production.

The Group is also preparing to acquire the shares of GTI following the expected authorisation from the Moroccan anti-trust authorities. The date of the start of consolidation depends on said authorisation and is currently estimated at the start of October, and this uncertainty is augmented by the difficulty in effectively launching the integration of the aforementioned company in a context that makes physical interaction complicated; these phenomena make it difficult to estimate the impact of the aforementioned acquisition on results in the second part of 2020.

All that said, the results of the first half and the excellent performances in July and August, which recorded a +32% increase in revenues over the same two-month period of 2019 (up by roughly 180 million euro), allow us to estimate, not counting the effect of the consolidation of GTI, indicatively expected in October, revenues of more than 4.3 billion euro in 2020.
EBITDA Adjusted expected in the range of between 56 and 61 million euro, up significantly compared to 2019, the prelude to a gradual focus on profitability as the main driver of growth in the ROCE.

Vimercate, 7 September 2020

Of behalf of the Board of Directors
The Chairman
Maurizio Rota

Consolidated statement of financial position

The table below shows the consolidated statement of financial position drawn up according to IFRS principles, together with the information required pursuant to Consob Resolution No. 15519 of 27 July 2006:

(euro/000)	Notes	30/06/2020	related parties*	31/12/2019	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	11,219		11,824	
Right-of-use assets	4	102,719		107,310	
Goodwill	2	89,616		90,716	
Intangible assets	3	682		480	
Deferred income tax assets	6	13,921		13,469	
Receivables and other non-current assets	9	2,680	-	3,177	-
		220,837	-	**226,976**	-
Current assets					
Inventory	10	492,029		497,220	
Trade receivables	11	396,762	3	470,999	1
Income tax assets	12	3,190		1,514	
Other assets	13	30,660	-	40,956	-
Cash and cash equivalents	17	333,237		463,777	
		1,255,878	3	**1,474,466**	1
Total assets		**1,476,715**	3	**1,701,442**	1
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	347,609		325,554	
Group net income	21	7,813		23,099	
Group net equity		**363,283**		**356,514**	
Non-controlling interests		2,373		2,508	
Total equity		**365,656**		**359,022**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	73,277		61,045	
Lease liabilities	31	96,323		100,212	
Deferred income tax liabilities	24	11,474		9,712	
Retirement benefit obligations	25	4,743		4,669	
Provisions and other liabilities	26	1,825		2,498	
		187,642		**178,136**	
Current liabilities					
Trade payables	27	827,332	-	1,089,246	-
Short-term financial liabilities	28	52,364		35,862	
Lease liabilities	36	8,673		8,597	
Income tax liabilities	29	1,491		27	
Provisions and other liabilities	32	33,557	-	30,552	-
		923,417	-	**1,164,284**	-
Total liabilities		**1,111,059**	-	**1,342,420**	-
Total equity and liabilities		**1,476,715**	-	**1,701,442**	-

(*) For further details on related parties, see the related section in the "*Interim Directors' Report on Operations*".

Consolidated income statement

Below is the consolidated separate income statement, showing revenues by "*function*" in accordance with the IFRS, along with the additional information required under CONSOB Resolution No. 15519 of 27 July 2006, whose data referring to solely the second quarter are not subject to a limited audit:

(euro/000)	Notes	H1 2020	non - recurring	related parties*	H1 2019	non - recurring	related parties*
Sales from contracts with customers	33	**1,834,676**	-	8	**1,717,485**	-	4
Cost of sales		(1,752,267)	-	-	(1,636,406)	-	-
Gross profit	35	**82,409**	-		**81,079**	-	
Sales and marketing costs	37	(24,888)	-	-	(26,003)	-	-
Overheads and administrative costs	38	(42,065)	(2,216)	-	(40,306)	-	(8)
Impairment loss/reversal of financial assets	39	(844)	-		(787)	-	
Operating income (EBIT)		**14,612**	(2,216)		**13,983**	-	
Finance costs - net	42	(3,873)	-	-	(3,745)	-	7
Profit before income taxes		**10,739**	(2,216)		**10,238**	-	
Income tax expenses	45	(3,056)	312	-	(2,661)	-	-
Net income		**7,683**	(1,904)		**7,577**	-	
- of which attributable to non-controlling interests		(130)			260		
- of which attributable to Group		7,813	(1,904)		7,317	-	
Earnings per share - basic (euro)	46	0.16			0.14		
Earnings per share - diluted (euro)	46	0.16			0.14		

(euro/000)	Notes	Q2 2020	non - recurring	related parties*	Q2 2019	non - recurring	related parties*
Sales from contracts with customers	33	**920,914**	-	8	**842,020**	-	1
Cost of sales		(880,598)	-	-	(801,751)	-	-
Gross profit	35	**40,316**	-		**40,269**	-	
Sales and marketing costs	37	(11,803)	-	-	(12,793)	-	-
Overheads and administrative costs	38	(21,832)	(2,216)	-	(19,980)	-	57
Impairment loss/reversal of financial assets	39	(412)	-		(257)	-	
Operating income (EBIT)		**6,269**	(2,216)		**7,239**	-	
Finance costs - net	42	(1,396)	-	-	(1,182)	-	4
Profit before income taxes		**4,873**	(2,216)		**6,057**	-	
Income tax expenses	45	(1,127)	312	-	(1,411)	-	-
Net income		**3,746**	(1,904)		**4,646**	-	
- of which attributable to non-controlling interests		(70)	-		269	-	
- of which attributable to Group		3,816	(1,904)		4,377	-	
Earnings per share - basic (euro)	46	0.08			0.09		
Earnings per share - diluted (euro)	46	0.08			0.08		

(*) Excluding fees paid to executives with strategic responsibilities, for which please refer to the specific paragraph in "Interim Directors' Report on Operations'". For more details on transactions with related parties, please refer to the associated section of the "Interim directors' report on operations".

Consolidated statement of comprehensive income

(euro/000)	H1 2020	H1 2019	Q2 2020	Q2 2019
Net income	**7,683**	**7,577**	**3,746**	**4,646**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	-	(100)	-	(69)
- Taxes on changes in 'cash flow hedge' equity reserve	-	(16)	-	(8)
- Changes in translation adjustment reserve	(1)	(2)	(1)	(1)
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	(24)	(208)	(307)	(124)
- Taxes on changes in 'TFR' equity reserve	6	58	85	(3)
Other comprehensive income	**(19)**	**(268)**	**(223)**	**(205)**
Total comprehensive income	**7,664**	**7,309**	**3,523**	**4,441**
- of which attributable to Group	7,799	7,057	3,611	4,178
- of which attributable to non-controlling interests	(135)	252	(88)	263

Consolidated statement of changes in shareholders' equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2018	**7,861**	**325,680**	**(4,800)**	**14,158**	**342,899**	**1,175**	**341,724**
Total comprehensive income/(loss)	**-**	**(268)**	**-**	**7,577**	**7,309**	**252**	**7,057**
Allocation of last year net income/(loss)	-	7,239	-	(7,239)	**-**	-	**-**
Increase in reserve from 4Side acquisition	-	1,180	-	-	**1,180**	1,180	**-**
Dividend payment	-	-	-	(6,919)	**(6,919)**	-	**(6,919)**
20% Celly Call Option deletion	-	1,082	-	-	**1,082**		**1,082**
Transactions with owners	**-**	**9,501**	**-**	**(14,158)**	**(4,657)**	1,180	**(5,837)**
Currently active Share plans	-	619	-	-	**619**	-	**619**
Other variations	-	7	-	-	**7**	(7)	**14**
Balance at 30 June 2019	**7,861**	**335,539**	**(4,800)**	**7,577**	**346,177**	**2,600**	**343,577**
Balance at 31 December 2019	**7,861**	**336,255**	**(8,647)**	**23,553**	**359,022**	**2,508**	**356,514**
Total comprehensive income/(loss)	**-**	**(19)**	**-**	**7,683**	**7,664**	**(135)**	**7,799**
Allocation of last year net income/(loss)	-	23,553	-	(23,553)	**-**	-	**-**
Acquisition and deletion of Esprinet own shares	-	(1,656)	-	-	**(1,656)**	-	**(1,656)**
Transactions with owners	**-**	**21,897**	**-**	**(23,553)**	**(1,656)**	**-**	**(1,656)**
Equity plans in progress	-	624	-	-	**624**	-	**624**
Other variations	-	2	-	-	**2**	-	**2**
Balance at 30 June 2020	**7,861**	**358,759**	**(8,647)**	**7,683**	**365,656**	**2,373**	**363,283**

Consolidated statement of cash flows[1]

(euro/000)	H1 2020	H1 2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**(154,417)**	**(320,072)**
Cash flow generated from operations (A)	**22,818**	**21,174**
Operating income (EBIT)	14,612	13,983
Depreciation, amortisation and other fixed assets write-downs	8,222	6,653
Net changes in provisions for risks and charges	(673)	260
Net changes in retirement benefit obligations	33	(341)
Stock option/grant costs	624	619
Cash flow provided by (used in) changes in working capital (B)	**(172,896)**	**(338,264)**
Inventory	5,191	22,217
Trade receivables	74,237	(4,578)
Other current assets	5,505	2,796
Trade payables	(261,844)	(349,059)
Other current liabilities	4,015	(9,640)
Other cash flow provided by (used in) operating activities (C)	**(4,339)**	**(2,982)**
Interests paid	(2,346)	(2,130)
Received interests	63	39
Foreign exchange (losses)/gains	(911)	(814)
Income taxes paid	(1,145)	(77)
Cash flow provided by (used in) investing activities (E)	**(2,105)**	**262**
Net investments in property, plant and equipment	(1,763)	(1,084)
Net investments in intangible assets	(365)	(129)
Net investments in other non current assets	23	(73)
4Side business combination	-	1,548
Cash flow provided by (used in) financing activities (F)	**25,982**	**59,454**
Medium/long term borrowing	24,000	47,000
Repayment/renegotiation of medium/long-term borrowings	(7,785)	(20,238)
Leasing liabilities remboursement	(4,086)	(4,520)
Net change in financial liabilities	12,058	44,761
Net change in financial assets and derivative instruments	3,591	(871)
Dividend payments	-	(6,919)
Own shares acquisition	(1,656)	-
Changes in third parties net equity	(140)	241
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(130,540)**	**(260,356)**
Cash and cash equivalents at year-beginning	**463,777**	**381,308**
Net increase/(decrease) in cash and cash equivalents	**(130,540)**	**(260,356)**
Cash and cash equivalents at year-end	**333,237**	**120,952**

[1]The effects of the transactions with related parties were omitted given insignificant.

Notes to the condensed consolidated half-year financial statements

1. Contents and format of the consolidated financial statements

1.1 Regulations, accounting principles and valuation criteria

The Esprinet Group consolidated half-year financial report as at 30 June 2020 was drawn up in accordance with Article 154-ter, paragraph 2, of Legislative Decree No. 58/1998 (T.U.F – Finance Consolidation Act) as well as Consob Communication No. DEM/6064293 of 28 July 2006 (disclosure requirements of Italian listed companies pursuant to Article 114, paragraph 5, Legislative Decree No. 58/98") and includes:

- the interim directors' report on operations;
- the condensed consolidated half-year financial statements;
- the declaration provided by article 154-bis, paragraph 5 of the T.U.F..

The condensed consolidated half-year financial statements have been drawn up in compliance with IFRS - International Financial Reporting Standards -, using the same standards used in the Consolidated Financial Statements as at 31 December 2019 and with special reference, given an interim position, to the provisions of IAS 34 'Interim Financial Reporting' – pursuant to which they have been drafted in condensed form.
They do not include all the supplementary information required in the annual financial statements, therefore, they should be read together with the consolidated financial statements of the Esprinet Group as at 31 December 2019.

These condensed consolidated half-year financial statements as at 30 June 2020 were subject to limited audit by the company PricewaterhouseCoopers S.p.A. with exception of figures relating only to the second quarter.

1.2 Consolidation scope

The consolidated financial statements derive from the interim accounts of the parent company Esprinet S.p.A. and its direct and/or indirect subsidiaries or associated companies, approved by their respective Boards of Directors.[2]
Wherever necessary, the interim accounts of subsidiaries have been suitably adjusted to ensure consistency with the accounting principles used by the parent company.

The table below lists companies included in the consolidation scope as at 30 June 2020, all consolidated on a line-by-line basis.

[2]With the exception of Celly Pacific LTD since they do not have this Body.

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	85.00%	Esprinet S.p.A.	85.00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	400,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
4Side S.r.l	Legnano (MI)	100,000	51.00%	Esprinet S.p.A.	51.00%
Subsidiaries indirectly controlled:					
Celly Pacific LTD	Honk Kong (China)	935	85.00%	Celly S.p.A.	100.00%
Esprinet Portugal Lda	Porto (Portugal)	1,000,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

(*) Share capital values, with reference to the companies publishing financial statements in a currency other than euro, are displayed at historical value.

There were no changes in the scope of consolidation with respect to 31 December 2019.

Note should be taken, with respect solely to 30 June 2019, of the increase from 80% to 85%, on 13 September 2019, of the stake in the subsidiary Celly S.p.A. and the cancellation of the company Celly Nordic OY, a wholly-owned subsidiary of Celly S.p.A..

1.3 Principal assumptions, estimates and rounding

Within the scope of preparing these condensed consolidated half-year financial statements, several estimates and assumptions have been made on the values of financial statements revenues, costs, assets and liabilities and the disclosure relating to contingent assets and liabilities at the interim reporting date. Unless otherwise stated, they have been consistently applied to all the years presented.

Due to the uncertainty associated with the unprecedented nature of Covid-19, in preparing these condensed consolidated half-year financial statements, the Group carefully evaluated and considered the impact of the pandemic on the half-year data and provided an update of the specific disclosure in the paragraph "Covid-19 health emergency" in the previous section "Main risks and uncertainties", to which reference should be made for more details.

All the significant assumptions and estimates were subject to further analysis in order to deal with the uncertainties connected with the unpredictability of the potential impact of the pandemic on the various items including, of particular interest for the Group, the impairment of non-financial assets, evaluation of expected credit losses, recognition of revenues, lease agreements, customer support. The analysis conducted did not highlight any critical situations that cannot be addressed during the normal course of business, with the exception of the impairment that emerged as a result of the impairment test performed on the goodwill of CGU 2 "Celly". For details in this regard please refer to note "2) Goodwill".

A detailed description of the assumptions and estimates adopted can be found in the Notes to the consolidated financial statements of the Esprinet Group as at 31 December 2019, but where the evaluation has led to particular conclusions, additional specific information is provided in the notes while specific explanations are not provided if Covid-19 has not had a specific impact on the Group.

If these estimates and assumptions, which are based on the best valuation by the management, should differ from actual circumstances in the future, they will be suitably amended during the period in which those circumstances arise.

In this interim period, as permitted by IAS 34, income taxes were calculated based on the best estimate of the tax burden expected for the entire financial year. On the contrary, in the annual consolidated financial statement, current taxes have been calculated specifically based on the tax rates in force at the closing date of the financial statement.
Prepaid and deferred taxes have been instead estimated based on the tax rates expected to be in force at the time when the relevant assets or liabilities will be realised or settled.

Figures in this document are expressed in thousands of euro, unless otherwise indicated.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

1.4 Changing in accounting policies

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this interim management report.

1.5 New or revised accounting standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements as at 30 June 2020 are consistent with those used in the consolidated financial statements as at 31 December 2019, except for the accounting standards and amendments described below and obligatorily applied with effect from 1 January 2020 after being endorsed by the competent authorities.

The main changes are as follows:

Amendments to IFRS 3 – Definition of a Business: The amendments to IFRS 3 clarify that, in order to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and an underlying process that together contribute significantly to the ability to create an output. In addition, it was clarified that a business may exist without including all the inputs and processes needed to create an output. Since these amendments apply prospectively to transactions or other events that materialise at the date of first-time application or subsequently, there are no impacts on the Group's condensed consolidated half-year financial statements.
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform : The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a series of expedients, that apply to all hedging relationships that are directly concerned by the interest rate benchmark reform. A hedging relationship is influenced if the reform generates uncertainties over the timing and/or amount of the benchmark-based cash flows of the hedged element or the hedging instrument. These amendments did not have any impact on the condensed consolidated half-year financial statements given that the Group does not have any interest rate hedges in place.

Amendments to IAS 1 and IAS 8: Definition of material: The amendments provide a new definition of material in which it is affirmed that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements, considered as a whole.
Information is obscured if it is communicated in a way that would have, for primary users of financial statements, a similar effect to omitting or misstating the information.
These amendments have not had any significant effect on the condensed consolidated half-year financial statements.

Conceptual Framework for Financial Reporting: issued on 29 March 2018, the Conceptual Framework does not represent a standard and none of the concepts contained therein takes precedence over the concepts or requirements of a standard. The Conceptual Framework's purpose is to assist the IASB in developing standards, help preparers to develop consistent accounting policies for areas that are not covered by a standard and to assist all parties involved to understand and interpret the standards. The revised version of the Conceptual Framework has envisaged the insertion of new changes and provisions, such as:

- restoring the concept of prudence as component of neutrality
- revising the definitions of assets and liabilities
- removing the probability threshold as a parameter for recognition;
- providing further guidance on derecognition.

These amendments have not had any significant impacts on the condensed consolidated half-year financial statements of the Group.

At the date of these Condensed consolidated half-year Financial Statement, moreover, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

Amendments to IFRS 4 – Insurance Contracts - on 25 June 2020, the IASB published the document "Amendments to IFRS 4 Contracts - deferral of IFRS 9" with the objective of clarifying some application aspects of IFRS 9 pending the definitive application of IFRS 17. The amendments apply to financial statements for years starting on 1 January 2021. Endorsement by the EU is expected in 2020.

IFRS 17 – Insurance Contracts - Issued in May 2017 by the IASB, the new standard will replace IFRS 4 and will be applicable from 1 January 2023.

Amendments to IAS 1 – Presentation of financial statements: classification of liabilities as current or non-current – Issued by the IASB on 23 January 2020, the document requires a liability to be classified as current or non-current based on the existing rights at the reporting date. In addition, it establishes that the classification is not impacted by expectations about whether an entity will exercise its right to defer settlement of the liability. Lastly, it is clarified that this settlement refers to the transfer of cash, equities, other assets or services to the counterparty. The amendments apply to financial statements for years starting on 1 January 2022. Early application is permitted. The approval process is still in progress.

Amendments to IFRS 16 - Leases Covid 19 - Related Rent Concessions: Published by the IASB on 28 May 2020, the document provides a practical expedient for simplifying the accounting by lessees of "rent concessions" obtained as a result of the Covid-19 pandemic. This practical expedient is optional and does not apply to lessors. The amendments to IFRS 16 enter into force for financial statements for years starting on or after 1 June 2020 but, nonetheless, early application is permitted for the financial statements of previous years (including the relevant interim financial statements) whose publication has still not been authorised. The endorsement process, still in progress, is expected to be completed in the next few months.

Amendments to IFRS 3 (Business combinations), IFRS 16 (Property, Plant and Equipment) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) – Annual improvements 2018-2020: Published by the IASB on 14 May 2020 with the objective of making some specific improvements to these standards. The amendments apply to financial statements for years starting on 1 January 2022. The approval process is still in progress.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate their potential impacts, when the standards, amendments and interpretations are endorsed by the European Union.

2 Segment information

2.1 Introduction

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group);

b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which financial information is separately available.

The Esprinet Group is organised in the geographical business areas of Italy and the Iberian Peninsula (operating segments) where it performs the business-to-business (B2B) distribution of Information Technology (IT) and consumer electronics.

The B2B IT and consumer electronics distribution is aimed at professional dealers, including large-scale distributors/retailers, and regards traditional IT products (desktop PCs, PC notebooks, printers, photocopiers, servers, standard software), consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), tablets, mobile telephone devices (smartphones) and related accessories and digital products, latest-generation "entertainment" products and household appliances.

A 'geographical segment' is involved in investments and transactions aimed at providing products or services within a particular economic environment that is subject to risks and returns that are different from those achievable in other geographical segments.

A 'business segment' is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Although the organisation by geographical segments is the main way for the CODMs (Chief Operating Decision Makers) to manage and analyse the Group's results, the next tables also provide a fuller picture of the operating results and asset balances of the business segments where the Group operates in Italy.

2.2 Separate income statement by operating segments

The separate income statement, statement of financial position and other significant information regarding each of the Esprinet Group's operating segments are as follows:

Separate income statement and other significant information by operating segment

(euro/000)	H1 2020			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,192,103	642,574	-	1,834,676
Intersegment sales	14,786	-	(14,786)	-
Sales from contracts with customers	**1,206,889**	**642,574**	**(14,786)**	**1,834,676**
Cost of sales	(1,147,451)	(619,697)	14,881	(1,752,267)
Gross profit	**59,438**	**22,877**	**95**	**82,409**
Gross Profit %	*4.92%*	*3.56%*		*4.49%*
Sales and marketing costs	(19,002)	(5,886)	-	(24,888)
Overheads and admin. costs	(32,130)	(9,945)	10	(42,065)
Impairment loss/reversal of financial assets	(519)	(326)	1	(844)
Operating income (Ebit)	**7,787**	**6,720**	**106**	**14,612**
EBIT %	*0.65%*	*1.05%*		*0.80%*
Finance costs - net				(3,873)
Profit before income tax				**10,739**
Income tax expenses				(3,056)
Net income				**7,683**
- of which attributable to non-controlling interests				(130)
- of which attributable to Group				7,813
Depreciation and amortisation	**6,491**	**1,561**	169	**8,222**
Other non-cash items	**1,910**	**45**	-	**1,955**
Investments	**1,535**	**315**	-	**1,850**
Total assets	**1,043,242**	**511,455**	(77,982)	**1,476,715**

(euro/000)	H1 2019			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	1,126,625	590,860	-	1,717,485
Intersegment sales	22,766	-	(22,766)	-
Sales from contracts with customers	**1,149,391**	**590,860**	**(22,766)**	**1,717,485**
Cost of sales	(1,090,053)	(569,079)	22,726	(1,636,406)
Gross profit	**59,338**	**21,781**	**(40)**	**81,079**
Gross profit %	*5.16%*	*3.69%*		*4.72%*
Sales and marketing costs	(20,172)	(5,830)	(1)	(26,003)
Overheads and admin. costs	(30,059)	(10,270)	23	(40,306)
Impairment loss/reversal of financial assets	(735)	(52)	-	(787)
Operating income (Ebit)	**8,372**	**5,629**	**(18)**	**13,983**
EBIT %	*0.73%*	*0.95%*		*0.81%*
Finance costs - net				(3,745)
Profit before income tax				**10,238**
Income tax expenses				(2,661)
Net income				**7,577**
- of which attributable to non-controlling interests				260
- of which attributable to Group				7,317
Depreciation and amortisation	**4,907**	**1,467**	279	**6,653**
Other non-cash items	**1,930**	**72**	-	**2,002**
Investments	**1,138**	**320**	-	**1,458**
Total assets	**958,629**	**400,713**	(132,456)	**1,226,886**

(euro/000)	Q2 2020 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	592,326	328,589		920,914
Intersegment sales	3,488	-	(3,488)	-
Sales from contracts with customers	**595,814**	**328,589**	**(3,488)**	**920,914**
Cost of sales	(566,983)	(317,143)	3,528	(880,598)
Gross profit	**28,831**	**11,446**	**40**	**40,316**
Gross Profit %	*4.84%*	*3.48%*		*4.38%*
Sales and marketing costs	(9,037)	(2,766)	-	(11,803)
Overheads and admin. costs	(17,094)	(4,742)	4	(21,832)
Impairment loss/reversal of financial assets	(120)	(293)	1	(412)
Operating income (Ebit)	**2,580**	**3,645**	**45**	**6,269**
EBIT %	*0.43%*	*1.11%*		*0.68%*
Finance costs - net				(1,396)
Profit before income tax				**4,873**
Income tax expenses				(1,127)
Net income				**3,746**
- of which attributable to non-controlling interests				(70)
- of which attributable to Group				3,816
Depreciation and amortisation	**3,781**	**777**	79	**4,637**
Other non-cash items	**910**	**22**	-	**932**
Investments	**783**	**124**	-	**907**
Total assets	**1,043,242**	**511,455**	(77,982)	**1,476,715**

(euro/000)	Q2 2019 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	542,062	299,958		842,020
Intersegment sales	10,487	-	(10,487)	-
Sales from contracts with customers	**552,549**	**299,958**	**(10,487)**	**842,020**
Cost of sales	(523,765)	(288,467)	10,481	(801,751)
Gross profit	**28,784**	**11,491**	**(6)**	**40,269**
Gross profit %	*5.21%*	*3.83%*		*4.78%*
Sales and marketing costs	(9,909)	(2,883)	(1)	(12,793)
Overheads and admin. costs	(15,035)	(4,958)	13	(19,980)
Impairment loss/reversal of financial assets	(241)	(16)	-	(257)
Operating income (Ebit)	**3,599**	**3,634**	**6**	**7,239**
EBIT %	*0.65%*	*1.21%*		*0.86%*
Finance costs - net				(1,182)
Profit before income tax				**6,057**
Income tax expenses				(1,411)
Net income				**4,646**
- of which attributable to non-controlling interests				269
- of which attributable to Group				4,377
Depreciation and amortisation	**2,203**	**719**	**135**	**3,057**
Other non-cash items	**1,548**	**16**	**-**	**1,564**
Investments	**355**	**67**	**-**	**422**
Total assets	**958,629**	**400,713**	**(132,456)**	**1,226,886**

Statement of financial position by operating segments

(euro/000)	30/06/2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	8,643	2,576	-	11,219
Right-of-use assets	83,979	18,740	-	102,719
Goodwill	20,471	68,106	1,039	89,616
Intangible assets	566	116	-	682
Investments in others	75,818	-	(75,818)	-
Deferred income tax assets	7,905	5,924	92	13,921
Receivables and other non-current assets	2,374	306	-	2,680
	199,756	**95,768**	**(74,687)**	**220,837**
Current assets				
Inventory	346,176	146,154	(301)	492,029
Trade receivables	284,618	112,144	-	396,762
Income tax assets	2,861	329	-	3,190
Other assets	30,103	3,551	(2,994)	30,660
Cash and cash equivalents	179,728	153,509	-	333,237
	843,486	**415,687**	**(3,295)**	**1,255,878**
Total assets	**1,043,242**	**511,455**	**(77,982)**	**1,476,715**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	291,634	76,384	(20,409)	347,609
Group net income	3,247	4,432	134	7,813
Group net equity	**302,742**	**135,509**	**(74,968)**	**363,283**
Non-controlling interests	2,404	(13)	(18)	2,373
Total equity	**305,146**	**135,496**	**(74,986)**	**365,656**
LIABILITIES				
Non-current liabilities				
Borrowings	16,849	56,428	-	73,277
Lease liabilities	79,234	17,089	-	96,323
Deferred income tax liabilities	4,135	7,339	-	11,474
Retirement benefit obligations	4,743	-	-	4,743
Provisions and other liabilities	1,808	17	-	1,825
	106,769	**80,873**	**-**	**187,642**
Current liabilities				
Trade payables	561,214	266,118	-	827,332
Short-term financial liabilities	39,249	13,115	-	52,364
Lease liabilities	6,603	2,070	-	8,673
Income tax liabilities	109	1,382	-	1,491
Provisions and other liabilities	24,152	12,401	(2,996)	33,557
	631,327	**295,086**	**(2,996)**	**923,417**
Total liabilities	**738,096**	**375,959**	**(2,996)**	**1,111,059**
Total equity and liabilities	**1,043,242**	**511,455**	**(77,982)**	**1,476,715**

(euro/000)	31/12/2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	9,167	2,657	-	11,824
Right-of-use assets	87,605	19,705	-	107,310
Goodwill	21,571	68,106	1,039	90,716
Intangible assets	332	148	-	480
Investments in others	75,853	-	(75,853)	-
Deferred income tax assets	7,736	5,611	122	13,469
Receivables and other non-current assets	2,875	302	-	3,177
	205,139	**96,529**	**(74,692)**	**226,976**
Current assets				
Inventory	343,841	153,785	(406)	497,220
Trade receivables	331,471	139,528	-	470,999
Income tax assets	1,417	97	-	1,514
Other assets	45,150	2,380	(6,574)	40,956
Cash and cash equivalents	294,967	168,810	-	463,777
	1,016,846	**464,600**	**(6,980)**	**1,474,466**
Total assets	**1,221,985**	**561,129**	**(81,672)**	**1,701,442**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	284,389	61,634	(20,469)	325,554
Group net income	8,290	14,705	104	23,099
Group net equity	**300,540**	**131,032**	**(75,058)**	**356,514**
Non-controlling interests	2,550	(3)	(39)	2,508
Total equity	**303,090**	**131,029**	**(75,097)**	**359,022**
LIABILITIES				
Non-current liabilities				
Borrowings	22,294	38,751	-	61,045
Lease liabilities	82,243	17,969	-	100,212
Deferred income tax liabilities	3,179	6,533	-	9,712
Retirement benefit obligations	4,669	-	-	4,669
Provisions and other liabilities	2,189	309	-	2,498
	114,574	**63,562**	**-**	**178,136**
Current liabilities				
Trade payables	755,566	333,680	-	1,089,246
Short-term financial liabilities	24,179	11,683	-	35,862
Lease liabilities	6,563	2,034	-	8,597
Income tax liabilities	23	4	-	27
Provisions and other liabilities	17,990	19,137	(6,575)	30,552
	804,321	**366,538**	**(6,575)**	**1,164,284**
Total liabilities	**918,895**	**430,100**	**(6,575)**	**1,342,420**
Total equity and liabilities	**1,221,985**	**561,129**	**(81,672)**	**1,701,442**

3. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

Changes occurred during the period in the item Property, plant and equipment are as follows:

(euro/000)	Plant and machinery	Ind. & Comm. Equipment & other assets	Assets under construction & advances	Total
Historical cost	15,903	33,541	115	**49,559**
Accumulated depreciation	(12,815)	(24,920)	-	**(37,735)**
Balance at 31/12/2019	**3,088**	**8,621**	**115**	**11,824**
Historical cost increase	19	1,352	113	**1,484**
Historical cost decrease	-	(837)	-	**(837)**
Historical cost reclassification	5	111	(116)	**-**
Increase in accumulated depreciation	(538)	(1,482)	-	**(2,020)**
Decrease in accumulated depreciation	-	768	-	**768**
Total changes	**(514)**	**(88)**	**(3)**	**(605)**
Historical cost	15,927	34,167	112	50,206
Accumulated depreciation	(13,353)	(25,634)	-	(38,987)
Balance at 30/06/2020	**2,574**	**8,533**	**112**	**11,219**

Investments in "Industrial & commercial equipment & other assets" refer to the purchase of electronic office machinery and office furniture by the parent company Esprinet S.p.A., and to 0.3 million euro for the purchase of new equipment and office machinery by the Spanish subsidiaries.

Investments in "*Assets under construction & advances*" refer mainly to the acquisition, by the parent company Esprinet S.p.A., of equipment for the logistic hub in Cambiago, not yet operating as at 30 June 2020.

The decreases verified in the item "*Industrial and commercial equipment & other assets*" refer exclusively to the disposal of electronic office machines and relate entirely to the parent company Esprinet S.p.A..

There are no other temporarily unused tangible fixed assets intended for sale.

The depreciation rates applied to each asset category are unchanged relative to the fiscal year closed as at 31 December 2019.

2) Goodwill

Goodwill amounted to 89.6 million euro and, compared to 90.7 million euro recognised as at 31 December 2019, fell by 1.1 million euro due to the accounting of the write-down resulting from the impairment test performed as at 30 June 2020 on the Cash Generating Unit no. 2 (CGU 2) relating to the distribution of mobile telephone products.

The following table summarises the goodwill allocations to the 3 CGUs (Cash Generating Units) identified, in accordance with the combination of the operating segments used for Segment Information purposes. The same table also shows the relationships between the operating segments and the legally autonomous entities which form the Group:

(euro/000)	30/06/2020	31/12/2019	Var.		
Esprinet S.p.A.	17,418	17,418	-	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	3,053	4,153	(1,100)	CGU 2	B2B distribution of phone accessoires (Italy)
Esprinet Iberica S.l.u. [1]	69,145	69,145	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**89,616**	**90,716**	**(1,100)**		

[1] Value net of write-down effected in 2011 amounting to Euro 17.8 million.

The annual impairment test, carried out at the time of preparation of the financial statements as at 31 December 2019, did not bring to light any impairment loss with reference to the CGUs existing at that date.

International accounting standard IAS 36 also requires that the impairment test on the goodwill be carried out more frequently in the presence of indicators of impairment loss (so-called 'triggering events'), which may be both external or internal as regards the company.
IAS 34 clarifies that, at the time of drafting of interim financial statements, where the presence of said triggering events is identified, the impairment test must be carried out with the same methods as the annual impairment test.

The Covid-19 pandemic, which materialised in Europe in February 2020, still ongoing although with much more contained effects, but with the risk of a fresh wave given the easing of the social distancing measures and approaching cold season, is an event that has required additional evaluations in analysing the aforementioned triggering events.

For the purposes of drafting these condensed consolidated half-year financial statements, the Esprinet Group has evaluated the existence and, in the case examined, the practical implications, for each CGU, of the following impairment indicators:
- any deterioration in the macroeconomic and macro-financial conditions;
- any deterioration in the economic environment and market of operations;
- operating discontinuity;
- discontinuity in cost factors;
- unfavourable trend in market rates or other capital remuneration rates as such to affect the discount rate used in calculating the value in use;
- any verification of negative operating events;
- reduction in the value of the stock market capitalisation with respect to reported shareholders' equity.

We reached the conclusion that, as regards CGU 1 and CGU 3, none of the indicators analysed suggested the existence of impairment. The main reasons are the growth in the markets of operations of the CGUs, owing to the increased and accelerated need for technology instruments and IT solutions with the spread of smart-working and e-learning, and in the absence of critical impacts on the discount rate used in calculating the value in use (WACC) in relation to the change in reference rates.
For the aforementioned CGUs, therefore, there was no need to carry out an impairment test on goodwill.

By contrast, in relation to CGU 2, the impossibility and, subsequently the reduced possibility to carry out its commercial activities as a result of the lockdown in Italy and in the various European countries which is still essentially persisting in relation to the possibility of moving abroad and, therefore, maintaining commercial relations on site, involved the achievement of lower profits compared to the forecasts, but also with respect to the normal operations of previous years.

In light of these considerations, also taking into account the recommendations from the ESMA and subsequent warning notices issued by (no. 8/20 of 16/07/2020) with reference to the potential impacts of the COVID-19 pandemic, the impairment test of goodwill on CGU 2 was carried out with reference to the data as at 30 June 2020.

In particular, as a basis for the impairment test, the management updated the 2020 annual budget based on the consolidated results and the forecast for the conclusion of the current year, updated the projections for the 2021-2024 period, revising them both in terms of levels of attainment, adjusted downwards where necessary, and in terms of the timing of attainment, in order to acknowledge the presumed economic and equity effects of the COVID-19 health emergency in the scenario deemed most likely (base scenario).
This Provisional Plan was approved by Esprinet S.p.A.' s Board of Directors at the meeting on 7 September 2020 and was used to quantify the value in use through the financial method consisting of the "DCF-Discounted Cash Flow" model whose basic assumptions, unchanged in terms of methodology with respect to 31 December 2019, were as follows:

	Italy IT&CE "B2B" CGU 2 Celly	Italy IT&CE "B2B" CGU 2 Celly
Evaluation date:	**30/06/2020**	**31/12/2019**
Future cash flow expected:		
Forecast horizon	5 years	5 years
"g" (long-term growth rate)	1.50%	1.50%
Discount rates:		
Market Risk Premium	6.0%	5.5%
Unlevered Beta	0.67	0.75
Levered Beta	0.85	0.95
Additional Specific Risk Premium	5.0%	5.0%
Target financial structure (D/D+E)	0.27	0.26
Target financial structure (E/D+E)	0.73	0.74
Tax rate	24.0%	24.0%
WACC post-tax	9.60%	9.60%

The recoverable value of CGU 2 was determined as the higher of the value in use and the "fair value", the latter determined with the profit method. The recoverable value determined in this way was compared with the carrying amount. This comparison led to the identification of impairment for the CGU in question amounting to 1.1 million euro.

In addition to the average normal flows used to determine the value in use, purely for information purposes as required by IAS 36 and based on the guidelines in the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, some sensitivity analyses were also conducted on the following key variables:
- the long term growth rate 'g' in order to obtain the cash flows beyond the plan horizon;
- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:
- - 'g' decreased by -50% and equal to zero;
- - WACC higher than +2% and +1%;
- - EBITDA lower than -10% and -20%.

Based on the sensitivity analyses carried out, the value in use in some of the scenarios was lower than the carrying amount of goodwill to the point that it led to the total elimination of the goodwill attributable to CGU 2.

For more detailed information in relation to the disclosure on impairment testing of goodwill, please refer to the explanatory notes reported in item "*Goodwill*" in the *Notes to the consolidated financial statements* as at 31 December 2019.

3) Intangible assets

Changes occurred during the period in the item "*Intangible assets*" are as follows:

(euro/000)	Cost and expansion	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advances	Other intagible assets	Total
Historical cost	3	11,527	35	129	4	**11,698**
Accumulated depreciation	(3)	(11,186)	(25)	-	(4)	**(11,218)**
Balance at 31/12/2019	**-**	**341**	**10**	**129**	**-**	**480**
Historical cost increase	-	267	-	99	-	**366**
Historical cost reclassification	-	129	-	(129)	-	**-**
Increase in accumulated depreciation	-	(164)	-	-	-	**(164)**
Total changes	**-**	**232**	**-**	**(30)**	**-**	**202**
Historical cost	3	11,923	35	99	4	**12,064**
Accumulated depreciation	(3)	(11,350)	(25)	-	(4)	**(11,382)**
Balance at 30/06/2020	**-**	**573**	**10**	**99**	**-**	**682**

The investments pursuant to the item "*Industrial patent and other patent rights*" refer essentially to the software licences for long-term renewal and the upgrading of the management information system.

This item is amortised in three years.

4) Right-of-use assets

The changes in right-of-use assets stemming from the application of IFRS 16 (Leasing) are reported below, starting from the financial statements for the year ended as at 31 December 2019.

(euro/000)	30/06/2020	31/12/2019	Var.
Right-of-use assets	102,719	107,310	(4,591)

(euro/000)	Rental Property	Cars	Ind. & Comm. Equi pment & other assets	Total
Historical cost	113,474	3,421	372	**117,267**
Accumulated depreciation	(8,725)	(1,137)	(95)	**(9,957)**
Balance at 31/12/2019	**104,749**	**2,284**	**277**	**107,310**
Historical cost increase	53	-	295	**348**
Increase in accumulated depreciation	(4,390)	(486)	(63)	**(4,939)**
Total changes	**(4,337)**	**(486)**	**232**	**(4,591)**
Historical cost	113,527	3,421	667	**117,615**
Accumulated depreciation	(13,115)	(1,623)	(158)	**(14,896)**
Balance at 30/06/2020	**100,412**	**1,798**	**509**	**102,719**

In the Group, the contracts that fall within the scope of IFRS 16 refer to:

- office and operating buildings;
- company vehicles;
- industrial and commercial equipment and other assets.

The changes in the first six months of 2020 are mainly attributable to:

- new sales outlets rental agreements attributable to the Spanish subsidiaries for roughly 0.1 million euro;
- new company car rental agreements stipulated by the parent company Esprinet S.p.A. for 0.2 million euro and by the Spanish subsidiaries for roughly 0.1 million euro.

Aside from the depreciation charge for the period calculated based on the residual length of the contract.

6) Deferred income tax assets

(euro/000)	30/06/2020	31/12/2019	Var.
Deferred income tax assets	13,921	13,469	452

The balance of this item is represented by prepaid tax assets due to tax losses carried forward (mainly referring to the Spanish subsidiary) and from taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years following the creation of taxable profits.

9) Receivables and other non-current assets

(euro/000)	30/06/2020	31/12/2019	Var.
Guarantee deposits receivables	2,185	2,208	(23)
Trade receivables	495	969	(474)
Receivables and other non-current assets	**2,680**	**3,177**	**(497)**

As at 30 June 2020, the item "*Guarantee deposits receivables*" includes substantially guarantee deposits relating to utilities and lease agreements in place.

Trade receivables refer to the portion of receivables from the customer "Guardia di Finanza – GdF" (Italian Tax Police) expiring more than 12 months after 30 June 2020, which arose from goods delivered by Esprinet S.p.A. to GdF in 2011.
These receivables consist of a yearly payments plan until January 2022 against which Esprinet S.p.A. obtained a loan from Intesa Sanpaolo in 2013 with instalments paid directly by the customer. Since the counterparties of the two transactions are different, it was deemed necessary to keep the receivables from the customer and the payables to the financial entity booked separately until full repayment of the loan.
The change compared with 31 December 2019 is due mainly to the allocation to current receivables of the portion expiring within the next fiscal year.

Current assets

10) Inventory

The movement in the inventory and in the corresponding provision for obsolescence during the period was as follows:

(euro/000)	**30/06/2020**	**31/12/2019**	**Var.**
Finished products and goods	497,628	504,266	(6,638)
Provision for obsolescence	(5,599)	(7,046)	1,447
Inventory	**492,029**	**497,220**	**(5,191)**

Inventory totalled 497.6 million euro, down 6.6 million euro compared with stock levels as at 31 December 2019, mainly as a consequence of lower purchase volumes compared with the year end, due to the typical seasonality of the distribution business.

The 5.6 million euro allocated to *Provision for obsolescence* is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

The change in the provision during the period was as follows:

(euro/000)	**30/06/2020**	**31/12/2019**	**Var.**
Provision for obsolescence: year-beginning	**7,046**	**8,658**	**(1,612)**
Uses/Releases	(1,933)	(6,197)	4,264
Accruals	486	4,585	(4,099)
Provision for obsolescence: period-end	**5,599**	**7,046**	**(1,447)**

The item "*Accruals*" is the managements best estimate of the recoverability of the inventory value as at 30 June 2020.

11) Trade receivables

(euro/000)	**30/06/2020**	**31/12/2019**	**Var.**
Trade receivables - gross	403,452	477,658	(74,206)
Bad debt provision	(6,690)	(6,659)	(31)
Trade receivables - net	**396,762**	**470,999**	**(74,237)**

Trade receivables arise from normal sales transactions engaged in by the Group in the context of ordinary marketing activities.

These transactions are entered into almost entirely with customers resident in the two countries where the Group operates, i.e. Italy and Spain, are almost fully in euro and are short-term.

Net trade receivables includes 6.7 million euro of receivables transferred to factoring firms under 'with-recourse' factoring agreements, and are adjusted by credit notes to be issued to customers for an amount equal to 61.2 million euro at the end of 30 June 2020 and 66.0 million euro as at 31 December 2019.
Gross trade receivables is influenced not only by business volume trend, but also by seasonal drivers and by the impact of revolving programmes of trade receivables financing.

The change in gross trade receivables was caused by a lower use of technical forms of trade receivables disposal compared with 31 December 2019 (i.e. equal to approx. 343 million euro as at 30 June 2020 compared with 480.1 million euro as at 31 December 2019).

The following table illustrates the movement in the bad debt provision:

(euro/000)	**30/06/2020**	**31/12/2019**	**Var.**
Bad debt provision: year-beginning	**6,659**	**5,220**	**1,439**
Uses/Releases	(862)	(1,611)	749
Accruals	893	1,389	(496)
Business combination acquisitions	-	1,661	(1,661)
Bad debt provision: period-end	**6,690**	**6,659**	**31**

The financial performances of the Group show how the Covid-19 pandemic and the subsequent particular economic and financial context did not have material repercussions on the commercial creditor positions. Therefore, changes to the valuation of the recoverability of the receivables recorded in the financial statements according to the "Expected Credit Loss" model defined by the Group in compliance with IFRS 9 are not considered necessary.

12) Income tax assets (current)

(euro/000)	**30/06/2020**	**31/12/2019**	**Var.**
Income tax assets	3,190	1,514	1,676

The Income tax assets refer for 1.6 million euro to the excess advance payments of IRES and IRAP over tax accrued on 2020 income, for 1.2 million euro to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years from 2008 to 2011 with reference to Esprinet S.p.A., and for the residual, mainly to the tax credit balance as at 30 June 2020, substantially attributable to the subsidiaries Esprinet Iberica SLU and Esprinet Portugal Lda.

13) Other assets

(euro/000)	30/06/2020	31/12/2019	Var.
Receivables from associates companies (A)	**-**	**-**	**-**
VAT receivables	1,199	2,219	(1,020)
Other tax assets	8,920	8,907	13
Other receivables from Tax authorities (B)	**10,137**	**11,126**	**(989)**
Receivables from factoring companies	654	3,526	(2,872)
Other financial receivables	9,476	9,719	(243)
Receivables from insurance companies	467	414	53
Receivables from suppliers	5,431	10,244	(4,813)
Receivables from others	182	136	46
Other receivables (C)	**16,210**	**24,039**	**(7,829)**
Prepayments (D)	**4,313**	**5,791**	**(1,478)**
Other assets (E= A+B+C+D)	**30,660**	**40,956**	**(10,296)**

VAT receivables refer to VAT receivables accrued by the subsidiaries V-Valley S.r.l., Esprinet Iberica S.L.U., Vinzeo S.A.U., V-Valley Iberian S.L.U. and Esprinet Portugal Lda, as well as refund claims of Esprinet S.p.A. which are not allowed to be offset. The decrease compared with 31 December 2019 refers essentially to sales to customers exceeding purchases with reference to the parent company Esprinet S.p.A., thus moving from a credit balance to a debit position as at 30 June 2020.

The *Other tax assets* figure refers almost entirely to the parent company financial receivables from the Tax authorities, due to a partial payment of a tax notice referring to indirect taxes on a provisional basis. The above led to a tax dispute detailed in the section "Development of the disputes involving Esprinet S.p.A. and the Group" under the notes to item "26) Provisions and other liabilities".

Receivables from factoring companies, referring to the subsidiary V-Valley S.r.l. for 0.7 million euro, relate to the residual amount still unpaid of the trade receivables sold 'without recourse' at the end of June 2020. At the time this report was drafted, the receivables due had been collected in full.
The decrease compared with the previous year-end balance, is mainly due to the temporary differences in the collection of transferred receivables compared to 31 December 2019.

Other financial receivables refer for 9.0 million euro to the deposit with the purchaser under the securitisation transaction conducted by the Group aimed at ensuring coverage of potential dilutions under this exercise or in the months following the transaction closing and refer for 0.5 million euro to the portion of receivables collectable within 12 months from 30 June 2020, that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer "Guardia di Finanza - Gdf". For further information please refer also to the section entitled "*Receivables and other non-current assets*".

Receivables from insurance companies include the insurance compensation – after deductibles – recognised by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the next fiscal year.

As at 30 June 2020, receivables from suppliers include 2.5 million euro due to the net receivable from the supplier of the 'Sport Technology' line that at the end of 2018 ceased operation and entered into a voluntary liquidation process.
The gross amount owed by the above-mentioned supplier (already net of 1.0 million euro for disputes relating to the nature and/or the amount of the mutual contractual rights) is equal to 11.4 million euro and was written down by 8.8 million euro in the light of its estimated collectability; the following table illustrates the change in the bad debt provision:

(euro/000)	Starting provision	Additions	Uses	Final provision
2020 financial year	8,823	-	-	8,823
2019 financial year	8,823	-	-	8,823

With reference to the residual portion, receivables from suppliers refer to credit notes received exceeding the amount owed at the end of December for a mismatch between the timing of their quantification and the payment of suppliers. This item also includes receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from hauliers for advance VAT payments and customs duties pertaining to imports.

Prepayments are costs whose accrual date is deferred compared with that of the cash movement (mainly maintenance fees, insurance premiums, payables for leasing contracts, undrawn credit facility fees).

17) Cash and cash equivalents

(euro/000)	30/06/2020	31/12/2019	Var.
Bank and postal deposit	333,193	463,747	(130,554)
Cash	33	29	4
Cheques	11	1	10
Total cash and cash equivalents	**333,237**	**463,777**	**(130,540)**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. The level of liquidity, originated in the normal short-term financial cycle of collections, is partly temporarily and dramatically fluctuates not only along the calendar year but also during each month, mainly because payments from customers are concentrated at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

For further details relating to the cash flows development please refer to the Statement of cash flows and to the following section 'Cash flow analysis'.

Shareholders' equity

The main changes in net equity items are explained in the following notes:

(euro/000)	30/06/2020	31/12/2019	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	352,409	334,200	18,209
Own shares (C)	(4,800)	(8,646)	3,846
Total reserves (D=B+C)	**347,609**	**325,554**	**22,055**
Net income for the year (E)	**7,813**	**23,099**	**(15,286)**
Net equity (F=A+D+E)	**363,283**	**356,514**	**6,769**
Non-controlling interests (G)	2,373	2,508	(134)
Total equity (H=F+G)	**365,656**	**359,022**	**6,635**

19) Share capital

The Esprinet S.p.A. share capital, fully subscribed and paid-in as at 30 June 2020, is 7,860,651 euro and comprises 50,934,123 shares with no face value, following the cancellation, on 22 June 2020, of 1,470,217 shares, as set forth in the resolution of the shareholders' meeting of 25 May 2020.

20) Reserves

Reserves and profit carried over

The *Reserve and profit carried over* balance increased by 19.5 million euro, mainly due to the allocation of profits from previous years.
The value of Own shares fell by 3.8 million euro, in consideration of the cancellation of 1,470,217 rights from a total of 2,620,217 rights as at 31 December 2019 of the purchase programme, as established at the extraordinary shareholders' meeting of 25 May 2020. For further information please refer to the paragraph "*Significant events occurred in the period*" under "Directors' Interim Report on Operations".

Own shares in portfolio

The amount of 'own shares on hand' refers to the total purchase price of 1,150,000 Esprinet S.p.A. shares owned by the Company, following the delivery in June 2018 of 535,134 shares (out of a total of 646,889 shares owned) as set out in the "Share Incentive Plan" approved on 30 April 2015 by the shareholders' meeting of Esprinet S.p.A. relating to the years 2015-2017, as well as to the purchase of an additional 1,038,245 shares, at an average unit price (net of fees) of 3.78 euro, as set forth in the resolution of the shareholders' meeting of Esprinet S.p.A. of 4 May 2018.

21) Net income

Consolidated net profits pertaining to the first half of 2020 amount to 7.7 million euro (7.5 million euro in the first half of the previous year).

Non-current liabilities

22) Borrowings (non-current)

(euro/000)	30/06/2020	31/12/2019	Var.
Borrowings	73,277	61,045	12,232

The borrowings value refers to the valuation at the amortised cost of the portion of the medium-long term loans granted by the Group companies falling due beyond 12 months.
For details on loans in place, please refer to the paragraph "*Net Financial Debt*".

The balance as at 30 June 2020 was increased by the portion expiring after 12 months of 4 five-year loans and a three-year loan, all amortising and guaranteed by the Spanish Government through l'Instituto de Crédito Official ("ICO"), as part of the company support measures adopted by the Spanish Government to combat Covid-19, stipulated during the half by the subsidiaries Esprinet Iberica S.L.U. (13.0 million euro) and Vinzeo Technologies S.A.U (11.0 million euro).

The balance also includes the portion expiring in January 2022 of the loan taken out by the Parent Company relating to a supply to the customer "Italian Tax Police" (so-called Guardia di Finanza – GdF), in relation to whose transaction, as already described in paragraph "9) Receivables and other non-current assets", an identical long-term receivable from GdF was booked (0.5 million euro).

24) Deferred income tax liabilities

(euro/000)	30/06/2020	31/12/2019	Var.
Deferred income tax liabilities	11,474	9,712	1,762

The balance of this item depends on higher taxes that the Group has to pay in the coming operating years due to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

These differences mainly arise from the de-recognition of the tax amortisation of goodwill.

25) Retirement benefit obligations

Retirement benefit obligations reflect the staff severance indemnities ('TFR') and other benefits accruing to salaried staff at the close of the period, assessed in accordance with actuarial criteria, pursuant to IAS 19.

The entire provision amount is attributable to the Italian companies, since a similar system does not exist in Spain.

Changes occurred during the half-year are shown in the table below:

(euro/000)	30/06/2020	31/12/2019	Var.
Balance at year-beginning	**4,669**	**4,397**	**272**
Business combination acquisitions	-	326	(326)
Service cost	81	163	(82)
Interest cost	17	68	(51)
Actuarial (gain)/loss	26	195	(169)
Pensions paid	(50)	(480)	430
Total variation	**74**	**272**	**(198)**
Retirement benefit obligations	**4,743**	**4,669**	**74**

The change in the 'actuarial gains or losses' compared with last fiscal year is mainly related to the experience adjustments that reflect the deviation of forward-looking assumptions used in the 31 December 2019 valuation and the actual development of the provision as at 30 June 2020 (members, payments occurred, benefit revaluation). The discount rate reflects the market returns, at the condensed financial statements date of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in the Group's companies (higher than 10 years).[3]

The values recognised in the separate income statement are as follows:

(euro/000)	30/06/2020	31/12/2019	Var.
Amounts booked under personnel costs	81	163	(82)
Amounts booked under financial costs	17	68	(51)
Total	**98**	**231**	**(133)**

The "Projected Unit Credit Cost" method used to assess the staff severance indemnity ('TFR') as per the IAS 19 accounting standard is based on demographic assumptions and on the following economic-financial assumptions:

	30/06/2020	31/12/2019
Cost of living increase	1.00%	1.00%
Discounting rate [(2)]	0.74%	0.77%
Remuneration increase	2,50% [(1)]	2,50% [(1)]
Staff severance indemnity (TFR) - annual rate increase	2.25%	2.25%

(1) The assumption relating to a remuneration increase refers solely to Celly S.p.A..
(2) It should be noted that the iBoxx Eurozone Corporates AA10+ index has been used as the benchmark.

31) Financial lease liabilities (non-current)

(euro/000)	30/06/2020	31/12/2019	Var.
Lease liabilities (non-current)	96,323	100,212	(3,889)

[3] Please note that, the iBoxx Eurozone Corporates AA10+ index was used as parameter for the above-mentioned calculation.

The value of the non-current financial liability referring to the right-of-use assets at 30 June 2020, equal to 96.3 million euro, compared to a value of 100.2 million euro as at 31 December 2019, subsequently changed as better described below:

(euro/000)	30/06/2020	31/12/2019	Var.
Lease liabilities	**100,212**	**-**	**100,212**
Initial book value 01/01/2019	-	106,385	(106,385)
Increase from subscribed contracts	221	2,593	(2,372)
Termination/modification of contracts	-	(236)	236
Restatement of non-current liability	(4,110)	(8,530)	4,420
Lease liabilities	**96,323**	**100,212**	**(3,889)**

The following table analyses the maturing dates of the financial liabilities booked as at 30 June 2020:

(euro/000)	Within 5 year	After 5 year	30/06/2020
Lease liabilities (non-current)	30,520	65,803	96,323

26) Non-current provisions and other liabilities

(euro/000)	30/06/2020	31/12/2019	Var.
Long-term liabilities for cash incentives	82	710	(628)
Provisions for pensions and similar obligations	1,639	1,661	(22)
Other provisions	104	127	(23)
Non-current provisions and other liabilities	**1,825**	**2,498**	**(673)**

The item *Provisions for pensions and similar obligations* includes the supplementary customer indemnity provision payable to agents based on current regulations governing the subject. The changes in the period were as follows:

(euro/000)	30/06/2020	31/12/2019	Var.
Provisions for pensions: year-beginning	**1,661**	**1,678**	**(17)**
Uses/Releases	(76)	(155)	79
Accruals	54	138	(84)
Total variation	**(22)**	**(17)**	**(5)**
Provisions for pensions: period-end	**1,639**	**1,661**	**(22)**

(euro/000)	30/06/2020	31/12/2019	Var.
Other provisions: year-beginning	**127**	**106**	**21**
Uses/Releases	(23)	(84)	61
Accruals	-	105	(105)
Other provisions: period-end	**104**	**127**	**(23)**

Development of disputes involving Esprinet S.p.A. and the Group.

Below are displayed the main disputes involving the Group and developments occurred in the first half of 2020 (and thereafter, until the date this interim financial report was drafted), for which the Group has conducted the pertinent risk assessments, with the support of its legal and/or tax consultants, and, where deemed appropriate, recognised the ensuing allocations to the provision for risks.

The main legal disputes, as to which there are no grounds to allocated any provisions since the risk was deemed unlikely, are shown below:

Esprinet S.p.A. - Supplier of "Sport Technology" line and its shareholders

The Esprinet Group has legal disputes in progress with a long-standing supplier, and associated shareholders, of the *"Sport Technology"* line which managed, since 2008, on behalf of the Group and under an exclusive framework agreement, the production, importing the post-sales support process of a number of products belonging predominantly to said product line.
In December 2018, a long-standing supplier initiated the process of voluntary winding-up of the business (which Esprinet S.p.A. was only informed of at the start of January 2019) and, on 21 May 2019, the Liquidator submitted a creditor arrangement request with reservation to the Court of Milan, which the Court approved, by means of a decree filed on 29 June 2020, declaring the procedure open. The Esprinet Group, as required by the Judicial Commission, subsequently communicated the clarification of the receivable due on 21 May 2019, pending a meeting of the creditors set for 11 November 2020.

Esprinet, as at 30 June 2020, has 12.3 million euro in receivables due from the aforementioned supplier (plus interest and additional damages suffered) for amounts stemming primarily from advances granted for supplies of goods entrusted to factories located mainly in China and credit notes (withdrawal of products, repositioning and hedging against fluctuations in public prices etc). The already-mentioned winding up process led the management, on 31 December 2018, to estimate a potential loss in the receivables value of 8.8 million euro as well as to bear other significant charges linked to the supplier's business interruption.

On 6 February 2019, the above-mentioned supplier, acting through its Liquidator, and its shareholders, started a civil action against Esprinet S.p.A., for damage compensation amounting to 55 million euro, for alleged unlawful conduct in trade relationships with the importer that mean the latter ended up in a state of crisis.

On 19 February 2019, the majority shareholder of the supplier, through its Liquidator (since that shareholder, in the meantime, entered into voluntary liquidation itself) initiated an additional civil action against Esprinet S.p.A. requesting that the letter guarantee it had granted to Esprinet S.p.A. on behalf of its subsidiary be declared void or at least invalid and unenforceable.

The Board of Directors of Esprinet S.p.A. - also following advisors' opinion - resolved to file an appearance and submit its defence in court by rejecting all claims, trusting that the court will confirm the lack of foundation and spuriousness of the legal action taken by the counterparty.

The following list summarises the development of main legal disputes, as to which there are no grounds to provide for since their respective risk was deemed unlikely.

Esprinet S.p.A. direct taxes for the year 2002

In the tax dispute for the 2002 tax period relating to VAT, IRPEG and IRAP, amounting to 6.0 million euro plus penalties and interest, it should be noted that, after Esprinet S.p.A. had obtained favourable judgements in both the first and second instance against the assessment notice issued in late 2007, on 3 August 2016 a Supreme Court judgement was filed that partially accepted the appeal made by the Italian Revenue Office. The Supreme Court referred the case to another section of the Regional Tax Commission which will have to determine which part of the assessment will be upheld in relation to the disputed notice.
The Company reactivated the proceeding with the Regional Tax Commission on 10 November 2016. Currently the case has been assigned and the hearing has been set for 17 September 2020.

Actebis Computer S.p.A. (now Esprinet S.p.A.) indirect taxes for the year 2005

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and after the failure of a tax settlement proposal, paid the reduced penalties and lodged an appeal with the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., at the recommendation of the seller's advisor, lodged an appeal which was registered with the Regional Tax Commission on 20 May 2013.
On 23 September 2014, the appeal was rejected and the seller's advisor lodged an appeal against the ruling with the Court of Appeal.
In the meantime, Esprinet paid the sums inscribed on the tax roll as per the Regional Tax Commission decision, after receiving the corresponding funds from the seller. As of today, the hearing has still not been set yet.

Esprinet S.p.A. indirect taxes for the year 2011

On 30 November 2016, the Company was served a notice relating to an assessment claiming VAT of 1.0 million euro, plus penalties and interests. The tax authority claims that some transactions are taxable in respect of which a customer had previously filed a declaration of intent, but later failed to fulfil the requirements needed to qualify as a frequent exporter.
The notice of assessment follows tax checks carried out by the Direzione Regionale delle Entrate (Regional Revenue Office) - Large Taxpayer Office through questionnaires sent on 3 October 2016.
On 23 January 2017 the Company filed an appeal against the assessment notice and, pursuant to the administrative procedure, made an advance payment equal to 0.4 million euro, booked under 'Other tax assets'.
The hearing on the merit of the appeal was fixed on 24 November 2017.
On 10 January 2018 a judgement was issued that rejected the first instance claim.
On 23 February 2018 another advance equal to 1.5 million euro was paid, also posted under 'Other tax assets'.
The Company appealed on 16 July 2018 and the hearing was held before the Regional Tax Commission on 12 February 2019.
On 8 May 2019 a judgement was issued that rejected the Company's claim, condemning the Company to pay legal costs.
The Company has prepared an appeal before the Supreme Court.

Esprinet S.p.A. indirect taxes for the year 2012

On 2 October 2017 the Company was served a notice of assessment claiming VAT on taxable transactions entered with three customers for 3.1 million euro, along with penalties and interest.
The tax assessment refers to business relations with the three companies that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows tax audit carried out by the Direzione Regionale della

Lombardia (Regional Revenue Office) - Large Taxpayer Office through the questionnaire No. Q00144/2017 notified on 3 August 2017.
The Company appealed against the notice of assessment on 30 November 2017.
On 19 December 2017, the President of the Commission, recognising not only the potential merits of Esprinet's request ("fumus") and the potential damage to it ("periculum"), but also the lack of urgency of the challenged measure, temporarily suspended the challenged act until the collegial judgement on the assessment by the competent court. The hearing was held on 23 February 2018 and the Provincial Tax Commission upheld the application for suspension.
On 18 May 2018 the hearing was held where the Provincial Tax Commission requested the appellant to file some documents by 30 June 2018 and scheduled the next hearing on 21 September 2018.
On 9 October 2018 a judgement was issued that upheld the Company's claim.
On 1 April 2019, the Office appealed and on 31 May 2019 the Company filed its counter-arguments.
On 17 February 2020, the hearing was held that upheld the Office's appeal, confirming the assessment notice, ordering the company to pay legal proceedings costs.
The Company is preparing an appeal before the Supreme Court.

Esprinet S.p.A. indirect taxes for the year 2013

On 31 July 2018 the Company was served a notice of assessment claiming VAT on taxable transactions entered with a customer for 66 thousand euro, along with penalties and interest.
The tax assessment refers to business relations with the customer company that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters.
On 29 October 2018 the Company lodged an appeal.
The hearing was held on 29 January 2019 and on 13 February 2019 the Provincial Tax Commission filed a judgement rejecting the claim.
The Company filed an appeal to the Regional Tax Commission on 10 June 2019. The hearing was held on 29 January 2020 and a judgment is pending.

Esprinet S.p.A. indirect taxes for the year 2013

On 20 December 2018 the company was served a notice relating to an assessment claiming VAT for 2013 of 14.5 million euro, plus penalties and interest, due to alleged non-application of VAT to transactions with frequent exporters.
On 5 February 2019, the Company filed a tax settlement proposal pursuant to art. 6, paragraph 2 of Legislative Decree 218/1997, whose proceedings were not defined however.
Therefore, the Company appealed on 30 May 2019.
On 4 June 2019, the Chairman of the Provincial Tax Commission granted the request for suspension of payment relating to the assessment until the competent section delivers a collective ruling on the request. On 11 November 2019, as set forth in the administrative procedure, the Company paid an advance of 6.2 million euro in relation to the dispute concerning the 2013 tax year (disputed tax of 14.5 million euro). The first instance hearing, set for 25 March 2020, was put back until 23 September 2020.

Monclick S.r.l.. direct taxes for the year 2012

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (a year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arose resulting in a disallowance of costs equal to 82 thousand euro, plus penalties and interest.
On 2 November the Company filed its comments. On 20 July 2016, the Italian Revenue Office notified tax assessment notices related to IRAP and direct taxation. On 29 September, the Company filed a tax settlement proposal, leading to a cross-examination with the Office.
On 25 November 2016, the Office rejected the settlement proposal, and as a consequence the Company lodged a partial appeal on 16 January 2017.
On 26 June 2017, the matter was discussed and on 10 July 2017 a judgement was issued that upheld the appeal.

In July, the company obtained cancellation of the amounts inscribed on the tax roll following the Provincial Tax Commission decision.
On 17 October 2017, the Italian Revenue Office lodged an appeal against the first instance judgement and the company entered an appearance filing its counter-arguments.
On 3 July 2018, the hearing was held and on 20 July 2018 the 'Regional Tax Commission' issued a judgement that upheld the Italian Revenue Office's appeal.
On 16 July 2019, the company filed an appeal with the Supreme Court against the appeal judgement issued by the Regional Tax Commission, which overturned the first instance judgement related to challenged direct taxes for 2012 amounting to 0.1 million euro.

Edslan S.r.l. registration fees for the year 2016

On 4 July 2017, the company was served a correction and settlement notice relating to the reassessment of the value of the business unit acquired on 8 June 2016 from Edslan S.p.A. (now I-Trading S.r.l.).
The higher registration fee claimed amounts to 182 thousand euro, plus penalties and interest.
On 21 September 2017, the company filed a tax settlement proposal and on 11 October the first meeting was held at Tax Office, with a negative outcome.
On 29 December 2017, the company lodged an appeal that was filed with the Provincial Tax Commission on 24 January 2018.
The hearing was held on 19 June 2018 and, on 18 September 2018, a judgement was issued that upheld the appeal condemning the Tax Authority to pay legal costs.
On 18 March 2019, the appeal from the Office was served and on 17 May 2019 the Company filed its counter-arguments. On 22 January 2020, the hearing of the Regional Tax Commission was held which, by means of judgment filed on 28 February 2020, rejected the appeal presented by the Office, confirming the favourable ruling for the company.

Current liabilities

27) Trade payables

(euro/000)	30/06/2020	31/12/2019	Var.
Trade payables - gross	942,229	1,217,536	(275,307)
Credit notes to be received	(114,897)	(128,290)	13,393
Trade payables	**827,332**	**1,089,246**	**(261,914)**

The Trade payables balance, compared with 31 December 2019 is mainly influenced by the seasonality of the distribution business.

The amount is net of Credit notes to be received that mainly relate to rebates referring to the achievement of commercial targets, to discounts for sales promotions, to contractual protections of inventory and to discounts for marketing activities.

28) Financial liabilities

(euro/000)	30/06/2020	31/12/2019	Var.
Bank loans and overdrafts	38,466	19,830	18,636
Other financing payables	13,898	16,032	(2,134)
Short - term financial liabilities	**52,364**	**35,862**	**16,502**

Current bank loans and overdraft refer to the valuation at the amortized cost of the short-term credit facilities and of the portion of medium-long term loans granted to the Group companies falling due within the next 12 months.
For details on loans in place, please refer to the paragraph "*Net Financial Debt*".

The balance of the portion of medium/long-term loans expiring within 12 months (20.9 million euro compared to 17.0 million euro as at 31 December 2019) was increased by the portion expiring after 12 months of four 5-year loans and a 3-year loan, all amortising and guaranteed by the Spanish Government through l'Instituto de Crédito Official ("ICO"), as part of the company support measures adopted by the Spanish Government to combat Covid-19, stipulated during the half by the subsidiaries Esprinet Iberica S.L.U.. (13.0 million euro) and Vinzeo Technologies S.A.U (11.0 million euro).

The balance also includes the portion expiring in January 2021 of the loan taken out by the Parent Company relating to a supply to the customer "Italian Tax Police" (so-called Guardia di Finanza – GdF), in relation to whose transaction a short-term receivable due from GdF was booked for an identical amount (0.5 million euro).

Two of the aforementioned loans, both granted to Esprinet Iberica for an original amount of 20.0 million euro (17.1 million euro in principal as at 30 June 2020), are secured by covenants regarding the maximum ratio between the financial position and EBITDA and a maximum ceiling equal to the total value of the medium/long-term loans that can be obtained from the banking system.

On 30 September 2019, Esprinet S.p.A. signed a 3-year unsecured RCF-Revolving Credit Facility with a pool of Italian and international banks for a total amount of 152.5 million euro. This transaction was closed after the full repayment of the previous pool loan, which was outstanding for 72.5 million euro, given the revolving credit line of 65.0 million euro granted was not drawn down.
This loan is supported by a set of financial covenants, which are typical for this kind of transaction.
On 30 June 2020, as at 31 December 2019, the line was not drawn down. During the half, the full amount was temporarily used.

The short-term credit facilities are entirely attributable to the parent company, Esprinet S.p.A. (16.0 million euro).

Payables to other lenders are mainly advances obtained from factoring companies deriving from the usual with-recourse assignment of receivables, and from payments received in the name and on behalf of clients under the without-recourse factoring agreement. The debt decrease is due to lower volumes of receivables factored.

29) Income tax liabilities

(euro/000)	30/06/2020	31/12/2019	Var.
Income tax liabilities	1,491	27	1,464

Income tax liabilities, referring to Celly S.p.A. for 0.1 million euro, Esprinet Iberica S.L.U. for 0.6 million euro and to Vinzeo Technologies S.A.U. for 0.8 million euro reflect the excess amount of current income taxes for the first half 2020 over the advances paid.

31) Financial lease liabilities (current)

(euro/000)	30/06/2020	31/12/2019	Var.
Lease liabilities (current)	8,673	8,597	76

The value of the current financial liability referring to the right-of-use assets at 30 June 2020, amounting to 8.7 million euro, compared to a value of 8.6 million euro as at 31 December 2019, subsequently changed as better described below:

(euro/000)	30/06/2020	31/12/2019	Var.
Lease liabilities	**8,597**	**-**	**8,597**
Initial book value 01/01/2019	-	8,539	(8,539)
Increase from subscribed contracts	127	313	(186)
Restatement of non-current liability	4,110	8,530	(4,420)
Lease interests expenses	1,682	3,540	(1,858)
Payments	(5,843)	(12,325)	6,482
Lease liabilities	**8,673**	**8,597**	**76**

32) Current provisions and other liabilities

Provisions and other liabilities include solely payables whose maturity is within the following 12 months.

(euro/000)	30/06/2020	31/12/2019	Var.
Social security liabilities (A)	**4,182**	**4,237**	**(55)**
Associates companies liabilities (B)	**-**	**-**	**-**
VAT payables	11,716	9,116	2,600
Withholding tax liabilities	324	301	23
Other tax liabilities	1,178	1,731	(553)
Other payables to Tax authorities (C)	**13,218**	**11,148**	**2,070**
Payables to personnel	6,817	6,832	(15)
Payables to customers	6,982	6,146	836
Payables to others	1,921	1,926	(5)
Total other creditors (D)	**15,720**	**14,904**	**816**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	318	250	68
- Other deferred income	119	13	106
Accrued expenses and deferred income (E)	**437**	**263**	**174**
Provisions and other liabilities (F=A+B+C+D+E)	**33,557**	**30,552**	**3,005**

Social security liabilities mainly refer to payables to welfare institutions linked to wages and salaries paid in June and to social contributions accrued on deferred compensation, including monetary incentives.

VAT payables refer to the VAT payable accrued during the month of June by the parent company Esprinet S.p.A. plus the subsidiaries 4Side S.r.l., Celly S.p.A., Esprinet Iberica S.L.U, Esprinet Portugal Lda and V-Valley Iberian S.L.U.. The increase compared with 31 December 2019 refers essentially to sales to customers exceeding purchases with reference to the parent company Esprinet S.p.A..

Other tax liabilities are mainly taxes withheld on wages and salaries paid to employees during the month of June.

Payables to personnel refer to June salaries as well as to deferred compensation (holidays not taken, year-end bonus, monetary incentives included) accrued at the balance sheet date.

Payables to customers mainly refer to credit notes not yet paid relating to current trading relationships.

Payables to others include payables amounting to 1.0 million euro to Directors relating to first half emoluments accrued (0.9 million euro in 2019), and 0.6 million euro to the Group's network of agents relating to fees due and unpaid.

Accrued expenses and deferred income are income and/or expenses whose accrual date is deferred/anticipated compared with the cash collection/expenditure.

4. Notes to income statement items

Sales and costs analysis of the period, having previously stated both the Group financial results and the sales by product family and customer type in the "*Interim Directors' Report on Operations*", are reported as follows:

33) Sales

Sales by geographical area

(euro/million)	H1 2020	%	H1 2019	%	Var.	% Var.	Q2 2020	%	Q2 2019	%	Var.	% Var.
Italy	1,184.2	64.5%	1,112.3	64.8%	71.9	6%	587.8	63.8%	535.0	63.5%	52.8	10%
Spain	613.6	33.4%	559.9	32.6%	53.7	10%	315.3	34.2%	277.6	33.0%	37.7	14%
Portugal	23.0	1.3%	13.7	0.8%	9.3	68%	11.7	1.3%	5.9	0.7%	5.8	98%
Other EU countries	8.8	0.5%	21.3	1.2%	(12.5)	-59%	3.7	0.4%	17.9	2.1%	(14.2)	-79%
Extra EU countries	5.1	0.3%	10.3	0.6%	(5.2)	-50%	2.4	0.3%	5.6	0.7%	(3.2)	-57%
Sales from contracts with clients	**1,834.7**	**100.0%**	**1,717.5**	**100.0%**	**117.2**	**7%**	**920.9**	**100.0%**	**842.0**	**100.0%**	**78.9**	**9%**

Sales by geographical area in the half recorded a better performance than the market for Spanish activities (+10%) and sales in Portugal, which recorded a performance of +68%, rewarding the investments made in the on-site warehouse. Revenues rose by +7% in Italy.

Sales by products and services

(euro/million)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Product sales	1,189.1	64.8%	1,123.2	65.4%	6%	590.8	64.2%	540.4	64.2%	9%
Services sales	3.0	0.2%	3.4	0.2%	*-12%*	1.5	0.2%	1.7	0.2%	*-12%*
Sales - Subgroup Italy	**1,192.1**	**65.0%**	**1,126.6**	**65.6%**	***6%***	**592.3**	**64.3%**	**542.1**	**64.4%**	***9%***
Product sales	642.2	35.0%	590.2	34.4%	*9%*	328.4	35.7%	299.5	35.6%	*10%*
Services sales	0.4	0.0%	0.7	0.0%	*-43%*	0.2	0.0%	0.4	0.0%	*-50%*
Sales - Subgroup Spain	**642.6**	**35.0%**	**590.9**	**34.4%**	***9%***	**328.6**	**35.7%**	**299.9**	**35.6%**	***10%***
Sales from contracts with customers	**1,834.7**	**100.0%**	**1,717.5**	**100.0%**	***7%***	**920.9**	**100.0%**	**842.0**	**100.0%**	***9%***

The sales analysis by product family and customer type is presented under the relative paragraph in the "*Interim Directors' Report on Operation*" to which reference is made for further details.

Sales as "Principal" or "Agent"

In accordance with the IFRS 15 accounting standard, the Esprinet Group has identified the distribution of the hardware and software products, the distribution of its own-brand products and the provision of non-intermediated services as the activities in which its role requires it to represent the revenues as "principal". Conversely, the distribution of cloud software and the brokerage of services were detected as business lines to be disclosed as "agent". The following table illustrates this distinction:

(euro/million)	H1 2020	%	H1 2019	%	Var.	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Revenues from contracts with customers as 'principal'	1,832.3	*99.9%*	1,715.3	*99.9%*	117.0	*7%*	919.6	*99.9%*	840.6	*99.8%*	*9%*
Revenues from contracts with customers as 'agent'	2.4	*0.1%*	2.2	*0.1%*	0.2	*9%*	1.3	*0.1%*	1.4	*0.2%*	*-7%*
Sales from contracts with customers	**1,834.7**	**100.0%**	**1,717.5**	**100.0%**	**117.2**	***7%***	**920.9**	**100.0%**	**842.0**	**100.0%**	***9%***

35) Gross profit

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	1,834,676	100.00%	1,717,485	100.00%	*7%*	920,914	100.0%	842,020	100.00%	*9%*
Cost of sales	1,752,267	95.51%	1,636,406	95.28%	*7%*	880,598	95.6%	801,751	95.22%	*10%*
Gross profit	**82,409**	**4.49%**	**81,079**	**4.72%**	***2%***	**40,316**	**4.38%**	**40,269**	**4.78%**	***0%***

The consolidated gross profit totalled 82.4 million euro and showed an increase of +2% compared with the same period of 2019 as a consequence of higher sales, counterbalanced by a decrease in the percentage margin and despite the diluting effect of the loss of revenues of Celly caused by the partial business interruption. In the second quarter, the gross profit, amounting to 40.3 million euro, was essentially in line with the same period of the previous year.

As is prevalent in the sectors where the Group operates, the cost of sales is adjusted downwards to take into account the premiums/rebates for the achievement of targets, development and co-marketing provisions, cash discounts (so-called "prompt payment discounts") and other incentives. It is further reduced by the credit notes issued by vendors in relation to protection agreed for the value of stock.

Finally, gross profit is affected by the difference between the amount of trade receivables sold without-recourse to factoring companies within the usual revolving programmes and the amounts collected. The latter effect was quantified at approximately 1.7 million euro for the six-month period under review (2.0 million euro in the same period of the previous year).

37-38-39) Operating costs

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	**1,834,676**		**1,717,485**		***7%***	**920,914**		**842,020**		***9%***
Sales and marketing costs	24,888	1.36%	26,003	1.51%	*-4%*	11,803	1.28%	12,793	1.52%	*-8%*
Overheads and administrative costs	42,065	2.29%	40,306	2.35%	*4%*	21,832	2.37%	19,981	2.37%	*9%*
Impairment loss/reversal of financial assets	844	0.05%	788	0.05%	*7%*	412	0.04%	258	0.03%	*60%*
Operating costs	**67,797**	**3.70%**	**67,097**	**3.91%**	***1%***	**34,047**	**3.70%**	**33,032**	**3.92%**	***3%***
- of which non recurring	2,216	0.12%	-	0.00%	*100%*	2,216	0.24%	-	0.00%	*100%*
'Recurring' operating costs	**65,581**	**3.57%**	**67,097**	**3.91%**	***-2%***	**31,831**	**3.46%**	**33,032**	**3.92%**	***-4%***

In the first half 2020, operating costs, amounting to 67.7 million euro, increased by 0.7 million euro compared with the same period of 2019, with an operating costs margin down to 3.69% from 3.91% in 2019. In the second quarter alone, the operating costs, equal to 34.0 million euro, increased by +3% compared with the same period of previous year.

Operating costs in the first half of 2020 include the effect of 2.2 million euro in non-recurring expenses relating, for 0.9 million euro, to costs incurred in Italy as part of the business combinations, the write-down of goodwill for 1.1 million euro and the costs incurred in Italy to tackle the Covid-19 emergency for 0.2 million euro. Excluding the effects stemming from the aforementioned non-recurring costs, both the operating costs of the first half of 2020 and the second quarter of 2020 were essentially in line with the same period of 2019.

Reclassification by nature of some categories of operating costs

For the purposes of providing more information, some categories of operating costs allocated by 'function' have been reclassified by 'nature'.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	**1,834,676**		**1,717,485**		***7%***	**920,914**		**842,020**		***9%***
Depreciation of tangible assets	2,020	0.11%	2,024	0.12%	*0%*	991	0.11%	990	0.12%	*0%*
Amortisation of intangible assets	163	0.01%	290	0.02%	*-44%*	71	0.01%	149	0.02%	*-53%*
Depreciation of right-of-use assets	4,939	0.27%	4,339	0.25%	*14%*	2,475	0.27%	1,917	0.23%	*29%*
Amort . & depreciation	**7,122**	**0.39%**	**6,653**	**0.39%**	***7%***	**3,537**	**0.38%**	**3,057**	**0.36%**	***16%***
Write-downs of fixed assets	1,100	0.06%	-	0.00%	*100%*	1,100	0.12%	-	0.00%	*100%*
Amort. & depr., write-downs (A)	**8,222**	**0.45%**	**6,653**	**0.39%**	***24%***	**4,637**	**0.50%**	**3,057**	**0.36%**	***52%***
Accruals for risks and charges (B)	54	0.00%	158	0.01%	*-66%*	29	0.00%	121	0.01%	*-76%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**8,276**	**0.45%**	**6,811**	**0.40%**	***22%***	**4,666**	**0.51%**	**3,178**	**0.38%**	***47%***

The value booked to the item *Write-downs of fixed assets* as at 30 June 2020 of 1.1 million euro refers to the write-down of goodwill, as better described in section "*2) Goodwill*", to which reference should be made for more details.

Labour costs and number of employees

The labour cost analysis for the period under review is detailed as follows:

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	**1,834,676**		**1,717,486**		***7%***	**920,914**		**842,021**		***9%***
Wages and salaries	23,835	1.30%	23,305	1.36%	*2%*	11,647	1.26%	11,714	1.39%	*-1%*
Social contributions	7,138	0.39%	6,950	0.40%	*3%*	3,480	0.38%	3,437	0.41%	*1%*
Pension obligations	1,211	0.07%	1,161	0.07%	*4%*	598	0.06%	578	0.07%	*3%*
Other personnel costs	455	0.02%	494	0.03%	*-8%*	223	0.02%	249	0.03%	*-10%*
Employee termination incentives	173	0.01%	403	0.02%	*-57%*	48	0.01%	312	0.04%	*-85%*
Share incentive plans	143	0.01%	137	0.01%	*4%*	75	0.01%	75	0.01%	*0%*
Total labour costs (1)	**32,955**	**1.80%**	**32,450**	**1.89%**	***2%***	**16,071**	**1.75%**	**16,365**	**1.94%**	***-2%***

(1) Cost of temporary workers excluded.

As at 30 June 2020, labour costs amounted to 33.0 million euro, marking a more contained change (+2%) compared with the growth in the average staff employed in the first half (+4%), due to the greater use of periods of absence by personnel during the lockdown in the countries of Group operations.

The employees' number of the Group - split by qualification - is shown in the table below:

	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	18	739	-	**757**	
Celly S.p.A.	-	48	-	**48**	
Celly Pacific LTD	-	3	-	**3**	
Nilox Deutschland GmbH	-	-	-	**-**	
4Side S.r.l.	4	10	-	**14**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**800**	**-**	**822**	**822**
Esprinet Iberica S.L.U.	-	265	75	**340**	
Vinzeo Technologies S.A.U.	-	150	-	**150**	
V-Valley Iberian S.L.U.	-	-	-	**-**	
Esprinet Portugal Lda	-	13	-	**13**	
Subgroup Spain	**-**	**428**	**75**	**503**	**501**
Group as at 30 June 2020	**22**	**1,228**	**75**	**1,325**	**1,323**
Group as at 31 December 2019	**22**	**1,208**	**87**	**1,317**	**1,291**
Var 30/06/2020 - 31/12/2019	-	20	(12)	8	32
Var %	0%	2%	-14%	1%	2%
Group as at 30 June 2019	**23**	**1,178**	**86**	**1,287**	**1,275**
Var 30/06/2020 - 30/06/2019	(1)	50	(11)	38	48
Var %	-4%	4%	-13%	3%	4%

[1] Average of the balance at the start and end of the period.

The number of employees in the workforce increased when compared with both the first half and 31 December 2019.

Share incentive plans

On 25 June 2018, free Esprinet stock grants were allotted under the Long Term Incentive Plan approved by the Esprinet shareholders' meeting of 4 May 2018.
The Company currently owns only 111,755 of the ordinary shares underlying the above-mentioned Plan. Therefore, it will need to acquire the remaining amount relating to the 1,150,000 rights granted.

The plan was and will be booked at "fair value" according to the "Black-Scholes" method, taking into account the dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at grant date.

The main information items used in reporting the value of the above-mentioned stock grant plan are summarised as follows.

	Plan 2018-2020
Allocation date	25/06/18
Vesting date	30/04/21
Expiry date	30/06/21
Total number of stock grant	1,150,000
Total number of stock grant allocated	1,150,000
Total number of stock grant granted	1,120,000 [(1)]
Unit fair value (euro)	3.20
Total fair value (euro)	3,584,000
Risk free interest rate (BTP 3 years)	1.1% [(2)]
Implied volatility (260 days)	36.5% [(2)]
Duration (years)	3
Spot price [(3)]	3.58
"Dividend yield"	3.8%

(1) Decrease due to employment termination of some beneficiaries.
(2) Source: Bloomberg, 22 June 2018
(3) Official price of Esprinet S.p.A. shares at grant date

Costs in the current income statement relating to the above-mentioned stock grant plans with a contra entry in the "*Reserve*" item in the statement of financial position, totalled 143 thousand euro with reference to employees (137 thousand euro in 2019) and 480 thousand euro with reference to directors (482 thousand euro in 2019).

42) <u>Financial income and expense</u>

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	**1,834,676**		**1,717,485**		***7%***	**920,914**		**842,020**		***9%***
Interest expenses on borrowings	487	0.03%	1,233	0.07%	*-61%*	235	0.03%	637	0.08%	*-63%*
Interest expenses to banks	681	0.04%	235	0.01%	*>100%*	611	0.07%	81	0.01%	*>100%*
Other interest expenses	2	0.00%	3	0.00%	*-33%*	-	0.00%	3	0.00%	*NA*
Upfront fees amortisation	228	0.01%	308	0.02%	*-26%*	114	0.01%	148	0.02%	*-23%*
IAS 19 expenses/losses	17	0.00%	34	0.00%	*-50%*	8	0.00%	18	0.00%	*-56%*
IFRS financial lease interest expenses	1,682	0.09%	1,358	0.08%	*24%*	834	0.09%	312	0.04%	*>100%*
Derivatives ineffectiveness	-	0.00%	13	0.00%	*NA*	-	0.00%	7	0.00%	*NA*
Total financial expenses (A)	**3,097**	**0.17%**	**3,184**	**0.19%**	***-3%***	**1,802**	**0.20%**	**1,206**	**0.14%**	***49%***
Interest income from banks	(14)	0.00%	(70)	0.00%	*-80%*	(1)	0.00%	(53)	-0.01%	*-98%*
Interest income from others	(49)	0.00%	(41)	0.00%	*20%*	(35)	0.00%	(21)	0.00%	*67%*
Derivatives ineffectiveness	(2)	0.00%	(4)	0.00%	*-50%*	-	0.00%	1	0.00%	*NA*
Total financial income(B)	**(65)**	**0.00%**	**(115)**	**-0.01%**	***-43%***	**(36)**	**0.00%**	**(73)**	**-0.01%**	***-51%***
Net financial exp. (C=A+B)	**3,032**	**0.17%**	**3,069**	**0.18%**	***-1%***	**1,766**	**0.19%**	**1,133**	**0.13%**	***56%***
Foreign exchange gains	(867)	-0.05%	(313)	-0.02%	*>100%*	(687)	-0.07%	(196)	-0.02%	*>100%*
Foreign exchange losses	1,708	0.09%	989	0.06%	*73%*	317	0.03%	245	0.03%	*29%*
Net foreign exch. (profit)/losses (D)	**841**	**0.05%**	**676**	**0.04%**	***24%***	**(370)**	**-0.04%**	**49**	**0.01%**	***<-100%***
Net financial (income)/costs (E=C+D)	**3,873**	**0.21%**	**3,745**	**0.22%**	***3%***	**1,396**	**0.15%**	**1,182**	**0.14%**	***18%***

The overall balance of financial income and expenses, a negative 3.9 million euro, worsened by 0.2 million euro compared to the corresponding period of the previous year (3.7 million euro), due exclusively to the higher net exchange losses.

Net interest expense was essentially in line with the previous year as a result of the worsening of 0.3 million euro, relating to interest on financial leases pursuant to IFRS 16, offset by an improvement of 0.3 million due to lower average use of bank credit facilities and the lower cost of gross debt.

In the second quarter of 2020 alone, the overall balance of financial income and expenses, a negative 1.4 million euro, worsened by 0.2 million euro compared to the corresponding period of the previous year, essentially attributable to the higher financial interest connected with the application of IFRS 16, offset by an improvement recorded in exchange rate management.

45) Income taxes

(euro/000)	H1 2020	%	H1 2019	%	% Var.	Q2 2020	%	Q2 2019	%	% Var.
Sales from contracts with customers	**1,834,676**		**1,717,485**		*7%*	**920,914**		**842,020**		*9%*
Current and deferred taxes	**3,056**	**0.17%**	**2,661**	**0.15%**	*15%*	**1,127**	**0.12%**	**1,411**	**0.17%**	*-20%*
Profit before taxes	10,739		10,238			4,873		6,057		
Tax rate	**28%**		**26%**			**23%**		**23%**		

Income taxes, amounting to 3.1 million euro, recorded an increase of 15% compared to the corresponding period in 2019 due to a higher taxable base and higher tax rate. The increase in the tax rate is due to growth in both geographical areas of operations of the Group and the return to prevalence of the result of Sub-Group Italy, subject to a higher tax rate, with respect to Sub-Group Spain (opposite ratio at the date of close of the previous year).

46) Net income and earnings per share

(euro/000)	H1 2020	H1 2019	Var.	% Var.	Q2 2020	Q2 2019	Var.	% Var.
Net income attributable to Group	**7,813**	**7,317**	**496**	*7%*	**3,816**	**4,377**	**(562)**	*-13%*
Weighed average no. of shares in circulation: basic	48,362,375	51,254,340			48,218,549	51,254,340		
Weighed average no. of shares in circulation: diluted	49,230,757	51,675,219			49,241,772	51,794,164		
Earnings per share in euro - basic	**0.16**	**0.14**	**0.02**	*14%*	**0.08**	**0.09**	**-0.01**	*-11%*
Earnings per share in euro - diluted	**0.16**	**0.14**	**0.02**	*14%*	**0.08**	**0.08**	**0.00**	*0%*

The 1,150,000 own shares held in the portfolio were excluded from the calculation of the 'basic' earnings per share.

For the purpose of calculating the "diluted" earnings per share, the potential shares involved in the stock grant plan approved on 4 May 2018 by the Esprinet S.p.A. shareholders' meeting were considered. The plan provides for the allotment of 1,120,000 free shares due to the employment termination of some beneficiaries.

5. Other significant information

5.1 Cash flow analysis in the period

As shown in the following table, due to the trends in cash flows development in the Consolidated statement of cash flows, as at 30 June 2020, the Esprinet Group recorded a positive net financial debt of 113.2 million euro, compared with a negative 183.1 million euro as at 30 June 2019.

(euro/000)	**H1 2020**	**H1 2019**
Net financial debt at year-beginning	**(272,275)**	**(241,044)**
Cash flow provided by (used in) operating activities	(154,417)	(320,072)
Cash flow provided by (used in) investing activities	(2,105)	262
Cash flow provided by (used in) changes in net equity	(1,796)	(6,678)
Total cash flow	**(158,318)**	**(326,488)**
Unpaid interests	(459)	(944)
Unpaid leasing interests	(273)	-
Lease liabilities posting	-	(97,552)
20% Celly Call Option deletion	-	1,082
Deferred price 4Side acquisition		(100)
Increase/(decrease) in 'cash flow edge' equity reserve	-	(116)
Net financial debt at year-end	**(113,225)**	**183,074**
Short-term financial liabilities	52,364	178,336
Lease liabilities	8,673	7,608
Customers financial receivables	(9,476)	(11,489)
Current financial (assets)/liabilities for derivatives	-	670
Financial receivables from factoring companies	(654)	(906)
Current Debts for investments in subsidiaries	-	100
Cash and cash equivalents	(333,237)	(120,952)
Net current financial debt	**(282,330)**	**53,367**
Borrowings	73,277	45,250
Lease liabilities	96,323	85,424
Customers financial receivables	(495)	(967)
Net financial debt at year-beginning	**(113,225)**	**183,074**

5.2 Net financial indebtedness

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, the "*net financial indebtedness*" (or "*net financial position*") is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators Recommendation of 10 February 2005: "*CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses*" and referred to by Consob.
With reference to the same table, it should be underlined that net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial debt' used hereafter.

(euro/000)	30/06/2020	31/12/2019	30/06/2019
A. Bank deposits and cash on hand	333,226	463,776	120,949
B. Cheques	11	1	4
C. Trading securities	-	-	-
D. Liquidity (A+B+C)	333,237	463,777	120,953
Other current financial receivables	*9,476*	*9,719*	*11,489*
Financial receivables from factoring companies	*654*	*3,526*	*906*
E. Current financial receivables	10,130	13,245	12,395
F. Current bank debt	17,527	2,879	61,618
G. Current portion of non current debt	20,939	16,951	102,280
H. Other current financial debt and financial liability for derivatives	22,571	24,629	22,717
I. Current financial debt (F+G+H)	61,037	44,459	186,615
J. Net current financial indebtedness (I-E-D)	**(282,330)**	**(432,563)**	**53,267**
K. Non-current bank loans	73,277	61,045	45,250
L. Other non - current financial receivables	(495)	(969)	(967)
M. Other financial debt & non-current financial liabilities for derivatives	96,323	100,212	85,524
N. Non-current financial indebtedness (K+L+M)	**169,105**	**160,288**	**129,807**
O. Net financial indebtedness (J+N)	**(113,225)**	**(272,275)**	**183,074**
Breakdown of net financial indebtedness:			
Short-term financial liabilities	52,364	35,862	178,336
Lease liabilities	8,673	8,597	7,608
Current debts for investments in subsidiaries	-	-	100
Current financial (assets)/liabilities for derivatives	-	-	670
Other current financial receivables	(9,476)	(9,719)	(11,489)
Financial receivables from factoring companies	(654)	(3,526)	(906)
Cash and cash equivalents	(333,237)	(463,777)	(120,952)
Net current financial debt	**(282,330)**	**(432,563)**	**53,367**
Non-current financial (assets)/liabilities for derivatives	-	-	-
Other non - current financial receivables	(495)	(969)	(967)
Borrowings	73,277	61,045	45,250
Lease liabilities	96,323	100,212	85,424
Net financial debt	**(113,225)**	**(272,275)**	**183,074**

The Group's net financial position, positive in the amount of 113.2 million euro, corresponds to a net balance of gross financial debts of 125.6 million euro, financial receivables equal to 10.6 million euro, financial lease liabilities for leases equal to 105.0 million euro and cash and cash equivalents equal to 333.2 million euro.

Cash and cash equivalents mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Group's distinctive financial cycle.
A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the without-recourse assignment of trade receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The without-recourse sale of receivables revolving programme focusing on selected customer segments, specially in GDO, continued during the first half of 2020 in both Italy and Spain as part of the processes aimed at the structural optimisation of the management of working capital. In addition to this, the securitisation programme also continued during the period, launched in Italy in July 2015 and renewed in July 2018, for additional trade receivables. This programme is aimed at transferring risks and rewards to the buyer: the receivables sold are therefore de-recognised in the statement of financial position according to IFRS 9. The overall effect on the levels of net financial debt as at 30 June 2020 is approximately 343.0 million euro (roughly 480.1 million euro as at 31 December 2019 and 334.3 million euro as at 30 June 2019).

In relation to the medium/long-term financial debt, the table below shows, separately for each lender, details of the principal expiring within and after the next year of the loans obtained, with the breakdown between "Sub-group Italy" and "Sub-group Iberica". It should be noted that the amounts may differ from the individual book values since they represent the amortised cost calculated on the basis of the effective interest rate method.

(euro/000)	30/06/2020			31/12/2019			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Carige	2,542	1,287	3,829	2,521	2,564	5,085	21	(1,277)	(1,256)
BCC Carate	2,516	2,547	5,063	2,499	3,809	6,308	17	(1,262)	(1,245)
Intesa Sanpaolo (GdF loan)	477	497	974	458	973	1,431	19	(476)	(457)
Banca Popolare di Sondrio	2,450	12,550	15,000	-	15,000	15,000	2,450	(2,450)	-
Total Subgroup Italy	**7,985**	**16,881**	**24,866**	**5,478**	**22,346**	**27,824**	**2,507**	**(5,465)**	**(2,958)**
Banco Sabadell	2,633	15,147	17,780	1,803	7,468	9,271	830	7,679	8,509
Bankia	1,980	5,584	7,564	1,966	6,577	8,543	14	(993)	(979)
Ibercaja	2,603	9,941	12,544	1,978	11,554	13,532	625	(1,613)	(988)
Bankinter	3,006	2,270	5,276	2,994	3,776	6,770	12	(1,506)	(1,494)
La Caixa	1,000	13,000	14,000	1,000	3,500	4,500	-	9,500	9,500
Kutxabank	750	1,500	2,250	750	1,875	2,625	-	(375)	(375)
Cajamar	982	4,018	5,000	982	4,018	5,000	-	-	-
BBVA	-	5,000	5,000	-	-	-	-	5,000	5,000
Total Subgroup Iberica	**12,954**	**56,460**	**69,414**	**11,473**	**38,768**	**50,241**	**1,481**	**17,692**	**19,173**
Total Group	**20,939**	**73,341**	**94,280**	**16,951**	**61,114**	**78,065**	**3,988**	**12,227**	**16,215**

The following table shows the principal carrying amount of the above-mentioned loans, including those guaranteed by the Spanish Government through Instituto de Crédito Official ("ICO") as part of the measures to support companies adopted by the Spanish Government in response to Covid-19:

(euro/000)	30/06/2020	31/12/2019	Var.
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in yearly instalments by January 2022	974	1,431	(457)
Unsecured loan (agent: Carige) to Esprinet S.p.A. repayable in six-monthly instalments by December 2021	3,829	5,085	(1,256)
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in six-monthly instalments by March 2022	5,063	6,308	(1,245)
Unsecured loan (agent: Banca Popolare di Sondrio) to Esprinet S.pA repayable in quarterly instalments by November 2023	15,000	15,000	-
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in quarterly instalments by March 2024	3,780	4,271	(491)
Unsecured loan (agent: Bankia) to Esprinet Iberica repayable in quarterly instalments by February 2024	7,564	8,543	(979)
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in quarterly instalments by February 2024	7,544	8,532	(988)
Unsecured loan (agent: Bankinter) to Esprinet Iberica repayable in quarterly instalments by February 2022	5,276	6,770	(1,494)
Unsecured loan "ICO" (agent: Banco Sabadell) to Esprinet Iberica repayable in monthly instalments by June 2025	3,000	-	3,000
Unsecured loan "ICO" (agent: La Caixa) to Esprinet Iberica repayable in monthly instalments by June 2025	5,000	-	5,000
Unsecured loan "ICO" (agent: BBVA) to Esprinet Iberica repayable in monthly instalments by June 2025	5,000	-	5,000
Unsecured loan (agent: Cajamar) to Vinzeo S.A.U repayable in yearly instalments by December 2024	5,000	5,000	-
Unsecured loan (agent: Ibercaja) to Vinzeo S.A.U repayable in six-monthly instalments by November 2024	5,000	5,000	-
Unsecured loan (agent: Banco Sabadell) to Vinzeo S.A.U repayable in six-monthly instalments by June 2023	5,000	5,000	-
Unsecured loan (agent: La Caixa) to Vinzeo S.A.U repayable in quarterly instalments by May 2024	4,000	4,500	(500)
Unsecured loan (agent: Banco Kutxabanka) to Vinzeo S.A.U repayable in six-monthly instalments by March 2023	2,250	2,625	(375)
Unsecured loan "ICO" (agent: Banco Sabadell) to Vinzeo S.A.U repayable in monthly instalments by June 2025	6,000	-	6,000
Unsecured loan "ICO" (agent: La Caixa) to Vinzeo S.A.U repayable in monthly instalments by June 2025	5,000	-	5,000
Total book value	**94,280**	**78,065**	**16,215**

5.3 Loan covenants

The Group companies have medium/long-term loan agreements in place that contain the standard provisions of given economic-financial covenants.

In particular, during the previous year, the parent company Esprinet S.p.A., signed a 3-year "unsecured" RCF-Revolving Credit Facility with a pool of domestic and international banks for a total of 152.5 million euro, secured by a structure of financial covenants to be verified on a half-yearly basis on the consolidated and certified financial statements data, typical for transactions of this nature, which make provision for the possible acceleration clause for reimbursements in the event they are not respected. These covenants are determined as follows:

- ratio of net financial indebtedness to EBITDA;
- ratio of extended net financial indebtedness to Equity;
- ratio of EBITDA to net financial charges;
- amount of 'gross net financial position'.

Also the subsidiary Esprinet Iberica S.L.U., in the previous year, stipulated two unsecured "amortising" 5-year loans expiring in February 2024, repayable in quarterly instalments and for a total original value of Euro 10.0 million (17.1 million euro in principal as at 30 June 2020), which require the annual commitment of observance (i) of a given ratio of extended net financial indebtedness to EBITDA at consolidated level and (ii) a maximum value of medium/long-term loans in favour of Esprinet Iberica.

The various medium/long-term loan agreements, including those that do not make provision for financial covenants and on the above-mentioned Revolving Credit Facility, also contain the usual "negative pledge", "pari passu" and similar clauses that, at the date of drafting of this report, were respected.

5.4 Relationships with related entities

The details of the number and type of operations with related parties, the total value of which however is insignificant in relation to the overall volume of the Group's business operations, can be found under "*Relationships with related parties*".

5.5 Non-recurring significant events and operations

In the first half of 2020, the following non-recurring items were identified:

- sundry costs, totalling 0.9 million euro, relating primarily to advisory services, incurred by the parent company Esprinet S.p.A. in relation to the business combination to be carried out in Spain (GTI Group);
- 1.1 million euro relating to the write-down of goodwill allocated to the mobile telephone accessory distribution CGU and attributable to the Celly Group, as better described in section "*2) Goodwill*", to which reference should be made for more details.
- 0.2 million euro relating to the costs incurred in relation to the Covid-19 health emergency.

In the corresponding period of 2019, no non-recurring transactions and events were identified.

The following table shows the reporting in the income statement for the period of the aforementioned events and operations (including the related tax effects):

(euro/000)	**Non - Recurring Charge Type**	**H1 2020**	**H1 2019**	**Var.**	**Q2 2020**	**Q2 2019**	**Var.**
Overheads and administrative costs	Write-down of goodwill	(1,100)	-	(1,100)	(1,100)	-	(1,100)
Overheads and administrative costs	Business combination acquisition costs	(905)	-	(905)	(905)	-	(905)
Overheads and administrative costs	Covid-19 costs	(211)	-	(211)	(211)	-	(211)
Total SG&A	**Total SG&A**	**(2,216)**	**-**	**(2,216)**	**(2,216)**	**-**	**(2,216)**
Operating Income (EBIT)	**Operating Income (EBIT)**	**(2,216)**	**-**	**(2,216)**	**(2,216)**	**-**	**(2,216)**
Profit before income taxes	**Profit before income taxes**	**(2,216)**	**-**	**(2,216)**	**(2,216)**	**-**	**(2,216)**
Income tax expenses	Income tax expenses	312		312	312	-	312
Net income/(loss)	**Net income/(loss)**	**(1,904)**	**-**	**(1,904)**	**(1,904)**	**-**	**(1,904)**

5.6 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2019 and 2018.

	2019			2018		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	22.2%	23.3%	20.4%	21.9%	23.3%	19.4%
Sales Q2	21.3%	21.6%	21.0%	21.2%	21.7%	20.4%
Sales H1	**43.5%**	**44.8%**	**41.4%**	**43.1%**	**45.1%**	**39.8%**
Sales Q3	22.6%	22.6%	22.6%	21.6%	21.3%	22.1%
Sales Q4	33.8%	32.5%	35.9%	35.3%	33.6%	38.1%
Sales H2	**56.5%**	**55.2%**	**58.6%**	**56.9%**	**54.9%**	**60.2%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The IT and electronic markets both in Italy and in Spain are traditionally characterised by seasonal sales which involve an increase in demand in the fourth quarter of the calendar year, essentially in terms of purchases concentrated in the pre-Christmas and the so-called 'back-to-school' seasons to consumers and by the spending dynamics of budgets dedicated to IT investments which are statistically concentrated around the months of November and December.

The seasonal nature of IT and electronics sales has an influence both on the business volumes of the distribution industry and on the sales volumes of the Esprinet Group.
The winter trend provides a contrast to the drop in demand in the summer months, in August, in particular. As a result of the increasing reluctance to suspend work during the summer months, this last trend also appears to be re-dimensioning, particularly in the business sector.

In addition to the above, operating results are also seasonal, but even more so than those of sales since the absolute profit margin levels track the seasonal nature of sales, while overheads tend to be more regular during the year.
The seasonal nature of sales described above also has an influence on the portion of borrowings that is closely linked to working capital needs, which peak in the last part of each calendar year.

The level of net borrowings fluctuates dramatically not only throughout the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.
For this reason, the figure resulting at the end of the period, or at the end of each month, is not particularly representative of the average net financial indebtedness customarily observable during the same period.

The circumstances described above give rise to higher financial and commercial risk levels for the Group compared with businesses which are less subject to seasonal fluctuations.

5.7 Financial instruments pursuant to IFRS 9: classes of risk and "fair value"

The following table illustrates the relationship between the financial instrument items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting standard IFRS 9:

Assets	**30/06/2020**				**31/12/2019**			
(euro/000)	**Carrying amount**	**Financial assets at FVTPL (1)**	**Loans and receiv.**	**Not IFRS 9**	**Carrying amount**	**Financial assets at FVTPL (1)**	**Loans and receiv.**	**Not IFRS 9**
Customer financial receivables	*495*		*495*		*969*		*969*	
Guarantee deposits	*2,185*		*2,185*		*2,208*		*2,208*	
Rec.and other non-curr. Assets	2,680		2,680		3,177		3,177	
Non-current assets	**2,680**	**-**	**2,680**	**-**	**3,177**	**-**	**3,177**	**-**
Trade receivables	396,762	109,687	287,075		470,999	214,559	256,400	
Receivables from factors	*654*		*654*		*3,526*		*3,526*	
Customer financial receivables	*9,476*		*9,476*		*9,719*		*9,719*	
Other tax receivables	*10,137*			*10,137*	*11,126*			*11,126*
Receivables from suppliers	*5,431*		*-*	*5,431*	*10,244*		*10,244*	
Receivables from insurances	*467*		*467*		*414*		*414*	
Receivables from employees	*-*		*-*		*-*		*-*	
Receivables from others	*182*		*182*		*136*		*136*	
Pre-payments	*4,313*			*4,313*	*5,791*		*-*	*5,791*
Rec.and other Assets	30,660		10,779	19,881	40,956	-	24,039	16,917
Derivative financial assets	-	-			-		-	
Cash and cash equivalents	333,237		333,237		463,777		463,777	
Current assets	**760,659**	**109,687**	**631,091**	**19,881**	**975,732**	**214,559**	**744,216**	**16,917**

Liabilities	**30/06/2020**				**31/12/2019**			
(euro/000)	**Carrying amount**	**Financial liabilities at FVTPL (1)**	**Financial liabilities amortized cost**	**Not IFRS 9**	**Carrying amount**	**Financial liabilities at FVTPL (1)**	**Financial liabilities amortized cost**	**Not IFRS 9**
Borrowings	73,277		73,277		61,045		61,045	
Lease liabilities	96,323		96,323		100,212		100,212	
Provisions of pensions	*1,639*			*1,639*	*1,661*			*1,661*
Other provisions	*104*			*104*	*127*			*127*
Cash incentive liabilities	*82*		*82*		*710*		*710*	
Provis. And other non-curr. Liab.	1,825		82	1,743	2,498		710	1,788
Non-current liabilities	**171,425**	**-**	**169,682**	**1,743**	**163,755**	**-**	**161,967**	**1,788**
Trade payables	827,332		827,332		1,089,246		1,089,246	
Short-term financial liabilities	52,364		52,364		35,862		35,862	
Lease liabilities	8,673		8,673		8,597		8,597	
Associates liabilities	*4,182*		*4,182*		*4,237*		*4,237*	
Social security liabilities	*13,218*			*13,218*	*11,148*			*11,148*
Other liabilities	*15,720*		*15,720*		*14,904*		*14,904*	
Payables to others	*318*		*318*		*250*		*250*	
Deferred income	*119*			*119*	*13*			*13*
Provisions and other liabilities	33,557		20,220	13,337	30,552		19,391	11,161
Current liabilities	**921,926**	**-**	**908,589**	**13,337**	**1,164,257**	**-**	**1,153,096**	**11,161**

(1) "Fair Value Through Profit and Loss" (FVTPL): Fair Value Through Profit and Loss includes derivatives at fair value through profit and loss.

For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the section "*Notes to the statement of financial position items*".
The fair value measurement of financial assets and liabilities reported in the financial statements as provided for by IFRS 9 and as governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in their determination, are as follows:

Assets	**30/06/2020**						**31/12/2019**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe
Customer financial receivabl	*495*		*516*				*969*		*1,036*			
Guarantee deposits	*2,185*	*2,389*					*2,208*	*2,372*				
Other non current assets	2,680	2,389	516	-	-	-	3,177	2,372	1,036	-	-	-
Non - current assets	**2,680**	**2,389**	**516**	**-**	**-**	**-**	**3,177**	**2,372**	**1,036**	**-**	**-**	**-**
Trade receivables	396,762	396,762					470,999	470,999				
Receiv. From factors	*654*		*654*				*3,526*		*3,526*			
Customer financial receivabl	*9,476*		*9,476*				*9,719*		*9,719*			
Receiv. From suppliers	*5,431*		*5,431*				*10,244*			*10,244*		
Receiv. From insurances	*467*				*467*		*414*				*414*	
Receiv. From employees	*-*					*-*	*-*					
Receiv. From others	*182*			*182*			*136*			*136*		
Other receivables	16,210	-	15,561	182	467	-	24,039	-	13,245	10,380	414	-
Derivate Financial Assets	-			-			-					
Cash and cash equival.	333,237		333,237				463,777		381,308			
Current assets	**746,209**	**396,762**	**348,798**	**182**	**467**	**-**	**958,815**	**470,999**	**394,553**	**10,380**	**414**	**-**

Liabilities	**30/06/2020**					**31/12/2019**				
		Fair value					**Fair value**			
(euro/000)	**Carrying amount**	Trade payables	Financial payables	FVTPL derivat	Other payables	**Carrying amount**	Trade payables	Financial payables	FVTPL derivat	Other payables
Borrowings	73,277		73,531			61,045		60,760		
Cash incentive liab	*82*				*82*	*710*				*710*
Provisions and other liab	82	-	-	-	82	710	-	-	-	710
Non-current liabilities	**73,359**	**-**	**73,531**	**-**	**82**	**61,755**	**-**	**60,760**	**-**	**710**
Trade payables	827,332	827,332				1,089,246	1,089,246			
Short-term financial liab.	52,364		53,316			35,862		36,662		
Social security liabilities	*4,182*				*4,182*	*4,237*				*4,237*
Payables to others	*15,720*				*15,720*	*14,904*				*14,904*
Accroued exp. (insurance)	*318*				*318*	*250*				*250*
Provisions and other liab.	20,220	-	-	-	20,220	19,391	-	-	-	19,391
Current liabilities	**899,916**	**827,332**	**53,316**	**-**	**20,220**	**1,144,499**	**1,089,246**	**36,662**	**-**	**19,391**

IFRS 13 identifies a hierarchy of valuation techniques that are based on three levels:

- Level 1: data used in valuations are represented by prices listed on markets in which assets and liabilities identical to those subject to valuation are exchanged;
- Level 2: data used in valuations, other than listed prices pursuant to Level 1, are observable for financial assets or liabilities, both directly (prices) and indirectly (price derivatives);
- Level 3: data not observable; in the event in which the observable data are not available and, therefore, there is modest or inexistent market activity for the assets and liabilities subject to valuation.

Given their short-term maturity, the gross carrying value of current assets (excluding derivatives if any), trade payables, short-term financial liabilities and other payables (excluding liabilities for monetary incentives), is deemed a reasonable approximation of their “fair value”.

The “fair value” of non-current assets and borrowings was estimated by discounting expected cash flows from principal and interest, according to the terms and the due dates of each agreement, and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The interest rates used were obtained from the 'Forward' and the 'Spot' Curve Euro at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows).

As shown in the preceding tables, no reclassifications between levels of the hierarchy were carried out.
The impairments of financial assets, which were estimated after a precise valuation of the solvency of each individual debtor and, at large-scale level, of the estimates of Expected Credit Losses recorded on existing receivables at the annual or interim reporting date, are shown in the item of the separate income statements "Impairment loss/reversal of financial assets". These adjustments totalled 0.8 million euro in the first half of 2020, as in the corresponding period of the previous year.

5.8 Hedging derivatives analysis

Introduction

The Esprinet Group enters into derivative contracts in order to hedge certain loan agreements against fluctuating interest rates by means of a cash flow hedging strategy.
The aim of these transactions hedging against interest rate risk is to fix the funding cost of medium/long-term floating-rate loans by entering into derivative contracts enabling receipt of a floating rate in return for payment of a fixed rate.
Hedging operations are therefore reported in the financial statements according to the instructions of the IFRS 9 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Group periodically carries out effectiveness tests.

Derivative instruments as at 30 June 2020

As at 30 June 2020, the Group did not have any derivative instruments nor were any of said instruments in place during the half.

In the previous year, between October and November, the parent company Esprinet S.p.A. extinguished six "IRS-Interest Rate Swap" ("IRS") contracts in place until then for a notional 58.7 million euro and hedging 81% of a pooled medium-term loan called Term Loan Facility as a result of its full early repayment on 26 September 2019.
The disclosure in relation to these instruments is detailed in the section of the Consolidated Financial Statements as at 31 December 2019 by the same name, to which reference should be made.

5.9 Non-hedging derivatives analysis

Within the business combination of Vinzeo Technologies S.A.U., two Interest Rate Cap contracts were acquired which provide for that the company receives the spread in relation to the agreed cap from the banking counterparty if 3-month Euribor exceed set maximum threshold.
These instruments are intended to cover all short-term facilities against fluctuating interest rates by means of cash flow hedging strategy.
Since the derivatives are long-term (both maturing in July 2020), and intended to cover against fluctuating interest rates with respect to debts with various terms that are undetermined and depending on their usage, they do not satisfy conditions for hedge accounting. Thus, all fair value changes, together with any cash inflows from the counterparties, are booked directly in the income statement.
The derivative instrument changes relating to the fair value variations recorded in the income statement are reported below:

(euro/000)	Year	FV 31/12/a.p.[1, 2]	Income	Variation FV	FV 30/06/a.c. [2, 3]
Interest Rate Cap	H1 2020	-	-	-	-
Interest Rate Cap	H1 2019	(3)	-	3	-
Total		**(3)**	**-**	**3**	**-**

(1) Previous year.
(2) (Assets)/liabilities.
(3) Current year.

5.10 Subsequent events

Relevant events occurred after period end are briefly described below:

Incorporation of the vehicle company Axopa S.r.l. and signing of the trade union agreement to protect and guarantee the business continuity of Gruppo Esprinet S.p.A.

On 6 July 2020, Maurizio Rota, Chairman of the Board of Directors and Chief Executive Officer of Esprinet S.p.A., transferred all of their 3,418,905 Esprinet shares to a newly formed vehicle controlled by them called Axopa S.r.l.. At the same time as the transfer, Axopa acquired an additional 1,200,000 Company shares at the price of 4.40 euro each, bringing the stake in Esprinet S.p.A. to 9.07%. Axopa then signed a shareholders' agreement with shareholder Francesco Monti, holder of a stake of 16.16% in Esprinet, aimed at ensuring management continuity and stability of the company's ownership structures. The shareholders' agreement contains a total of 12,850,975 shares, equal to 25.23% of the share capital, and requires the parties to the agreement to propose a common list for the renewal of Esprinet S.p.A's Board of Directors expiring on approval of the financial statements for the current tax year, which includes the confirmation of Mr. Maurizio Rota as a non-executive Chairman of the Board of Directors, the appointment of Mr. Marco Monti as Deputy Chairman and the confirmation of Mr. Alessandro Cattani as the Chief Executive Officer.

Loans guaranteed by the Spanish Government in favour of the subsidiaries Esprinet Iberica and Vinzeo

During July 2020, the Spanish subsidiaries Esprinet Iberica S.L.U. and Vinzeo Technologies S.A.U., as part of the measures to support companies adopted by the Spanish Government to tackle Covid-19, took out a total of three 5-year loans and three 3-year loans, all amortising, five fixed-rate and one floating rate, guaranteed by the Spanish Government through l'Instituto de Crédito Official ("ICO"). The total value of the loans subscribed amounted to 19.7 million euro, of which 17.0 million disbursed at the date of drafting of this financial report.

Resignation of Director Valerio Casari

In July 2020, after working for the company for twenty years, Mr. Valerio Casari resigned from his position as Director and Group Chief Financial Officer of Esprinet S.p.A. due to personal reasons, as well as from any other office, function and role held in Esprinet and any other company in the Esprinet Group. The Board of Directors of Esprinet S.p.A. expressed its thanks and profound gratitude to Mr. Valerio Casari for the significant commitment shown and his important contribution over the last few years and accepted his resignation.
As a result of the termination of employment, the Company will pay Mr. Valerio Casari not only the pro-rata instalment of the fixed emoluments accrued and end-of-service fees due by law, but also indemnities, variable emoluments, and various fees of 1.4 million euro plus free stock grants on ordinary Esprinet S.p.A. shares to be calculated on a pro-rata temporis basis with respect to the overall vesting period, on the maximum number of stock grants allotted to him in relation to the 2018-2020 remuneration plans.

5.11 Relationships with related parties

Group operations with related parties, as defined by IAS 24, cited in turn by Consob Communication No. DEM/6064293 of 28 July 2006, were affected in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were sold under the same conditions as those usually applied to employees.
Operations between the Esprinet S.p.A. parent company and subsidiaries included in the consolidation area have been eliminated from the half-year consolidated financial statements and therefore do not figure in this section.

It has also to be noted that, in the first half of this year, there were no operations of "greater importance" as defined by the "Procedure for the discipline of Transactions with Related Parties", approved by the Board of Directors of Esprinet S.p.A. in compliance with Consob resolution n. 17221 of 12 March 2010 and subsequent amendments thereto, entered into force on 1 January 2011.

Relationships with 'other related parties'

(euro/000)		H1 2020				H1 2019			
	Type	Sales	Costs	Receiv	Payab	Sales	Costs	Receiv	Payab
Sales									
Key managers and family	Sales of goods	8	-	3	-	4	-	1	-
Subtotal		**8**	**-**	**3**	**-**	**4**	**-**	**1**	**-**
Overheads and administrative cost									
Immobiliare Selene S.r.l.	Overheads	-	-	-	-	-	2	1	-
M.B. Immobiliare S.r.l.	Overheads	-	-	-	-	-	6	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**	**8**	**1**	**-**
Finance costs - net									
Immobiliare Selene S.r.l.	Interes on guar. Deposits	-	-	-	-	3	-	3	-
M.B. Immobiliare S.r.l.	Interes on guar. Deposits	-	-	-	-	4	-	4	-
Subtotal		**-**	**-**	**-**	**-**	**7**	**-**	**7**	**-**
Total		**8**	**-**	**3**	**-**	**11**	**8**	**9**	**-**

* Gross values.

The aforementioned table details operations occurred between Group companies and: - companies where Esprinet S.p.A. directors and shareholders play important roles; -key managers and their close members of the family.
Sales relate to consumer electronics products sold under normal market conditions.

Due to the application of IFRS 16, in the first half of 2019, 2.6 million euro in lease fees on properties vis-à-vis related parties for leases stipulated under market conditions and signed in periods before to the one under review were derecognised from the income statement, with the companies Immobiliare Selene S.r.l., in relation to the logistics site of Cambiago (MI) and M.B. Immobiliare S.r.l. as regards the logistics site of Cavenago (MB), respectively.

The total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

Emoluments to board members and key managers

Information regarding emoluments both of Esprinet S.p.A. Board of Directors and Statutory Auditors, and of the Group key managers are described as follows.

The amounts below presented include all employee benefits on accrual basis, non-monetary benefits and the emoluments received as board members of the Group entities.

(euro/000)	H1 2020			H1 2019		
	Emolument	**Fringe benefit**	**Total**	**Emolument**	**Fringe benefit**	**Total**
Board of Directors	1,877	6	1,883	1,877	6	1,883
Other key managers	-	-	-	-	-	-
Subtotal	**1,877**	**6**	**1,883**	**1,877**	**6**	**1,883**
Board of Statutory Auditors	65	-	65	65	-	65
Total	**1,942**	**6**	**1,948**	**1,942**	**6**	**1,948**

As defined by accounting standard IAS 24 and quoted by Consob Resolution 17221 of 12 March 2010, "key managers are those persons having authority and responsibility for planning, directing and controlling the activities of the entity preparing the financial statements, including any director (whether executive or otherwise) of that entity".

The Board of Directors, the Board of Statutory Auditors and the Group CFO are deemed to be key managers in the Esprinet Group.
In the light of CFO role within the Board of Directors of Esprinet S.p.A., his compensation is included in the item "Board of Directors".

Vimercate, 7 September 2020

Of behalf of the Board of Directors
The Chairman

Maurizio Rota

Statement on the "Condensed consolidated half-year financial statements" pursuant to Article 154-bis of Legislative Decree 58/98

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the condensed consolidated half-year financial statements as at 30 June 2020, relating to the period between 1 January 2020 – 30 June 2020, were:

- appropriate with respect to the company's profile, and
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed consolidated half-year financial statements as at 30 June 2020 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.

3. We further declare that:

3.1 the condensed consolidated half-year financial statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
b) correspond to the amounts shown in the Company's accounts, books and records;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The Interim Directors' Report on Operations contains a reliable analysis of the significant events that affected the Group during the first six months of the year and their impact on the condensed consolidated half-year financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The Interim Directors' Report on Operations also includes reliable information regarding significant operations with related parties.

Vimercate, 7 September 2020

Chief Executive Officer
of Esprinet S.p.A.

(Alessandro Cattani)

Manager in charge of
Financial Reporting
of Esprinet S.p.A.

(Pietro Aglianò)

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Esprinet SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Esprinet SpA and its subsidiaries (the Esprinet Group) as of 30 June 2020, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income,consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and related notes. The directors of Esprinet SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Esprinet Group as of 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 7 September 2020

PricewaterhouseCoopers SpA

Signed by

Andrea Martinelli
(Partner)

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