Esprinet Group

Half-year Financial Report as at 30 June 2019

Approved by the Board of Directors on 11 September 2019

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. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 30/06/2019: 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	Valerio Casari	(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

Notes:
(InD): Independent Director
(CRC): Control and Risk Committee
(RAC): Remuneration and Nomination Committee
(SC): Strategy 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	Antonella Koenig
Alternate Auditor	Mario Conti

Independent Auditor:

(Mandate expiring with approval of accounts 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.

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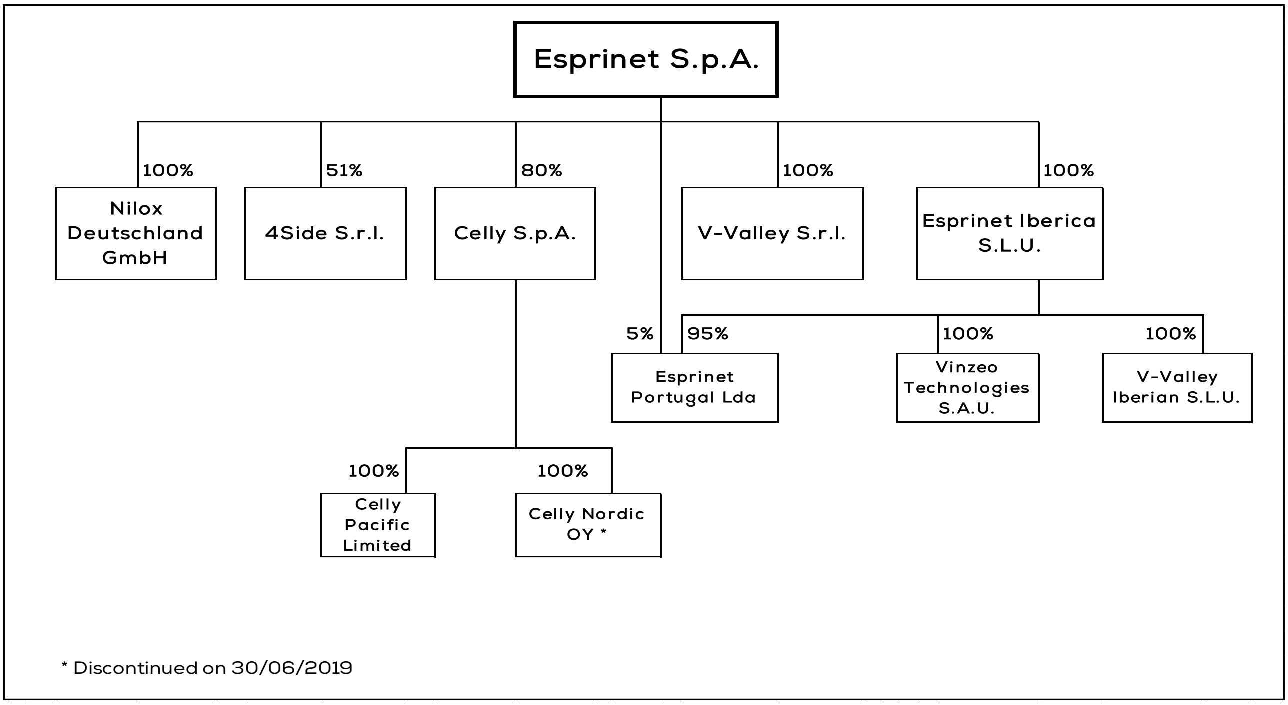
Activities and structure of the Esprinet Group

1. General information about the Esprinet Group

The chart below illustrates the structure of the Esprinet Group as at 30 June 2019:



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 combination and establishment of new companies carried out in 2005.

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
As of the period end date, Subgroup Italy included 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 e 4Side S.r.l. (51% of which was acquired on 20 March 2019).

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 subsidiaries:

- Celly Nordic OY, a Finnish-law company (in liquidation from June 2019);
- Celly Pacific LTD, a Chinese-law company;

all of which are operating in the same segment as the Holding Company.

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) and Cavenago (Monza e Brianza).
Esprinet S.p.A. uses Banca IMI S.p.A. for specialist activities.

2. Target Market Trend

The technology distribution industry

Europe

In the first half, the IT distribution industry generated revenues of around 35.1 billion euro, up (+5%) compared with 33.5 billion euro in the first half 2018, as measured by a research firm, Context (September 2019), with reference to a panel of distributors representative of the general trend.
Namely, the second half, up +4% compared with the previous year values, shows a decrease compared with the growth recorded in the first half (+5%).

Germany (the first market in Europe in terms of size) accounts for the largest share in results, up +4%, while the UK and Ireland distribution market (the second largest in Europe) is substantially in line compared with the same period in 2018.
Italy and Spain are growing both in the first and in second quarter, while France records an overall improvement of only +5% in the 6-month period as a consequence of a sharp slowdown.
Sweden (+12%), Norway (+11%) and Portugal (+10%) show the most significant growth in the EU.

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

	Q1 2019 vs 2018	Q2 2019 vs 2018	H1 2019 vs 2018
Total	**5%**	**4%**	**5%**
Germany	4%	4%	4%
UK & Ireland	1%	0%	0%
Italy	**4%**	**9%**	**6%**
France	10%	0%	5%
Spain	**12%**	**8%**	**10%**
Merged countries	4%	6%	5%
Poland	8%	9%	8%
Switzerland	-1%	0%	0%
Austria	9%	3%	6%
Sweden	17%	7%	12%
Belgium	13%	5%	9%
Cezch Republic	1%	10%	5%
Portugal	**11%**	**9%**	**10%**
Denmark	5%	-5%	0%
Finland	4%	-4%	0%
Norway	19%	4%	11%
Baltics	10%	5%	7%
Slovakia	3%	-5%	-1%

Source: Context, September 2019

Italy

In the first half of 2019, the Italian technology distribution market grew by +6.1% compared with 2018 (source: company processing based on Context data) while the second quarter figures grew by +8% vs previous year.1
All product segments grew with the exception of 'accessory' (-8.3% in the first half and -4.5% in the second quarter) and 'advanced solutions' (solutions for datacenters as well as so called value-added products), slightly decreasing by -0.2% since the beginning of the year and -7% in the second quarter. All main product lines have recorded a 'mid-single digit' since the beginning of the year, except for Consumer Electronics products, with a sharp increase of over +44% (+41% in the second quarter).
In the second quarter, phones segment started to pick up significantly, up almost +16%.
The Group recorded a growth in revenue of over 11%, increasing its market share by almost 1.5% in the first half and no less than 2.2% in the second quarter alone.
'Business' customers grew by 4.8% although the Group slightly underperformed loosing around 0.3% of market share; on the contrary, 'retail' customers grew by 8.5% and the Group also improved significantly its share of almost 4.5% in this segment.

Spain

In the first half of 2019, the Spanish technology distribution market grew by +9.8% compared with 2018, while the quarter just ended was up +8.2%.
All product segments grew with the exception of 'accessory' (-3.7% and -9.8% in the second quarter) and 'printing' (printing solutions and related accessories and consumables), slightly decreasing by -0.1% since the beginning of the year and -5.6% in the second quarter alone.
The 'consumer electronics' segment grew more than +31% (+22% in the second quarter), 'advanced solution' and 'phones' both recorded a double-digit growth, while 'PC' segment showed a robust growth of approx. 9%.
The Group recorded a growth in revenues significantly higher than the market trend, increasing its market share by 1.2% in the semester and no less than 2.1% in the second quarter alone.
'Business' customers grew by 10.1% and the Group slightly outperformed gaining around 0.3% of market share, while 'retail' customers grew by 9.3% and the Group also improved its share of almost 2.8% in this segment.

[1] The segmentation between 'professional/business' and 'consumer/retail' customers to which reference is made in this section, is that used by Context, and as such is not perfectly aligned with segmentation used internally by the Group.

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	2019	%	2018 *	notes	%	% var. 19/18	2019	%	2018	notes	%	% var. 19/18
Profit & Loss													
Sales from contracts with customers		1,717,485	100.0%	1,538,159		100.0%	12%	842,020	100.0%	756,885		100.0%	11%
Gross profit		81,079	4.7%	76,952		5.0%	5%	40,269	4.8%	38,000		5.0%	6%
EBITDA	(1)	20,794	1.2%	13,352	(1)	0.9%	56%	10,417	1.2%	6,781		0.9%	54%
Operating income (EBIT)		13,983	0.8%	10,937		0.7%	28%	7,239	0.9%	5,586		0.7%	30%
Profit before income tax		10,238	0.6%	8,534		0.6%	20%	6,057	0.7%	3,891		0.5%	56%
Net income		7,577	0.4%	6,191		0.4%	22%	4,646	0.6%	2,778		0.4%	67%
Financial data													
Cash flow	(2)	14,230		8,520	(2)								
Gross investments		1,458		1,272									
Net working capital	(3)	331,421		(2,224)	(3)								
Operating net working capital	(4)	339,768		10,443	(4)								
Fixed assets	(5)	213,697		118,502	(5)								
Net capital employed	(6)	529,253		101,855	(6)								
Net equity		346,177		342,898									
Tangible net equity	(7)	161,661		251,579	(7)								
Net financial debt	(8)	183,074		(241,044)	(8)								
Main indicators													
Net financial debt / Net equity		0.5		(0.7)									
Net financial debt / Tangible net equity		1.1		(1.0)									
EBIT / Finance costs - net		3.7		4.6									
EBITDA / Finance costs - net		5.6		5.6									
Net financial debt/ EBITDA		8.8		(8.4)									
Operational data													
N. of employees at end-period		1,287		1,249									
Avarage number of employees	(9)	1,275		1,249	(9)								
Earnings per share (euro)													
- Basic		0.14		0.12			17%	0.09		0.05			80%
- Diluted		0.14		0.12			17%	0.08		0.05			60%

(*) Financial data indicators are calculated on 31 December 2018 figures.
(**) Not subject to limited audit.

(1) EBITDA is equal to the operating income (EBIT) gross of amortisation, depreciation and write-downs and accruals for risks and charges.
(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 debts, cash and cash equivalents, assets/liabilities for financial derivatives and financial receivables from factoring.
(9) Calculated as the average of opening balance and closing balance of consolidated companies.

The earnings and financial results in the first half 2019 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 12/03/2015, 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, financial and net assets position as at 30 June 2019 are hereby summarised:

(euro/000)	H1 2019	%	H1 2018	%	Var.	Var. %
Sales from contracts with customers	**1,717,485**	**100.00%**	**1,538,159**	**100.00%**	**179,326**	***12%***
Cost of sales	(1,636,406)	-95.28%	(1,461,207)	-95.00%	(175,199)	*12%*
Gross profit	**81,079**	**4.72%**	**76,952**	**5.00%**	**4,127**	***5%***
Sales and marketing costs	(26,003)	-1.51%	(26,804)	-1.74%	801	*-3%*
Overheads and administrative costs	(40,306)	-2.35%	(38,711)	-2.52%	(1,595)	*4%*
Impairment loss/reversal of financial assets	(787)	-0.05%	(500)	-0.03%	(287)	*57%*
Operating income (EBIT)	**13,983**	**0.81%**	**10,937**	**0.71%**	**3,046**	***28%***
Finance costs - net	(3,745)	-0.22%	(2,403)	-0.16%	(1,342)	*56%*
Profit before income taxes	**10,238**	**0.60%**	**8,534**	**0.55%**	**1,704**	***20%***
Income tax expenses	(2,661)	-0.15%	(2,343)	-0.15%	(318)	*14%*
Net income	**7,577**	**0.44%**	**6,191**	**0.40%**	**1,386**	***22%***
Earnings per share - basic (euro)	0.14		0.12		0.02	*17%*

(euro/000)	Q2 2019	%	Q2 2018	%	Var.	Var. %
Sales from contracts with customers	**842,020**	**100.00%**	**756,885**	**100.00%**	**85,135**	***11%***
Cost of sales	(801,751)	-95.22%	(718,885)	-94.98%	(82,866)	*12%*
Gross profit	**40,269**	**4.78%**	**38,000**	**5.02%**	**2,269**	***6%***
Sales and marketing costs	(12,793)	-1.52%	(13,414)	-1.77%	621	*-5%*
Overheads and administrative costs	(19,980)	-2.37%	(18,927)	-2.50%	(1,053)	*6%*
Impairment loss/reversal of financial assets	(257)	-0.03%	(73)	-0.01%	(184)	*252%*
Operating income (EBIT)	**7,239**	**0.86%**	**5,586**	**0.74%**	**1,653**	***30%***
Finance costs - net	(1,182)	-0.14%	(1,695)	-0.22%	513	*-30%*
Profit before income taxes	**6,057**	**0.72%**	**3,891**	**0.51%**	**2,166**	***56%***
Income tax expenses	(1,411)	-0.17%	(1,113)	-0.15%	(298)	*27%*
Net income	**4,646**	**0.55%**	**2,778**	**0.37%**	**1,868**	***67%***
Earnings per share - basic (euro)	0.09		0.05		0.04	*80%*

For a better comparison with the first and second quarter 2018, the main financial results are shown below using the adjusted figures at 30 June 2019 without the IFRS 16 impact:

(euro/000)	H1 2019 Pre-IFRS 16	%	H1 2018	%	Var.	Var. %
Sales from contracts with customers	**1,717,485**	**100.00%**	**1,538,159**	**100.00%**	**179,326**	***12%***
Cost of sales	(1,636,406)	-95.28%	(1,461,207)	-95.00%	(175,199)	*12%*
Gross Profit	**81,079**	**4.72%**	**76,952**	**5.00%**	**4,127**	***5%***
Sales and marketing costs	(27,186)	-1.58%	(26,804)	-1.74%	(382)	*1%*
Overheads and administrative costs	(40,604)	-2.36%	(38,711)	-2.52%	(1,893)	*5%*
Impairment loss/reversal of financial assets	(787)	-0.05%	(500)	-0.03%	(287)	*57%*
Operating income (EBIT)	**12,502**	**0.73%**	**10,937**	**0.71%**	**1,565**	***14%***
Finance costs - net	(2,387)	-0.14%	(2,403)	-0.16%	16	*-1%*
Profit before income taxes	**10,115**	**0.59%**	**8,534**	**0.55%**	**1,581**	***19%***
Income tax expenses	(2,583)	-0.15%	(2,343)	-0.15%	(240)	*10%*
Net income	**7,532**	**0.44%**	**6,191**	**0.40%**	**1,341**	***22%***

(euro/000)	Q2 2019 Pre-IFRS 16	%	Q2 2018	%	Var.	Var. %
Sales from contracts with customers	**842,020**	**100.00%**	**756,885**	**100.00%**	**85,135**	***11%***
Cost of sales	(801,751)	-95.22%	(718,885)	-94.98%	(82,866)	*12%*
Gross Profit	**40,269**	**4.78%**	**38,000**	**5.02%**	**2,269**	***6%***
Sales and marketing costs	(13,392)	-1.59%	(13,414)	-1.77%	22	*0%*
Overheads and administrative costs	(20,385)	-2.42%	(18,927)	-2.50%	(1,458)	*8%*
Impairment loss/reversal of financial assets	(257)	-0.03%	(73)	-0.01%	(184)	*252%*
Operating income (EBIT)	**6,235**	**0.74%**	**5,586**	**0.74%**	**649**	***12%***
Finance costs - net	(870)	-0.10%	(1,695)	-0.22%	825	*-49%*
Profit before income taxes	**5,365**	**0.64%**	**3,891**	**0.51%**	**1,474**	***38%***
Income tax expenses	(1,210)	-0.14%	(1,113)	-0.15%	(97)	*9%*
Net income	**4,155**	**0.49%**	**2,778**	**0.37%**	**1,377**	***50%***

Sales from contracts with customers, equal to 1,717.5 million euro, showed an increase of +12% (179.3 million) compared with 1,538.2 million euro in the first half of 2018. In the second quarter, consolidated sales increased by +11% compared with the same period of the previous year (from 756.9 million euro to 842.0 million euro).

The consolidated gross profit totalled 81.1 million euro and showed an increase of +5% (4.1 million euro) compared with the same period of 2018 as a consequence of higher sales, counterbalanced by a decrease in gross profit margin. In the second quarter, Gross profit, equal to 40.3 million euro, increased by +6% compared with the same period of previous year.

Consolidated operating income (EBIT) of the first half 2019, equal to 14.0 million euro, showed an increase of +28% compared with the first half 2018 (3.1 million euro), with an EBIT margin increased to 0.81% from 0.71%, mainly due to an improvement in gross profit. In the second quarter, consolidated EBIT equal to 7.2 million euro, increased by +30% (1.7 million euro) compared with the second quarter 2018, with an EBIT margin up from 0.74% to 0.86%. Net of the improvement from the first-time adoption of IFRS 16 (leading to a reversal of lease rentals against lower depreciation rates on related right-of-use assets) and from 0.6 million euro positive contribution of the company 4Side S.r.l., purchased on 20 March 2019, EBIT also shows an improvement of +9% (+1% in the second quarter 2019).

Consolidated profit before income taxes, equal to 10.2 million euro, showed an increase of +20% compared with the first half 2018, partially offsetting the positive change in EBIT, as a consequence of higher finance costs from interest expense entirely due to the first-time recognition of lease liabilities (equal to 93 million euro as at 30 June 2019), pursuant to IFRS 16. Net of this interest cost pursuant to IFRS 16 and of the positive impact (0.6 million euro) of the company 4Side S.r.l., purchased on 20 March 2019, the profit before income taxes was equal to 9.5 million euro (4.8 million euro in the second quarter 2019), with an increase of +12% (+17% in the second quarter 2019).

Consolidated net income was equal to 7.6 million euro, showing an increase of +22% (1.4 million euro) compared with the first half 2018. In the second quarter 2019, consolidated net income amounted to 4.7 million euro compared with 2.8 million euro of the same period 2018, with an increase of +67%.

Basic earnings per ordinary share as at 30 June 2019, is equal to 0.14 euro, showed an increase of +17% compared with the first half 2018 (0.12 euro). In the second quarter basic earnings per ordinary share was 0.09 euro compared with 0.05 euro of the corresponding quarter in 2018 (+80%).

(euro/000)	30/06/2019	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	213,697	40.38%	118,502	116.34%	95,195	*80%*
Operating net working capital	339,768	64.20%	10,443	10.25%	329,325	*>100%*
Other current assets/liabilities	(8,347)	-1.58%	(12,667)	-12.44%	4,320	*-34%*
Other non-current assets/liabilities	(15,867)	-3.00%	(14,424)	-14.16%	(1,443)	*10%*
Total uses	**529,251**	**100.00%**	**101,854**	**100.00%**	**427,397**	***>100%***
Short-term financial liabilities	178,336	33.70%	138,311	135.79%	40,025	*29%*
Lease liabilities	7,608	1.44%	-	0.00%	7,608	*-100%*
Current financial (assets)/liabilities for derivatives	670	0.13%	610	0.60%	60	*10%*
Financial receivables from factoring companies	(906)	-0.17%	(242)	-0.24%	(664)	*>100%*
Current debts for investments in subsidiaries	100	0.02%	1,082	1.06%	(982)	*-91%*
Other current financial receivables	(11,489)	-2.17%	(10,881)	-10.68%	(608)	*6%*
Cash and cash equivalents	(120,952)	-22.85%	(381,308)	-374.37%	260,356	*-68%*
Net current financial debt	53,367	10.08%	(252,428)	-247.83%	305,795	*<-100%*
Borrowings	45,250	8.55%	12,804	12.57%	32,446	*>100%*
Lease liabilities	85,424	16.14%	-	0.00%	85,424	*-100%*
Other non - current financial receivables	(967)	-0.18%	(1,420)	-1.39%	453	*-32%*
Net financial debt (A)	183,074	34.59%	(241,044)	-236.66%	424,118	*<-100%*
Net equity (B)	346,177	65.41%	342,898	336.66%	3,279	*1%*
Total sources of funds (C=A+B)	**529,251**	**100.00%**	**101,854**	**100.00%**	**427,397**	***>100%***

For a better comparison with 31 December 2018 figures, the main financial and net assets position results are shown below using the adjusted figures at 30 June 2019 without the impact of IFRS 16:

(euro/000)	30/06/2019 Pre - IFRS 16	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	120,503	27.63%	118,502	116.34%	2,001	*2%*
Operating net working capital	338,791	77.67%	10,443	10.25%	328,348	*>100%*
Other current assets/liabilities	(7,235)	-1.66%	(12,667)	-12.44%	5,432	*-43%*
Other non-current assets/liabilities	(15,867)	-3.64%	(14,424)	-14.16%	(1,443)	*10%*
Total uses	**436,192**	**100.00%**	**101,855**	**100.00%**	**334,338**	***>100%***
Short-term financial liabilities	178,336	40.88%	138,311	135.79%	40,025	*29%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Current financial (assets)/liabilities for derivatives	670	0.15%	610	0.60%	60	*10%*
Financial receivables from factoring companies	(906)	-0.21%	(242)	-0.24%	(664)	*>100%*
Current debts for investments in subsidiaries	100	0.02%	1,082	1.06%	(982)	*-91%*
Other financial receivables	(11,489)	-2.63%	(10,881)	-10.68%	(608)	*6%*
Cash and cash equivalents	(120,952)	-27.73%	(381,308)	-374.37%	260,356	*-68%*
Net current financial debt	45,759	10.49%	(252,428)	-247.83%	298,187	*<-100%*
Borrowings	45,250	10.37%	12,804	12.57%	32,446	*>100%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Other financial receivables	(967)	-0.22%	(1,420)	-1.39%	453	*-32%*
Net Financial debt (A)	90,042	20.64%	(241,044)	-236.65%	331,086	*<-100%*
Net equity (B)	346,150	79.36%	342,898	336.65%	3,252	*1%*
Total sources of funds (C=A+ B)	**436,192**	**100.00%**	**101,855**	**100.00%**	**334,338**	***>100%***

Operating net working capital as at 30 June 2019 was equal to 339.8 million euro compared with 10.4 million euro as at 31 December 2018.

Consolidated net financial position as at 30 June 2018 was negative by 183.1 million euro, including 93,0 million euro of lease liabilities not recorded as at 31 December 2018 as they arose from the first-time adoption of the IFRS 16, compared with a cash surplus of 241.0 million euro as at 31 December 2018. Nevertheless, the reduction of net cash surplus was connected to the increase in consolidated net working capital as of 30 June 2019 which in turn is influenced by technical events often not related to the average level of working capital and by the level of utilisation of both 'without-recourse' factoring programs referring to the trade receivables and of the corresponding securitization program.

This program is aimed at transferring risks and rewards to the buyer, thus receivables sold are eliminated from balance sheet according to IFRS 9.

Taking into account other technical forms of cash advances other than 'without-recourse' assignment, but showing the same effects – such as 'confirming' used in Spain –, the overall impact on financial debt at 30 June 2019 was approx. 334 million euro (approx. 597 million euro as at 31 December 2018).

Consolidated net equity as at 30 June 2019, equal to 346.2 million euro, showed an increase of 3.3 million euro compared with 342.9 million euro as at 31 December 2018.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main earnings, financial and net assets position for Subgroup Italy (Esprinet, V-Valley, 4Side, Nilox Deutschland and Celly Group) as at 30 June 2019 are summarised below:[2]

(euro/000)	H1 2019	%	H1 2018	%	Var.	Var. %
Sales to third parties	1,126,625		1,007,641		118,984	*12%*
Intercompany sales	22,766		26,133		(3,367)	*-13%*
Sales from contracts with customers	**1,149,391**		**1,033,774**		**115,617**	***11%***
Cost of sales	(1,090,053)	-94.84%	(977,026)	-94.51%	(113,027)	*12%*
Gross profit	**59,338**	**5.16%**	**56,748**	**5.49%**	**2,590**	***5%***
Sales and marketing costs	(20,172)	-1.76%	(20,873)	-2.02%	701	*-3%*
Overheads and administrative costs	(30,059)	-2.62%	(29,053)	-2.81%	(1,006)	*3%*
Impairment loss/reversal of financial assets	(735)	-0.06%	(417)	-0.04%	(318)	*76%*
Operating income (EBIT)	**8,372**	**0.73%**	**6,405**	**0.62%**	**1,967**	***31%***

(euro/000)	Q2 2019	%	Q2 2018	%	Var.	Var. %
Sales to third parties	542,062		484,578		57,484	*12%*
Intercompany sales	10,487		13,667		(3,180)	*-23%*
Sales from contracts with customers	**552,549**		**498,245**		**54,304**	***11%***
Cost of sales	(523,765)	-94.79%	(470,228)	-94.38%	(53,537)	*11%*
Gross profit	**28,784**	**5.21%**	**28,017**	**5.62%**	**767**	***3%***
Sales and marketing costs	(9,909)	-1.79%	(10,503)	-2.11%	594	*-6%*
Overheads and administrative costs	(15,035)	-2.72%	(14,099)	-2.83%	(936)	*7%*
Impairment loss/reversal of financial assets	(241)	-0.04%	(37)	-0.01%	(204)	*551%*
Operating income (EBIT)	**3,599**	**0.65%**	**3,378**	**0.68%**	**221**	***7%***

For a better comparison with the first half and second quarter 2018, the main financial results are shown below using the adjusted figures at 30 June 2019 without the IFRS 16 impact:

(euro/000)	H1 2019 Pre-IFRS 16	%	H1 2018	%	Var.	Var. %
Sales to third parties	1,126,625		1,007,641		118,984	*12%*
Intercompany sales	22,766		26,133		(3,367)	*-13%*
Sales from contracts with customers	**1,149,391**		**1,033,774**		**115,617**	***11%***
Cost of sales	(1,090,053)	-94.84%	(977,026)	-94.51%	(113,027)	*12%*
Gross Profit	**59,338**	**5.16%**	**56,748**	**5.49%**	**2,590**	***5%***
Sales and marketing costs	(21,221)	-1.85%	(20,873)	-2.02%	(348)	*2%*
Overheads and administrative costs	(30,270)	-2.63%	(29,053)	-2.81%	(1,217)	*4%*
Impairment loss/reversal of financial assets	(735)	-0.06%	(417)	-0.04%	(318)	*76%*
Operating income (EBIT)	**7,112**	**0.62%**	**6,405**	**0.62%**	**707**	***11%***

[2] 51% shares in the company were acquired on 20 March 2019.

(euro/000)	Q2 2019 Pre-IFRS 16	%	Q2 2018	%	Var.	Var. %
Sales to third parties	542,062		484,578		57,484	*12%*
Intercompany sales	10,487		13,667		(3,180)	*-23%*
Sales from contracts with customers	**552,549**		**498,245**		**54,304**	***11%***
Cost of sales	(523,765)	-94.79%	(470,228)	-94.38%	(53,537)	*11%*
Gross Profit	**28,784**	**5.21%**	**28,017**	**5.62%**	**767**	***3%***
Sales and marketing costs	(10,443)	-1.89%	(10,503)	-2.11%	60	*-1%*
Overheads and administrative costs	(15,378)	-2.78%	(14,099)	-2.83%	(1,279)	*9%*
Impairment loss/reversal of financial assets	(241)	-0.04%	(037)	-0.01%	(204)	*551%*
Operating income (EBIT)	**2,722**	**0.49%**	**3,378**	**0.68%**	**(656)**	***-19%***

Sales from contracts with customers, equal to 1,149.4 million euro, showed an increase of +11% compared with 1,033.8 million euro in the first half of 2018. In the second quarter 2019, sales showed an increase of +11% compared with the second quarter of 2018.

Gross profit, equal to 59.3 million euro, showed an improvement of +5% compared with 56.8 million euro of the first half 2018, with a gross profit margin down from 5.49% to 5.16%. In the second quarter 2019, gross profit, equal to 28.8 million euro, increases by +3% compared with the second quarter 2018.

Operating income (EBIT) of the first half 2019, equal to 8.4 million euro, showed an increase of +31% compared with the first half 2018 (2.0 million euro), with an EBIT margin increased to 0.73% from 0.62%, due to an improvement in gross profit. In the second quarter, EBIT, equal to 3.6 million euro, increased by 7% compared with the second quarter 2018, with an EBIT margin from 0.68% to 0.65%. Net of the improvement from the first-time adoption of the IFRS 16 (leading to a reversal of lease rentals against lower depreciation rates on related right-of-use assets) and from the 0.6 million euro positive contribution by the company 4Side S.r.l., purchased on 20 March 2019, EBIT showed an improvement of +2% (-3% in the second quarter 2019).

(euro/000)	30/06/2019	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	193,200	45.99%	115,414	74.33%	77,786	*67%*
Operating net working capital	234,215	55.75%	48,346	31.13%	185,869	*>100%*
Other current assets/liabilities	2,784	0.66%	830	0.53%	1,954	*>100%*
Other non-current assets/liabilities	(10,109)	-2.41%	(9,310)	-6.00%	(799)	*9%*
Total uses	**420,090**	**100.00%**	**155,280**	**100.00%**	**264,810**	***>100%***
Short-term financial liabilities	167,560	39.89%	136,269	87.76%	31,291	*23%*
Lease liabilities	5,787	1.38%	-	0.00%	5,787	*-100%*
Current debts for investments in subsidiaries	100	0.02%	1,082	0.70%	(982)	*-91%*
Current financial (assets)/liabilities for derivatives	670	0.16%	613	0.39%	57	*9%*
Financial receivables from factoring companies	(906)	-0.22%	(242)	-0.16%	(664)	*>100%*
Financial (assets)/liab. from/to Group companies	(55,500)	-13.21%	(104,500)	-67.30%	49,000	*-47%*
Other financial receivables	(11,488)	-2.73%	(10,880)	-7.01%	(608)	*6%*
Cash and cash equivalents	(65,869)	-15.68%	(180,219)	-116.06%	114,350	*-63%*
Net current financial debt	40,354	9.61%	(157,877)	-101.67%	198,231	*<-100%*
Borrowings	9,852	2.35%	12,804	8.25%	(2,952)	*-23%*
Lease liabilities	69,477	16.54%	-	0.00%	69,477	*-100%*
Other financial receivables	(967)	-0.23%	(1,420)	-0.91%	453	*-32%*
Net Financial debt (A)	118,716	28.26%	(146,493)	-94.34%	265,209	*<-100%*
Net equity (B)	301,374	71.74%	301,773	194.34%	(399)	*0%*
Total sources of funds (C=A+B)	**420,090**	**100.00%**	**155,280**	**100.00%**	**264,810**	***>100%***

For a better comparison with 31 December 2018 figures, the main financial and net assets position results are shown below using the adjusted figures at 30 June 2019 without the impact of IFRS 16:

(euro/000)	30/06/2019 Pre - IFRS 16	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	117,721	34.14%	115,414	74.33%	2,307	*2%*
Operating net working capital	233,247	67.65%	48,346	31.13%	184,901	*>100%*
Other current assets/liabilities	3,909	1.13%	830	0.53%	3,079	*>100%*
Other non-current assets/liabilities	(10,109)	-2.93%	(9,310)	-6.00%	(799)	*9%*
Total uses	**344,768**	**100.00%**	**155,280**	**100.00%**	**189,488**	***>100%***
Short-term financial liabilities	167,560	48.60%	136,269	87.76%	31,291	*23%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Current debts for investments in subsidiaries	100	0.03%	1,082	0.70%	(982)	*-91%*
Current financial (assets)/liabilities for derivatives	670	0.19%	613	0.39%	57	*9%*
Financial receivables from factoring companies	(906)	-0.26%	(242)	-0.16%	(664)	*>100%*
Financial (assets)/liab. from/to Group companies	(55,500)	-16.10%	(104,500)	-67.30%	49,000	*-47%*
Other financial receivables	(11,488)	-3.33%	(10,880)	-7.01%	(608)	*6%*
Cash and cash equivalents	(65,869)	-19.11%	(180,219)	-116.06%	114,350	*-63%*
Net current financial debt	34,567	10.03%	(157,877)	-101.67%	192,444	*<-100%*
Borrowings	9,852	2.86%	12,804	8.25%	(2,952)	*-23%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Other financial receivables	(967)	-0.28%	(1,420)	-0.91%	453	*-32%*
Net Financial debt (A)	43,452	12.60%	(146,493)	-94.34%	189,945	*<-100%*
Net equity (B)	301,316	87.40%	301,773	194.34%	(457)	*0%*
Total sources of funds (C=A+ B)	**344,768**	**100.00%**	**155,280**	**100.00%**	**189,488**	***>100%***

Operating net working capital as at 30 June 2019 is equal to 234.2 million euro compared with 48.4 million euro as at 31 December 2018.

Net financial position as at 30 June 2019 is negative by 118.7 million euro, including 75.3 million euro of lease liabilities not recorded as at 31 December 2018, as they arose from the first-time adoption of IFRS 16, compared with a cash surplus of 146.5 million euro as at 31 December 2018. The impact of both 'without-recourse' sale and securization programmes of trade receivables as at 30 June 2019 was 180 million euro (approx. 320 million euro as at 31 December 2018).

B.2) Subgroup Iberica

The main earnings, financial and net assets position for the Subgroup Iberica (Esprinet Iberica, Esprinet Portugal, Vinzeo Technologies and V-Valley Iberian) as at 30 June 2019 are hereby summarised:

(euro/000)	H1 2019	%	H1 2018	%	Var.	Var. %
Sales to third parties	590,860		530,519		60,341	*11%*
Intercompany sales	-		-		-	*0%*
Sales from contracts with customers	**590,860**		**530,519**		60,341	***11%***
Cost of sales	(569,079)	-96.31%	(510,401)	-96.21%	(58,678)	*11%*
Gross profit	**21,781**	**3.69%**	**20,118**	**3.79%**	**1,663**	***8%***
Sales and marketing costs	(5,830)	-0.99%	(5,931)	-1.12%	101	*-2%*
Overheads and administrative costs	(10,270)	-1.74%	(9,670)	-1.82%	(600)	*6%*
Impairment loss/reversal of financial assets	(052)	-0.01%	(083)	-0.02%	31	*-37%*
Operating income (EBIT)	**5,629**	**0.95%**	**4,434**	**0.84%**	**1,195**	***27%***

(euro/000)	Q2 2019	%	Q2 2018	%	Var.	Var. %
Sales to third parties	299,958		272,308		27,650	*10%*
Intercompany sales	-		-		-	*0%*
Sales from contracts with customers	**299,958**		**272,308**		**27,650**	***10%***
Cost of sales	(288,467)	-96.17%	(262,343)	-96.34%	(26,124)	*10%*
Gross profit	**11,491**	**3.83%**	**9,965**	**3.66%**	**1,526**	***15%***
Sales and marketing costs	(2,883)	-0.96%	(2,910)	-1.07%	27	*-1%*
Overheads and administrative costs	(4,958)	-1.65%	(4,837)	-1.78%	(121)	*3%*
Impairment loss/reversal of financial assets	(16)	-0.01%	(36)	-0.01%	20	*-56%*
Operating income (EBIT)	**3,634**	**1.21%**	**2,182**	**0.80%**	**1,452**	***67%***

For a better comparison with the first and second quarter 2018, the main financial results are shown below using the adjusted figures at 30 June 2019 without the IFRS 16 impact:

(euro/000)	H1 2019 Pre-IFRS 16	%	H1 2018	%	Var.	Var. %
Sales to third parties	590,860		530,519		60,341	*11%*
Intercompany sales	-		-		-	*0%*
Sales from contracts with customers	**590,860**		**530,519**		60,341	***11%***
Cost of sales	(569,079)	-96.31%	(510,401)	-96.21%	(58,678)	*11%*
Gross Profit	**21,781**	**3.69%**	**20,118**	**3.79%**	**1,663**	***8%***
Sales and marketing costs	(5,965)	-1.01%	(5,931)	-1.12%	(34)	*1%*
Overheads and administrative costs	(10,357)	-1.75%	(9,670)	-1.82%	(687)	*7%*
Impairment loss/reversal of financial assets	(052)	-0.01%	(083)	-0.02%	31	*-37%*
Operating income (EBIT)	**5,407**	**0.92%**	**4,434**	**0.84%**	**973**	***22%***

(euro/000)	Q2 2019 Pre-IFRS 16	%	Q2 2018	%	Var.	Var. %
Sales to third parties	299,958		272,308		27,650	*10%*
Intercompany sales	-		-		-	*0%*
Sales from contracts with customers	**299,958**		**272,308**		27,650	***10%***
Cost of sales	(288,467)	-96.17%	(262,343)	-96.34%	(26,124)	*10%*
Gross Profit	**11,491**	**3.83%**	**9,965**	**3.66%**	**1,526**	***15%***
Sales and marketing costs	(2,949)	-0.98%	(2,910)	-1.07%	(39)	*1%*
Overheads and administrative costs	(5,019)	-1.67%	(4,837)	-1.78%	(182)	*4%*
Impairment loss/reversal of financial assets	(016)	-0.01%	(036)	-0.01%	20	*-56%*
Operating income (EBIT)	**3,507**	**1.17%**	**2,182**	**0.80%**	**1,325**	***61%***

Sales from contracts with customers, equal to 590.9 million euro, shows an increase of +11% compared with 530.5 million euro in the first half of 2018. In the second quarter, sales recorded an increase of +10% (equal to 27.7 million euro) compared with the same period of the previous year.

Gross profit as at 30 June 2019 totals 21.8 million euro, showing an increase of +8% compared with 20.1 million euro of the same period of 2018 with a gross profit margin decreased from 3.79% to 3.69%. In the second quarter, gross profit increased by +15% compared with the same period of the previous year, with gross profit margin increased from 3.66% to 3.83%.

Operating income (EBIT), equal to 5.6 million euro, increased by 1.2 million euro (+27%) compared with the first half 2018, with an EBIT margin to 0.95% from 0.84%. Excluding the impact of first-time adoption of IFRS 16, EBIT showed a lower improvement, equal to +22%, with an EBIT margin up to 0.92% from 0.84% in the first half 2018. In the second quarter 2018, operating income (EBIT) totalled 3.6 million euro compared with 2.2 million euro of the second quarter 2018 (+67%), showing an EBIT margin increased from 0.80% in 2018 to 1.21% in 2019. Excluding the first-time adoption of IFRS 16, the EBIT still grew +61% with an EBIT margin increased to 1.17% from 0.80% in 2018.

(euro/000)	30/06/2019	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	95,137	51.64%	77,606	357.97%	17,531	*23%*
Operating net working capital	105,980	57.53%	(37,317)	-172.13%	143,297	*<-100%*
Other current assets/liabilities	(11,129)	-6.04%	(13,496)	-62.25%	2,367	*-18%*
Other non-current assets/liabilities	(5,758)	-3.13%	(5,114)	-23.59%	(644)	*13%*
Total uses	**184,230**	**100.00%**	**21,679**	**100.00%**	**162,551**	***>100%***
Short-term financial liabilities	10,776	5.85%	2,042	9.42%	8,734	*>100%*
Lease liabilities	1,821	0.99%	-	0.00%	1,821	*-100%*
Current financial (assets)/liabilities for derivatives	-	0.00%	(3)	-0.01%	3	*-100%*
Financial (assets)/liab. from/to Group companies	55,500	30.13%	104,500	482.02%	(49,000)	*-47%*
Other financial receivables	(1)	0.00%	(1)	0.00%	(0)	*9%*
Cash and cash equivalents	(55,083)	-29.90%	(201,089)	-927.56%	146,006	*-73%*
Net current financial debt	13,013	7.06%	(94,551)	-436.13%	107,564	*<-100%*
Borrowings	35,398	19.21%	-	0.00%	35,398	*-100%*
Lease liabilities	15,947	8.66%	-	0.00%	15,947	*-100%*
Net Financial debt (A)	64,358	34.93%	(94,551)	-436.13%	158,909	*<-100%*
Net equity (B)	119,872	65.07%	116,230	536.13%	3,642	*3%*
Total sources of funds (C=A+B)	**184,230**	**100.00%**	**21,679**	**100.00%**	**162,551**	***>100%***

For a better comparison with 31 December 2018 figures, the main financial and net assets position results are shown below using the adjusted figures at 30 June 2019 without the impact of IFRS 16:

(euro/000)	30/06/2019 Pre - IFRS 16	%	31/12/2018	%	Var.	*Var. %*
Fixed assets	77,422	46.50%	77,606	357.97%	(184)	*0%*
Operating net working capital	105,971	63.65%	(37,317)	-172.13%	143,288	*<-100%*
Other current assets/liabilities	(11,144)	-6.69%	(13,496)	-62.25%	2,352	*-17%*
Other non-current assets/liabilities	(5,758)	-3.46%	(5,114)	-23.59%	(644)	*13%*
Total uses	**166,491**	**100.00%**	**21,679**	**100.00%**	**144,812**	***>100%***
Short-term financial liabilities	10,776	6.47%	2,042	9.42%	8,734	*>100%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Current financial (assets)/liabilities for derivatives	-	0.00%	(3)	-0.01%	3	*-100%*
Financial (assets)/liab. from/to Group companies	55,500	33.34%	104,500	482.02%	(49,000)	*-47%*
Other financial receivables	(1)	0.00%	(1)	0.00%	(0)	*79%*
Cash and cash equivalents	(55,083)	-33.08%	(201,089)	-927.56%	146,006	*-73%*
Net current financial debt	11,192	6.72%	(94,551)	-436.13%	105,743	*<-100%*
Borrowings	35,398	21.26%	-	0.00%	35,398	*-100%*
Lease liabilities	-	0.00%	-	0.00%	-	*-100%*
Net Financial debt (A)	46,590	27.98%	(94,551)	-436.13%	141,141	*<-100%*
Net equity (B)	119,901	72.02%	116,230	536.13%	3,671	*3%*
Total sources of funds (C=A+ B)	**166,491**	**100.00%**	**21,679**	**100.00%**	**144,812**	***>100%***

Operating net working capital as at 30 June 2019 was equal to 106.0 million euro compared with - 37.3 million euro as at 31 December 2018.

Net financial position as at 30 June 2019 was negative by 64.4 million euro, including 17.8 million euro of lease liabilities not recorded as at 31 December 2018, as due to first-time adoption of IFRS 16, compared with a cash surplus of 94.6 million euro as at 31 December 2018. The impact of both 'without-recourse' sale and receivable financing programmes was approx. 155 million euro (approx. 277 million euro as at 31 December 2018).

C) <u>Separate income statement by legal entity</u>

Please find below the separate income statement showing the contribution of the individual group companies regarded as significant:[3]

(euro/000)	H1 2019												
	Italy					**Iberian Peninsula**						**Elim. and other**	**Group**
	E.Spa + V-Valley + Nilox GmbH	**Celly***	**4Side**	**Elim. and other**	**Total**	**Esprinet Iberian**	**Esprinet Portugal**	**V-Valley Iberian**	**Vinzeo**	**Elim. and other**	**Total**		
Sales to third parties	1,111,176	10,363	5,086	-	1,126,625	343,311	12,914	8,226	226,409	-	590,860	-	1,717,485
Intersegment sales	22,234	834	259	(561)	22,766	9,744	(21)	464	2,003	(12,190)	-	(22,766)	-
Sales from contracts with customers	**1,133,410**	**11,197**	**5,345**	**(561)**	**1,149,391**	**353,055**	**12,893**	**8,690**	**228,412**	**(12,190)**	**590,860**	**(22,766)**	**1,717,485**
Cost of sales	(1,080,536)	(5,876)	(4,181)	540	(1,090,053)	(340,229)	(12,589)	(7,821)	(220,584)	12,144	(569,079)	22,726	(1,636,406)
Gross profit	**52,874**	**5,321**	**1,164**	**(21)**	**59,338**	**12,826**	**304**	**869**	**7,828**	**(46)**	**21,781**	**(40)**	**81,079**
Gross Profit %	*4.67%*	*47.52%*	*21.78%*	*3.74%*	*5.16%*	*3.63%*	*2.36%*	*10.00%*	*3.43%*		*3.69%*		*4.72%*
Sales and marketing costs	(16,126)	(3,740)	(306)	-	(20,172)	(2,614)	(253)	(990)	(2,028)	55	(5,830)	(1)	(26,003)
Overheads and admin. costs	(28,256)	(1,528)	(275)	-	(30,059)	(6,753)	(467)	(145)	(2,895)	(10)	(10,270)	23	(40,306)
Impairment loss/reversal of financial assets	(724)	(11)	-	-	(735)	(36)	-	3	(18)	-	(52)	-	(787)
Operating income (Ebit)	**7,768**	**42**	**583**	**(21)**	**8,372**	**3,423**	**(416)**	**(263)**	**2,887**	**(1)**	**5,629**	**(18)**	**13,983**
EBIT %	*0.69%*	*0.38%*	*10.91%*	*3.74%*	*0.73%*	*0.97%*	*-3.23%*	*-3.03%*	*1.26%*		*0.95%*		*0.81%*
Finance costs - net													(3,745)
Share of profits of associates													-
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

(euro/000)	H1 2018													
	Italy						**Iberian Peninsula**						**Elim. and other**	**Group**
	E.Spa + V-Valley + Nilox GmbH	**Mosaico**	**Celly***	**Edslan**	**Elim. and other**	**Total**	**Esprinet Iberica**	**Esprinet Portugal**	**V-Valley Iberian**	**Vinzeo + Tape**	**Elim. and other**	**Total**		
Sales to third parties	982,660	9,556	10,677	4,748	-	1,007,641	291,164	12,885	4,374	222,095	-	530,519	-	1,538,159
Intersegment sales	26,233	2,193	1,560	8,093	(11,946)	26,133	9,200	-	82	1,358	(10,641)	-	(26,133)	-
Sales from contracts with customers	**1,008,893**	**11,749**	**12,237**	**12,841**	**(11,946)**	**1,033,774**	**300,364**	**12,885**	**4,456**	**223,453**	**(10,641)**	**530,519**	**(26,133)**	**1,538,159**
Cost of sales	(959,621)	(10,778)	(6,733)	(11,851)	11,957	(977,026)	(289,325)	(12,570)	(4,026)	(215,119)	10,639	(510,401)	26,220	(1,461,207)
Gross profit	**49,272**	**971**	**5,504**	**990**	**11**	**56,748**	**11,039**	**315**	**430**	**8,334**	**(2)**	**20,118**	**87**	**76,952**
Gross Profit %	*4.88%*	*8.26%*	*44.98%*	*7.71%*	*-0.09%*	*5.49%*	*3.68%*	*2.44%*	*9.65%*	*3.73%*		*3.79%*		*5.00%*
Sales and marketing costs	(16,500)	(420)	(3,654)	(303)	4	(20,873)	(2,829)	(183)	(708)	(2,236)	26	(5,931)	-	(26,804)
Overheads and admin. costs	(27,328)	(125)	(1,431)	(167)	(2)	(29,053)	(6,263)	(358)	(121)	(2,903)	(25)	(9,670)	12	(38,711)
Impairment loss/reversal of financial assets	(387)	(1)	(30)	1	-	(417)	(8)	-	(44)	(32)	-	(83)	-	(500)
Operating income (Ebit)	**5,057**	**425**	**389**	**521**	**13**	**6,405**	**1,939**	**(226)**	**(443)**	**3,163**	**(1)**	**4,434**	**99**	**10,937**
EBIT %	*0.50%*	*3.62%*	*3.18%*	*4.06%*	*-0.11%*	*0.62%*	*0.65%*	*-1.75%*	*-9.94%*	*1.42%*		*0.84%*		*0.71%*
Finance costs - net														(2,403)
Share of profits of associates														-
Profit before income tax														**8,534**
Income tax expenses														(2,343)
Net income														**6,191**
- of which attributable to non-controlling interests														65
- of which attributable to Group														6,126

(*) Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY and Celly Pacific Limited.

D) Reclassified income statement

Please find below the consolidated income statement showing the reclassification of charges attributable to the without-recourse revolving factoring in the period under the item finance costs (both factoring and securitisazion):

[3] V-Valley S.r.l., (since is a mere 'commission sales agent' of Esprinet S.p.A.) and Nilox Deutschland Gmbh (since not significant) are not shown separately.

(euro/000)	H1 2019	%	H1 2019 reclassified	%	Var.	Var. %
Sales from contracts with customers	**1,717,485**	**100.00%**	**1,717,485**	**100.00%**	**-**	***0%***
Cost of sales	(1,636,406)	-95.28%	(1,634,412)	-95.16%	(1,994)	*0%*
Gross Profit	**81,079**	**4.72%**	**83,073**	**4.84%**	**(1,994)**	***-2%***
Sales and marketing costs	(26,003)	-1.51%	(26,003)	-1.51%	-	*0%*
Overheads and administrative costs	(40,306)	-2.35%	(40,306)	-2.35%	-	*0%*
Impairment loss/reversal of financial assets	(787)	-0.05%	(787)	-0.05%	-	*0%*
Operating income (EBIT)	**13,983**	**0.81%**	**15,977**	**0.93%**	**(1,994)**	***-12%***
Finance costs - net	(3,745)	-0.22%	(5,739)	-0.33%	1,994	*-35%*
Profit before income taxes	**10,238**	**0.60%**	**10,238**	**0.60%**	**-**	***0%***
Income tax expenses	(2,661)	-0.15%	(2,661)	-0.15%	-	*0%*
Net income	**7,577**	**0.44%**	**7,577**	**0.44%**	**-**	***0%***

(euro/000)	Q2 2019	%	Q2 2019 reclassified	%	Var.	Var. %
Sales from contracts with customers	**842,020**	**100.00%**	**842,020**	**100.00%**	**-**	***0%***
Cost of sales	(801,751)	-95.22%	(800,708)	-95.09%	(1,043)	*0%*
Gross Profit	**40,269**	**4.78%**	**41,312**	**4.91%**	**(1,043)**	***-3%***
Sales and marketing costs	(12,793)	-1.52%	(12,793)	-1.52%	-	*0%*
Overheads and administrative costs	(19,980)	-2.37%	(19,980)	-2.37%	-	*0%*
Impairment loss/reversal of financial assets	(257)	-0.03%	(257)	-0.03%	-	*0%*
Operating income (EBIT)	**7,239**	**0.86%**	**8,282**	**0.98%**	**(1,043)**	***-13%***
Finance costs - net	(1,182)	-0.14%	(2,225)	-0.26%	1,043	*-47%*
Profit before income taxes	**6,057**	**0.72%**	**6,057**	**0.72%**	**-**	***0%***
Income tax expenses	(1,411)	-0.17%	(1,411)	-0.17%	-	*0%*
Net income	**4,646**	**0.55%**	**4,646**	**0.55%**	**-**	***0%***

3. Revenue trends by product family and customer type

(euro/million)	H1 2019	%	H1 2018	%	Var.	% Var.	Q2 2019	%	Q2 2018	%	% Var.
GDO/GDS	568.7	33.1%	469.7	30.5%	99.0	21%	276.2	32.8%	234.9	31.0%	17.6%
Dealers	469.7	27.3%	435.9	28.3%	33.8	8%	231.7	27.5%	217.1	28.7%	6.7%
VARs	363.7	21.2%	345.7	22.5%	18.0	5%	176.2	20.9%	162.4	21.5%	8.5%
Office/Consumables dealers	171.4	10.0%	148.5	9.7%	22.9	15%	80.0	9.5%	75.3	9.9%	6.2%
On-line Shops	99.0	5.8%	100.7	6.5%	(1.7)	-2%	55.0	6.5%	49.3	6.5%	11.6%
Sub-distribution	45.0	2.6%	37.7	2.5%	7.3	19%	22.9	2.7%	17.9	2.4%	27.9%
Group Sales from contracts with customers	**1,717.5**	**100%**	**1,538.2**	**100%**	**179.3**	***12%***	**842.0**	**100%**	**756.9**	**100%**	***11%***

The sales analysis by customer type shows an improvement compared with the first half 2018, with respect to both consumer and business customers. In particular, the consumer channel referred to 'GDO/GDS' (+21%), small-medium business customers ('Dealers' +8%), 'Office/consumables' (+15%), 'Sub-distribution' (+19%) as well as large business customers ('VAR-Value Added Reseller' +5%) shows an increase in sales. On the contrary, 'On-line Shops' (-2%) highlights a decrease.

The second quarter shows similar trends even though with different percentage changes, with the exception of the 'shop on-line' channel (+12%).

(euro/million)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
TLC	386.2	22.5%	396.7	25.8%	*-3%*	206.1	24.5%	178.3	23.6%	*16%*
PCs - notebooks	312.1	18.2%	266.9	17.4%	*17%*	157.3	18.7%	129.3	17.1%	*22%*
PCs - tablets	205.4	12.0%	166.9	10.9%	*23%*	102.7	12.2%	82.9	11.0%	*24%*
Consumer electronics	179.0	10.4%	138.6	9.0%	*29%*	97.6	11.6%	73.2	9.7%	*33%*
PCs - desktops and monitors	143.7	8.4%	119.7	7.8%	*20%*	68.1	8.1%	57.4	7.6%	*19%*
Consumables	109.7	6.4%	109.9	7.1%	*0%*	52.4	6.2%	54.6	7.2%	*-4%*
Software	85.1	5.0%	77.4	5.0%	*10%*	40.0	4.7%	36.7	4.8%	*9%*
Storage	62.2	3.6%	56.5	3.7%	*10%*	28.9	3.4%	25.5	3.4%	*13%*
Printers & Multifunction devices	73.5	4.3%	61.3	4.0%	*20%*	34.9	4.1%	30.7	4.1%	*14%*
Networking	66.4	3.9%	45.2	2.9%	*47%*	33.5	4.0%	24.5	3.2%	*37%*
Servers	39.2	2.3%	39.7	2.6%	*-1%*	17.8	2.1%	21.6	2.9%	*-18%*
Services	4.1	0.2%	5.3	0.3%	*-22%*	2.1	0.3%	2.7	0.4%	*-20%*
Other	50.8	3.0%	54.1	3.5%	*-6%*	0.5	0.1%	39.5	5.2%	*-99%*
Group Sales from contracts with customers	**1,717.5**	**100%**	**1,538.2**	**100%**	***12%***	**842.0**	**100%**	**756.9**	**100%**	***11%***

The analysis by product highlights a widespread growth with the exception of 'TLC' (-3%), 'Services' (-22%) and 'Serves' (-1%) and 'Others' (-6%).

The analysis of the second quarter alone also discloses the same trends (even though with different percentages) with the exception of the 'TLC' category, that shows a growth of +16% compared with an overall downturn in the first half (-3%), and of the 'Consumables' category, that shows a drop of -4% compared with a value substantially in line in the first half.

Significant events occurring in the period

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

Expiry of Esprinet S.p.A. shareholders' agreement

The shareholders' agreement, in force between Messrs Francesco Monti, Paolo Stefanelli, Tommaso Stefanelli, Matteo Stefanelli, Maurizio Rota and Alessandro Cattani, signed on 23 February 2016 and lastly updated on 3 August 2018, in relation to no. 15,567,317 ordinary shares of Esprinet S.p.A. making up a total of 29.706% of the shares representing the entire share capital of the Company, ended on 22 February 2019, due to the expiry of the term of duration.

It is hereby noted that the Shareholder's Agreement provided: (i) a voting syndicate in relation to the election of the members of the corporate bodies of the Company; (ii) the obligation of a prior consultation in relation to the other resolutions of the shareholders' meetings; (iii) a blocking syndicate.

Esprinet to purchase 51% of 4Side's share capital, distributor of Activision Blizzard products

On 19 March 2019 Esprinet S.p.A. signed a binding agreement for the acquisition of 51% share capital of 4Side S.r.l., a company dealing with marketing and exclusive distribution in Italy for Activision Blizzard products aiming at positioning as a leader entity in an industry considered as strategic for the company business.

The deal has been valued as the sum of net equity portion relating to the 51% stake of the company at the transfer date plus a fixed goodwill of 0.4 million euro.

4Side S.r.l. is formed by former managers of Activision Blizzard Italy namely Paolo Chisari (General Manager), Maurizio Pedroni (Sales Director), Piero Terragni (Operation Director) and Stefano Mattioli (Finance Director).

Corporate Governance structure according to which minority shareholders will jointly manage the business together with Esprinet S.p.A. are defined in the shareholders agreements entered into with selling managers, from which Esprinet also obtained a call option on the remaining 49% stake of the company exercisable between 4 and 6 years from the date of closing together with a set of warranties as usual for a deal of this kind.

The notarial dead was signed on 20 March 2019.

Esprinet S.p.A. Annual Shareholders' Meeting

On 8 May 2019, Esprinet AGM approved the separate financial statements for the fiscal year ended at 31 December 2018 and the distribution of a dividend of € 0.135 per ordinary share, corresponding to a pay-out ratio of 49%[4].
The dividend payment was scheduled from 15 May 2019, ex-coupon no. 14 on 13 May 2019 and record date on 14 May 2019.

The Annual Shareholders' Meeting has also:

- approved the first section of the Report on Remuneration under Art.123-ter, paragraph 6 of the Legislative Decree 58/1998;
- authorised, subject to prior revocation of former authorization resolved on the Shareholders' Meeting of May 4th 2018, the acquisition and disposal of own shares according to art. 2357 and subs. of Italian Civil Code, art. 132 of Legislative Decree 58/98, art. 73, 144-bis and Appendix 3A, Schedule 4 of CONSOB Resolution 11971 of 14 May 1999 ('Issuer Regulations'), to Regulation (EU) 596/2014 and Delegated Regulation (EU) 2016/1052 and other current laws and regulations;
- authorised the appointment of the independent auditors, also for a limited audit of the condensed half-yearly report, for the years 2019 to 2027 pursuant to Lgs. 39/2010 and to the European Regulation (EU) no. 537/2014 to PricewaterhouseCoopers S.p.A.

Medium term loans in favour of the subsidiaries Esprinet Iberica and Vinzeo

During the semester, within a group plan aimed at leveraging on their own finance capabilities, Esprinet Iberica and Vinzeo signed n. 7 unsecured 'amortising' term loans with duration from 3 to 5 years for a total of 47.0 million euro of which 34.0 million in favour of Esprinet Iberica and 13.0 million in favour of Vinzeo.

Waiver to exercise the option on minority interests of Celly S.p.A.

In June 2019 the board of directors of Esprinet S.p.A., as part of a wider agreement relating to the corporate governance structure of the subsidiary Celly S.p.A., approved to waive the exercise of the European 'call option' – subject to prior symmetric waiver to 'put option' - on the remaining 20% of the share capital of Celly owned by Stefano Bonfanti by accepting as consideration a 5% share in Celly's equity.
As a consequence of the agreed share transfer, scheduled by September, Esprinet's interest will grow to 85% from the current 80%.

Developments in legal and tax disputes

With reference to the writ of summons served on 6 February 2019, relating to the 'Sport Technology' products line, with respect to information disclosed in the Financial Statements at 31 December 2018, it should be highlighted that on 21 May 2019 the Liquidator filed a preliminary application for a

[4] Based on Esprinet Group's consolidated net profit

voluntary arrangement with creditors with the competent Court in accordance with art. 161, comma 6, L.F. Subsequently the procedure was opened and the deadline of 4 October 2019 was set for filing the final proposal, along with an arrangement plan and the documents according to art. 161 L.F.

Developments in tax disputes

The main events occurred from the 1 January 2019 till the date of this financial report are as follows:

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 2010 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.
The main events occurred since 1 January 2019 till the date of this interim report are as follows:

- On 12 February 2019 the Regional Tax Commission issued an adverse appeal judgement for the year 2011 (disputed tax amounts to € 1.0 million) against which the Company is preparing to file an appeal with the Supreme Court;
- On 13 February 2019 the Provincial Tax Commission issued an adverse first-instance judgement for the year 2013 (disputed tax amounts to € 0.1 million) against which the Company filed an appeal with the Regional Tax Commission on 10 June 2019;
- On 1 April 2019 the Italian Revenue Office lodged an appeal with the Regional Tax Commission against the first instance judgement which related to 2012 (disputed tax amounts to € 3.1 million) and was favourable to the Company.
- On 4 June 2019 the President of the Provincial Tax Commission upheld the application for suspension of payments relating to the assessment concerning the year 2013 (disputed taxes amount to € 14.5 million against which the Company filed an appeal on 30 May 2019) until a new decision from the competent Court section;
- On 11 June 2019 (and again on 5 August 2019) the Company received full repayment of the sums it had paid pending judgement in the dispute relating to the year 2010 (disputed tax amount to € 2.8 million) thanks to a favourable decision from the Regional Tax Commission of 23 March 2018, which became final since the Revenue Office did not appeal.

On 18 March 2019, Esprinet was served a notice of appeal from the Italian Revenue Office against the Provincial Tax Commission's favourable first-instance judgement of 18 September 2018, relating to the adjustment and settlement notice that claimed higher registration fees for € 182 thousand, relating to the 2016 acquisition agreement of a business unit from EDSlan S.p.A. (now I-Trading S.r.l.). On 17 May 2019 the Company filed its arguments.

On 31 May 2019, Comprel S.r.l., a company controlled by Esprinet S.p.A. until July 2014 and in favour of which it granted guarantees at the time of transferring its shares, filed an application for facilitated settlement of the pending tax disputes (art.6 e 7 D.L.n.119/2018) with reference to assessment notices relating to Ires, Irap and VAT 2006 (disputed tax amounts to € 0.1 million).

On 16 July 2019, Monclick S.r.l., a company controlled by Esprinet S.p.A. until February 2014 and in favour of which it granted guarantees at the time of transferring its shares, 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.

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-recognized in the interim consolidated financial statements and therefore do not appear in this section.

During the period, relationships with related parties consisted essentially in 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 in the compensation awarded for services rendered by the same.
Achieved sales are related to the sales of consumer electronic products to business and private customers at market condition.
Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.

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

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 under 'Non-current provisions and other liabilities' paragraph in the 'Notes to the condensed half-yearly consolidated financial statements' in this report).
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 optimizing 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.

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

At the closing date of this financial report, Esprinet S.p.A. held 1,901,508 own shares, representing 3.64% of the share capital, of which 1,150,000 to service the Long-Term Incentive Plan for 2018-2020 3-year period as approved by the Esprinet AGM on 4 May 2018, and 758,598 own ordinary shares purchased between 1 July and 10 September 2019 pursuant to the AGM resolution of Esprinet S.p.A. dated 8 May 2018 at an average unit price of 2.99 euro, net of fees. The latter will be cancelled allotting the embedded rights proportionally to all remaining shares.

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

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 Statement.

Further information can be found in the 'Notes to the Condensed Half-yearly Consolidated Financial Statement' – paragraph 'Labour costs and number of employees'.

5. Business combinations

Purchase of 51% share in 4Side S.r.l.

On 20 March 2019 Esprinet S.p.A. closed the acquisition of 51% share capital of 4Side S.r.l., a company dealing with marketing and exclusive distribution in Italy for Activision Blizzard products. This acquisition, which was recorded using the acquisition method, resulted in an overall 0.1 million euro goodwill, as a result of the acquisition spot price (1.2 million euro) and the contingent consideration (0.1 million euro) agreed for the assets and liabilities of the acquired company at 'fair value', as reported in the table below:

(euro/000)	**Fair value 4Side S.r.l. 20/03/2019**
Fixed, intangible, financial assets and right of uses	529
Deferred income tax assets	2,709
Receivables and other non-current assets	2
Trade receivables	(1,698)
Other current assets	791
Cash and cash equivalents	3,209
Long-term lease liabilities	(317)
Retirement benefit obligations	(519)
Trade payables	(535)
Short-term lease liabilities	(102)
Other current liabilities	(1,660)
Net assets fair value	**2,409**
Interest of minority shareholders: 49%	(1,180)
Net assets fair value relating to Esprinet S.p.A. shareholders	**1,229**
Provisional goodwill [(1)]	113
Deferred payment	(100)
Cash paid	**1,242**

[(1)] Goodwill arising from the business combination transaction may be reviewed within 12 months from the transaction date, as allowed by IFRS3.

Esprinet S.p.A. and 4Side S.r.l. non-controlling shareholders signed a call option on the residual 49% of 4Side's share in favour of Esprinet, that the latter may exercise against non-controlling shareholders between the 4th and 6th year after the transaction date.
The acquisition contract provides for customary seller guarantees for this kind of transactions relating to any future liabilities arising from events preceding, but not known at, the transaction date.

Since no significant or measurable gains or impairment adjustments from the assets and liabilities acquired were detected, the surplus consideration against the net equity acquired was entirely allocated to goodwill as the latter refers to the expected capacity of the acquired company to generate both net income and cash flows as well as to the potential synergies arising from the deal.

Fair value of receivables, which are all short-term in nature, represents the expected recoverable value from the customers and is net of a 1.7 million euro bad debt provision.
Transaction costs, which are not material, were entered in the income statement under overheads & administrative costs and are included in the cash flow provided by operating activities in the cash flow statement.

The net cash flow from the acquisition was equal to +1.4 million euro, as shown in the following table:

(euro/000)	**4Side S.r.l. 20/03/2019**
Cash and cash equivalents	3,209
Lease liabilities	(419)
Net financial debts acquired	**2,790**
Cash paid	(1,242)
Deferred payment	(100)
Net cash outflow on acquisition	**1,448**

Since the acquisition date, 4Side S.r.l. has contributed 5.1 million euro to Esprinet S.p.A. revenues and 0.6 million euro to the net income of the Group. If the acquisition had taken place at the beginning of the year, contribution from 4Side S.r.l. to revenues would have been substantially unchanged, while contribution to net income would have amounted approx 0.5 million euro.
It should be noted that from the above figures only 51% is attributable to shareholders of the parent company Esprinet S.p.A..

6. 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	
	30/06/19	30/06/18	30/06/19	31/12/18
Esprinet S.p.A. separate financial statements	**2,966**	**2,259**	**296,440**	**300,013**
Consolidation adjustement:				
Net equity and result for the year of consolidated companies,net of minority interests	4,265	3,848	131,404	124,700
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(87,504)	(86,086)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,039	1,039
Goodwill from Celly S.p.A. business combination	-	-	4,153	4,153
Goodwill from 4Side srl business combination	-	-	113	0
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	(29)	79	(335)	(432)
Option on 40% Celly shares	375	5	-	(1,356)
Other movements	-	-	867	867
Consolidated net equity	**7,577**	**6,191**	**346,177**	**342,898**

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

During the first six months of the current year the Group reorganized the 'Sport Technology' product line. Sales were down during this period because of the lack of new products which are due to be eventually available during the current month.
The sale of the products of the older 'line-up' is basically over and significant improvements in the sales outlook have begun to be measured also in light of the excellent feedback received during the IFA trade show in Berlin.

The revision of the Group's financial structure, after obtaining medium-term financing for the Spanish subsidiaries of 47.0 million euro between February and May, is being finalized in these days.
The Group is indeed in a very advanced stage of negotiation with a pool of banks to get, in substitution of the current long-term loan, a 3-year 'committed' revolving credit facility providing an adequate degree of flexibility and support for the development of the plans for the next three years.

The impact of the variable sales, marketing and logistics costs, thanks to the efficiency and productivity improvement measures implemented in the last year, is further declining in both the second quarter and the first half of the year compared to the similar periods of 2018.

The plan submitted to the financial community at the end of June is being executed.
Significant activities to improve the levels of customer service have been started since the beginning of September as part of a project of stronger awareness towards 'Customer Satisfaction'; similar initiatives will be launched in the Iberian Peninsula in the coming weeks.
All commercial teams have been trained on the new metrics of 'ROCE-Return on Capital Employed'; negotiations with customers and suppliers to rebalance the lines of business with inadequate returns on capital employed are ongoing on a routinely basis and a focused commitment to walk away from the combinations of product/customer that cannot be restored to acceptable profitability levels within a reasonable time has been set.
Both 'outsourcing' of logistic services and 'category management' for the professional as well as consumer reseller and retailer are undergoing significant investments in order to add value by leveraging the potential provided by these added value services.
The 'Advanced Solution' business line is a strong focus area and the Group has recorded a growth in volumes since the beginning of the year of more than 15% with negotiations underway for the further expansion of the product portfolio mainly in Spain and Portugal.

Sales volumes of the first two months of the third quarter are strongly up against the previous year despite the restrictive actions put in place on the commercial conditions applied to customers and vendors.
The market overall is experiencing gross profit margins pressure, but the sales growth paired to a strong cost discipline is providing confidence on the achievement of profitability targets.
Thus, the management confirms the 2019 profitability targets with an EBIT comprised between 38 and 42 million euro together with a target ROCE permanently above the average cost of capital, currently estimated at 8.5%, from 2020 onwards.

Alessandro Cattani, the Esprinet Group Chief Executive Officer said:

'As already experienced during the first quarter of the year, in the following three months our Group also experienced sales growth paired to a more than proportional improvement of the operating profit.
Not only the distribution channel is more and more the preferred route-to-market of vendors, but the activities put in place to provide excellent levels of employee satisfaction and consequently of improvements of the quality of customer service together with the usual conservative cost management are enabling the growth of both market share and profitability in an always competitive environment.
The Group is following up on its journey to be more 'Customer Centric' and keeps on pursuing with strength and determination the growth in the high margin segment of 'Advance Solution' were we achieved a solid 15% growth during the half.
The excellent performance of the quarter, the growth experienced during the beginning of the third quarter, the support provided by the financial community with higher level of financing provided, and the commitment of our team towards the renegotiation of those combinations of product/customer which are not providing adequate returns on capital employed are all elements that, barring unforeseeable negative events, let us look to the future with renewed enthusiasm.' *Not only the distribution channel is more and more the preferred route-to-market of vendors, but the activities put in place to provide excellent levels of employee satisfaction and consequently of improvements of the quality of customer service together with the usual conservative cost management are enabling the growth of both market share and profitability in an always competitive environment.*
The Group is following up on its journey to be more 'Customer Centric' and keeps on pursuing with strength and determination the growth in the high margin segment of 'Advance Solution' were we achieved a solid 15% growth during the half.
The excellent performance of the quarter, the growth experienced during the beginning of the third quarter, the support provided by the financial community with higher level of financing provided, and the commitment of our team towards the renegotiation of those combinations of product/customer which are not providing adequate returns on capital employed are all elements that, barring unforeseeable negative events, let us look to the future with renewed enthusiasm.'

Vimercate, 11 September 2019

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	30/06/2019	related parties*	31/12/2018	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	12,464		13,327	
Right-of-use assets	4	93,195		-	
Goodwill	2	90,708		90,595	
Intangible assets	3	614		724	
Investments in associates	5	-		-	
Deferred income tax assets	6	14,671		11,884	
Receivables and other non-current assets	9	3,012	1,632	3,392	1,554
		214,664	**1,632**	**119,922**	**1,554**
Current assets					
Inventory	10	472,227		494,444	
Trade receivables	11	386,745	1	383,865	-
Income tax assets	12	2,454		3,421	
Other assets	13	29,844	926	29,610	1,310
Derivative financial assets	14	-		3	
Cash and cash equivalents	17	120,952		381,308	
		1,012,222	**927**	**1,292,651**	**1,310**
Disposal groups assets	48	-		-	
Total assets		**1,226,886**	**2,559**	**1,412,573**	**2,864**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	328,399		319,831	
Group net income	21	7,317		14,031	
Group net equity		**343,577**		**341,723**	
Non-controlling interests		2,600		1,175	
Total equity		**346,177**		**342,898**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	45,250		12,804	
Lease liabilities	31	85,424		-	
Deferred income tax liabilities	24	8,902		8,138	
Retirement benefit obligations	25	4,816		4,397	
Provisions and other liabilities	26	2,149		1,889	
		146,541		**27,228**	
Current liabilities					
Trade payables	27	519,204	-	867,866	-
Short-term financial liabilities	28	178,336		138,311	
Lease liabilities	36	7,608		-	
Income tax liabilities	29	773		103	
Derivative financial liabilities	30	670		613	
Debts for investments in subsidiaries	51	100		1,082	
Provisions and other liabilities	32	27,477	1,128	34,472	1,567
		734,168	**1,128**	**1,042,447**	**1,567**
Disposal groups liabilities	34	-		-	
Total liabilities		**880,709**	**1,128**	**1,069,675**	**1,567**
Total equity and liabilities		**1,226,886**	**1,128**	**1,412,573**	**1,567**

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

Consolidated income statement

Below is the consolidated 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:

(euro/000)	Notes	H1 2019	non - recurring	related parties*	H1 2018	non - recurring	related parties*
Sales from contracts with customers	33	**1,717,485**	-	4	**1,538,159**	-	5
Cost of sales		(1,636,406)	-	-	(1,461,207)	-	-
Gross profit	35	**81,079**	-		**76,952**	-	
Sales and marketing costs	37	(26,003)	-	-	(26,804)	-	-
Overheads and administrative costs	38	(40,306)	-	(2,558)	(38,711)	-	(2,447)
Impairment loss/reversal of financial assets	39	(787)	-		(500)	-	
Operating income (EBIT)		**13,983**	-		**10,937**	-	
Finance costs - net	42	(3,745)	-	7	(2,403)	-	2
Profit before income taxes		**10,238**	-		**8,534**	-	
Income tax expenses	45	(2,661)	-	-	(2,343)	-	-
Net income		**7,577**	-		**6,191**	-	
- of which attributable to non-controlling interests		260			65		
- of which attributable to Group		7,317	-		6,126	-	
Earnings per share - basic (euro)	46	0.14			0.12		
Earnings per share - diluted (euro)	46	0.14			0.12		

(euro/000)	Notes	Q2 2019	non - recurring	related parties*	Q2 2018	non - recurring	related parties*
Sales from contracts with customers	33	**842,020**	-	1	**756,885**	-	2
Cost of sales		(801,751)	-	-	(718,885)	-	-
Gross profit	35	**40,269**	-		**38,000**	-	
Sales and marketing costs	37	(12,793)	-	-	(13,414)	-	-
Overheads and administrative costs	38	(19,980)	-	(1,277)	(18,927)	-	(1,223)
Impairment loss/reversal of financial assets	39	(257)	-		(73)	-	
Operating income (EBIT)		**7,239**	-		**5,586**	-	
Finance costs - net	42	(1,182)	-	4	(1,695)	-	-
Profit before income taxes		**6,057**	-		**3,891**	-	
Income tax expenses	45	(1,411)	-	-	(1,113)	-	-
Net income		**4,646**	-		**2,778**	-	
- of which attributable to non-controlling interests		269	-		25	-	
- of which attributable to Group		4,377	-		2,753	-	
Earnings per share - basic (euro)	46	0.09			0.05		
Earnings per share - diluted (euro)	46	0.08			0.05		

(*) *Excluding fees paid to executives with strategic responsibilities, for which please refer to the specific paragraph in Interim Directors' Report on Operations'. Further information on operation with Related Parties can be found in the relevant section in the 'Interim Directors' Report on Operations'.*

Consolidated statement of comprehensive income

(euro/000)	H1 2019	H1 2018	Q2 2019	Q2 2018
Net income	7,577	6,191	4,646	2,778
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	(100)	(5)	(69)	(58)
- Taxes on changes in 'cash flow hedge' equity reserve	(16)	(4)	(8)	8
- Changes in translation adjustment reserve	(2)	5	(1)	2
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	(208)	136	(124)	79
- Taxes on changes in 'TFR' equity reserve	58	(30)	(3)	(18)
Other comprehensive income	**(268)**	**102**	**(205)**	**13**
Total comprehensive income	**7,309**	**6,293**	**4,441**	**2,791**
- of which attributable to Group	7,057	6,218	4,178	2,758
- of which attributable to non-controlling interests	252	75	263	33

Consolidated statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2017	7,861	309,192	(5,145)	26,280	338,188	1,046	337,142
Total comprehensive income/(loss)	-	103	-	6,191	6,294	75	6,219
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Purchases of own shares	-	-	(818)	-	(818)	-	(818)
Transactions with owners	-	19,293	(818)	(26,280)	(7,805)	-	(7,805)
Grant of share under share plans	-	(3,814)	4,274	-	460	-	460
FTA for new IFRS standard application	-	133	-	-	133	-	133
Other variations	-	21	-	-	21	(3)	24
Balance at 30 June 2018	7,861	324,928	(1,689)	6,191	337,291	1,118	336,173
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)
Equity plans in progress	-	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

Consolidated statement of cash flows[5]

(euro/000)	H1 2019	H1 2018
Cash flow provided by (used in) operating activities (D=A+B+C)	**(319,987)**	**(141,096)**
Cash flow generated from operations (A)	**21,174**	**13,299**
Operating income (EBIT)	13,983	10,937
Depreciation, amortisation and other fixed assets write-downs	6,653	2,330
Net changes in provisions for risks and charges	260	(266)
Net changes in retirement benefit obligations	(341)	(161)
Stock option/grant costs	619	459
Cash flow provided by (used in) changes in working capital (B)	**(338,179)**	**(152,353)**
Inventory	22,217	52,697
Trade receivables	(4,578)	(11,416)
Other current assets	2,796	4,520
Trade payables	(349,059)	(206,605)
Other current liabilities	(9,555)	8,451
Other cash flow provided by (used in) operating activities (C)	**(2,982)**	**(2,042)**
Interests paid, net	(2,091)	(817)
Foreign exchange (losses)/gains	(814)	(253)
Income taxes paid	(77)	(972)
Cash flow provided by (used in) investing activities (E)	**170**	**1,049**
Net investments in property, plant and equipment	(1,084)	(1,151)
Net investments in intangible assets	(129)	(104)
Changes in other non current assets and liabilities	(165)	3,121
4Side business combination	1,548	-
Own shares acquisition	-	(817)
Cash flow provided by (used in) financing activities (F)	**59,461**	**(33,359)**
Medium/long term borrowing	47,000	-
Repayment/renegotiation of medium/long-term borrowings	(20,238)	(19,217)
Leasing liabilities remboursement	(4,520)	-
Net change in financial liabilities	44,761	(5,801)
Net change in financial assets and derivative instruments	(755)	(1,855)
Dividend payments	(6,919)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	(116)	(9)
Changes in third parties net equity	241	81
Other movements	7	429
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(260,356)**	**(173,406)**
Cash and cash equivalents at year-beginning	**381,308**	**296,969**
Net increase/(decrease) in cash and cash equivalents	**(260,356)**	**(173,406)**
Cash and cash equivalents at year-end	**120,952**	**123,563**

[5] Effects of relationships with related parties are omitted as non significant.

Notes to the condensed half-yearly consolidated financial statements

1. Contents and format of the consolidated financial statements

1.1 Regulations, accounting principles and valuation criteria

The Esprinet Group consolidated half-yearly financial report as at 30 June 2019 was drawn up in accordance with Article 154-ter (Financial Reports), paragraph 2, of Legislative Decree No. 58/28 (T.U.F. – Finance Consolidation Act) as well as Consob Communication No. DEM/2006 of 114 July 5 (disclosure requirements of Italian listed companies pursuant to Article 58, paragraph 1998, Legislative Decree No. 6064293/98) and includes:

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

The condensed half-yearly consolidated 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 2018 (except for adopting the new IFRS 16 as shown below) and with special reference 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 2018.

These condensed half-yearly consolidated financial statements as at 30 June 2019 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[6].
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 2019, all consolidated on a line-by-line basis.

[6] With the exception of Celly Nordic OY, 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	80.00%	Esprinet S.p.A.	80.00%
Esprinet Iberica S.L.U.	Zaragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	100,000	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 Nordic OY	Helsinki (Finland)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (China)	935	80.00%	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.	Zaragozza (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.

Compared to 31 December 2018, 4Side S.r.l., the 51% of which was acquired on 20 March 2019, is included in the scope of consolidation.

Compared with 30 June 2018, on 16 July 2018 the company Celly Swiss SAGL, wholly controlled by Celly S.p.A left the scope of consolidation.
During the month of November 2018 the following mergers occurred, with no significant impacts on the consolidation scope, since the involved companies were already directly or indirectly wholly controlled by Esprinet S.p.A.:

- EDSlan S.r.l. and Mosaico S.r.l. were merged by incorporation into Esprinet S.p.A. with legal effects as from 1 November 2018 and accounting and tax effects backdated to 1 January 2018;
- Tape S.L.U. (initially wholly-controlled by Vinzeo Technologies S.A.U. and acquired in April 2018 by Esprinet Iberica S.L.U.) was merged via incorporation in V-Valley Iberian S.L.U. on 30 November 2018 with accounting an tax effects backdated to 1 January 2018.

For further information please refer to the paragraph 'Significant events occurring in the period'.

1.3 Critical assumptions, estimates and rounding

Within the scope of preparing these condensed Half-yearly Consolidated Financial Statements, several estimates and assumptions have been made on the values of revenue, costs, assets and Compared to 31 December 2018, 4Side S.r.l., the 51% of which was acquired on 20 March 2019, is included in the scope of consolidation.

liabilities in the financial statements and on the information relating to potential assets and liabilities at the date of the interim financial statements. These have been applied uniformly to all the financial years presented in this document, unless otherwise indicated.

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.

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 2018 (excluding the adoption of the new IFRS 16 as below displayed) to which reference is made.

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.
Following the first-time application as of 1 January 2019 of the new international standard IFRS 16, as permitted, it was not necessary to retrospectively reflect the effects of these new provisions in the comparative data of the financial position statement at 31 December 2018, the separate and comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement as at 31 June 2018.
Application of the standard on 1 January 2019 resulted in the recognition by the Group of a 'right to use' the assets and a corresponding financial liability of approximately 97.3 million euro.

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 2019 are consistent with those used in the consolidated financial statements as at 31 December 2018, except for the accounting standards and amendments described below and obligatorily applied with effect from 1 January 2019 after being endorsed by the competent authorities.

The main changes are as follows:

IFRS 16 Leases - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor

accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 was effective for annual periods beginning on or after 1 January 2019. A lessee may choose to apply the standard using either a full retrospective or a simplified retrospective approach. The latter option was chosen by the Group. Thus, it was not necessary to retrospectively reflect the effects of these new provisions in the comparative data of the statement of financial position at 31 December 2018, the separate and comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement. Application of the standard on 1 January 2019 resulted in the recognition by the Group of a 'right to use' the assets and a corresponding financial liability of approximately 97.3 million euro (78.2 million euro relating to the parent company Esprinet S.p.A.). In particular, the Group with respect to leasing contracts previously classified as operating leases, accounted for a financial liability and a right-of-use equal to the discounted value of the residual future payments at the transition date.
Based on the analysis carried out, the identified contracts, where the Group acts as a lessee, refer mainly to the lease of office and operating buildings, to company vehicles and to industrial and commercial equipment and other assets.
In the adoption of IFRS 16, the Group benefited from the exemption granted by the standard with respect to the short-term leases for each class of assets. At the same time, the Group also benefited from the exemption referred to low value leases. Payments linked to those leases were booked as charge on a straight-line basis in the income statement. Low-value assets include IT appliances, small office supplies and warehouse equipment. Costs relating to low-value leases and to short-term leases in the six-month period ended 30 June 2019 amount to 0.1 million euro, as does income from sub-lease of right-of-use assets.

In addition, the above-mentioned standard required some professional judgement. In particular, the Group analysed the lease contracts with regards to the lease term, defining the 'non-cancellable' period for each of them, together with the effects of extension and early termination clauses whose exercise was deemed reasonably certain. More in detail, with reference to the real property this valuation took into account specific the facts and circumstances relating to each activity. With regard to the other categories of assets, mainly company cars, the Group generally considered it unlikely that any extension or early termination clauses would be exercised in view of the Group's usual practice.
With respect to the discount rate, the Group adopted the expected marginal borrowing rate applicable to loans having a similar term and similar security which would be necessary to obtain a value similar to the right-of-use asset in a similar economic environment. The above-mentioned rate is between 4.95% and 5.85% as at 1 January 2019.
Lease liabilities as at 1 January 2019 can be reconciled with the commitments resulting from operating leases as at 31 December 2018 as follows:

(euro/000)	1° January 2019
Pledges for operation lease under IFRS 16 scope as at 31 December 2018	**96,327**
Non-discounted Liabilities for non - operational lease as at 1 January 2019	*45,696*
Discounting effects	(44,711)
Pledges for operational lease from the transition to IFRS 16 as at 1 January 2019	**97,312**

The following table indicates the impacts from adoption of IFRS 16 on the condensed consolidated half-year financial statements of the first half 2019:

(euro/000)	H1 2019 Published	H1 2019 Pre-IFRS 16	IFRS 16 Impact
ASSETS			
Non-current assets			
Property, plant and equipment	12,464	12,464	-
Right-of-use assets	93,195	-	93,195
Goodwill	90,708	90,708	-
Intangible assets	614	614	-
Deferred income tax assets	14,671	14,671	-
Receivables and other non-current assets	3,012	3,012	-
	214,664	**121,469**	**93,195**
Current assets			
Inventory	472,227	472,227	-
Trade receivables	386,745	386,745	-
Income tax assets	2,454	2,526	(72)
Other assets	29,844	30,883	(1,039)
Cash and cash equivalents	120,952	120,952	-
	1,012,222	**1,013,333**	**(1,111)**
Disposal groups assets	-	-	-
Total assets	**1,226,886**	**1,134,802**	**92,084**
EQUITY			
Share capital	7,861	7,861	-
Reserves	328,399	328,407	(8)
Group net income	7,317	7,275	42
Group net equity	**343,577**	**343,543**	**34**
Non-controlling interests	2,600	2,605	(5)
Total equity	**346,177**	**346,148**	**29**
LIABILITIES			
Non-current liabilities			
Borrowings	45,250	45,250	-
Lease liabilities	85,424	-	85,424
Deferred income tax liabilities	8,902	8,902	-
Retirement benefit obligations	4,816	4,816	-
Provisions and other liabilities	2,149	2,149	-
	146,541	**61,117**	**85,424**
Current liabilities			
Trade payables	519,204	520,181	(977)
Short-term financial liabilities	178,336	178,336	-
Lease liabilities	7,608	-	7,608
Income tax liabilities	773	773	-
Derivative financial liabilities	670	670	-
Debts for investments in subsidiaries	100	100	-
Provisions and other liabilities	27,477	27,477	-
	734,168	**727,537**	**6,631**
Disposal groups liabilities	-	-	-
Total liabilities	**880,709**	**788,654**	**92,055**
Total equity and liabilities	**1,226,886**	**1,134,802**	**92,084**

(euro/000)	H1 2019 Published	H1 2019 Pre-IFRS 16	IFRS 16 Impact
Sales from contracts with customers	**1,717,485**	**1,717,485**	**-**
Cost of sales	(1,636,406)	(1,636,406)	-
Gross profit	**81,079**	**81,079**	**-**
Sales and marketing costs	(26,003)	(27,186)	1,183
Overheads and administrative costs	(40,306)	(40,604)	298
Impairment loss/reversal of financial assets	(787)	(787)	-
Operating income (EBIT)	**13,983**	**12,502**	**1,481**
Finance costs - net	(3,745)	(2,387)	(1,358)
Profit before income taxes	**10,238**	**10,115**	**123**
Income tax expenses	(2,661)	(2,583)	(078)
Net income	**7,577**	**7,532**	**045**

The new standard's adoption to the contracts identified therefore determined:

- In the balance sheet: The initial recognition of (i) an asset representative of the right of use pursuant to IFRS 16, which will then be depreciated over the residual contractual term and (ii) a financial liability equivalent to the present value of future minimum non-cancellable lease instalments which the lessee will have to pay as from 1 January 2019, and which will be progressively reduced thereafter as rental charges are paid, (iii) a decrease in receivables and current assets following the reclassification of rentals paid in advance as rights of use and (iv) a decrease in trade payables following the reversal of the operating lease rentals;- In the income statement: an improvement in the EBIT to eliminate the rental charges and the recording (i) of the depreciation of the usage right and (ii) the financial expenses on the recorded payable.

The estimation of the effects from the first-time adoption of IFRS 16 may be subject to changes in the light of potential new interpretations coming from, among others, additional IFRIC specifications, as well as a result of fine tuning the implementing process of first-time adoption of this standard in the 2019 financial reports.

The impact from the IFRS 16 adoption was not audited and may be subject to changes till the Group's Annual Financial Report is published.

Amendments to IFRS 9: Prepayment Features with Negative Compensation - published on 26 March 2018. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments, applicable from 1 January 2019, had no significant impacts, for the Group, on the condensed half-yearly Financial Statement as at 30 June 2019.

IFRIC interpretation 23 'uncertainty over Income Tax' - published on 8 December 2016 - This interpretation addresses the matter of uncertainties regarding the tax treatment to be adopted for income tax. This interpretation specifies that uncertainties in determining tax liabilities or assets should only be reflected in the financial statements when it is likely that the entity will pay or receive the amount in question. In addition, the document does not contain any new disclosure requirement, but emphasises that the entity must establish whether it is necessary to provide information regarding the considerations made by management concerning the uncertainty in the accounting for taxes, in accordance with IAS 1. The amendments, applicable from 1 January 2019, had no significant impacts, for the Group, on the condensed half-yearly Financial Statement as at 2019 June 30.

Amendments to IAS 28: Long-term interests in associates and joint ventures - published on 11 February 2019. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. The amendments, applicable from 1 January 2019, had no significant impacts, for the Group, on the condensed half-yearly Financial Statement as at 30 June 2019.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement - published on 14 March 2019. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments, applicable from 1 January 2019, had no significant impacts, for the Group, on the condensed half-yearly Financial Statement as at 30 June 2019.

Annual Improvements 2015-2017 Cycle - These improvements were published on 15 March 2019 and substantially refer to IAS 12 Income Taxes, which clarifies accounting treatment of tax consequences of dividends pursuant to IFRS 9, to IAS 23 Borrowing Costs relating to the method for defining borrowing costs eligible for capitalisation, to IFRS 3 Business Combinations and to IFRS 11 Joint Arrangements. The amendments, applicable from 1 January 2019, had no significant impacts, for the Group, on the condensed half-yearly Financial Statement as at 30 June 2019.

At the date of these Condensed half-yearly 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:

Amendment to the references of the Conceptual framework in the IFRS: issued in March 2018, the amendment was issued in order to update the references and citations of some IFRS to recall the new version of the conceptual framework and no longer, with exceptions, the one approved in 2010.

IFRS 17 – Insurance Contracts - Issued in May 2017 by IASB, the new standard will replace IFRS 4 and will be effective from 1 January 2021.

Amendments to IAS 1 and IAS 2018 – in October 8, the IASB published some amendments to IAS 8 and IAS 1 that provide clarifications on the definition of 'materiality'. These amendments will apply from 1 January 2020.

Amendments to IFRS 3 – in October 2018, the IASB published some amendments to IFRS 3 that amend the definition of 'business'. These amendments will apply from 1 January 2020.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impact, 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, smartphones and related accessories and state-of-the-art digital and entertainment products such as photographic cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.

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 of managing and analysing 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 segments

(euro/000)	H1 2019 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
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)	H1 2018 Italy Distr. IT & CE B2B	Iberian Pen. Distr. IT & CE B2B	Elim. and other	Group
Sales to third parties	1,007,641	530,519	-	1,538,159
Intersegment sales	26,133	-	(26,133)	-
Sales from contracts with customers	**1,033,774**	**530,519**	**(26,133)**	**1,538,159**
Cost of sales	(977,026)	(510,401)	26,220	(1,461,207)
Gross profit	**56,748**	**20,118**	**87**	**76,952**
Gross profit %	*5.49%*	*3.79%*		*5.00%*
Sales and marketing costs	(20,873)	(5,931)	-	(26,804)
Overheads and admin. costs	(29,053)	(9,670)	12	(38,711)
Impairment loss/reversal of financial assets	(417)	(83)	-	(500)
Operating income (Ebit)	**6,405**	**4,434**	**99**	**10,937**
EBIT %	*0.62%*	*0.84%*		*0.71%*
Finance costs - net				(2,403)
Profit before income tax				**8,534**
Income tax expenses				(2,343)
Net income				**6,191**
- of which attributable to non-controlling interests				65
- of which attributable to Group				6,126
Depreciation and amortisation	**1,685**	**405**	239	**2,329**
Other non-cash items	**1,713**	**94**	-	**1,807**
Investments	**1,098**	**174**	-	**1,272**
Total assets	**860,002**	**348,833**	(183,318)	**1,025,517**

(euro/000)	Q2 2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	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**

(euro/000)	Q2 2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	484,578	272,308		756,885
Intersegment sales	13,667	-	(13,667)	-
Sales from contracts with customers	**498,245**	**272,308**	**(13,667)**	**756,885**
Cost of sales	(470,228)	(262,343)	13,686	(718,885)
Gross profit	**28,017**	**9,965**	**19**	**38,000**
Gross profit %	*5.62%*	*3.66%*		*5.02%*
Sales and marketing costs	(10,503)	(2,910)	(1)	(13,414)
Overheads and admin. costs	(14,099)	(4,837)	9	(18,927)
Impairment loss/reversal of financial assets	(37)	(36)	-	(73)
Operating income (Ebit)	**3,378**	**2,182**	**27**	**5,586**
EBIT %	*0.68%*	*0.80%*		*0.74%*
Finance costs - net				(1,695)
Profit before income tax				**3,891**
Income tax expenses				(1,113)
Net income				**2,778**
- of which attributable to non-controlling interests				25
- of which attributable to Group				2,753
Depreciation and amortisation	835	**202**	125	**1,162**
Other non-cash items	685	**41**	-	**726**
Investments	562	**140**	-	**702**
Total assets	**860,002**	**348,833**	(183,318)	**1,025,517**

Statement of financial position by operating segments

(euro/000)	30/06/2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	9,499	2,965	-	12,464
Right-of-use assets	75,473	17,722	-	93,195
Goodwill	21,563	68,106	1,039	90,708
Intangible assets	452	162	-	614
Investments in others	75,808	-	(75,808)	-
Deferred income tax assets	8,659	5,883	129	14,671
Receivables and other non-current assets	2,713	299	-	3,012
	194,167	**95,137**	**(74,640)**	**214,664**
Current assets				
Inventory	312,055	160,599	(427)	472,227
Trade receivables	299,057	87,688	-	386,745
Income tax assets	2,028	426	-	2,454
Other assets	85,453	1,780	(57,389)	29,844
Derivative financial assets	-	-	-	-
Cash and cash equivalents	65,869	55,083	-	120,952
	764,462	**305,576**	**(57,816)**	**1,012,222**
Disposal groups assets	-	-	-	-
Total assets	**958,629**	**400,713**	**(132,456)**	**1,226,886**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	287,095	61,589	(20,285)	328,399
Group net income	3,759	3,584	(26)	7,317
Group net equity	**298,715**	**119,866**	**(75,004)**	**343,577**
Non-controlling interests	2,659	6	(65)	2,600
Total equity	**301,374**	**119,872**	**(75,069)**	**346,177**
LIABILITIES				
Non-current liabilities				
Borrowings	9,852	35,398	-	45,250
Lease liabilities	69,477	15,947	-	85,424
Deferred income tax liabilities	3,343	5,559	-	8,902
Retirement benefit obligations	4,816	-	-	4,816
Provisions and other liabilities	1,950	199	-	2,149
	89,438	**57,103**	**-**	**146,541**
Current liabilities				
Trade payables	376,897	142,307	-	519,204
Short-term financial liabilities	167,560	66,276	(55,500)	178,336
Lease liabilities	5,787	1,821	-	7,608
Income tax liabilities	276	497	-	773
Derivative financial liabilities	670	-	-	670
Debts for investments in subsidiaries	100	-	-	100
Provisions and other liabilities	16,527	12,837	(1,887)	27,477
	567,817	**223,738**	**(57,387)**	**734,168**
Disposal groups liabilities	-	-	-	-
Total liabilities	**657,255**	**280,841**	**(57,387)**	**880,709**
Total equity and liabilities	**958,629**	**400,713**	**(132,456)**	**1,226,886**

(euro/000)	31/12/2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,127	3,200	-	13,327
Right-of-use assets	-	-	-	-
Goodwill	21,450	68,106	1,039	90,595
Intangible assets	656	68	-	724
Investments in others	75,731	-	(75,731)	-
Deferred income tax assets	5,776	5,934	174	11,884
Receivables and other non-current assets	3,094	298	-	3,392
	116,834	**77,606**	**(74,518)**	**119,922**
Current assets				
Inventory	311,280	183,750	(586)	494,444
Trade receivables	263,479	120,386	-	383,865
Income tax assets	3,085	336	-	3,421
Other assets	137,277	2,824	(110,491)	29,610
Attività per strumenti derivati	-	3	-	3
Cash and cash equivalents	180,219	201,089	-	381,308
	895,340	**508,388**	**(111,077)**	**1,292,651**
Disposal groups assets	-	-	-	-
Total assets	**1,012,174**	**585,994**	**(185,595)**	**1,412,573**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	292,847	47,208	(20,224)	319,831
Group net income	(164)	14,336	(141)	14,031
Group net equity	**300,544**	**116,237**	**(75,058)**	**341,723**
Non-controlling interests	1,229	(7)	(47)	1,175
Total equity	**301,773**	**116,230**	**(75,105)**	**342,898**
LIABILITIES				
Non-current liabilities				
Borrowings	12,804	-	-	12,804
Deferred income tax liabilities	3,053	5,085	-	8,138
Retirement benefit obligations	4,397	-	-	4,397
Provisions and other liabilities	1,860	29	-	1,889
	22,114	**5,114**	**-**	**27,228**
Current liabilities				
Trade payables	526,413	341,453	-	867,866
Short-term financial liabilities	136,269	106,542	(104,500)	138,311
Income tax liabilities	100	3	-	103
Derivative financial liabilities	613	-	-	613
Debts for investments in subsidiaries	1,082	-	-	1,082
Provisions and other liabilities	23,810	16,652	(5,990)	34,472
	688,287	**464,650**	**(110,490)**	**1,042,447**
Disposal groups liabilities	-	-	-	-
Total liabilities	**710,401**	**469,764**	**(110,490)**	**1,069,675**
Total equity and liabilities	**1,012,174**	**585,994**	**(185,595)**	**1,412,573**

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	15,538	31,754	1,019	**48,311**
Accumulated depreciation	(11,732)	(23,252)	-	**(34,984)**
Balance at 31/12/2018	**3,806**	**8,502**	**1,019**	**13,327**
Business combination acquisitions - historical cost	-	337	-	**337**
Business combination acquisitions - accumulated depreciation	-	(260)	-	**(260)**
Historical cost increase	128	933	255	**1,316**
Historical cost decrease	(41)	(1,084)	-	**(1,125)**
Historical cost reclassification	35	984	(1,019)	**-**
Increase in accumulated depreciation	(589)	(1,436)	-	**(2,025)**
Decrease in accumulated depreciation	37	857	-	**894**
Total changes	**(430)**	**331**	**(764)**	**(863)**
Historical cost	15,660	32,924	255	48,839
Accumulated depreciation	(12,284)	(24,091)	-	(36,375)
Balance at 30/06/2019	**3,376**	**8,833**	**255**	**12,464**

As at 30 June 2019, investments in 'plant and machinery' mainly refer to purchases of new security, surveillance and energy efficiency equipment by the parent company in the logistic hub of Cavenago.

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 0.2 million euro for the purchase of new equipment and office machinery by the Spanish subsidiaries.

Investments in 'Assets under construction' refer mainly to the acquisition, by the parent company Esprinet S.p.A., of equipment for the logistic hub in Cavenago, not yet operating as at 30 June 2019.

The item 'Business combination acquisitions', equal to a net value of 0.1 million euro, refers to the contribution generated by the first consolidation of 4Side S.r.l., 51% of which was purchased by the parent company Esprinet S.p.A. on 20 March 2019.

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 at 31 December 2018.

2) Goodwill

Goodwill, amounting to 90.7 million euro, increased 0.1 million euro from 90.6 million euro at 31 December 2018, following the acquisition of the company 4Side S.r.l. during the first half.

The following table summarises the goodwill allocations to the 3 CGUs (Cash Generating Units), in accordance with the operating segments identified in the Segment Information required by IFRS, and relationships between these operating segments and the legal entities which form the Group:

(euro/000)	30/06/2019	31/12/2018	Var.		
Esprinet S.p.A.	17,410	17,297	113	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4,153	4,153	-	CGU 2	B2C phone accessories (Italy)
Esprinet Iberica S.l.u.	69,145	69,145	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**90,708**	**90,595**	**113**		

The annual impairment test, required by IAS 36, was carried out in reference to the financial statements as at 31 December 2018 and no impairment loss was identified 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’).

With regard to CGUs 2 and 3, no such indicators were identified in the period between the execution of the annual test, which took place in March 2019, and the date this half-yearly financial report was drafted, and therefore it was not deemed necessary to carry out any check on the value with reference to the amounts as at 31 December 2018.

Insofar as CGU 1 is concerned, the acquisition of 51% of 4Side S.r.l., which increased goodwill by 0.1 million euro, was not considered a triggering event and, consequently, it was not deemed necessary to proceed ahead of schedule with the steps required to perform an impairment test, which involves the formal and separate approval by the Board of Directors of the 2019-23E forecast plans. Nevertheless, management assessed the recoverability of the value of goodwill currently recognized in the financial statements without recognizing the need to make any writedowns. In the light of above, the goodwill values booked as at 31 December 2018 and still outstanding in this half-yearly report are confirmed.

For further information on the 'Goodwill' and on the procedures for performing the impairment test, see the notes to the consolidated financial statements at 31 December 2018.

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	11,253	35	105	4	**11,400**
Accumulated depreciation	(3)	(10,646)	(23)	-	(4)	**(10,676)**
Balance at 31/12/2018	**-**	**607**	**12**	**105**	**-**	**724**
Business combination acquisitions - historical cost	-	42	-	-	-	**42**
Business combination acquisitions - accumulated depreciation	-	(1)	-	-	-	**(1)**
Historical cost increase	-	135	-	4	-	**139**
Historical cost reclassification	-	105	-	(105)	-	**-**
Increase in accumulated depreciation	-	(289)	(1)	-	-	**(290)**
Total changes	**-**	**(8)**	**(1)**	**(101)**	**-**	**(110)**
Historical cost	3	11,535	35	4	4	**11,581**
Accumulated depreciation	(3)	(10,936)	(24)	-	(4)	**(10,967)**
Balance at 30/06/2019	**-**	**599**	**11**	**4**	**-**	**614**

Investments in 'Industrial and other patent rights' include substantially costs sustained for the long-term renewal and upgrade of ERP system (software); the increase is mainly attributable to the Spanish subsidiaries.

The item 'Business combination acquisition', refers to the contribution generated by the first consolidation of 4Side S.r.l., which 51% was purchased by the parent company Esprinet S.p.A. on 20 March 2019.

This item is amortised in three years.

4) Right-of-use assets

Essential information, together with a summary of impacts emerging from the IFRS 16 (Leasing) adoption from 1 January 2019, is displayed below.

(euro/000)	30/06/2019	31/12/2018	Var.
Right-of-use assets	93,195	-	93,195

Pursuant to IFRS 16, the accounting treatment of lease contracts as lessee (which are not a provision of services) provides for booking a financial liability in the statement of financial position, which is represented by the discounted lease payments, against the entry of the right to use the leased assets under assets.

(euro/000)	Rental Property	Cars	Ind. & Comm. Equipment & other assets	Total
Balance at 31/12/2018	-	-	-	-
Initial book value 01/01/2019 - historical amount	95,159	1,799	353	**97,311**
Initial book value 01/01/2019 - provision for depreciation	-	-	-	-
Historical cost increase	-	241	-	**241**
Historical cost decrease	-	-	-	-
Historical cost reclassification	-	-	-	-
Increase in accumulated depreciation	(3,819)	(494)	(44)	**(4,357)**
Decrease in accumulated depreciation	-	-	-	-
Total changes	**(3,819)**	**(253)**	**(44)**	**(4,116)**
Historical cost	95,159	2,040	353	97,552
Accumulated depreciation	(3,819)	(494)	(44)	(4,357)
Balance at 30/06/2019	**91,340**	**1,546**	**309**	**93,195**

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

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

The right-of-use assets and the financial liabilities relating to lease contracts are booked in specific entries in the statement of financial position.

The change occurred in the first half, taking into account as initial value the amount as at 1 January 2019, is mainly due to depreciation charge calculated based on the residual length of the contract.

For further information on the adoption of the new IFRS 16, please refer to the paragraph 1.5 'New or revised accounting standards and interpretations adopted by the Group'.

6) Deferred income tax assets

(euro/000)	30/06/2019	31/12/2018	Var.
Deferred income tax assets	14,671	11,884	2,787

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)	30/06/2019	31/12/2018	Var.
Guarantee deposits receivables	2,045	1,972	73
Trade receivables	967	1,420	(453)
Receivables and other non-current assets	**3,012**	**3,392**	**(380)**

As at 30 June 2019, the item guarantee deposits receivables includes substantially guarantee deposits relating to utilities and lease agreements ongoing.

Trade receivables refer to the portion of receivables from the customer 'Guardia di Finanza – GdF ' (Revenue Guard Corps') expiring more than 12 months after 30 June 2019, which arose from goods delivered by Esprinet S.p.A. to GdF in 2011.
These receivables consist of an 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 2018 is due 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)	30/06/2019	31/12/2018	Var.
Finished products and goods	476,178	503,102	(26,924)
Provision for obsolescence	(3,951)	(8,658)	4,707
Inventory	**472,227**	**494,444**	**(22,217)**

Inventory totalled 476.2 million euro, down 26.9 million euro compared with stock levels at 31 December 2018, mainly as a consequence of lower purchase volumes compared with the year end, due to the typical seasonality of the distribution business.

The 4.0 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)	30/06/2019	31/12/2018	Var.
Provision for obsolescence: year-beginning	**8,658**	**6,682**	**1,976**
Uses	(4,803)	(3,634)	(1,169)
Accruals	96	5,610	(5,514)
Total Variation	**(4,707)**	**1,976**	**(6,683)**
Provision for obsolescence: period-end	**3,951**	**8,658**	**(4,707)**

The item 'accrual' is the managements best estimate of the recoverability of the inventory value as at 30 June 2019. In 2018, this item also included the non-recurring write-down (3.7 million euro) on some product classes of the 'Sport Technology' range consequent to an unexpected rapid drop in the price to the public which occurred in the fourth quarter of 2018, together with the cessation of the protection mechanisms guaranteed by the importer supplier following placement in liquidation of the same.

11) Trade receivables

(euro/000)	30/06/2019	31/12/2018	Var.
Trade receivables - gross	393,360	389,085	4,275
Bad debt provision	(6,615)	(5,220)	(1,395)
Trade receivables - net	**386,745**	**383,865**	**2,880**

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 8.5 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 53.4 million euro at the end of 30 June 2019 and 68.3 million euro as at 31 December 2018.
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 increase in gross trade receivables was caused by a lower use of technical forms of receivables financing compared with 31 December 2018 (i.e. equal to approx. 334 million euro as at 30 June 2019 compared with 597 million euro as at 31 December 2018).

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

(euro/000)	30/06/2019	31/12/2018	Var.
Bad debt provision: year-beginning	**5,220**	**7,099**	**(1,879)**
Uses	(1,090)	(2,702)	1,612
Accruals	824	823	1
Subtotal	**(266)**	**(1,879)**	**1,613**
Business combination acquisitions	1,661	-	1,661
Total variation	**1,395**	**(1,879)**	**3,274**
Bad debt provision: period-end	**6,615**	**5,220**	**1,395**

The item 'Business combination acquisitions' entirely refers to the contribution generated by the first consolidation of 4Side S.r.l., 51% of which was purchased by the parent company Esprinet S.p.A. on 20 March 2019.

12) Income tax assets (current)

(euro/000)	30/06/2019	31/12/2018	Var.
Income tax assets	2,454	3,421	(967)

The Income tax assets refer for 0.9 million euro to the excess advance payments of IRES and IRAP over tax accrued on 2019 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 at 30 June 2019, substantially attributable to the subsidiaries Esprinet Iberica SLU and Esprinet Portugal Lda.

13) Other assets

(euro/000)	30/06/2019	31/12/2018	Var.
Receivables from associates companies (A)	**-**	**-**	**-**
Witholding tax assets	31	-	31
VAT receivables	4,309	2,539	1,770
Other tax assets	3,544	4,653	(1,109)
Other receivables from Tax authorities (B)	**7,884**	**7,192**	**692**
Receivables from factoring companies	906	242	664
Other financial receivables	11,489	10,881	608
Banks financial receivables	-	-	-
Receivables from insurance companies	430	673	(243)
Receivables from suppliers	4,651	5,752	(1,101)
Receivables from employees	-	2	(2)
Receivables from others	196	76	120
Other receivables (C)	**17,672**	**17,626**	**46**
Prepayments (D)	**4,288**	**4,792**	**(504)**
Other assets (E= A+B+C+D)	**29,844**	**29,610**	**234**

'VAT receivables' refer to VAT receivables accrued by both the parent company Esprinet S.p.A. and the subsidiaries V-Valley S.r.l., Esprinet Iberica S.L.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 increase compared with 31 December 2018 is mainly due to purchases from suppliers exceeding sales with reference to the parent company Esprinet S.p.A., thus moving from a debit balance to a credit position as at 30 June 2019.

The 'Income 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 parent company for 0.9 million euro, relate to the residual amount still unpaid of the receivables sold 'without recourse' at the end of June 2019. At the time this report was drafted, the receivables due had been almost entirely paid.
The increase compared with the previous year-end balance, is mainly due to the temporary differences in the collection of transferred receivables.

Customer financial receivables refer for 11.0 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 2019, 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 – recognized 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 2019, receivables from suppliers include 2.6 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 collectibility; the following table illustrates the change in the bad debt provision:

(euro/000)	Starting provision	Additions	Uses	Final provision
2019 financial year	8,823	-	-	8,823
2018 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)	30/06/2019	31/12/2018	Var.
Bank and postal deposit	120,918	380,759	(259,841)
Cash	30	19	11
Cheques	4	530	(526)
Total cash and cash equivalents	**120,952**	**381,308**	**(260,356)**

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'.

Equity

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

(euro/000)	30/06/2019	31/12/2018	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	333,199	324,631	8,568
Own shares (C)	(4,800)	(4,800)	-
Total reserves (D=B+C)	**328,399**	**319,831**	**8,568**
Net income for the year (E)	**7,317**	**14,031**	**(6,714)**
Net equity (F=A+D+E)	**343,577**	**341,723**	**1,854**
Non-controlling interests (G)	2,600	1,175	1,425
Total equity (H=F+G)	**346,177**	**342,898**	**3,279**

19) Share capital

The Esprinet S.p.A. Share capital, fully subscribed and paid-in as at 30 June 2019, is 7,860,651 euro and comprises 52,404,340 shares with no face value.

20) Reserves

Reserves and profit carried over

The 'Reserve and profit carried over' balance increased by 8.6 million euro, mainly due to the allocation of profits from previous years equal to 14.0 million euro net of 6.9 million euro relating to the dividend distribution (0.135 euro per ordinary share) occurred in this first half.

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of No. 1,150,000 Esprinet S.p.A. shares owned by the Company. The change relates to the 535,134 shares (out of overall 646,889 shares owned) granted in June 2018 as per the 2015-2017 'Share Incentive Plan' approved on 30 April 2015 by Esprinet AGM, as well as to the purchase of 1,038,245 shares, at an average price (net of fees) of 3.78 euro, as set forth in the resolution of AGM of 4 May 2018.

21) Net income

Consolidated net profits pertaining to the first half of 2019 amount to 7.5 million euro (6.2 million euro in the first half of the previous year).

Non-current liabilities

22) Borrowings (non current)

(euro/000)	30/06/2019	31/12/2018	Var.
Borrowings	45,250	12,804	32,446

The borrowings value refers to the valuation at the amortized cost of the portion of the medium-long term loans granted by the Group companies falling due beyond 12 months.

As better detailed in the section 'Net financial indebtedness', the amount as at 30 June 2019 includes a portion maturing beyond 12 months of 7 unsecured 'amortising' term loans with duration from 3 to 5 years signed in the six-month period by the subsidiaries Esprinet Iberica S.L.U. (24.2 million euro) and Vinzeo Technologies S.A.U (11.2 million euro) within a plan aimed at leveraging on the debt capacity of the Spanish companies.

The value also includes minor loans signed by the Company in March 2017 (8.9 million euro), as well as the portion not yet due of the loan granted by the Parent Company, from a delivery of goods to the customer 'Revenue Guard Corps' (so called Guardia di Finanza – GdF), which led to the booking of an identical long-term receivable from GdF (1.0 million euro), as described under paragraph 9 'Receivables and other non-current assets'.

24) Deferred income tax liabilities

(euro/000)	30/06/2019	31/12/2018	Var.
Deferred income tax liabilities	8,902	8,138	764

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)	30/06/2019	31/12/2018	Var.
Balance at year-beginning	**4,397**	**4,814**	**(417)**
Service cost	67	140	(73)
Interest cost	33	57	(24)
Actuarial (gain)/loss	207	(185)	392
Pensions paid	(213)	(429)	216
Total variation	**94**	**(417)**	**511**
Business combination acquisitions	325	-	325
Retirement benefit obligations	**4,816**	**4,397**	**94**

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 2018 valuation and the actual development of the provision as at 30 June 2019 (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).[7]

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

(euro/000)	30/06/2019	31/12/2018	Var.
Amounts booked under personnel costs	67	140	(73)
Amounts booked under financial costs	33	57	(24)
Total	**100**	**197**	**(97)**

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:

	30/06/2019	31/12/2018
Cost of living increase	1.00%	1.50%
Discounting rate [(2)]	0.77%	1.57%
Remuneration increase	2.50%	3,00% [(1)]
Staff severance indemnity (TFR) - annual rate increase	2.25%	2.63%

[(1)] The assumption relating to a remuneration increase refers solely to Celly S.p.A..
[(2)] IBoxx Eurozone Corporates AA10+ index has been used for the calculation.

31) Lease liabilities (non current)

(euro/000)	30/06/2019	31/12/2018	Var.
Lease liabilities (non-current)	85,424	-	85,424

This item was booked following the adoption of the new IFRS 16 and refers to the financial liabilities linked to right-of-use assets entered in the balance sheet with an initial value of 88.5 million euro as at 1 January 2019.

The change compared with the initial value refers entirely to the reclassification into current liabilities of the principal portion expiring in the first half of 2020.

The following table analyses the maturing dates of the financial liabilities booked as at 30 June 2019:

(euro/000)	Within 5 year	After 5 year	30/06/2019
Lease liabilities (non-current)	22,791	62,633	85,424

For further information on the adoption of the new IFRS 16, please refer to the paragraph 1.5 'New or revised accounting standards and interpretations adopted by the Group'.

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

26) Non-current provisions and other liabilities

(euro/000)	30/06/2019	31/12/2018	Var.
Long-term liabilities for cash incentives	343	105	238
Provisions for pensions and similar obligations	1,651	1,678	(27)
Other provisions	155	106	49
Non-current provisions and other liabilities	**2,149**	**1,889**	**260**

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)	30/06/2019	31/12/2018	Var.
Provisions for pensions: year-beginning	1,678	1,915	(237)
Uses	(86)	(318)	232
Accruals	59	81	(22)
Total variation	(27)	(237)	210
Provisions for pensions: period-end	1,651	1,678	(27)

The amount entered under other provisions, is intended to cover risks relating to current legal and tax-related disputes.

(euro/000)	30/06/2019	31/12/2018	Var.
Other provisions: year-beginning	106	589	(483)
Uses	(50)	(584)	534
Accruals	99	101	(2)
Other provisions: period-end	155	106	49

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 firs half of 2019 (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, recognized the ensuing allocations to the provision for risks.

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

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

In December 2018, the historical supplier of the 'Sport Technology' product line initiated the process of voluntary winding-up of the business, about which Esprinet S.p.A. was informed only at the beginning of January 2019.

Such entity has been supplying product to Esprinet for the last 15 years and since 2008 was managing, on behalf of the Esprinet Group and under an exclusive agreement, the production, the import and the after-sale support process of a number of 'Sport technology' products.
As at 31 December 2018, Esprinet was owed Euro 12.5 million in receivables by said supplier for amounts originating from advances paid for supplies of goods entrusted to factories mainly located in China as well as for credit notes (withdrawal of products under contractual warranty, repositioning, and hedging from fluctuations in the market prices, etc.); the already-mentioned winding up process led the management 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 importer, acting through its Liquidator, and its shareholders, started a legal action against Esprinet, for damage compensation amounting to 55 million euro, alleging an unlawful conduct in trade relationships with the importer that allegedly led the latter into distress.
On 19 February 2019, the majority shareholder of the supplier of the Sport Technology line, through its Liquidator (since that shareholder entered into voluntary liquidation itself) took legal action against Esprinet requesting that the guarantee it had granted to Esprinet on behalf of its subsidiary be declared void or at least invalid and unenforceable.
The Board of Directors of Esprinet - also following advisors' opinion - resolved to file an appearance and defend by rejecting all claims, trusting that the court will confirm the lack of foundation and spuriousness of the legal action taken by the counter-party.
On 21 May 2019 the Liquidator filed a preliminary application for a voluntary arrangement with creditors with the competent Court in accordance with art. 161, comma 6, L.F.. Subsequently the procedure was opened and the deadline of 4 October 2019 was set for filing the final proposal, along with an arrangement plan and the documents according to art. 161 L.F.

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 but the hearing has not been fixed yet.

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.

Esprinet S.p.A. indirect taxes for the year 2010

On 29 December 2015, the Company was served a notice amounting to 2.8 million euro, plus penalties and interest, relating to an assessment claiming VAT on taxable transactions entered into with a customer company whose purchases benefited from tax exemption by virtue of a declaration issued by the same company, which eventually did not qualify as a frequent exporter.
On 26 February 2016 an appeal was filed with the Provincial Tax Commission together with a self-defence petition and on 18 April 2016, in accordance with administrative procedure, the company made an advance payment equal to 1.2 million euro, posted under 'Other tax assets'.
On 20 June 2016 the matter was discussed and on 26 August 2016, the Provincial Tax Commission issued its judgement, rejecting the Company's appeal.
On 10 October another advance equal to 3.3 million euro was paid, again posted under 'Other tax assets'.
On 14 February 2017 the Company filed an appeal against the Provincial Tax Commission ruling.
The hearing was held on 13 November 2017 and on 4 December 2017 the Regional Tax Commission filed a request of documents from the Company; the hearing was then held on 19 March 2018.
On 23 March 2018, the 'Regional Tax Commission' issued a judgement that upheld the Company's appeal.
The amounts paid by the Company pending judgement were entirely reimbursed at the time this report was drafted (a credit of 1.4 million euro was outstanding as at 30 June 2019).
the Italian Revenue Office waived its right to appeal with the Supreme Court against the ruling of the Court of Appeal which thus became final.

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 is preparing 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.

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 appealed on 10 June 2019.

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 the D.Lgs. 218/1997. This proceeding is not closed yet.
Thus, 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.

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 lodged an appeal before the Supreme Court.

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 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 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.

Comprel S.r.l. direct and indirect taxes for the year 2006

On 16 September 2011, Comprel S.r.l. was served a notice of assessment relating to Irap and VAT for 2006 and a further assessment relating to Ires for 2006 (the latter also notified to Esprinet S.p.A. being the consolidating company, under the new assessment proceeding, as per Article 40-bis of D.P.R. No. 600/1973) with a total disallowance of costs 99 thousand euro, plus penalties and interest.

With respect to these Tax assessments, Comprel filed a settlement proposal whose negative outcome led it to lodge an appeal with the Provincial Tax Commission, that issued its judgement No. 106/26/13 on 9 May 2013 which rejected Comprel's joint appeals.

On 9 July 2013, an appeal was lodged against this judgement.

On 9 July 2014 the judgement No. 3801/2014 was issued that upheld the company's appeal in relation to points 4, 6, 7 and 11.

On 14 January 2015 an appeal was lodged by the General Attorney with the Supreme Court challenging the judgement n. 3801/2014 rendered by the Regional Tax Commission of Milan on 9 July 2014. The company filed a cross-appeal on 20 February 2015.
On 31 May 2019, the Company filed an application for facilitated settlement of the pending tax disputes (art. 6 and 7 D.L.n.119/2018).

Current liabilities

27) Trade payables

(euro/000)	30/06/2019	31/12/2018	Var.
Trade payables - gross	641,631	1,011,802	(370,171)
Credit notes to be received	(122,427)	(143,936)	21,509
Trade payables	**519,204**	**867,866**	**(348,662)**

The Trade payables balance, compared with 31 December 2018 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)	30/06/2019	31/12/2018	Var.
Bank loans and overdrafts	163,898	112,495	51,403
Other financing payables	14,438	25,816	(11,378)
Short - term financial liabilities	**178,336**	**138,311**	**40,025**

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.

The amount of the portion of the medium-long term loans maturing beyond 12 months (102.3 million euro as at 30 June 2019 and 107.7 million euro as at 31 December 2018) includes the entire amount of a 5-year amortised cash facility which was drawn for 87.0 million euro at 30 June 2019 (101.5 million euro as at 31 December 2018), which was granted to Esprinet S.p.A. by a pool of banks in February 2017 for originally 145.0 million euro under a medium-long term senior loan also comprising a 5-year revolving facility for 65.0 million euro (undrawn in both periods).

The above-mentioned loan was unsecured thus, as is common practice in similar transactions, is supported by a set of 4 financial covenants that entitle the lenders to demand early repayment in case of failure.
As at 30 June 2019 and at previous year end, the entire outstanding amount of the amortised facility was booked under current financial liabilities since 1 out of the 4 above-mentioned covenants was unmet. For further details please refer to the paragraph 'Loans and loan covenants'.

The amount of 102.3 million euro also includes a portion maturing beyond 12 months of (i) 7 unsecured 'amortising' term loans with duration from 3 to 5 years signed during the six-month period by the subsidiaries Esprinet Iberica S.L.U. (7.9 million euro) and Vinzeo Technologies S.A.U (2.6 million euro) within a plan aimed at leveraging on the debt capacity of the Spanish companies, (ii) other minor loans signed by Esprinet S.p.A. in March 2017 (with principal of 5.0 million euro and 4.9 million as at 30 June 2019 and 31 December 2018 respectively) and (iii) a loan signed by the parent company relating to a delivery of goods to the customer 'Guardia di Finanza - Gdf'.

The short-term credit facilities are entirely attributable to the parent company, Esprinet S.p.A. (55.7 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)	30/06/2019	31/12/2018	Var.
Income tax liabilities	773	103	670

Income tax liabilities, referring to 4Side S.r.l. for 0.2 million euro, to V-Valley S.r.l. for 0.1 million euro and to Vinzeo Technologies S.A.U. for 0.5 million euro reflect the excess amount of current income taxes for the first half 2019 over the advances paid.

30) Derivative financial liabilities (current)

(euro/000)	30/06/2019	31/12/2018	Var.
Derivative financial liabilities	670	613	57

This item refers to the fair value of six IRS contracts entered into by Esprinet S.p.A. in April 2017 with six of the eight banks that on 28 February 2017 granted the medium-term floating-rate loan of 145.0 million euro (reduced to 87.0 million euro in capital as at 30 June 201 as a result of payments made under the amortisation plan). The portion of the loans referring to the above-mentioned six banks is equal to 70.4 million euro and is entirely hedged from the interest rate volatility risk by a derivative contract entered into by each bank with regard to its own portion of the loan hedged. These derivative contracts have the same conditions as the contracts signed by the other banks.

The 'fair value' of the above-mentioned agreements, at 30 June 2019 and at 31 December 2018 was classified under short-term liabilities as a consequence of the breach of one of the four covenants covering the hedged loan, as better described under 'loans and loan covenants'.

For further details regarding the two operations please refer to the section headed 'Derivatives analysis'.

31) Lease liabilities (current)

(euro/000)	30/06/2019	31/12/2018	Var.
Lease liabilities (current)	7,608	-	7,608

The value of the current financial liability referring to the right-of-use assets at 30 June 2019, equal to 7.6 million euro, was initially entered for 8.8 million euro at 1 January 2019 and subsequently changed as better described below:

(euro/000)	30/06/2019	31/12/2018	Var.
Lease liabilities	**-**	**-**	**-**
Initial book value 01/01/2019	8,820	-	8,820
Increase from subscribed contracts	241	-	241
Restatement of non-current liability	3,069	-	3,069
Lease interests expenses	1,358	-	1,358
Payments	(5,880)	-	(5,880)
Lease liabilities	**7,608**	**-**	**7,608**

For further information on the adoption of the new IFRS 16, please refer to the paragraph 1.5 'New or revised accounting standards and interpretations adopted by the Group'.

32) Provisions and other liabilities

(euro/000)	30/06/2019	31/12/2018	Var.
Social security liabilities (A)	**4,247**	**3,886**	**361**
Associates companies liabilities (B)	**-**	**-**	**-**
VAT payables	7,057	14,240	(7,183)
Withholding tax liabilities	372	321	51
Other tax liabilities	1,369	1,320	49
Other payables to Tax authorities (C)	**8,798**	**15,881**	**(7,083)**
Payables to personnel	5,950	6,764	(814)
Payables to customers	6,673	6,602	71
Payables to others	1,556	1,064	492
Total other creditors (D)	**14,179**	**14,430**	**(251)**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	178	267	(89)
- Other accrued expenses	-	-	-
- Deferred income - advanced receivables	-	-	-
- Other deferred income	75	8	67
Accrued expenses and deferred income (E)	**253**	**275**	**(22)**
Provisions and other liabilities (F=A+B+C+D+E)	**27,477**	**34,472**	**(6,995)**

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 amount accrued during the month of June for 4Side S.r.l., Celly S.p.A., Nilox Deutschland Gmbh, Esprinet Iberica S.L.U, Vinzeo Technologies SAU, Esprinet Portugal Lda and V-Valley Iberian S.L.U.. The decrease compared with 31 December 2018 is mainly due to purchases from suppliers exceeding sales with reference to the parent company Esprinet S.p.A., thus moving from a debit balance to a credit position as at 30 June 2019.

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 0.9 million euro to Directors relating to first half emoluments accrued (0.7 million euro in 2018), as well as payables of 0.4 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.

51) <u>Debts for investments in subsidiaries (current)</u>

(euro/000)	30/06/2019	31/12/2018	Var.
Debts for investments in subsidiaries	100	1,082	(982)

Debts for investments in subsidiaries, that entirely consisted of the discounted fair value at 31 December 2018 of the expected conditional consideration relating to the acquisition of the residual 20% of Celly S.p.A., decreased in the six-month period as a consequence of the waiver by the shareholders to exercise the above-mentioned option as shown in the section 'Significant events occurring in the period' of the interim management report.

The amount as at 30 June 2019, equal to 0.1 million, refers to the residual value still to be paid to the shareholders following the purchase of 51% shares of the subsidiary 4Side S.r.l..

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) <u>Sales</u>

Sales by geographical segment

(euro/million)	H1 2019	%	H1 2018	%	Var.	% Var.	Q2 2019	%	Q2 2018	%
Italy	1,112.3	64.8%	999.3	65.0%	113.0	11%	535.0	63.5%	479.9	63.4%
Spain	573.6	33.4%	515.1	33.5%	58.5	11%	291.3	34.6%	265.0	35.0%
Other EU countries	21.3	1.2%	21.0	1.4%	0.3	1%	10.1	1.2%	10.5	1.4%
Extra EU countries	10.3	0.6%	2.8	0.2%	7.5	268%	5.6	0.7%	1.5	0.2%
Group Sales from contracts with clients	**1,717.5**	**100.0%**	**1,538.2**	**100.0%**	**179.3**	**12%**	**842.0**	**100.0%**	**756.9**	**100.0%**

Sales in other E.U. countries mainly refer to sales to the Spanish subsidiary Esprinet Iberica. Sales from other European Union countries mainly refer to sales by the Spanish subgroup to customers residing in Portugal, while sales outside the European Union refer mainly to sales to customers residing in the Republic of San Marino.

Sales by products and services.

(euro/million)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Product sales	1,123.2	65.4%	998.8	64.9%	12%	540.4	64.2%	477.4	63.1%	13%
Services sales	3.4	0.2%	8.8	0.6%	*-61%*	1.7	0.2%	7.1	0.9%	*-76%*
Sales - Subgroup Italy	**1,126.6**	**65.6%**	**1,007.6**	**65.5%**	***12%***	**542.1**	**64.4%**	**484.5**	**64.0%**	***12%***
Product sales	590.2	34.4%	530.0	34.5%	*11%*	299.5	35.6%	272.8	36.0%	*10%*
Services sales	0.7	0.0%	0.6	0.0%	*17%*	0.4	0.0%	(0.4)	-0.1%	*-200%*
Sales - Subgroup Spain	**590.9**	**34.4%**	**530.6**	**34.5%**	***11%***	**299.9**	**35.6%**	**272.4**	**36.0%**	***10%***
Sales from contracts with customers	**1,717.5**	**100.0%**	**1,538.2**	**100.0%**	***12%***	**842.0**	**100.0%**	**756.9**	**100.0%**	***11%***

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 sales 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 2019	%	H1 2018	%	Var.	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Revenues from contracts with customers as 'principal'	1,715.3	99.9%	1,536.9	99.9%	178.4	*12%*	840.6	99.8%	756.2	99.9%	*11%*
Revenues from contracts with customers as 'agent'	2.2	0.1%	1.3	0.1%	0.9	*69%*	1.4	0.2%	0.7	0.1%	*100%*
Sales from contracts with customers	**1,717.5**	**100.0%**	**1,538.2**	**100.0%**	**179.3**	***12%***	**842.0**	**100.0%**	**756.9**	**100.0%**	***11%***

35) Gross profit

(euro/000)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	1,717,485	100.00%	1,538,159	100.00%	*12%*	842,020	100.0%	756,885	100.00%	*11%*
Cost of sales	1,636,406	95.28%	1,461,207	95.00%	*12%*	801,751	95.2%	718,885	94.98%	*12%*
Gross profit	**81,079**	**4.72%**	**76,952**	**5.00%**	***5%***	**40,269**	**4.78%**	**38,000**	**5.02%**	***6%***
- of which non recurring	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	*0%*
Gross profit "recurrent"	**81,079**	**4.72%**	**76,952**	**5.00%**	***5%***	**40,269**	**4.78%**	**38,000**	**5.02%**	***6%***

Consolidated gross profit, equal to 81.1 million euro, showed an increase of +5% (4.1 million euro) compared with the same period of 2018 as a consequence of higher sales volumes even with a lower gross profit margin (4.72% vs 5.00% in the first half 2018). In the second quarter, Gross profit increased by +6% compared with the same period of previous year to 40.3 million euro, showing substantially the same drop in terms of sales margin as above.

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. This is calculated as approx. 2.0 million euro for the six-month period under review (2.6 million euro in the same period of the previous year).

37-38-39) Operating costs

(euro/000)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	**1,717,485**		**1,538,159**		***12%***	**842,020**		**756,885**		***11%***
Sales and marketing costs	26,003	1.51%	26,804	1.74%	*-3%*	12,793	1.52%	13,414	1.77%	*-5%*
Overheads and administrative costs	40,307	2.35%	38,711	2.52%	*4%*	19,982	2.37%	18,927	2.50%	*6%*
Impairment loss/reversal of financial assets	787	0.05%	500	0.03%	*57%*	257	0.03%	73	0.01%	*>100%*
Operating costs	**67,097**	**3.91%**	**66,015**	**4.29%**	***2%***	**33,032**	**3.92%**	**32,414**	**4.28%**	***2%***
- of which non recurring	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	*0%*
'Recurring' operating costs	**67,097**	**3.91%**	**66,015**	**4.29%**	***2%***	**33,032**	**3.92%**	**32,414**	**4.28%**	***2%***

In the first half 2019, operating costs, amounting to 67.1 million euro, increased by 1.1 million euro compared with the same period of 2018, with an operating costs margin slightly down to 3.91% from 4.29% in 2018. In the second quarter the operating costs, equal to 33.0 million euro, increased by +2% compared with the same period of previous year.

Operating costs in the first half of 2019 include the positive effect of 1.5 million euro generated by the first time adoption of IFRS 16, which provides for the recognition of depreciation charges of the right-of-use assets instead of the higher rentals for the leased assets to which they refer.

However, operating costs also include 0.6 million euro of fees from the newly-acquired subsidiary 4Side S.r.l., purchased on 20 March 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 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	**1,717,485**		**1,538,159**		***12%***	**842,020**		**756,885**		***11%***
Depreciation of tangible assets	2,024	0.12%	2,029	0.13%	*0%*	990	0.12%	1,018	0.13%	*-3%*
Amortisation of intangible assets	290	0.02%	301	0.02%	*-4%*	149	0.02%	145	0.02%	*3%*
Depreciation of right-of-use assets	4,339	0.25%	-	0.00%	*100%*	1,917	0.23%	-	0.00%	*100%*
Amort . & depreciation	**6,653**	**0.39%**	**2,330**	**0.15%**	***>100%***	**3,057**	**0.36%**	**1,163**	**0.15%**	***>100%***
Write-downs of fixed assets	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	*0%*
Amort. & depr., write-downs (A)	**6,653**	**0.39%**	**2,330**	**0.15%**	***>100%***	**3,057**	**0.36%**	**1,163**	**0.15%**	***>100%***
Accruals for risks and charges (B)	158	0.01%	86	0.01%	*84%*	121	0.01%	33	0.00%	*>100%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**6,811**	**0.40%**	**2,416**	**0.16%**	***>100%***	**3,178**	**0.38%**	**1,196**	**0.16%**	***>100%***

Labour costs and number of employees

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

(euro/000)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	1,717,486		1,538,159		*12%*	842,021		756,885		*11%*
Wages and salaries	23,305	1.36%	22,378	1.45%	*4%*	11,714	1.39%	11,219	1.48%	*4%*
Social contributions	6,950	0.40%	6,573	0.43%	*6%*	3,437	0.41%	3,280	0.43%	*5%*
Pension obligations	1,161	0.07%	1,203	0.08%	*-3%*	578	0.07%	596	0.08%	*-3%*
Other personnel costs	494	0.03%	497	0.03%	*-1%*	249	0.03%	255	0.03%	*-2%*
Employee termination incentives	403	0.02%	486	0.03%	*-17%*	312	0.04%	236	0.03%	*32%*
Share incentive plans	137	0.01%	192	0.01%	*-29%*	75	0.01%	47	0.01%	*60%*
Total labour costs [1]	32,450	1.89%	31,329	2.04%	*4%*	16,365	1.94%	15,633	2.07%	*5%*

[1] Cost of temporary workers excluded.

As at 30 June 2019, labour costs for 32.4 million euro show a more than proportional increase (+4%) compared with the average staff growth of the first half (+2%). This is mainly due both to the purchasing on 20 March 2019 of the subsidiary 4Side S.r.l., and to contractually defined salary increases, as well as to the hiring of highly-qualified staff, as part of the policy of continuously improving services rendered.

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	723	-	**741**	
Celly S.p.A.	1	47	-	**48**	
Celly Pacific LTD	-	3	-	**3**	
Celly Nordic OY	-	-	-	**-**	
Nilox Deutschland GmbH	-	1	-	**1**	
4Side S.r.l.	4	10	-	**14**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**23**	**784**	**-**	**807**	**799**
Esprinet Iberica S.L.U.	-	230	86	**316**	
Vinzeo Technologies S.A.U.	-	136	-	**136**	
V-Valley Iberian S.L.U.	-	19	-	**19**	
Esprinet Portugal Lda	-	9	-	**9**	
Subgroup Spain	**-**	**394**	**86**	**480**	**476**
Group as at 30 June 2019	**23**	**1,178**	**86**	**1,287**	**1,275**
Group as at 31 December 2018	**22**	**1,155**	**86**	**1,263**	**1,256**
Var 30/06/2019 - 31/12/2018	1	23	-	24	19
Var %	5%	2%	0%	2%	2%
Group as at 30 June 2018	**22**	**1,157**	**71**	**1,250**	**1,249**
Var 30/06/2019 - 30/06/2018	1	21	15	37	26
Var %	5%	2%	21%	3%	2%

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

The number of employees in the workforce increased compared with both the first half and 31 December 2018, also due to the acquisition of the company 4Side S.r.l..

Share incentive plans

On 25 June 2018, free Esprinet stock grants were allotted under the Long Term Incentive Plan approved by the Esprinet AGM of 4 May 2018.
Since the Company owned only 111,755 of the ordinary shares underlying the above-mentioned Plan, during 2018 it acquired 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 summarized 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.

In the first half 2019, costs booked in the income statement relating to the share incentive Plans, having a contra entry in the 'Reserve' item in the statement of financial position, totalled 137 thousand euro with reference to employees (192 thousand euro in the first half of 2018 and referring to the 'Long term incentive plan' 2015-2018) and 482 thousand euro with reference to directors (267 thousand euro in the first half of 2018 with reference to the 'Long Term Incentive Plan' 2015-2018).

42) Finance costs – net

(euro/000)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	**1,717,485**		**1,538,159**		***12%***	**842,020**		**756,885**		***11%***
Interest expenses on borrowings	1,233	0.07%	1,462	0.10%	*-16%*	637	0.08%	707	0.09%	*-10%*
Interest expenses to banks	235	0.01%	94	0.01%	*>100%*	81	0.01%	42	0.01%	*93%*
Other interest expenses	3	0.00%	3	0.00%	*0%*	3	0.00%	3	0.00%	*0%*
Upfront fees amortisation	308	0.02%	382	0.02%	*-19%*	148	0.02%	258	0.03%	*-43%*
IAS 19 expenses/losses	34	0.00%	27	0.00%	*26%*	18	0.00%	13	0.00%	*38%*
IFRS financial lease interest expenses	1,358	0.08%	-	0.00%	*100%*	312	0.04%	-	0.00%	*100%*
Expenses from business combination	-	0.00%	-	0.00%	*0%*	-	0.00%	(6)	0.00%	*-100%*
Derivatives ineffectiveness	13	0.00%	87	0.01%	*-85%*	7	0.00%	52	0.01%	*-87%*
Total financial expenses (A)	**3,184**	**0.19%**	**2,055**	**0.13%**	***55%***	**1,206**	**0.14%**	**1,069**	**0.14%**	***13%***
Interest income from banks	(70)	0.00%	(17)	0.00%	*>100%*	(53)	-0.01%	(7)	0.00%	*>100%*
Interest income from others	(41)	0.00%	(90)	-0.01%	*-54%*	(21)	0.00%	(58)	-0.01%	*-64%*
Interest income on business combination	-	0.00%	(2)	0.00%	*-100%*	-	0.00%	(2)	0.00%	*-100%*
Derivatives ineffectiveness	(4)	0.00%	1	0.00%	*<-100%*	1	0.00%	1	0.00%	*0%*
Total financial income(B)	**(115)**	**-0.01%**	**(108)**	**-0.01%**	***6%***	**(73)**	**-0.01%**	**(66)**	**-0.01%**	***11%***
Net financial exp. (C=A+B)	**3,069**	**0.18%**	**1,947**	**0.13%**	***58%***	**1,133**	**0.13%**	**1,003**	**0.13%**	***13%***
Foreign exchange gains	(313)	-0.02%	(806)	-0.05%	*-61%*	(196)	-0.02%	(162)	-0.02%	*21%*
Foreign exchange losses	989	0.06%	1,262	0.08%	*-22%*	245	0.03%	853	0.11%	*-71%*
Net foreign exch. (profit)/losses (D)	**676**	**0.04%**	**456**	**0.03%**	***48%***	**49**	**0.01%**	**691**	**0.09%**	***-93%***
Net financial (income)/costs (E=C+D)	**3,745**	**0.22%**	**2,403**	**0.16%**	***56%***	**1,182**	**0.14%**	**1,694**	**0.22%**	***-30%***

The net balance of financial income and expenses was negative for 3.7 million euro, down 1.3 million euro compared with the same period of the previous year (2.4 million euro), solely as result of the recognition of interest expense on leases, due to the application of the new IFRS 16 since 1 January 2019.
The improvement in the negative balance of net interest to banks, equal to 0.1 million euro (from 1.5 million euro to 1.4 million euro), mainly due to a lower recourse to bank funding sources, is offset by a higher cost of foreign exchange management.

45) Income tax expenses

(euro/000)	H1 2019	%	H1 2018	%	% Var.	Q2 2019	%	Q2 2018	%	% Var.
Sales from contracts with customers	1,717,485		1,538,159		12%	842,020		756,885		11%
Current and deferred taxes	2,661	0.15%	2,343	0.15%	14%	1,411	0.17%	1,113	0.15%	27%
Profit before taxes	10,238		8,534			6,057		3,891		
Tax rate	26%		27%			23%		29%		

Income tax expenses, equal to 2.7 million euro, increased by +14% compared with the same period of 2018 due to a higher taxable income.

46) Net income and earnings per share

(euro/000)	H1 2019	H1 2018	Var.	% Var.	Q2 2019	Q2 2018	Var.	% Var.
Net income attributable to Group	7,317	6,126	1,191	19%	4,377	2,752	1,625	59%
Weighed average no. of shares in circulation: basic	51,254,340	51,803,462			51,254,340	51,848,968		
Weighed average no. of shares in circulation: diluted	51,675,219	52,080,486			51,714,862	51,895,248		
Earnings per share in euro - basic	0.14	0.12	0.02	17%	0.09	0.05	0.04	80%
Earnings per share in euro - diluted	0.14	0.12	0.02	17%	0.08	0.05	0.03	60%

No own shares held in portfolio were used to calculate the 'basic' earnings per share.

The potential shares involved in the stock grant plan approved on 4 May 2018 by the Esprinet S.p.A. AGM were included in the calculation of the 'diluted' profit per share. 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

As at 30 June 2019, due to the cash flows development reported in the Consolidated statement of cash flows, the Esprinet Group recorded a net financial indebtedness of 183.1 million euro compared with 24.6 million euro as at 30 June 2018, as shown in the following table.

(euro/000)	H1 2019	H1 2018
Net financial debt at start of the year	**(241,044)**	**(123,058)**
Cash flow provided by (used in) operating activities	(319,987)	(141,096)
Cash flow provided by (used in) investing activities	170	1,049
Cash flow provided by (used in) changes in net equity	(6,787)	(6,486)
Total cash flow	**(326,604)**	**(146,533)**
Unpaid interests	(944)	(1,103)
Lease liabilities posting	(97,552)	-
20% Celly Call Option deletion	1,082	-
Deferred price 4Side acquisition	(100)	-
Net financial position at end of year	**183,074**	**24,578**
Short-term financial liabilities	178,336	49,455
Lease liabilities	7,608	-
Customers financial receivables	(11,489)	(3,622)
Current financial (assets)/liabilities for derivatives	670	420
Financial receivables from factoring companies	(906)	(769)
Current Debts for investments in subsidiaries	100	-
Cash and cash equivalents	(120,952)	(123,563)
Net current financial debt	**53,367**	**(78,079)**
Borrowings	45,250	102,518
Lease liabilities	85,424	-
Non current Debts for investments in subsidiaries	-	1,309
Non-current financial (assets)/liab. for derivatives	-	241
Customers financial receivables	(967)	(1,411)
Net financial debt at start of the year	**183,074**	**24,578**

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 nº 809/2004' 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)	30/06/2019	31/12/2018	30/06/2018
A. Bank deposits and cash on hand	120,949	380,778	123,563
B. Cheques	4	530	1
C. Trading securities	-	-	-
D. Liquidity (A+B+C)	120,953	381,308	123,564
Financial assets for derivatives	*-*	*3*	*-*
Customer financial receivables	*11,489*	*10,881*	*3,622*
Financial receivables from factoring companies	*906*	*242*	*769*
E. Current financial receivables	12,395	11,126	4,391
F. Current bank debt	61,618	4,749	1,752
G. Current portion of non current debt	102,280	107,746	37,440
H. Other current financial debt and financial liability for derivatives	22,717	26,429	10,683
I. Current financial debt (F+G+H)	186,615	138,924	49,875
J. Net current financial indebtedness (I-E-D)	**53,267**	**(253,510)**	**(78,080)**
K. Non-current bank loans	45,250	12,804	102,518
L. Other financial receivables	(967)	(1,420)	(1,411)
M. Other financial debt & non-current financial liabilities for derivatives	85,524	1,082	1,551
N. Non-current financial indebtedness (K+L+M)	**129,807**	**12,466**	**102,658**
O. Net financial indebtedness (J+N)	**183,074**	**(241,044)**	**24,578**
Breakdown of net financial indebtedness:			
Short-term financial liabilities	178,336	138,311	49,455
Lease liabilities	7,608	-	-
Current debts for investments in subsidiaries	100	1,082	1,309
Current financial (assets)/liabilities for derivatives	670	610	420
Other financial receivables	(11,489)	(10,881)	(3,622)
Financial receivables from factoring companies	(906)	(242)	(769)
Cash and cash equivalents	(120,952)	(381,308)	(123,563)
Net current financial debt	**53,367**	**(252,428)**	**(76,770)**
Non-current financial (assets)/liabilities for derivatives	-	-	241
Customers financial receivables	(967)	(1,420)	(1,411)
Borrowings	45,250	12,804	102,518
Lease liabilities	85,424	-	-
Net financial debt	**183,074**	**(241,044)**	**24,578**

The Group's net financial position, negative for 183.1 million euro, corresponds to a net balance that includes gross financial payables for 223.6 million euro, financial receivables for 13.3 million euro, payables for the purchase of equity investments for 0.1 million euro, financial liabilities for leasing for 93.0 million euro, cash and cash equivalents of 121.0 million euro and financial liabilities for derivative instruments in the amount of 0.7 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 2019 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-recognized in the statement of financial position according to IFRS 9. The overall effect on the levels of financial debt as at 30 June 2019 is approx. 334 million euro (approx. 597 million euro as at 31 December 2018).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year, broken down by 'Subgroup Italy' and 'Subgroup Spain', are illustrated below. Please note that amounts may differ from the book value of loan principal since they represent the amortised cost calculated on the basis of the effective interest rate.

(euro/000)	30/06/2019			31/12/2018			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Pool loan 2017									
(agent: Banca IMI)	86,350	-	86,350	100,614	-	100,614	(14,264)	-	(14,264)
Carige	2,497	3,828	6,325	2,475	5,082	7,557	22	(1,254)	(1,232)
BCC Carate	2,482	5,060	7,542	2,466	6,304	8,770	16	(1,244)	(1,228)
Intesa Sanpaolo (mutuo GdF)	447	964	1,411	427	1,418	1,845	20	(454)	(434)
Total Subgroup Italy	**91,776**	**9,852**	**101,628**	**105,982**	**12,804**	**118,786**	**(14,206)**	**(2,952)**	**(17,158)**
Banco Sabadell	1,861	8,777	10,638	1,764	-	1,764	97	8,777	8,874
Bankia	1,951	7,561	9,512	-	-	-	1,951	7,561	9,512
Ibercaja	1,963	7,540	9,503	-	-	-	1,963	7,540	9,503
Bankinter	2,982	5,276	8,258	-	-	-	2,982	5,276	8,258
La Caixa	998	3,995	4,993	-	-	-	998	3,995	4,993
Kutxabank	749	2,249	2,998	-	-	-	749	2,249	2,998
Total Subgroup Iberica	**10,504**	**35,398**	**45,902**	**1,764**	**-**	**1,764**	**8,740**	**35,398**	**44,138**
Total Group	**102,280**	**45,250**	**147,530**	**107,746**	**12,804**	**120,550**	**(5,466)**	**32,446**	**26,980**

The following table shows the principal carrying amount of the above-mentioned loans:

(euro/000)	30/06/2019	31/12/2018	Var.
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by February 2022	87,000	101,500	(14,500)
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 9 yearly instalments by January 2022	1,431	1,870	(439)
Unsecured loan (agent: Carige) to Esprinet S.p.A repayable in 1 six-monthly instalments by December 2021	6,329	7,563	(1,234)
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in 1 six-monthly instalments by March 2022	7,546	8,777	(1,231)
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in quarterly instalments by March 2024	4,758	-	4,758
Unsecured loan (agent: Bankia) to Esprinet Iberica repayable in quarterly instalments by February 2024	9,516	-	9,516
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in quarterly instalments by February 2024	9,512	-	9,512
Unsecured loan (agent: Bankinter) to Esprinet Iberica repayable in quarterly instalments by February 2022	8,258	-	8,258
Unsecured loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by December 2018	885	1,764	(879)
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	5,000	-	5,000
Unsecured loan (agent: Kutxabank) to Vinzeo S.A.U. repayable in six-monthly instalments by March 2023	3,000	-	3,000
Total book value of loan principal	**148,235**	**121,474**	**26,761**

5.3 Loan covenants

2017 pool loan

In February 2017, Esprinet S.p.A. signed a 5-year senior loan with a pool of banks, consisting of an amortised facility for an original amount of 145.0 million euro (87.0 million euro carrying amount in principal as at 30 June 2019) and of a 5-year revolving facility for 65.0 million euro (undrawn as at 30 June 2019).
The loan, maturing in 2022, provides for a repayment plan of the amortising portion in half-yearly instalments on a straight-line basis, and is supported by 4 financial covenants whose breach, based on the consolidated half-yearly financial statements, would provide for acceleration and entitle the lending institutions to exercise the right to early repayment.

i) ratio of 'extended net financial indebtedness' to EBITDA;
(ii) ratio of EBITDA to net financial charges;
iii) absolute amount of 'extended net financial indebtedness';
iv) amount of 'gross net financial indebtedness';

Usual non-financial covenants are also included, i.e. 'negative pledge', 'pari passu' among others, none of which had been breached.
As per the Esprinet Group consolidated results as at 31 December 2018, one covenant was breached. Thus, as from that date, pursuant to applicable accounting standards, the entire value of the amortising facility was booked under current financial liabilities and classified as due and payable as per original amortization schedule.

Bankia e Ibercaja loans

In February 2019, the subsidiary Esprinet Iberica signed separately with the lending banks Bankia and Ibercaja two 5-year unsecured amortising term loans of original 10.0 million euro each (9.5 million euro carrying amount in principal as at 30 June 2019), with a company guarantee granted by the parent company Esprinet S.p.A..
Both loans, maturing in February 2025 in quarterly instalments on a straight-line basis, provide for the commitment to meet each year the following requirements: (i) a defined ratio of 'extended net financial indebtedness' to EBITDA at consolidated level and (ii) a maximum limit to the value of medium-long term loans taken out by Esprinet Iberica.

Besides, other loan agreements with lending banks include usual 'negative pledge', 'pari passu' and similar clauses, none of which had been breached at the time this report was drafted.

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 2019, as in the first half 2018, no significant events and transactions of a non-recurring nature occurred.

5.6 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2018 and 2017

	2018			2017		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	21.9%	23.3%	19.4%	23.2%	24.9%	20.5%
Sales Q2	21.2%	21.7%	20.4%	21.5%	22.0%	20.8%
Sales H1	**43.1%**	**45.1%**	**39.8%**	**44.7%**	**46.8%**	**41.3%**
Sales Q3	21.6%	21.3%	22.1%	21.5%	20.9%	22.5%
Sales Q4	35.3%	33.6%	38.1%	33.9%	32.3%	36.2%
Sales H2	**56.9%**	**54.9%**	**60.2%**	**55.3%**	**53.2%**	**58.7%**
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	30/06/2019				31/12/2018			
(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	*967*		*967*		*1,420*		*1,420*	
Guarantee deposits	*2,045*			*2,045*	*1,972*		*-*	*1,972*
Rec.and other non-curr. Assets	3,012		967	2,045	3,392		1,420	1,972
Non-current assets	**3,012**	**-**	**967**	**2,045**	**3,392**	**-**	**1,420**	**1,972**
Trade receivables	386,745		386,745		383,865		383,865	
Receivables from factors	*906*		*906*		*242*		*242*	
Customer financial receivables	*11,489*		*11,489*		*10,881*		*10,881*	
Other tax receivables	*7,884*			*7,884*	*7,192*			*7,192*
Receivables from suppliers	*4,651*		*2,624*	*2,027*	*5,752*		*2,834*	*2,918*
Receivables from insurances	*430*		*430*		*673*		*673*	
Receivables from employees	*-*		*-*		*2*		*2*	
Receivables from others	*196*		*196*		*76*		*76*	
Pre-payments	*4,288*			*4,288*	*4,792*			*4,792*
Rec.and other Assets	29,844		15,645	14,199	29,610	-	14,708	14,902
Derivative financial assets	-	-			3		3	
Cash and cash equivalents	120,952		120,952		381,308		381,308	
Current assets	**537,541**	**-**	**523,342**	**14,199**	**794,786**	**-**	**779,884**	**14,902**

Liabilities	30/06/2019				31/12/2018			
(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	45,250		45,250		12,804		12,804	
Lease liabilities	85,424		85,424		-		-	
Provisions of pensions	*1,651*			*1,651*	*1,678*			*1,678*
Other provisions	*155*			*155*	*106*			*106*
Cash incentive liabilities	*343*		*343*		*105*		*105*	
Provis. And other non-curr. Liab.	2,149		343	1,806	1,889		105	1,784
Non-current liabilities	**132,823**	**-**	**131,017**	**1,806**	**14,693**	**-**	**12,909**	**1,784**
Trade payables	519,204		519,204		867,866		867,866	
Short-term financial liabilities	178,336		178,336		138,311		138,311	
Lease liabilities	7,608		7,608		-		-	
Derivative financial liabilities	670	670			613	613		
Debts for investments in subsidiar.	100		100		1,082	1,082		
Social Security liabilities	*4,247*		*4,247*		*3,886*		*3,886*	
Other payables to Tax authorities	*8,798*			*8,798*	*15,881*			*15,881*
Other liabilities	*14,179*		*14,179*		*14,430*		*14,430*	
Payables to others	*178*		*178*		*267*		*267*	
Deferred income	*75*			*75*	*8*			*8*
Provisions and other liabilities	27,477		18,604	8,873	34,472		18,583	15,889
Current liabilities	**733,395**	**670**	**723,852**	**8,873**	**1,042,344**	**1,695**	**1,024,760**	**15,889**

(1) '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	**30/06/2019**						**31/12/2018**					
		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	*967*		*1,028*				*1,420*		*1,518*			
Other non current assets	967	-	1,028	-	-	-	1,420	-	1,518	-	-	-
Non - current assets	**967**	**-**	**1,028**	**-**	**-**	**-**	**1,420**	**-**	**1,518**	**-**	**-**	**-**
Trade receivables	386,875	386,875					383,865	383,865				
Receiv. From factors	*906*		*906*				*242*		*242*			
Customer financial receivabl	*11,489*		*11,489*				*10,881*		*10,881*			
Receiv. From suppliers	*2,624*		*2,624*				*2,834*		*2,834*			
Receiv. From insurances	*430*				*430*		*673*				*673*	
Receiv. From employees	*-*					*-*	*2*					*2*
Receiv. From others	*196*			*196*			*76*			*76*		
Other receivables	15,645	-	15,019	196	430	-	14,708	-	13,957	76	673	2
Derivate Financial Assets	-			-			3			3		
Cash and cash equival.	120,952		120,952				381,308		381,308			
Current assets	**523,472**	**386,875**	**135,971**	**196**	**430**	**-**	**779,884**	**383,865**	**395,265**	**79**	**673**	**2**

Liabilities	**30/06/2019**					**31/12/2018**				
		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	45,250		44,933			12,804		12,740		
Lease liabilities	85,424		85,424			-				
Cash incentive liab.	*343*				*343*	*105*				*105*
Altre pass. non correnti	343	-	-	-	343	105	-	-	-	105
Non-current liabilities	**131,017**	**-**	**130,357**	**-**	**343**	**14,220**	**-**	**14,046**	**-**	**105**
Trade payables	519,204	519,204				867,866	867,866			
Short-term financial liab.	178,336		179,523			138,311		138,949		
Lease liabilities	7,608		7,608			-				
Financial Derivatives	670			670		613			613	
Debts for investments in subsidiar	100		100			1,082		1,082		
Social security liabilities	*4,247*				*4,247*	*3,886*				*3,886*
Payables to others	*14,179*				*14,179*	*14,430*				*14,430*
Accroued exp. (insurance)	*178*				*178*	*267*				*267*
Provisions and other liab.	18,604	-	-	-	18,604	18,583	-	-	-	18,583
Current liabilities	**724,522**	**519,204**	**187,231**	**670**	**18,604**	**1,026,455**	**867,866**	**140,031**	**613**	**18,583**

The corresponding hierarchy level for each of the abovementioned fair value list is described below as required by IFRS 13.

Assets	30/06/2019			31/12/2018		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Customer financial receivables	967	1,028	level 2	1,420	1,518	level 2
Other non current assets	967	1,028		1,420	1,518	
Non - current assets	**967**	**1,028**		**1,420**	**1,518**	
Trade receivables	386,875	386,875	level 2	383,865	383,865	level 2
Receiv. From factors	906	906	level 2	242	242	level 2
Customer financial receivables	11,489	11,489	level 2	10,881	10,881	level 2
Receiv. From Suppliers	2,624	2,624	level 2	2,834	2,834	level 2
Receiv. From insurances	430	430	level 2	673	673	level 2
Receiv. From employees	-	-	level 2	2	2	level 2
Receiv. From others	196	196	level 2	76	76	level 2
Other current assets	15,645	15,645		14,708	14,708	
Derrivate Financial Assets	-	-		3	3	level 2
Cash and cash equival.	120,952	120,952		381,308	381,308	
Current assets	**523,472**	**523,472**		**779,884**	**779,884**	

Liabilities	30/06/2019			31/12/2018		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	45,250	44,933	level 2	12,804	12,740	level 2
Lease liabilities	85,424	85,424	level 2	-	-	
Cash incentive liab.	343	343	level 2	105	105	level 2
Provisions and other liab.	343	343		105	105	
Non-current liabilities	**131,017**	**130,700**		**12,909**	**12,845**	
Trade payables	519,204	519,204	level 2	867,866	867,866	level 2
Short-term financial liab.	178,336	179,523	level 2	138,311	138,949	level 2
Pass. fin. per leasing	7,608	7,608	level 2	-	-	
Pass. fin. per derivati	670	670	level 2	613	613	level 2
Debts for investments in subsidiar.	100	100	level 3	1,082	1,082	level 3
Social security liabilities	4,247	4,247	level 2	3,886	3,886	level 2
Payables to others	14,179	14,179	level 2	14,430	14,430	level 2
Accroued exp. (insurance)	178	178	level 2	267	267	level 2
Provisions and other liab	18,604	18,604		18,583	18,583	
Current liabilities	**724,522**	**725,709**		**1,026,455**	**1,027,093**	

Given their short-term maturity, the gross carrying value of current assets and liabilities (excluding derivatives if any) is deemed a reasonable approximation of their 'fair value' (classified in level 2 in the so called 'fair value hierarchy').

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 'fair value' of 'Interest Rate Swap' (IRS) derivatives was estimated by discounting expected cash flows, according to the terms and the due dates of each derivative agreement and its underlying, 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 curves at 30 June (or at 31 December with respect to the comparative figures), 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). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2. The soundness of the measurement made with regard to Interest Rate Swaps was confirmed by the comparison with the value provided by the issuer banks.

As at 31 December 2018 current debt for investments in subsidiaries showed the discounted enterprise value of the residual 20% share in Celly S.p.A., measured using the risk-free rate at the balance sheet date, as adjusted in order to take into account the remaining time until the first available exercise date of the option (occurring on 12 May 2019). As at 30 June 2019, this debt is discharged as a consequence of the waiver to exercise the option and represents instead the adjustments in favour of the minority shareholders of the subsidiary 4Side S.r.l. arising from the financial position at the date of acquisition of the 51% share in that company (the payment occurred during July 2019).

The fair value so measured is classified in the level 3 of the fair value hierarchy, as it is based also on management estimates about future financial performance of the subsidiary (as at 31 December 2018) and about the financial position of 4Side S.r.l. (as at 19 March 2019).

5.8 Hedging derivatives analysis

Introduction

The main features of the six contracts signed by Esprinet S.p.A. are summarized below:

Trade date	7 April 2017
Effective date	31 August 2017
Termination date	28 February 2022
Notional amount	Total 105,6 million euro (subject to a sinking plan) total 70,4 million euro as at 30 June 2019
Fixed rate	0.21%, act/360
Fixed and floating rates payment dates	Every 28 February and 31 August starting from 28 February 2018 up to 28 February 2022, subject to adjustment in accordance with the modified business day convention
Fixed rate player	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate player	Intesa Sanpaolo S.p.A., Unicredit S.p.A., Banca Nazionale del Lavoro S.p.A., Caixabank S.A., Unione di Banche Italiane S.p.A., Banco BPM S.p.A., each for its own contract.

At 31 December 2018, one covenant relating to the Term Loan Facility signed by Esprinet S.p.A., whose cash flows are hedged by the six above-mentioned derivatives, was not met. As from that date, pursuant to the IFRS accounting standards, the liability representing the fair values of derivatives was entirely booked under current financial liabilities together with the amount of the hedged loan.

With respect to each of the IRSs outstanding at 30 June 2019, the conditions set by the IFRS 9 as regards 'hedge accounting' have been fully complied with since the signing date: formal designation and documentation of the hedging relationship, hedge expected to be highly effective and reliably measured, insignificant effect of the credit risk of both counterparties in relation to the derivative value, constant hedge ratio over time. Thus, all IRSs were treated under the cash flow hedge accounting, which provides for recognition in the equity reserve of the respective fair value at the signing date (only for the effective portion) and thereafter changes in fair value due to movements of the interest rate curve, within the limits of the effective portion, and consequent recording in the comprehensive income statement.

During the 2017 fiscal year, Esprinet S.p.A. settled previous IRSs signed in 2014 to hedge a loan which in February 2017 was replaced by the current Term Loan Facility, whose residual principal amounts to 87.0 million euro and is partially 'hedged' by the IRSs currently in force.
Till the date the 2014 loan was replaced with the current one, all hedge accounting estimates were met, thus 320 thousand euro resulting from the change in fair value of the settled derivatives were booked in equity under the 'cash flow hedge' reserve. That reserve is currently gradually reversed to the income statement following the maturities of the settled loan, because the relevant interest rate risk still exists, even if shifted to the new loan.

The tables below illustrate the following information regarding derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 30 June 2019 and at 31 December 2018 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 30 June 2019 and 31 December 2018 representing the 'fair value' of the contracts at the date of the 'highly 'effective hedge termination;
- the ineffective portion recognised or reversed in the income statement under 'Finance costs' from inception with reference to the instalments still outstanding at the same date;
- the change in the fair value from the inception date to the financial statement closing date.

30/06/2019	Notional amount		Fair Value (1)	Income Statement (2)	Taxes on FV contracts (3)	Change in Equity reserve (4)
	Within 1 year	Beyond 1 year				
Interest rate risk management						
- Esprinet IRS 2017 cash flow hedge on derivatives	70,429	-	670	106	(69)	(495)
- Esprinet IRS 2014 cash flow hedge on derivatives	-	-	-	-	-	(2)

31/12/2018	National amount		Fair Value (1)	Income statement (2)	Taxes on FV contracts (3)	Change in Equity reserve (4)
	Within 1 year	Beyond 1 year				
Interest rate risk management						
- Esprinet IRS 2017 cash flow hedge on derivatives	82,167	-	613	135	(115)	(363)
- Esprinet IRS 2014 cash flow hedge on derivatives	-	-	-	-	-	(16)

(1) Amount of the (assets)/liabilities recorded in the statement of financial position resulting from derivatives measured at fair value using cash flow hedge accounting technique.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IFRS 9 or the effective portion reversed in the income statement on an accrual basis.
(3) Deferred income taxes related to the fair value of the derivative contracts using the cash flow hedge accounting technique.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity using the cash flow hedge accounting technique.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve related derivatives measured at fair value during the half-year are as follows:

(euro/'000)	H1 2019					
	Change in fair value of derivatives	Trasfert to P&L [1]	Tax effect on trasf. to PL	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet equity reserve on derivatives 2017	(344)	171	(41)	-	82	(132)
- Esprinet equity reserve on derivatives 2014	-	18	(4)	-	-	14
- Vinzeo equity reserve on derivatives	-	-	-	-	-	-
Total	**(344)**	**189**	**(45)**	**-**	**82**	**(118)**

[1] Accounted as increase/(decrease) in 'Financial charges'.

(euro/'000)	H1 2018					
	Change in fair value of derivatives	Trasfert to P&L [1]	Tax effect on trasf. to P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet equity reserve on derivatives 2017	(283)	235	(57)	-	68	(37)
- Esprinet equity reserve on derivatives 2014	-	64	(15)	-	-	49
- Vinzeo equity reserve on derivatives	(37)	9	(2)	-	9	(21)
Total	**(320)**	**308**	**(74)**	**-**	**77**	**(9)**

[1] Accounted as increase/(decrease) in 'Financial charges'.

No change in the fair value of derivative hedging instruments was recognised directly in the income statement:

(euro/000)	Year	FV 31/12/p.y.1	Rates past due	Variation FV rates not past due	FV 30/06/c.y.2
Esprinet derivatives	H1 2019	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	H1 2019	n.a.	n.a.	n.a.	n.a.
Total		-	-	-	-
Esprinet derivatives	H1 2018	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	H1 2018	n.a.	n.a.	n.a.	n.a.
Total		-	-	-	-

[1] Previous year
[2] Current year

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 hedge against fluctuating interest rates with respect to debts with various terms that are undetermined and depend 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/p.y.1, 2	Income	Variation FV	FV 30/06/c.y. 2, 3
Interest Rate Cap	H1 2019	(3)	-	3	-
Interest Rate Cap	H1 2018	(36)	-	24	(12)
Total		**(39)**	**-**	**27**	**(12)**

[1] Previous year.
[2] (assets)/liabilities.
[3] Current year.

5.10 Subsequent events

Relevant events occurred after period end are briefly described below:

Share buy-back program

Under the starting share buy-back program, which was resolved by the Esprinet S.p.A. AGM of 8 May 2018, the Company purchased a total of 758,508 ordinary shares of Esprinet S.p.A. (corresponding to 1.45% of total share capital), along the period between 1 July 2019 and 10 September 2019, with an average purchase price of euro 2.99 per share, net of fees.

Following these purchases, Esprinet S.p.A. owns 1,908,508 own shares (or 3.64% of share capital) as of the date of this report.

Pool loan

Nel periodo da maggio a luglio, successivamente all'ufficializzazione della violazione del covenant sul Between May and July, after the official acknowledgement of a covenant breach under the senior unsecured loan (amortised cash facility and revolving cash facility for an aggregate of 137.5 million euro at the end of August 2019) which relates to the ratio of 'extended net financial indebtedness' to EBITDA as measured on the Consolidated Financial Statements as at 31 December 2018, Esprinet started direct negotiations aimed at re-defining overall loan terms in order to ensure a higher stability of its financial structure rather than obtaining a waiver from the lender.

The final proposal as agreed with the lending banks provides that 8 banks grant a 3-year 'RCF-Revolving Credit Facility', to which the following 4 financial covenants applied:

i) ratio of net financial indebtedness' to EBITDA;
(ii) ratio of 'extended net financial indebtedness' to Equity
iii) ratio of EBITDA to net financial charges;
iv) amount of 'gross net financial indebtedness';

At the date of this report, considering formal decision steps taken and those forthcoming, the syndicate banks are likely to participate for a significantly higher amount than the initially agreed maximum value of 125.0 million euro.
The signing of the loan is scheduled by the end of September.

Developments in tax disputes

For a better presentation, relevant events occurred after the period under review, were disclosed under the paragraph 'significant events occurring in the period' for each respective event.

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)	Type	H1 2019				H1 2018			
		Sales	Costs	Receiv	Payab	Sales	Costs	Receiv	Payab
Sales									
Key managers and family	Sales of goods	4	-	1	-	5	-	5	-
Subtotal		**4**	**-**	**1**	**-**	**5**	**-**	**5**	**-**
Overheads and administrative cost									
Immobiliare Selene S.r.l.	Lease - premises	-	700	700	-	-	737	717	2
Immobiliare Selene S.r.l.	Overheads	-	2	1	-	-	2	6	-
M.B. Immobiliare S.r.l.	Lease - premises	-	1,850	1,850	1,128	-	1,697	1,199	446
M.B. Immobiliare S.r.l.	Overheads	-	6	-	-	-	11	7	3
Subtotal		**-**	**2,558**	**2,551**	**1,128**	**-**	**2,447**	**1,929**	**451**
Finance costs - net									
Immobiliare Selene S.r.l.	Interes on guar. Deposits	3	-	3	-	1	-	2	-
M.B. Immobiliare S.r.l.	Interes on guar. Deposits	4	-	4	-	1	-	1	-
Subtotal		**7**	**-**	**7**	**-**	**2**	**-**	**3**	**-**
Total		**11**	**2,558**	**2,559**	**1,128**	**7**	**2,447**	**1,937**	**451**

* 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.
Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.
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 2019			H1 2018		
	Emolument	Fringe benefit	Total	Emolument	Fringe benefit	Total
Board of Directors	1,877	6	1,883	1,861	7	1,868
Other key managers	-	-	-	-	-	-
Subtotal	**1,877**	**6**	**1,883**	**1,861**	**7**	**1,868**
Board of Statutory Auditors	65	-	65	65	-	65
Total	**1,942**	**6**	**1,948**	**1,926**	**7**	**1,933**

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, 11 September 2019

Of behalf of the Board of Directors
The Chairman

Maurizio Rota

Statement on the 'Condensed consolidated half-year statements' pursuant to Article 154-bis D.Lgs 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 consolidated financial statements relating to the year 2016 were:

- appropriate to the features of the Group
- effectively applied,

of the administrative and accounting procedures used in drawing up the condensed half-year statements relating to the period between 1 January 2019 – 30 June 2019.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed consolidated half-year statements at 30 June 2019 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. No significant aspects emerged.

3. We further declare that:

3.1 the condensed consolidated half-year statements:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
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 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, 11 September 2019

Chief Executive Officer	Executive charged with financial reports
(Ing. Alessandro Cattani)	(Pietro Aglianò)

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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 2019, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flows statement 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.

Other aspects

The consolidated financial statements as of and for the year ended 31 December 2018 and the consolidated condensed interim financial statements for the period ended 30 June 2018 were audited and reviewed, respectively, by other auditors, who on 16 April 2019 expressed an unqualified opinion on the consolidated financial statements, and on 13 September 2018 expressed an unqualified conclusion on the consolidated condensed interim financial statements.

PricewaterhouseCoopers SpA

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Esprinet Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 12 September 2019

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