

Esprinet Group



Interim management statement as at 31 December 2019

Approved by the Board of Directors on 13 February 2020

Parent Company:

Esprinet S.p.A.

VAT Number: IT 02999990969

Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159 R.E.A.
(economic and administrative index) 1158694

Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)

Subscribed and paid-in share capital as at 31/12/2019: 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

Key:

InD: Independent Director

CRC: Member of the Control and Risks Committee

RAC: Member of the Remuneration and Appointment 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 auditors:

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

PricewaterhouseCoopers S.p.A.

Waiver of obligation to provide information on extraordinary transactions

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

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1. Notes on financial performance for the period

(euro/000)	12 months						Q4						
	notes	2019	%	2018	notes	%	% var. 19/18	2019	%	2018	notes	%	% var. 19/18
Profit & Loss													
Sales from contracts with customers		3,951,864	100.0%	3,571,190		100.0%	11%	1,340,810	100.0%	1,261,389		100.0%	6%
Gross profit		175,526	4.4%	162,272		4.5%	8%	56,829	4.2%	51,138		4.1%	11%
EBITDA	(1)	55,602	1.4%	28,409	(1)	0.8%	96%	24,955	1.9%	9,833		0.8%	154%
Operating income (EBIT)		42,044	1.1%	23,720		0.7%	77%	21,398	1.6%	8,666		0.7%	147%
Profit before income tax		30,772	0.8%	19,179		0.5%	60%	17,475	1.3%	7,773		0.6%	125%
Net income		22,044	0.6%	14,158		0.4%	56%	12,686	0.9%	5,820		0.5%	118%
Financial data													
Cash flow	(2)	35,602		18,847	(2)								
Gross investments		2,852		3,064									
Net working capital	(3)	(123,421)		(2,224)	(3)								
Operating net working capital	(4)	(121,002)		10,443	(4)								
Fixed assets	(5)	211,111		118,502	(5)								
Net capital employed	(6)	70,799		101,855	(6)								
Net equity		357,464		342,898									
Tangible net equity	(7)	174,169		251,579	(7)								
Net financial debt	(8)	(286,665)		(241,044)	(8)								
Main indicators													
Net financial debt / Net equity		(0.8)		(0.7)									
Net financial debt / Tangible net equity		(1.6)		(1.0)									
EBIT / Finance costs - net		3.7		5.2									
EBITDA / Finance costs - net		4.9		6.3									
Net financial debt/ EBITDA	(9)	(5.2)		(8.4)									
ROCE	(10)	9.7%		9.4%	(10)								
Operational data													
N. of employees at end-period		1,317		1,262									
Average number of employees	(11)	1,290		1,255	(11)								
Earnings per share (euro)													
- Basic		0.43		0.27		59%		0.25		0.11		127%	
- Diluted		0.42		0.27		56%		0.24		0.11		118%	

(1) EBITDA is equal to the operating profit (EBIT) gross of amortisation, depreciation and write-downs.

(2) Sum of consolidated net profit and amortisations.

(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of net current financial debts.

(4) Sum of trade receivables, inventory and trade payables.

(5) Equal to non-current assets net of non-current derivative financial assets.

(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.

(7) Equal to shareholders' equity less goodwill and intangible assets.

(8) Sum of financial payables, financial lease liabilities, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.

(9) 12-month rolling EBITDA for 2019.

(10) Ratio between (a) current EBIT - excluding the effects of IFRS 16 - net of taxes calculated at the effective tax rate of the last set of published annual consolidated financial statements, and (b) average net invested capital.

(11) Calculated as the average of opening balance and closing balance of consolidated companies.

The economic and financial results of this period and of the relative period of comparison have been measured by applying the International Financial Reporting Standards ('IFRSs'), adopted by the EU in force in the reference period.

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. Contents and format of the interim management statement

2.1 Consolidation policies, accounting principles and valuation criteria

Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange since 27 July 2001.

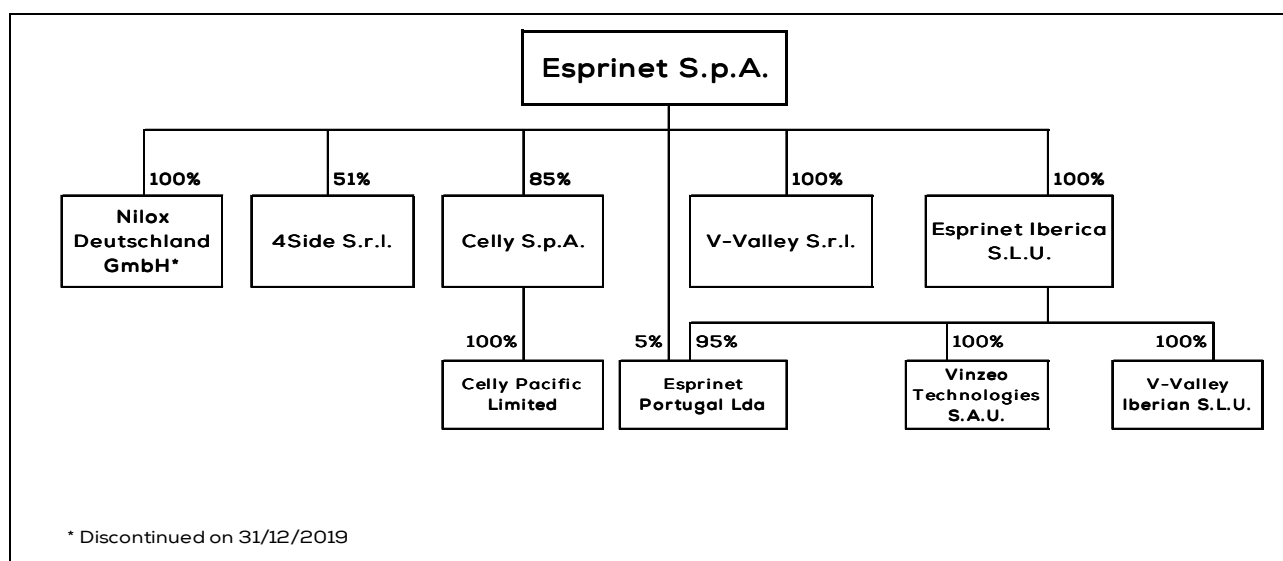
Due to this admission, the Esprinet Group consolidated interim management statement as at 31 December 2019, non-audited, has been drawn up as per Article 2.2.3, paragraph 3 a) "Regulation of the markets organised and managed by Borsa Italiana S.p.A.", as well as pursuant to Art. 154-ter, paragraph 5, of the Legislative Decree No. 58/1998 (T.U.F. - Finance Consolidation Act).

Financial data presented in this document result from the application of the same accounting principles (IFRSs - International Financial Reporting Standards), consolidation principles and methods, valuation criteria, conventional definitions and accounting estimates used in previous consolidated financial statements for interim and annual periods, unless otherwise indicated.

Pursuant to Consob Communication No. DEM/8041082 of 30 April 2008 ('Interim financial report of companies listed in Italy') the financial data in said report are comparable with that shown in previous reports and are in line with the financial statements published in the annual report as at 31 December 2018 to which reference should be made for all the explanatory notes to the annual report.

2.2 General information about the Esprinet Group

The chart below illustrates the structure of the Esprinet Group as at 31 December 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 over the years.

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.

At period end, the Subgroup Italy includes not only the parent company Esprinet S.p.A., but also the companies it directly controls: V-Valley S.r.l., Celly S.p.A., Nilox Deutschland GmbH (in liquidation as at 16 September 2019) and 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 subsidiary Celly Pacific LTD, a Chinese company operating in the same operating sector as the holding.

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

Esprinet S.p.A. has its registered office and administrative headquarters in Vimercate (Monza e Brianza) in Italy, while warehouses and logistics centres are located in Cambiago (Milan) and Cavenago (Monza e Brianza).

Esprinet S.p.A. uses Banca IMI S.p.A. for specialist activities.

2.3 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.¹

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 scope of consolidation as at 31 December 2019, all consolidated on a line-by-line basis.

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7.860.651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1.250.000	85,00%	Esprinet S.p.A.	85,00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55.203.010	100,00%	Esprinet S.p.A.	100,00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	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 Pacific LTD	Honk Kong (China)	935	85,00%	Celly S.p.A.	100,00%
Esprinet Portugal Lda	Porto (Portugal)	400.000	100,00%	Esprinet Iberica S.L.U. Esprinet S.p.A.	95,00% 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 with 31 December 2018, note should be taken of the entry to the scope of consolidation of 4Side S.r.l., 51% of which was acquired on 20 March 2019: the increase from 80% to 85% on 13 September 2019 in the stake held in the subsidiary Celly S.p.A. and the striking off of the company Celly Nordic OY controlled voluntarily by Celly S.p.A. and already in liquidation from June 2019.

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

¹ With the exception of Celly Pacific LTD since they do not have this Body.

2.4 Principal assumptions, estimates and rounding

Within the scope of preparing these interim consolidated financial statements, several estimates and assumptions have been made on the values of revenue, costs, assets and 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 the previous interim periods, 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 statements, as well as in these interim financial statements and the interim financial statements relating to the fourth quarter of 2018, current taxes have been calculated specifically based on the tax rates in force at the closing date of the financial statements.

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.

2.5 Changes in accounting standards

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this interim management statement. 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 December 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 Euro 101.0 million.

The following table indicates the impacts from adoption of IFRS 16 on the consolidated statement of financial position and on the consolidated income statement as at 31 December 2019:

Consolidated statement of financial position

(euro/000)	31.12.2019 Published	31.12.2019 Pre-IFRS 16	IFRS 16 effects
ASSETS			
Non-current assets			
Property, plant and equipment	11,622	11,622	-
Right-of-use assets	92,100	-	92,100
Goodwill	90,714	90,714	-
Intangible assets	480	480	-
Deferred income tax assets	13,987	13,497	490
Receivables and other non-current assets	3,174	3,174	-
	212,077	119,487	92,590
Current assets			
Inventory	497,355	497,355	-
Trade receivables	470,574	470,574	-
Income tax assets	2,192	2,192	-
Other assets	41,185	41,354	(169)
Cash and cash equivalents	463,777	463,777	-
	1,475,083	1,475,252	(169)
Disposal groups assets			
	-	-	-
Total assets	1,687,160	1,594,739	92,421
EQUITY			
Share capital	7,861	7,861	-
Reserves	325,511	325,521	(10)
Group net income	21,675	23,588	(1,913)
Group net equity	355,047	356,970	(1,923)
Non-controlling interests	2,417	2,430	(13)
Total equity	357,464	359,400	(1,936)
LIABILITIES			
Non-current liabilities			
Borrowings	61,015	61,015	-
Lease liabilities	90,559	-	90,559
Deferred income tax liabilities	9,817	9,817	-
Retirement benefit obligations	4,680	4,680	-
Provisions and other liabilities	2,394	2,394	-
	168,465	77,906	90,559
Current liabilities			
Trade payables	1,088,931	1,088,988	(57)
Short-term financial liabilities	35,893	35,893	-
Lease liabilities	3,855	-	3,855
Income tax liabilities	2,165	2,165	-
Provisions and other liabilities	30,387	30,387	-
	1,161,231	1,157,433	3,798
Disposal groups liabilities			
	-	-	-
Total liabilities	1,329,696	1,235,339	94,357
Total equity and liabilities	1,687,160	1,594,739	92,421

Consolidated income statement

(euro/000)	12 months 2019 Published	12 months 2019 Pre-IFRS 16	IFRS 16 effects
Sales from contracts with customers	3,951,864	3,951,864	-
Cost of sales	(3,776,338)	(3,776,338)	-
Gross Profit	175,526	175,526	-
Sales and marketing costs	(52,439)	(53,663)	1,224
Overheads and administrative costs	(80,486)	(82,262)	1,776
Impairment loss/reversal of financial assets	(557)	(557)	-
Operating income (EBIT)	42,044	39,044	3,000
Finance costs - net	(11,272)	(5,871)	(5,401)
Profit before income taxes	30,772	33,173	(2,401)
Income tax expenses	(8,728)	(9,211)	483
Net income	22,044	23,962	(1,918)

3. Consolidated income statement and notes**3.1 Consolidated income statement**

Below is the consolidated income statement, showing sales 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	12 months			12 months		
		2019	non - recurring	related parties*	2018	non - recurring	related parties*
Sales from contracts with customers	33	3,951,864	-	8	3,571,190	-	11
Cost of sales		(3,776,338)	-	-	(3,408,918)	(8,417)	-
Gross Profit	35	175,526	-		162,272	(8,417)	
Sales and marketing costs	37	(52,439)	-	-	(52,792)	-	-
Overheads and administrative costs	38	(80,486)	-	(4,157)	(76,287)	-	(4,889)
Impairment loss/reversal of financial assets	39	(557)	-		(9,473)	(8,823)	
Operating income (EBIT)		42,044	-		23,720	(7,240)	
Finance costs - net	42	(11,272)	-	10	(4,541)	-	4
Profit before income taxes		30,772	-		19,179	(7,240)	
Income tax expenses	45	(8,728)	-	-	(5,021)	4,401	-
Net income		22,044	-		14,158	(2,839)	
- of which attributable to non-controlling interests		369			127		
- of which attributable to Group		21,675	-		14,031	(2,839)	
Earnings per share - basic (euro)	46	0.43			0.27		
Earnings per share - diluted (euro)	46	0.42			0.27		

(euro/000)	Notes	Q4		Q4	
		2019	non - recurring	2018	non - recurring
Sales from contracts with customers	33	1,340,810	-	1,261,389	-
Cost of sales		(1,283,981)	-	(1,210,251)	(7,318)
Gross Profit	35	56,829	-	51,138	(7,318)
Sales and marketing costs	37	(14,217)	-	(13,554)	-
Overheads and administrative costs	38	(21,438)	-	(20,020)	-
Impairment loss/reversal of financial assets	39	224	-	(8,899)	(8,823)
Operating income (EBIT)		21,398	-	8,665	(16,141)
Finance costs - net	42	(3,923)	-	(893)	-
Profit before income taxes		17,475	-	7,772	(16,141)
Income tax expenses	45	(4,789)	-	(1,953)	4,137
Net income		12,686	-	5,819	(2,004)
- of which attributable to non-controlling interests		229	-	(26)	-
- of which attributable to Group		12,457	-	5,845	(2,004)
Earnings per share - basic (euro)	46	0.25	-	0.11	-
Earnings per share - diluted (euro)	46	0.24	-	0.11	-

⁽¹⁾ Excludes fees paid to executives with strategic responsibilities.

3.2 Consolidated statement of comprehensive income

(euro/000)	12 months	12 months	Q4	Q4
	2019	2018	2019	2018
Net income	22,044	14,158	12,686	5,819
<i>Other comprehensive income:</i>				
- Changes in 'cash flow hedge' equity reserve	500	75	547	(91)
- Taxes on changes in 'cash flow hedge' equity reserve	(120)	(23)	(131)	21
- Changes in translation adjustment reserve	(2)	1	(2)	(5)
<i>Other comprehensive income not to be reclassified in the separate income statement:</i>				
- Changes in 'TFR' equity reserve	(195)	185	152	25
- Taxes on changes in 'TFR' equity reserve	60	(51)	(37)	(16)
Other comprehensive income	243	187	529	(66)
Total comprehensive income	22,287	14,345	13,215	5,753
- of which attributable to Group	21,922	14,217	12,975	5,788
- of which attributable to non-controlling interests	365	128	240	(35)

3.3 Notes on financial performance of the Group

MAIN CONSOLIDATED RESULTS AS AT 31 DECEMBER 2019 AND THE FOURTH QUARTER OF 2019

It should be highlighted that the scope of consolidation as at 31 December 2019 includes the results of 4Side S.r.l., acquired on 20 March 2019. In addition, it should also be highlighted that, from 1 January 2019 the Group adopted the new IFRS 16 with a modified retrospective approach (option B, with no restatement of the contracts already in place as at 1 January 2019, without applying this standard to 'low-value' and short-term assets).

Sales from contracts with customers, equal to Euro 3,951.9 million, showed an increase of +11% compared with Euro 3,571.2 million in 2018. In the fourth quarter of 2019, Sales from contracts with customers amounted to Euro 1,340.8 million, up 6% compared to Euro 1,261.4 million in 2018.

The consolidated gross profit totalled Euro 175.5 million and showed an increase of +8% compared with 2018 as a combined effect of higher revenues realised, offset by a decrease in the percentage margin (+1% excluding Euro 8.4 million in non-recurring charges from the 2018 result, and excluding the positive contribution of Euro 3.2 million from the company 4Side S.r.l. from the 2019 result, while the first-time application of IFRS 16 had no impact). In the fourth quarter, Gross profit, equal to Euro 56.8 million, increased by +11% compared with the same period of previous year (or -6% net of non-recurring charges and of the Euro 1.7 million contribution of 4Side S.r.l.).

EBIT amounted to Euro 42.0 million, up +77% compared to 2018 (Euro 23.7 million), with an incidence on sales of 1.06% (0.66% in 2018). In the fourth quarter, EBIT amounted to Euro 21.4 million and shows a significant increase compared to 2018 (Euro 8.7 million), with an incidence on sales of 1.60% (0.69% in 2018).

These results benefit from the effects of the first-time application of IFRS 16 (which involved a reversal of lease rentals against lower depreciation rates on related right-of-use assets for Euro 3.0 million in the entire year and Euro 0.7 million solely in the final quarter) and from the positive contribution of Euro 1.4 million (Euro 1.1 million in the fourth quarter alone) by the company 4Side S.r.l..

Profit before income taxes, equal to Euro 30.8 million and inclusive of the positive contribution of Euro 1.4 million from the newly acquired company 4Side S.r.l., showed an increase of +60% compared to 2018. The improvement is less than the +77% recognised at EBIT level, mainly as a consequence of interest expense (Euro 5.4 million) deriving from the first-time recognition of financial lease liabilities (equal to Euro 94.4 million as at 31 December 2019), introduced by IFRS 16 and from charges relating to the early repayment of the existing pool loan for Euro 72.5 million. In the fourth quarter of 2019, profit before income taxes, equal to Euro 17.4 million, showed an improvement of Euro 9.7 million compared to the fourth quarter of 2018, in which non-recurring charges of Euro 16.1 million were registered.

Net profit, amounting to Euro 22.0 million in the whole year and Euro 12.7 in the final quarter alone, recorded significant growth with respect to the two corresponding periods in the previous year.

Basic earnings per ordinary share, equal to Euro 0.43, showed an improvement of +59% compared to 2018 (Euro 0.27). In the fourth quarter, basic earnings per ordinary share was Euro 0.25, an improvement of +127% compared to the corresponding quarter of 2018 (Euro 0.11).

The Group's main earnings, financial and net assets position as at 31 December 2019 and of the fourth quarter 2019 are hereby summarised:

(euro/000)	12 months	12 months	Var. %
	2019	2018	
Sales from contracts with customers	3,951,864	3,571,190	11%
Cost of sales	(3,776,338)	(3,408,918)	11%
Gross Profit	175,526	162,272	8%
<i>Gross Profit %</i>	<i>4.44%</i>	<i>4.54%</i>	
Sales and marketing costs	(52,439)	(52,792)	-1%
Overheads and administrative costs	(80,486)	(76,287)	6%
Impairment loss/reversal of financial assets	(557)	(9,473)	-94%
Operating income (EBIT)	42,044	23,720	77%
<i>EBIT %</i>	<i>1.06%</i>	<i>0.66%</i>	
Finance costs - net	(11,272)	(4,541)	148%
Profit before income taxes	30,772	19,179	60%
Income tax expenses	(8,728)	(5,021)	74%
Net income	22,044	14,158	56%
Earnings per share - basic (euro)	0.43	0.27	59%

(euro/000)	Q4	Q4	Var. %
	2019	2018	
Sales from contracts with customers	1,340,810	1,261,389	6%
Cost of sales	(1,283,981)	(1,210,251)	6%
Gross Profit	56,829	51,138	11%
<i>Margine commerciale lordo %</i>	<i>4.24%</i>	<i>4.05%</i>	
Sales and marketing costs	(14,217)	(13,554)	5%
Overheads and administrative costs	(21,438)	(20,020)	7%
Impairment loss/reversal of financial assets	224	(8,899)	-103%
Operating income (EBIT)	21,398	8,665	147%
<i>EBIT %</i>	<i>1.60%</i>	<i>0.69%</i>	
Finance costs - net	(3,923)	(893)	339%
Profit before income taxes	17,475	7,772	125%
Income tax expenses	(4,789)	(1,953)	145%
Net income	12,686	5,819	118%
Earnings per share - basic (euro)	0.25	0.11	127%

For a better comparison with the data of 2018 and the fourth quarter of 2018, the Group's main financial results are shown below using the adjusted figures as at 31 December 2019 without the IFRS 16 impact:

(euro/000)	12 months 2019 Pre-IFRS 16	12 months 2018	Var. %
Sales from contracts with customers	3,951,864	3,571,190	11%
Cost of sales	(3,776,338)	(3,408,918)	11%
Gross Profit	175,526	162,272	8%
<i>Gross Profit %</i>	<i>4.44%</i>	<i>4.54%</i>	
Sales and marketing costs	(53,663)	(52,792)	2%
Overheads and administrative costs	(82,262)	(76,287)	8%
Impairment loss/reversal of financial assets	(557)	(9,473)	-94%
Operating income (EBIT)	39,044	23,720	65%
<i>EBIT %</i>	<i>0.99%</i>	<i>0.66%</i>	
Finance costs - net	(5,871)	(4,541)	29%
Profit before income taxes	33,173	19,179	73%
Income tax expenses	(9,211)	(5,021)	83%
Net income	23,962	14,158	69%

(euro/000)	Q4 2019 Pre-IFRS 16	Q4 2018	Var. %
Sales from contracts with customers	1,340,810	1,261,389	6%
Cost of sales	(1,283,981)	(1,210,251)	6%
Gross Profit	56,829	51,138	11%
<i>Gross Profit %</i>	<i>4.24%</i>	<i>4.05%</i>	
Sales and marketing costs	(13,661)	(13,554)	1%
Overheads and administrative costs	(22,742)	(20,019)	14%
Impairment loss/reversal of financial assets	224	(8,899)	-103%
Operating income (EBIT)	20,650	8,666	138%
<i>EBIT %</i>	<i>1.54%</i>	<i>0.69%</i>	
Finance costs - net	(570)	(893)	-36%
Profit before income taxes	20,080	7,773	158%
Income tax expenses	(5,395)	(1,953)	176%
Net income	14,685	5,820	152%

The net financial position was a positive Euro 286.7 million, marking an improvement of Euro 45.6 million compared to Euro 241.0 million as at 31 December 2018.

It includes Euro 94.4 million of financial lease liabilities not present as at 31 December 2018 as a result of the first-time adoption of IFRS 16.

The improvement in the specific net financial position, neutralising the latter effect, amounted to Euro 140.0 million, mainly due to the reduction in the year-end levels of Net Working Capital, which was negative by Euro 121.0 million (an improvement of Euro 131.4 million compared to 31 December 2018). The value of the net financial position as at 31 December 2019, as well as at the end of each quarter, is affected by certain technical factors, such as the "without-recourse" assignment of trade receivables as part of factoring and securitisation programmes, plus the typical seasonality of the end of the year in which a trend in trade payables is observed which does not reflect the levels of financial support guaranteed on average by suppliers during the year.

This programme is aimed at transferring risks and rewards to the buyer, thus receivables sold are eliminated from balance sheet assets 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 consolidated net financial debt as at 31 December 2019 was Euro 480.1 million (Euro 596.7 million as at 31 December 2018).

Shareholders' Equity amounted to Euro 357.5 million, marking an increase of Euro 14.6 million compared to Euro 342.9 million as at 31 December 2018 due to the reinvestment of 75% of the profits realised in the previous year.

(euro/000)	31/12/2019	31/12/2018
Fixed assets	211,111	118,502
Operating net working capital	(121,002)	10,443
Other current assets/liabilities	(2,419)	(12,667)
Other non-current assets/liabilities	(16,891)	(14,424)
Total uses	70,799	101,855
Short-term financial liabilities	35,893	138,311
Lease liabilities	3,855	-
Current financial (assets)/liabilities for derivatives	-	610
Financial receivables from factoring companies	(3,526)	(242)
Current debts for investments in subsidiaries	-	1,082
Other financial receivables	(9,718)	(10,881)
Cash and cash equivalents	(463,777)	(381,308)
Net current financial debt	(437,273)	(252,428)
Borrowings	61,015	12,804
Lease liabilities	90,559	-
Other financial receivables	(966)	(1,420)
Net Financial debt (A)	(286,665)	(241,044)
Net equity (B)	357,464	342,898
Total sources of funds (C=A+ B)	70,799	101,855

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 31 December 2019 without the impact of IFRS 16:

(euro/000)	31/12/2019 Pre - IFRS 16	31/12/2018
Fixed assets	118,521	118,502
Operating net working capital	(121,058)	10,443
Other current assets/liabilities	(2,251)	(12,667)
Other non-current assets/liabilities	(16,891)	(14,424)
Total uses	(21,679)	101,855
Short-term financial liabilities	35,893	138,311
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	-	610
Financial receivables from factoring companies	(3,526)	(242)
Current debts for investments in subsidiaries	-	1,082
Other financial receivables	(9,718)	(10,881)
Cash and cash equivalents	(463,777)	(381,308)
Net current financial debt	(441,128)	(252,428)
Borrowings	61,015	12,804
Lease liabilities	-	-
Other financial receivables	(966)	(1,420)
Net Financial debt (A)	(381,079)	(241,044)
Net equity (B)	359,400	342,898
Total sources of funds (C=A+ B)	(21,679)	101,855

MAIN CONSOLIDATED RESULTS BY GEOGRAPHICAL AREA

Subgroup Italy²

Sales from contracts with customers, equal to Euro 2,564.4 million, showed an increase of +12% compared with Euro 2,293.9 million in 2018. In the fourth quarter of 2019, sales showed an increase of +8% compared with the fourth quarter 2018.

The gross profit totalled Euro 123.1 million and showed an increase of +10% compared with 2018 as a combined effect of higher revenues realised, offset by a small reduction in the percentage margin (+1% excluding Euro 6.5 million in non-recurring charges from the 2018 result, and excluding the positive contribution of Euro 3.2 million from the company 4Side S.r.l. from the 2019 result). In the fourth quarter, the gross profit, equal to Euro 56.8 million, increased by +17% compared with the same period of previous year (quarters affected by non-recurring charges of Euro 5.4 million in 2018 and, for Euro 1.7 million, by the positive result achieved by contribution of 4Side S.r.l. in 2019).

EBIT amounted to Euro 21.6 million, with an incidence on sales of 0.84%, and shows an increase of Euro 17.2 million compared to Euro 4.4 million in the previous year.

This performance was shaped by the presence, in the previous year, of non-recurring charges of Euro 15.3 million connected to some classes of product from the "Sport Technology" range and the estimated reduction of the value of the receivables due from the supplier of said products, and the positive effects in 2019 deriving from the first-time application of IFRS 16 (Euro 1.6 million) and the first-time consolidation of 4Side S.r.l. (Euro 1.4 million).

Similar trends were observed in the fourth quarter alone, in which an EBIT of Euro 8.9 million was recorded, compared to an operating loss of Euro 3.7 million in the corresponding period in 2018.

² Esprinet, V-Valley, 4Side, Nilox Deutschland and Celly Group

The Net Financial Position was a positive Euro 186.4 million, marking an improvement of Euro 39.9 million compared to Euro 146.5 million as at 31 December 2018.

It includes Euro 76.3 million of financial lease liabilities not present as at 31 December 2018 as a result of the first-time adoption of IFRS 16.

The improvement in the specific net financial position, neutralising the latter effect, amounted to Euro 116.2 million, mainly due to the reduction in the year-end levels of Net Working Capital, which was negative by Euro 80.3 million (an improvement of Euro 128.6 million compared to 31 December 2018).

The value of the net financial position as at 31 December 2019, as well as at the end of each quarter, is affected by certain technical factors, such as the "without-recourse" assignment of trade receivables as part of factoring and securitisation programmes, plus the typical seasonality of the end of the year in which a trend in trade payables is observed which does not reflect the levels of financial support guaranteed on average by suppliers during the year.

The impact of both 'without-recourse' factoring and securitisation of receivables as at 31 December 2019 was equal to Euro 268.0 million (Euro 319.9 million as at 31 December 2018).

The Subgroup Italy's main earnings, financial and net assets position as at 31 December 2019 and of the fourth quarter 2019 are hereby summarised:

(euro/000)	12 months	12 months	Var. %
	2019	2018	
Sales to third parties	2,520,117	2,236,832	13%
Intercompany sales	44,235	57,103	-23%
Sales from contracts with customers	2,564,352	2,293,935	12%
Cost of sales	(2,441,288)	(2,181,940)	12%
Gross Profit	123,064	111,995	10%
<i>Gross Profit %</i>	<i>4.80%</i>	<i>4.88%</i>	
Sales and marketing costs	(40,969)	(41,229)	-1%
Overheads and administrative costs	(60,027)	(57,032)	5%
Impairment loss/reversal of financial assets	(421)	(9,348)	-95%
Operating income (EBIT)	21,647	4,386	394%
<i>EBIT %</i>	<i>0.84%</i>	<i>0.19%</i>	
	Q4	Q4	
(euro/000)	2019	2018	Var. %
Sales to third parties	822,774	753,090	9%
Intercompany sales	12,137	18,288	-34%
Sales from contracts with customers	834,911	771,378	8%
Cost of sales	(798,891)	(740,702)	8%
Gross Profit	36,020	30,676	17%
<i>Margine commerciale lordo %</i>	<i>4.31%</i>	<i>3.98%</i>	
Sales and marketing costs	(11,247)	(10,553)	7%
Overheads and administrative costs	(16,092)	(14,904)	8%
Impairment loss/reversal of financial assets	263	(8,925)	-103%
Operating income (EBIT)	8,944	(3,706)	-341%
<i>EBIT %</i>	<i>1.07%</i>	<i>-0.48%</i>	

For a better comparison with the data of 2018 and the fourth quarter of 2018, the Subgroup Italy's main financial results are shown below using the adjusted figures at 31 December 2019 without the IFRS 16 impact:

(euro/000)	12 months 2019 Pre-IFRS 16	12 months 2018	Var. %
Sales to third parties	2,520,117	2,236,833	13%
Intercompany sales	44,235	57,103	-23%
Sales from contracts with customers	2,564,352	2,293,936	12%
Cost of sales	(2,441,288)	(2,181,941)	12%
Gross Profit	123,064	111,995	10%
<i>Gross Profit %</i>	<i>4.80%</i>	<i>4.88%</i>	
Sales and marketing costs	(41,913)	(41,229)	2%
Overheads and administrative costs	(61,636)	(57,032)	8%
Impairment loss/reversal of financial assets	(421)	(9,348)	-95%
Operating income (EBIT)	19,094	4,386	335%
<i>EBIT %</i>	<i>0.74%</i>	<i>0.19%</i>	

(euro/000)	Q4 2019 Pre-IFRS 16	Q4 2018	Var. %
Sales to third parties	822,774	753,091	9%
Intercompany sales	12,137	18,288	-34%
Sales from contracts with customers	834,911	771,379	8%
Cost of sales	(798,891)	(740,703)	8%
Gross Profit	36,020	30,676	17%
<i>Gross Profit %</i>	<i>4.31%</i>	<i>3.98%</i>	
Sales and marketing costs	(10,613)	(10,553)	1%
Overheads and administrative costs	(17,371)	(14,904)	17%
Impairment loss/reversal of financial assets	263	(8,925)	-103%
Operating income (EBIT)	8,299	(3,706)	-324%
<i>EBIT %</i>	<i>0.99%</i>	<i>-0.48%</i>	

(euro/000)	31/12/2019	31/12/2018
Fixed assets	191,200	115,414
Operating net working capital	(80,231)	48,346
Other current assets/liabilities	15,272	830
Other non-current assets/liabilities	(10,049)	(9,310)
Total uses	116,192	155,280
Short-term financial liabilities	24,210	136,269
Lease liabilities	2,774	-
Current debts for investments in subsidiaries	-	1,082
Current financial (assets)/liabilities for derivatives	-	613
Financial receivables from factoring companies	(3,526)	(242)
Financial (assets)/liab. from/to Group companies	-	(104,500)
Other financial receivables	(9,716)	(10,880)
Cash and cash equivalents	(294,967)	(180,219)
Net current financial debt	(281,225)	(157,877)
Borrowings	22,264	12,804
Lease liabilities	73,523	-
Other financial receivables	(966)	(1,420)
Net Financial debt (A)	(186,404)	(146,493)
Net equity (B)	302,596	301,773
Total sources of funds (C=A+ B)	116,192	155,280

For a better comparison with 31 December 2018 figures, the Subgroup Italy main financial and net assets position at 31 December 2019 adjusted without IFRS 16 impacts, is shown as follows:

(euro/000)	31/12/2019 Pre - IFRS 16	31/12/2018
Fixed assets	116,283	115,414
Operating net working capital	(80,278)	48,346
Other current assets/liabilities	15,440	830
Other non-current assets/liabilities	(10,049)	(9,310)
Total uses	41,396	155,280
Short-term financial liabilities	24,210	136,269
Lease liabilities	-	-
Current debts for investments in subsidiaries	-	1,082
Current financial (assets)/liabilities for derivatives	-	613
Financial receivables from factoring companies	(3,526)	(242)
Financial (assets)/liab. from/to Group companies	-	(104,500)
Other financial receivables	(9,716)	(10,880)
Cash and cash equivalents	(294,967)	(180,219)
Net current financial debt	(283,999)	(157,877)
Borrowings	22,264	12,804
Lease liabilities	-	-
Other financial receivables	(966)	(1,420)
Net Financial debt (A)	(262,701)	(146,493)
Net equity (B)	304,097	301,773
Total sources of funds (C=A+ B)	41,396	155,280

Subgroup Iberica³

Sales from contracts with customers, equal to Euro 1,431.7 million, showed an increase of +7% compared with Euro 1,334.4 million in 2018. In the fourth quarter 2019, sales showed an increase of +2% compared with the fourth quarter 2018.

The gross profit totalled Euro 52.3 million and showed an increase of +4% compared with 2018, as a combined effect of higher revenues realised, offset by a decrease in the percentage margin. In the fourth quarter, Gross profit, equal to Euro 20.9 million, increased by +1% compared with the same period of previous year.

In the previous year, non-recurring charges were registered, connected to some classes of products from the "Sport Technology" range for a total of Euro 1.9 million.

EBIT amounted to Euro 20.2 million, up +4% compared to 2018 (Euro 0.7 million), with an incidence on sales of 1.41% (1.46% in 2018). In the fourth quarter, EBIT amounted to Euro 12.5 million and shows a slight decrease of -1% compared to 2018 (Euro 12.6 million), with an incidence on sales of 2.42% (2.48% in 2018).

The performances described were shaped by the presence, in the previous year, of the aforementioned non-recurring charges of Euro 15.3 million and the benefits in 2019 amounting to Euro 0.4 million (Euro 0.1 million in the final quarter alone) deriving from the first-time application of IFRS 16.

³ Esprinet Iberica, Esprinet Portugal, Vinzeo Technologies and V-Valley Iberian

The net financial position was a positive Euro 100.3 million, marking an improvement of Euro 5.7 million compared to Euro 94.6 million as at 31 December 2018.

It includes Euro 18.1 million of financial lease liabilities not present as at 31 December 2018 as a result of the first-time adoption of IFRS 16.

The improvement in the specific net financial position, neutralising the latter effect, amounted to Euro 23.8 million, mainly due to the reduction in the year-end levels of Net Working Capital, which was negative by Euro 40.4 million (an improvement of Euro 3.1 million compared to 31 December 2018). The value of the net financial position as at 31 December 2019, as well as at the end of each quarter, is affected by certain technical factors, such as the "without-recourse" assignment of trade receivables as part of factoring and securitisation programmes, plus the typical seasonality of the end of the year in which a trend in trade payables is observed which does not reflect the levels of financial support guaranteed on average by suppliers during the year.

The impact of the programme of 'without-recourse' factoring and advanced cash-in of trade receivables was estimated at approximately Euro 212.1 million (Euro 276.8 million as at 31 December 2018).

The Subgroup Spain's main earnings, financial and net assets position as at 31 December 2019 and of the fourth quarter 2019 are hereby summarised:

(euro/000)	12 months	12 months	Var. %
	2019	2018	
Sales to third parties	1,431,747	1,334,358	7%
Intercompany sales	-	-	0%
Sales from contracts with customers	1,431,747	1,334,358	7%
Cost of sales	(1,379,424)	(1,283,897)	7%
Gross Profit	52,323	50,461	4%
<i>Gross Profit %</i>	<i>3.65%</i>	<i>3.78%</i>	
Sales and marketing costs	(11,470)	(11,563)	-1%
Overheads and administrative costs	(20,500)	(19,272)	6%
Impairment loss/reversal of financial assets	(136)	(125)	9%
Operating income (EBIT)	20,217	19,501	4%
<i>EBIT %</i>	<i>1.41%</i>	<i>1.46%</i>	

(euro/000)	Q4	Q4	Var. %
	2019	2018	
Sales to third parties	518,036	508,299	2%
Intercompany sales	-	-	0%
Sales from contracts with customers	518,036	508,299	2%
Cost of sales	(497,155)	(487,614)	2%
Gross Profit	20,881	20,685	1%
<i>Margine commerciale lordo %</i>	<i>4.03%</i>	<i>4.07%</i>	
Sales and marketing costs	(2,970)	(3,001)	-1%
Overheads and administrative costs	(5,355)	(5,120)	5%
Impairment loss/reversal of financial assets	(39)	26	-250%
Operating income (EBIT)	12,517	12,590	-1%
<i>EBIT %</i>	<i>2.42%</i>	<i>2.48%</i>	

For a better comparison with the data of 2018 and the fourth quarter of 2018, the Subgroup Spain's main financial results are shown below using the adjusted figures as at 31 December 2019 without the IFRS 16 impact:

(euro/000)	12 months 2019 Pre-IFRS 16	12 months 2018	Var. %
Sales to third parties	1,431,747	1,334,357	7%
Intercompany sales	-	-	0%
Sales from contracts with customers	1,431,747	1,334,357	7%
Cost of sales	(1,379,424)	(1,283,897)	7%
Gross Profit	52,323	50,460	4%
<i>Gross Profit %</i>	<i>3.65%</i>	<i>3.78%</i>	
Sales and marketing costs	(11,750)	(11,563)	2%
Overheads and administrative costs	(20,667)	(19,272)	7%
Impairment loss/reversal of financial assets	(136)	(125)	9%
Operating income (EBIT)	19,770	19,500	1%
<i>EBIT %</i>	<i>1.38%</i>	<i>1.46%</i>	

(euro/000)	Q4 2019 Pre-IFRS 16	Q4 2018	Var. %
Sales to third parties	518,036	508,298	2%
Intercompany sales	-	-	0%
Sales from contracts with customers	518,036	508,298	2%
Cost of sales	(497,155)	(487,614)	2%
Gross Profit	20,881	20,684	1%
<i>Gross Profit %</i>	<i>4.03%</i>	<i>4.07%</i>	
Sales and marketing costs	(3,048)	(3,001)	2%
Overheads and administrative costs	(5,380)	(5,120)	5%
Impairment loss/reversal of financial assets	(039)	026	-250%
Operating income (EBIT)	12,414	12,589	-1%
<i>EBIT %</i>	<i>2.40%</i>	<i>2.48%</i>	

(euro/000)	31/12/2019	31/12/2018
Fixed assets	94,602	77,606
Operating net working capital	(40,365)	(37,317)
Other current assets/liabilities	(17,692)	(13,496)
Other non-current assets/liabilities	(6,842)	(5,114)
Total uses	29,703	21,679
Short-term financial liabilities	11,683	2,042
Lease liabilities	1,081	-
Current financial (assets)/liabilities for derivatives	-	(3)
Financial (assets)/liab. from/to Group companies	-	104,500
Other financial receivables	(2)	(1)
Cash and cash equivalents	(168,810)	(201,089)
Net current financial debt	(156,048)	(94,551)
Borrowings	38,751	-
Lease liabilities	17,036	-
Net Financial debt (A)	(100,261)	(94,551)
Net equity (B)	129,964	116,230
Total sources of funds (C=A+ B)	29,703	21,679

For a better comparison with 31 December 2018 figures, the Subgroup Spain main financial and net assets position as at 31 December 2019 adjusted without IFRS 16 impacts, is shown as follows:

(euro/000)	31/12/2019 Pre - IFRS 16	31/12/2018
Fixed assets	76,929	77,606
Operating net working capital	(40,374)	(37,317)
Other current assets/liabilities	(17,691)	(13,496)
Other non-current assets/liabilities	(6,842)	(5,114)
Total uses	12,022	21,679
Short-term financial liabilities	11,683	2,042
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	-	(3)
Financial (assets)/liab. from/to Group companies	-	104,500
Other financial receivables	(2)	(1)
Cash and cash equivalents	(168,810)	(201,089)
Net current financial debt	(157,129)	(94,551)
Borrowings	38,751	-
Lease liabilities	-	-
Net Financial debt (A)	(118,378)	(94,551)
Net equity (B)	130,400	116,230
Total sources of funds (C=A+ B)	12,022	21,679

C) Reclassified income statement

Please find below the reclassified consolidated income statement which shows:

- (i) The gross profit, net of amortisation/depreciation that, by destination, would be included in the cost of sales in the income statement;
- (ii) the EBITDA: determined as the operating profit (EBIT) gross of amortisation, depreciation and write-downs;
- (iii) the current operating profit (EBIT) determined as the operating profit (EBIT) net of non-recurring components:

€/000	12 months 2019		12 months 2018	% Var.
		Pre-IFRS16		
Sales from contracts with customers	3,951,864	3,951,864	3,571,190	11%
Cost of goods sold excl. factoring/securitisation	3,771,001	3,771,001	3,394,888	11%
Financial cost of factoring/securitisation ⁽¹⁾	4,635	4,635	4,869	-5%
Gross Profit⁽²⁾	176,228	176,228	171,433	3%
<i>Gross Profit %</i>	<i>4.46%</i>	<i>4.46%</i>	<i>4.80%</i>	
Personnel costs	64,110	64,110	61,126	5%
Other operating costs	56,515	(11,876)	68,391	-13%
EBITDA	55,603	11,876	45,651	22%
<i>EBITDA %</i>	<i>1.41%</i>	<i>1.11%</i>	<i>1.28%</i>	
Depreciation and amortisation	4,683	4,683	4,691	0%
IFRS 16 Right of Use depreciation	8,876	8,876	-	n/s
Recurring EBIT	42,044	3,000	40,960	3%
<i>Recurring EBIT %</i>	<i>1.06%</i>	<i>0.99%</i>	<i>1.15%</i>	
Non recurring costs ⁽³⁾	0	0	17,240	n/s
EBIT	42,044	3,000	23,720	77%
<i>Recurring EBIT %</i>	<i>1.06%</i>	<i>0.99%</i>	<i>0.66%</i>	
IFRS 16 interest expenses on leases	5,401	5,401	-	n/s
Other financial (income) expenses	4,206	4,206	3,579	18%
Foreign exchange (gains) losses	1,665	1,665	962	73%
Profit before income taxes	30,772	(2,401)	19,179	60%
Income taxes	8,728	(483)	5,021	74%
Net income	22,044	(1,918)	14,158	56%

€/000	Q4 2019			Q4 2018	% Var.
			Pre-IFRS16		
Sales from contracts with customers	1,340,810		1,340,810	1,261,389	6%
Cost of goods sold excl. factoring/securitisation	1,282,112		1,282,112	1,201,252	7%
Financial cost of factoring/securitisation ⁽¹⁾	1,687		1,687	1,492	13%
Gross Profit⁽²⁾	57,011		57,011	58,645	-3%
<i>Gross Profit %</i>	<i>4.25%</i>		<i>4.25%</i>	<i>4.65%</i>	
Personnel costs	16,961		16,961	15,846	7%
Other operating costs	15,097	(3,113)	18,210	16,825	-10%
EBITDA	24,953	3,113	21,840	25,974	-4%
<i>EBITDA %</i>	<i>1.86%</i>		<i>1.63%</i>	<i>2.06%</i>	
Depreciation and amortisation	1,190		1,190	1,168	2%
IFRS 16 Right of Use depreciation	2,365	2,365	0	-	n/s
Recurring EBIT	21,398	748	20,650	24,806	-14%
<i>Recurring EBIT %</i>	<i>1.60%</i>		<i>1.54%</i>	<i>1.97%</i>	
Non recurring costs ⁽³⁾	0		0	16,141	n/s
EBIT	21,398	748	20,650	8,665	147%
<i>Recurring EBIT %</i>	<i>1.60%</i>		<i>1.54%</i>	<i>0.69%</i>	
IFRS 16 interest expenses on leases	3,353	3,353	-	-	n/s
Other financial (income) expenses	921		921	616	50%
Foreign exchange (gains) losses	(351)		(351)	277	-227%
Profit before income taxes	17,475	(2,605)	20,080	7,772	125%
Income taxes	4,789	(606)	5,395	1,953	145%
Net income	12,686	(1,999)	14,685	5,819	118%

NOTES

- ⁽¹⁾ Cash discounts for "without-recourse" advances of trade receivables as part of revolving factoring and securitisation programmes.
- ⁽²⁾ Net of amortisation/depreciation that, by destination, would be included in the cost of sales.
- ⁽³⁾ Of which Euro 8.4 million (Euro 7.3 million in the fourth quarter) included in "Cost of sales excluding cash discounts" and Euro 8.8 million included "Other operating costs in 2018".

3.4 Notes to consolidated income statement items

In this section the paragraph numbers refer to the corresponding 'Notes' in the consolidated separate income statement.

33) Sales

The following provides a breakdown of the Group's revenue performance during the period.

Sales by geographical segment

(euro/million)	12 months 2019	%	12 months 2018	%	% Var.	Q4 2019	%	Q4 2018	%	% Var.
Italy	2,495.5	63.1%	2,214.7	62.0%	13%	816.8	60.9%	744.2	59.0%	10%
Spain	1,383.7	35.0%	1,300.2	36.4%	6%	500.0	37.3%	496.8	39.4%	1%
Portugal	38.5	1.0%	30.2	0.8%	27%	15.6	1.2%	10.7	0.8%	46%
Other EU countries	20.0	0.5%	17.5	0.5%	14%	6.6	0.5%	5.8	0.5%	13%
Extra EU countries	14.2	0.4%	8.6	0.2%	65%	1.8	0.1%	3.9	0.3%	-54%
Group Sales from contracts with clients	3,951.9	100.0%	3,571.2	100.0%	11%	1,340.8	100.0%	1,261.4	100.0%	6%

Sales realised in other EU countries refer primarily to sales to customers resident in Greece, Romania or the Netherlands, while sales realised in non-EU countries were sales mainly to customers resident in the Republic of San Marino.

Sales by products and services

(euro/million)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Product sales	2,514.3	63.6%	2,230.2	62.4%	13%	821.2	61.2%	751.2	59.6%	9%
Services sales	5.8	0.1%	6.6	0.2%	-12%	1.6	0.1%	1.9	0.2%	-16%
Sales - Subgroup Italy	2,520.1	63.8%	2,236.8	62.6%	13%	822.8	61.4%	753.1	59.7%	9%
Product sales	1,430.7	36.2%	1,333.1	37.3%	7%	517.7	38.6%	508.0	40.3%	2%
Services sales	1.1	0.0%	1.3	0.0%	-15%	0.3	0.0%	0.3	0.0%	0%
Sales - Subgroup Spain	1,431.8	36.2%	1,334.4	37.4%	7%	518.0	38.6%	508.3	40.3%	2%
Sales from contracts with customers	3,951.9	100.0%	3,571.2	100.0%	11%	1,340.8	100.0%	1,261.4	100.0%	6%

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)	12 months		12 months		Var.	% Var.	Q4		Q4		% Var.
	2019	%	2018	%			2019	%	2018	%	
Revenues from contracts with customers as 'principal'	3,947.6	99.9%	3,568.7	99.9%	378.9	11%	1,339.6	99.9%	1,260.7	99.9%	6%
Revenues from contracts with customers as 'agent'	4.3	0.1%	2.5	0.1%	1.8	74%	1.2	0.1%	0.7	0.1%	78%
Group revenues from contracts with customers	3,951.9	100.0%	3,571.2	100.0%	380.7	11%	1,340.8	100.0%	1,261.4	100.0%	6%

Sales by product family and customer type

(euro/million)	12 months		12 months		Var.	% Var.	Q4		Q4		Var.	% Var.
	2019	%	2018	%			2019	%	2018	%		
PC (notebook, tablet, desktop, monitor)	1,375.4	34.8%	1,212.8	34.0%	162.6	13%	414.5	30.9%	402.7	31.9%	11.8	3%
Printing devices and supplies	418.3	10.6%	393.1	11.0%	25.2	6%	118.2	8.8%	110.8	8.8%	7.5	7%
Other IT products	244.9	6.2%	237.9	6.7%	7.0	3%	76.8	5.7%	72.7	5.8%	4.1	6%
Total IT Clients	2,038.6	51.6%	1,843.8	51.6%	194.8	11%	609.5	45.5%	586.1	46.5%	23.4	4%
Hardware (networking, storage, server & others)	407.4	10.3%	409.0	11.5%	(1.6)	0%	107.9	8.0%	132.6	10.5%	(24.7)	-19%
Software, Services, Cloud	153.6	3.9%	146.8	4.1%	6.8	5%	49.6	3.7%	62.9	5.0%	(13.3)	-21%
Total Advanced Solutions	560.9	14.2%	555.7	15.6%	5.2	1%	157.5	11.7%	195.5	15.5%	(38.0)	-19%
Smartphones	1,106.3	28.0%	997.4	27.9%	108.9	11%	456.9	34.1%	409.1	32.4%	47.8	12%
White goods	55.8	1.4%	37.2	1.0%	18.6	50%	20.1	1.5%	13.5	1.1%	6.6	49%
Gaming hardware and software	43.3	1.1%	29.5	0.8%	13.8	47%	21.7	1.6%	8.0	0.6%	13.8	173%
Other consumer electronics products	191.0	4.8%	152.5	4.3%	38.6	25%	58.7	4.4%	59.9	4.7%	(1.2)	-2%
Total Consumer Electronics	1,396.4	35.3%	1,216.6	34.1%	179.8	15%	557.4	41.6%	490.5	38.9%	67.0	14%
IFRS15 and other adjustments	(44.1)	-1.1%	(44.9)	-1.3%	0.9	-2%	16.3	1.2%	(10.7)	-0.8%	27.0	-253%
Sales from contracts with customers	3,951.9	100.0%	3,571.2	100.0%	380.7	11%	1,340.8	100.0%	1,261.4	100.0%	79.4	6%

The analysis of sales by product line shows a notable increase in Consumer Electronics (Euro 1,396.4 million, +15%), and within this, aside from growth of +11% for Smartphones, positive performances were recorded for high-margin segments like White Goods (+50%) and Gaming (Euro 43.3 million, +47% compared to 2018, also thanks to the acquisition of 4Side Srl, an exclusive distributor of Activision Blizzard products for Italy). The IT Clients segment is driven by both the positive performance of PCs (+13%) and Printers and Consumables, which recorded sales of Euro 418.3 million, +6% compared to Euro 393.1 million in 2018.

The Advanced Solutions segment registered more contained growth (+1%) given that 2018 had benefited from high levels of sales from tenders concentrated on Servers and Software.

(euro/million)	12 months 2019	%	12 months 2018	%	Var.	% Var.	Q4 2019	%	Q4 2018	%	Var.	% Var.
Retailers & E-Tailers	1,933.3	48.9%	1,661.7	46.5%	271.6	16%	698.8	52.1%	650.0	51.5%	48.8	8%
IT Resellers	2,062.5	52.2%	1,957.1	54.8%	105.4	5%	659.3	49.2%	649.3	51.5%	10.0	2%
IFRS15 and other adjustments	(44.0)	-1.1%	(47.7)	-1.3%	3.7	-8%	(17.3)	-1.3%	(38.0)	-3.0%	20.7	-54%
Sales from contracts with customers	3,951.9	100.0%	3,571.2	100.0%	380.7	11%	1,340.8	100.0%	1,261.4	100.0%	79.4	6%

The analysis of sales by customer type shows robust growth in both the "consumer" and "business" segments. The growth in the category Retailer & e-Tailers was especially significant, in which the Group has now consolidated a position of undisputed leader. The IT Resellers segment, up by +5%, represents the area in which the Group aims to focus its investments in 2020.

35) Gross profit

(euro/000)	12 months 2019	%	12 months 2018	%	% Var.	Q4 2019	%	Q4 2018	%	% Var.
Sales from contracts with customers	3,951,864	100.00%	3,571,190	100.00%	11%	1,340,810	100.0%	1,261,389	100.00%	6%
Cost of sales	3,776,338	95.56%	3,408,918	95.46%	11%	1,283,981	95.8%	1,210,251	95.95%	6%
Gross profit	175,526	4.44%	162,272	4.54%	8%	56,829	4.24%	51,138	4.05%	11%
- of which non recurring	-	0.00%	8,417	0.24%	-100%	-	0.00%	7,318	0.58%	-100%
Gross profit "recurrent"	175,526	4.44%	170,689	4.78%	3%	56,829	4.24%	58,456	4.63%	-3%

The consolidated gross profit totalled Euro 175.5 million and showed an increase of +8% compared with 2018 (+1% excluding Euro 8.4 million in non-recurring charges from the 2018 result, and excluding the positive contribution of Euro 3.2 million from the company 4Side S.r.l. from the 2019 result, while the first-time application of IFRS 16 had no impact) as a combined effect of higher revenues realised, offset by a decrease in the percentage margin. In the fourth quarter, Gross profit, equal to Euro 56.8 million, increased by +11% compared with the same period of previous year (or -6% net of non-recurring charges and of the Euro 1.7 million contribution of 4Side S.r.l.).

As is common practice 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.

The sales margin has been reduced by the difference between the amount of receivables transferred 'without-recourse' to factoring companies within the usual revolving programmes and the amounts collected. In 2019 this effect is quantifiable as Euro 4.6 million (Euro 4.9 million in 2018), of which Euro 1.7 million in the fourth quarter alone (Euro 1.5 million in the fourth quarter of 2018).

37-38-39) Operating costs

(euro/000)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Sales from contracts with customers	3,951,864		3,571,190		11%	1,340,810		1,261,389		6%
Sales and marketing costs	52,439	1.33%	52,792	1.48%	-1%	14,217	1.06%	13,554	1.07%	5%
Overheads and administrative costs	80,486	2.04%	76,287	2.14%	6%	21,438	1.60%	20,019	1.59%	7%
Impairment loss/reversal of financial assets	557	0.01%	9,473	0.27%	-94%	(224)	-0.02%	8,899	0.71%	<-100%
Operating costs	133,482	3.38%	138,552	3.88%	-4%	35,431	2.64%	42,472	3.37%	-17%
- of which non recurring	-	0.00%	8,823	0.25%	0%	-	0.00%	8,823	0.70%	0%
'Recurring' operating costs	133,482	3.38%	129,729	3.63%	3%	35,431	2.64%	33,649	2.67%	5%

In 2019, operating costs, amounting to Euro 133.5 million, fell by Euro 5.1 million, with an incidence on sales down to 3.38% compared to 3.88% in the previous year.

Net of non-recurring components, relating to the reduction in the value of the receivables due from the long-standing supplier of the "Sport Technology" range that emerged in the final quarter of 2018, operating costs show an increase of Euro 3.8 million.

The same events determined a decrease of -17% (but an increase of +5% net of non-recurring components) in the fourth quarter alone compared to the same quarter in the previous year.

Operating costs in 2019 include the positive effect of Euro 3.0 million generated by the first time adoption of IFRS 16, which involved the recognition of lower depreciation charges of the right-of-use assets instead of the rental fees for the leased assets to which they referred.

Just as with the first recognition, operating costs include Euro 1.8 million of expenses incurred by 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'.

Labour costs and number of employees

(euro/000)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Sales from contracts with customers	3,951,864		3,571,190		11%	1,340,810		1,261,389		6%
Wages and salaries	45,945	1.16%	43,844	1.23%	5%	12,189	0.91%	11,475	0.91%	6%
Social contributions	13,803	0.35%	12,774	0.36%	8%	3,698	0.28%	3,249	0.26%	14%
Pension obligations	2,418	0.06%	2,355	0.07%	3%	651	0.05%	562	0.04%	16%
Other personnel costs	920	0.02%	961	0.03%	-4%	210	0.02%	216	0.02%	-3%
Employee termination incentives	735	0.02%	835	0.02%	-12%	137	0.01%	283	0.02%	-52%
Share incentive plans	289	0.01%	357	0.01%	-19%	76	0.01%	61	0.00%	25%
Total labour costs ⁽¹⁾	64.110	1.62%	61.126	1.71%	5%	16.961	1.26%	15.846	1.26%	7%

⁽¹⁾ Cost of temporary workers excluded.

In the twelve months of 2019, labour costs amounted to Euro 64.1 million, marking a slight increase (+5%) over the growth in staff employed in the previous year, based primarily on the acquisition, on 20 March 2019, of the Italian subsidiary 4Side S.r.l. and the salary increases pursuant to collective labour agreements.

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	736	-	754	
Celly S.p.A.	-	48	-	48	
Celly Pacific LTD	-	3	-	3	
Celly Nordic OY	-	-	-	-	
Nilox Deutschland GmbH	-	1	-	1	
4Side S.r.l.	4	9	-	13	
V-Valley S.r.l.	-	-	-	-	
Subgroup Italy	22	797	-	819	806
Esprinet Iberica S.L.U.	-	254	87	341	
Vinzeo Technologies S.A.U.	-	145	-	145	
V-Valley Iberian S.L.U.	-	-	-	-	
Esprinet Portugal Lda	-	12	-	12	
Subgroup Spain	-	411	87	498	485
Group as at 31 December 2019	22	1,208	87	1,317	1,291
Group as at 31 December 2018	22	1,155	86	1,263	1,256
Var 31/12/2019 - 31/12/2018	-	53	1	54	35
Var %	0%	5%	1%	4%	3%

* Average of the balance at period-beginning and period-end.

The number of employees, in any case, increased due to both the acquisition of the company 4Side S.r.l. in Italy and to new recruitments in the Iberian Peninsula.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Sales from contracts with customers	3,951,864		3,571,190		11%	1,340,810		1,261,389		6%
Depreciation of tangible assets	4,104	0.10%	4,104	0.11%	0%	1,046	0.08%	1,026	0.08%	2%
Amortisation of intangible assets	579	0.01%	587	0.02%	-1%	145	0.01%	143	0.01%	2%
Depreciation of right-of-use assets	8,876	0.22%	-	0.00%	100%	2,365	0.18%	-	0.00%	100%
Amort. & depreciation	13,559	0.34%	4,691	0.13%	100%	3,557	0.27%	1,169	0.09%	100%
Write-downs of fixed assets	-	0.00%	-	0.00%	0%	-	0.00%	-	0.00%	0%
Amort. & depr., write-downs (A)	13,559	0.34%	4,691	0.13%	100%	3,557	0.27%	1,169	0.09%	100%
Accruals for risks and charges (B)	-	0.00%	182	0.01%	NA	(165)	-0.01%	79	0.01%	-100%
Amort. & depr., write-downs, accruals for risks (C=A+ B)	13,559	0.34%	4,873	0.14%	100%	3,392	0.25%	1,248	0.10%	100%

42) Financial income and expenses

(euro/000)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Sales from contracts with customers	3,951,864		3,571,190		11%	1,340,810		1,261,389		6%
Interest expenses on borrowings	2,069	0.05%	2,706	0.08%	-24%	239	0.02%	574	0.05%	-58%
Interest expenses to banks	375	0.01%	381	0.01%	-2%	79	0.01%	135	0.01%	-41%
Other interest expenses	19	0.00%	52	0.00%	-63%	10	0.00%	48	0.00%	-79%
Upfront fees amortisation	1,392	0.04%	730	0.02%	91%	110	0.01%	167	0.01%	-34%
IAS 19 expenses/losses	68	0.00%	57	0.00%	19%	18	0.00%	16	0.00%	13%
IFRS financial lease interest expenses	5,401	0.14%	-	0.00%	100%	3,353	0.25%	-	0.00%	100%
Derivatives ineffectiveness	531	0.01%	113	0.00%	>100%	502	0.04%	3	0.00%	>100%
Total financial expenses (A)	9,855	0.25%	4,039	0.11%	>100%	4,311	0.32%	943	0.07%	>100%
Interest income from banks	(109)	0.00%	(34)	0.00%	>100%	(23)	0.00%	(12)	0.00%	92%
Interest income from others	(136)	0.00%	(195)	-0.01%	-30%	(19)	0.00%	(83)	-0.01%	-77%
Interest income on business combination	-	0.00%	(229)	-0.01%	-100%	-	0.00%	(223)	-0.02%	-100%
Derivatives ineffectiveness	(3)	0.00%	(2)	0.00%	50%	5	0.00%	(9)	0.00%	<-100%
Total financial income(B)	(248)	-0.01%	(460)	-0.01%	-46%	(37)	0.00%	(327)	-0.03%	-89%
Net financial exp. (C=A+ B)	9,607	0.24%	3,579	0.10%	>100%	4,274	0.32%	616	0.05%	>100%
Foreign exchange gains	(726)	-0.02%	(1,061)	-0.03%	-32%	(443)	-0.03%	(218)	-0.02%	>100%
Foreign exchange losses	2,391	0.06%	2,023	0.06%	18%	92	0.01%	495	0.04%	-81%
Net foreign exch. (profit)/losses (D)	1,665	0.04%	962	0.03%	73%	(351)	-0.03%	277	0.02%	<-100%
Net financial (income)/costs (E=C+ D)	11,272	0.29%	4,541	0.13%	>100%	3,923	0.29%	893	0.07%	>100%

The total balance between financial income and expense, negative for Euro 11.3 million, shows a worsening of Euro 6.7 million compared to the same period of the previous year (Euro 4.5 million) due to (i) Euro 5.4 million for the recognition of interest expense on leases recognised as a result of the application of the new IFRS 16 standard from 1 January 2019, (ii) Euro 0.8 million to the residual value of the arrangement fees of the pre-existing medium/long-term senior loan repaid early on 26 September, (iii) for Euro 0.5 million to the price of early extinguishment "IRS-Interest Rate Swap" agreements which covered the interest rate risk on the pre-existing senior loan and (iv) for Euro 0.7 million to higher net foreign exchange losses compared to the previous year.

On the other hand, net bank interest expense shows an improvement of Euro 0.7 million, from Euro 3.1 to Euro 2.3 million, due to a lower average use of bank funding sources, at the same average cost of debt.

In the fourth quarter alone, the balance of financial income and expense was a negative Euro 3.9 million, Euro 3.0 million worse than the previous year.

In particular, in addition to interest expense pursuant to IFRS 16 for Euro 3.4 million, the balance was affected by derivative extinguishment expenses of Euro 0.5 million, albeit offset by a positive differential in foreign exchange management balance of Euro 0.6 million.

By contrast, net bank interest expense shows a considerable improvement, from Euro 0.3 million to Euro 0.7 million.

45) Income tax expenses

(euro/000)	12 months		12 months		% Var.	Q4		Q4		% Var.
	2019	%	2018	%		2019	%	2018	%	
Sales from contracts with customers	3,951,864		3,571,190		11%	1,340,810		1,261,389		6%
Current and deferred taxes	8,728	0.22%	5,021	0.14%	74%	4,789	0.36%	1,953	0.15%	145%
Profit before taxes	30,772		19,179			17,475		7,773		
Tax rate	28%		26%			27%		25%		

Income tax expenses, equal to Euro 8.7 million, increased by +74% compared with the same period of 2018 mainly due to both a higher taxable income and a higher tax rate, mainly as a consequence of inability to take advantage of tax losses of the subsidiaries in liquidation.

46) Net income and earnings per share

(euro/000)	12 months		Var.	% Var.	Q4		Var.	% Var.
	2019	2018			2019	2018		
Net income attributable to Group	21,675	14,031	7,644	54%	12,457	5,846	6,611	113%
Weighted average no. of shares in circulation: basic	50,513,190	51,605,661			49,784,123	51,266,709		
Weighted average no. of shares in circulation: diluted	51,184,041	52,017,353			50,928,177	51,888,677		
Earnings per share in euro - basic	0.43	0.27	0.16	59%	0.25	0.11	0.14	127%
Earnings per share in euro - diluted	0.42	0.27	0.15	56%	0.24	0.11	0.13	118%

For the purpose of calculating the 'basic' earnings per share, own shares (2,295,008 units) and the residual potential callable shares (325,209 units), as per the maximum limit defined by the Board of Directors of Esprinet S.p.A. on 27 June 2019, were excluded.

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

4. Consolidated statement of financial position and notes

4.1 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)	31/12/2019	related parties *	31/12/2018	related parties *
ASSETS				
Non-current assets				
Property, plant and equipment	11,622		13,327	
Right-of-use assets	92,100		-	
Goodwill	90,714		90,595	
Intangible assets	480		724	
Deferred income tax assets	13,987		11,884	
Receivables and other non-current assets	3,174	-	3,392	1,554
	212,077	-	119,922	1,554
Current assets				
Inventory	497,355		494,444	
Trade receivables	470,574	1	383,865	-
Income tax assets	2,192		3,421	
Other assets	41,185	-	29,610	1,310
Derivative financial assets	-		3	
Cash and cash equivalents	463,777		381,308	
	1,475,083	1	1,292,651	1,310
Disposal groups assets				
	-		-	
Total assets	1,687,160	1	1,412,573	2,864
EQUITY				
Share capital	7,861		7,861	
Reserves	325,511		319,831	
Group net income	21,675		14,031	
Group net equity	355,047		341,723	
Non-controlling interests	2,417		1,175	
Total equity	357,464		342,898	
LIABILITIES				
Non-current liabilities				
Borrowings	61,015		12,804	
Lease liabilities	90,559		-	
Deferred income tax liabilities	9,817		8,138	
Retirement benefit obligations	4,680		4,397	
Provisions and other liabilities	2,394		1,889	
	168,465		27,228	
Current liabilities				
Trade payables	1,088,931	-	867,866	-
Short-term financial liabilities	35,893		138,311	
Lease liabilities	3,855		-	
Income tax liabilities	2,165		103	
Derivative financial liabilities	-		613	
Debts for investments in subsidiaries	-		1,082	
Provisions and other liabilities	30,387	-	34,472	1,567
	1,161,231	-	1,042,447	1,567
Disposal groups liabilities				
	-		-	
Total liabilities	1,329,696	-	1,069,675	1,567
Total equity and liabilities	1,687,160	-	1,412,573	1,567

(*) For more details on transactions with related parties, please refer to the associated section of the "Interim report on operations".

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	31/12/2019			31/12/2018
	Esprinet Group	Subgroup Italy	Subgroup Iberian	Esprinet Group
Plant and machinery	443	382	61	424
Ind. And comm. Equipment & Other assets	2,409	2,156	253	1,378
Assets under construction and advances	46	46	-	1,018
Total Property, plant and equipment	2,898	2,584	314	2,820
Industrial patents and intellectual rights	204	64	140	137
Licences, concessions, brand names and similar rights	-	-	-	4
Others	-	-	-	-
Assets under construction and advances	129	129	-	105
Total intangible asstes	333	193	140	246
Total gross investments	3,231	2,777	454	3,066

As at 31 December 2019, investments in 'plant and machinery' mainly refer to purchases of new security, surveillance and energy efficiency equipment by the parent company in the logistics hub of Cavenago.

Investments in 'Industrial & commercial equipment & other assets' refer to the purchase of electronic office machinery, warehouse equipment and furniture and furnishings by the parent company Esprinet S.p.A. (Euro 1.8 million).

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

Investments in '*Industrial and other patent rights*' essentially include costs incurred for the long-term renewal and upgrade of the management information system (software). In relation to the Subgroup Italy, the increase is mainly attributable to the first-time consolidation of 4Side S.r.l..

The depreciation rates applied to each asset category are unchanged relative to the fiscal year closed as at 31 December 2018.

4.2.2 Net financial debt and covenants

(euro/000)	31/12/2019	31/12/2018	Var.
Short-term financial liabilities	35,893	138,311	(102,418)
Lease liabilities	3,855	-	3,855
Current debts for investments in subsidiaries	-	1,082	(1,082)
Current financial (assets)/liabilities for derivatives	-	610	(610)
Financial receivables from factoring companies	(3,526)	(242)	(3,284)
Other financial receivables	(9,718)	(10,881)	1,163
Cash and cash equivalents	(463,777)	(381,308)	(82,469)
Net current financial debt	(437,273)	(252,428)	(184,845)
Borrowings	61,015	12,804	48,211
Lease liabilities	90,559	-	90,559
Other financial receivables	(966)	(1,420)	454
Net financial debt	(286,665)	(241,044)	(45,621)

For the definition of financial payables please see the section '*Main accounting definitions and estimates*' in the consolidated financial statements as at 31 December 2018.

The Group's net financial position, positive in the amount of Euro 286.7 million, corresponds to a net balance of gross financial debts of Euro 96.9 million, financial receivables equal to Euro 14.2 million, financial lease liabilities equal to Euro 94.4 million and cash and cash equivalents equal to Euro 463.8 million.

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 revolving programme for without-recourse sale of account receivables, focusing on selected customer segments, particularly in the large-scale distribution sector, continued in 2019 both in Italy and in Spain as part of the processes aimed at the structural optimisation of the management of working capital. In addition to this, the securitisation programme also continued during the period, launched in Italy in July 2015 and renewed in July 2018, for additional trade receivables. This programme is aimed at transferring risks and rewards to the buyer: the receivables sold are therefore de-recognised in the statement of financial position according to IFRS 9. The overall effect on the levels of net financial debt as at 31 December 2019 is approx. Euro 480.1 million (approx. Euro 597 million as at 31 December 2018).

4.2.3 Goodwill

Goodwill, amounting to Euro 90.7 million, increased by Euro 0.1 million from Euro 90.6 million as at 31 December 2018, following the acquisition of the company 4Side S.r.l. during the first nine months 2019.

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

(euro/000)	31/12/2019	31/12/2018	Var.	
Esprinet S.p.A.	17,416	17,297	119	CGU 1 B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4,153	4,153	-	CGU 2 B2B Distribution of phone accessoires (Italy)
Esprinet Iberica S.l.u.	69,145	69,145	-	CGU 3 B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	90,714	90,595	119	

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, the presence of these indicators was not acknowledged in the

period between the execution of the annual test, which took place in March 2019, and the date of drafting of this interim management statement, and therefore it was not deemed necessary to carry out any check of 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 Euro 0.1 million, 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 recognised in the financial statements without recognising the need to effect any write-downs.

On the basis of the above, the values of the goodwill recognised as at 31 December 2018 and in this interim management statement 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 as at 31 December 2018.

5. 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	309,193	(5,145)	26,280	338,189	1,046	337,143
Total comprehensive income/(loss)	-	187	-	14,158	14,345	128	14,217
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Purchases of own shares	-	-	(3,929)	-	(3,929)	-	(3,929)
Transactions with owners	-	19,293	(3,929)	(26,280)	(10,916)	-	(10,916)
Grant of share under share plans	-	(3,814)	4,274	-	460	-	460
Currently active Share plans	-	645	-	-	645	-	645
FTA for new IFRS standard application	-	133	-	-	133	-	133
Other variations	-	42	-	-	42	1	41
Balance at 31 December 2018	7,861	325,679	(4,800)	14,158	342,898	1,175	341,723
Balance at 31 December 2018	7,861	325,679	(4,800)	14,158	342,898	1,175	341,723
Total comprehensive income/(loss)	-	243	-	22,044	22,287	365	21,922
Allocation of last year net income/(loss)	-	14,158	-	(14,158)	-	-	-
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
Celly Group step up acquisition	-	(475)	-	-	(475)	(310)	(165)
Purchases of own shares	-	-	(3,847)	-	(3,847)	-	(3,847)
Transactions with owners	-	9,026	(3,847)	(14,158)	(8,979)	870	(9,849)
Grant of share under share plans	-	1,251	-	-	1,251	-	1,251
Other variations	-	7	-	-	7	7	0
Balance at 31 December 2019	7,861	336,206	(8,647)	22,044	357,464	2,417	355,047

6. Consolidated statement of cash flows⁴

(euro/000)	12 months 2019	12 months 2018
Cash flow provided by (used in) operating activities (D=A+B+C)	157,990	127,577
Cash flow generated from operations (A)	56,868	37,438
Operating income (EBIT)	42,044	23,720
Depreciation, amortisation and other fixed assets write-downs	13,559	4,691
Net changes in provisions for risks and charges	505	8,208
Net changes in retirement benefit obligations	(491)	(285)
Stock option/grant costs	1,251	1,104
Cash flow provided by (used in) changes in working capital (B)	113,748	98,347
Inventory	(2,911)	(12,893)
Trade receivables	(88,407)	(70,792)
Other current assets	(7,434)	(2,135)
Trade payables	220,813	177,429
Other current liabilities	(8,313)	6,738
Other cash flow provided by (used in) operating activities (C)	(12,626)	(8,208)
Interests paid, net	(7,921)	(2,338)
Foreign exchange (losses)/gains	(1,948)	(974)
Income taxes paid	(2,757)	(4,896)
Cash flow provided by (used in) investing activities (E)	(4,358)	(2,027)
Net investments in property, plant and equipment	(2,322)	(2,797)
Net investments in intangible assets	(280)	(241)
Changes in other non current assets and liabilities	643	4,939
4Side business combination	1,448	-
Own shares acquisition	(3,847)	(3,928)
Cash flow provided by (used in) financing activities (F)	(71,163)	(41,211)
Medium/long term borrowing	72,000	-
Repayment/renegotiation of medium/long-term borrowings	(115,408)	(38,912)
Leasing liabilities reimbursement	(6,584)	-
Net change in financial liabilities	(12,420)	12,738
Net change in financial assets and derivative instruments	(2,274)	(8,660)
Dividend payments	(6,919)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	380	52
Changes in third parties net equity	58	129
Other movements	4	429
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	82,469	84,339
Cash and cash equivalents at year-beginning	381,308	296,969
Net increase/(decrease) in cash and cash equivalents	82,469	84,339
Cash and cash equivalents at year-end	463,777	381,308

⁴ The effects of the transactions with related parties were omitted given insignificant.

The table below shows the changes in the period and the correspondence with the exact position at the end of the same period:

(euro/000)	12 months 2019	12 months 2018
Net financial debt at year-beginning	(241,044)	(123,058)
Cash flow provided by (used in) operating activities	157,990	127,577
Cash flow provided by (used in) investing activities	(4,358)	(2,027)
Cash flow provided by (used in) changes in net equity	(6,477)	(6,377)
Total cash flow	147,155	119,173
Unpaid interests	(1,618)	(1,187)
Lease liabilities posting	(100,998)	-
20% Celly Call Option deletion	1,082	-
Net financial debt at year-end	(286,665)	(241,044)
Short-term financial liabilities	35,893	138,311
Lease liabilities	3,855	-
Customers financial receivables	(9,718)	(10,881)
Current financial (assets)/liabilities for derivatives		610
Financial receivables from factoring companies	(3,526)	(242)
Cash and cash equivalents	(463,777)	(381,308)
Net current financial debt	(437,273)	(253,510)
Borrowings	61,015	12,804
Lease liabilities	90,559	-
Non current Debts for investments in subsidiaries	-	1,082
Customers financial receivables	(966)	(1,420)
Net financial debt at year-beginning	(286,665)	(241,044)

7. Transactions with related parties

Group operations with related parties, as defined by IAS 24, were effected in compliance with current laws and according to mutual economic advantage.

Any products sold to individuals were sold under the same conditions as those usually applied to employees.

Transactions between the parent company Esprinet S.p.A. and its subsidiaries included in the consolidation scope were de-recognised in the interim consolidated financial statements and therefore do not appear in this section.

During the period, relationships with related parties consisted essentially 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.

Revenues realised are related to the sales of consumer electronic products to business and private customers under normal market conditions.

Services received mainly refer to leasing agreements entered into under market conditions in years prior to the one under review, with the real estate companies Immobiliare Selene S.r.l., in relation to the logistics site of Cambiago (MI) and M.B. Immobiliare S.r.l. as regards the logistics site of Cavenago (MB) respectively.

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

8. Segment information

8.1 Introduction

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.

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.

8.2 Segment results

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

Separate income statement and other significant information by operating segment

(euro/000)	12 months 2019			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	2,520,117	1,431,747	-	3,951,864
Intercompany sales	44,235	-	(44,235)	-
Sales from contracts with customers	2,564,352	1,431,747	(44,235)	3,951,864
Cost of sales	(2,441,288)	(1,379,424)	44,374	(3,776,338)
Gross Profit	123,064	52,323	139	175,526
<i>Gross Profit %</i>	<i>4.80%</i>	<i>3.65%</i>		<i>4.44%</i>
Sales and marketing costs	(40,969)	(11,470)	-	(52,439)
Overheads and administrative costs	(60,027)	(20,500)	41	(80,486)
Impairment loss/reversal of financial assets	(421)	(136)	-	(557)
Operating income (EBIT)	21,647	20,217	180	42,044
<i>EBIT %</i>	<i>0.84%</i>	<i>1.41%</i>		<i>1.06%</i>
Finance costs - net				(11,272)
Profit before income taxes				30,772
Income tax expenses				(8,728)
Net income				22,044
- of which attributable to non-controlling interests				369
- of which attributable to Group				21,675
Depreciation and amortisation	10,002	2,986	570	13,558
Other non-cash items	-	-	-	-
Investments	2,398	454	-	2,852
Total assets	1,208,926	559,905	(81,671)	1,687,160

(euro/000)	12 months 2018			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	2,236,832	1,334,358	-	3,571,190
Intercompany sales	57,103	-	(57,103)	-
Sales from contracts with customers	2,293,935	1,334,358	(57,103)	3,571,190
Cost of sales	(2,181,941)	(1,283,897)	56,920	(3,408,918)
Gross Profit	111,994	50,461	(183)	162,272
<i>Gross Profit %</i>	<i>4.88%</i>	<i>3.78%</i>		<i>4.54%</i>
Sales and marketing costs	(41,229)	(11,563)	-	(52,792)
Overheads and administrative costs	(65,855)	(19,273)	17	(85,111)
Impairment loss/reversal of financial assets	(525)	(125)		(650)
Operating income (EBIT)	4,385	19,500	(166)	23,719
<i>EBIT %</i>	<i>0.19%</i>	<i>1.46%</i>		<i>0.66%</i>
Finance costs - net				(4,541)
Profit before income taxes				19,178
Income tax expenses				(5,021)
Net income				14,157
- of which attributable to non-controlling interests				127
- of which attributable to Group				14,030
Depreciation and amortisation	3,341	821	527	4,689
Other non-cash items	12,418	108	-	12,526
Investments	2,749	317	-	3,066
Total assets	1,012,174	585,994	(185,595)	1,412,573

(euro/000)	Q4 2019			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	822,774	518,036	-	1,340,810
Intercompany sales	12,137	-	(12,137)	-
Sales from contracts with customers	834,911	518,036	(12,137)	1,340,810
Cost of sales	(798,891)	(497,155)	12,065	(1,283,981)
Gross Profit	36,020	20,881	(72)	56,829
<i>Gross Profit %</i>	<i>4.31%</i>	<i>4.03%</i>		<i>4.24%</i>
Sales and marketing costs	(11,247)	(2,970)	-	(14,217)
Overheads and administrative costs	(16,092)	(5,355)	9	(21,438)
Impairment loss/reversal of financial assets	263	(39)	-	224
Operating income (EBIT)	8,944	12,517	(63)	21,398
<i>EBIT %</i>	<i>1.07%</i>	<i>2.42%</i>		<i>1.60%</i>
Finance costs - net				(3,923)
Profit before income taxes				17,475
Income tax expenses				(4,789)
Net income				12,686
- of which attributable to non-controlling interests				229
- of which attributable to Group				12,457
Depreciation and amortisation	2,623	789	145	3,557
Other non-cash items	(2,856)	(69)	-	(2,925)
Investments	943	54	-	997
Total assets	1,208,926	559,905	(81,671)	1,687,160

(euro/000)	Q4 2018			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	753,090	508,299		1,261,389
Intercompany sales	18,288	-	(18,288)	-
Sales from contracts with customers	771,378	508,299	(18,288)	1,261,389
Cost of sales	(740,703)	(487,614)	18,066	(1,210,251)
Gross Profit	30,675	20,685	(222)	51,138
<i>Gross Profit %</i>	<i>3.98%</i>	<i>4.07%</i>		<i>4.05%</i>
Sales and marketing costs	(10,553)	(3,001)	-	(13,554)
Overheads and administrative costs	(23,727)	(5,120)	4	(28,843)
Impairment loss/reversal of financial assets	(102)	26		(76)
Operating income (EBIT)	(3,707)	12,590	(218)	8,665
<i>EBIT %</i>	<i>-0.48%</i>	<i>2.48%</i>		<i>0.69%</i>
Finance costs - net				(893)
Profit before income taxes				7,772
Income tax expenses				(1,953)
Net income				5,819
- of which attributable to non-controlling interests				(26)
- of which attributable to Group				5,845
Depreciation and amortisation	801	210	156	1,167
Other non-cash items	9,807	(9)	-	9,798
Investments	403	96	-	499
Total assets	1,012,174	585,994	(185,595)	1,412,573

Statement of financial position by operating segment

(euro/000)	31/12/2019			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
ASSETS				
Non-current assets				
Property, plant and equipment	8,956	2,666	-	11,622
Right-of-use assets	74,573	17,527	-	92,100
Goodwill	21,569	68,106	1,039	90,714
Intangible assets	332	148	-	480
Investments in others	75,853	-	(75,853)	-
Deferred income tax assets	8,011	5,853	123	13,987
Receivables and other non-current assets	2,872	302	-	3,174
	192,166	94,602	(74,691)	212,077
Current assets				
Inventory	343,976	153,785	(406)	497,355
Trade receivables	331,050	139,524	-	470,574
Income tax assets	1,389	803	-	2,192
Other assets	45,378	2,381	(6,574)	41,185
Cash and cash equivalents	294,967	168,810	-	463,777
	1,016,760	465,303	(6,980)	1,475,083
Disposal groups assets	-	-	-	-
Total assets	1,208,926	559,905	(81,671)	1,687,160
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	284,346	61,634	(20,469)	325,511
Group net income	7,930	13,642	103	21,675
Group net equity	300,137	129,969	(75,059)	355,047
Non-controlling interests	2,459	(5)	(37)	2,417
Total equity	302,596	129,964	(75,096)	357,464
LIABILITIES				
Non-current liabilities				
Borrowings	22,264	38,751	-	61,015
Lease liabilities	73,523	17,036	-	90,559
Deferred income tax liabilities	3,284	6,533	-	9,817
Retirement benefit obligations	4,680	-	-	4,680
Provisions and other liabilities	2,085	309	-	2,394
	105,836	62,629	-	168,465
Current liabilities				
Trade payables	755,257	333,674	-	1,088,931
Short-term financial liabilities	24,210	11,683	-	35,893
Lease liabilities	2,774	1,081	-	3,855
Income tax liabilities	31	2,134	-	2,165
Provisions and other liabilities	18,222	18,740	(6,575)	30,387
	800,494	367,312	(6,575)	1,161,231
Disposal groups liabilities	-	-	-	-
Total liabilities	906,330	429,941	(6,575)	1,329,696
Total equity and liabilities	1,208,926	559,905	(81,671)	1,687,160

(euro/000)	31/12/2018			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
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
Derivative financial assets	-	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

9. 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.

10. Significant non-recurring events and operations

In 2019, no non-recurring items were identified.

In the corresponding period of 2018, the following were identified as non-recurring items:

- the significant and unusual recognition of a negative gross loss of Euro 8.6 million on some product classes of the "Sport Technology" resulting from two factors: (i) an unexpected rapid drop in public prices verified in the fourth quarter of 2018 combined with the loss of protection mechanisms guaranteed by an importer supplier following its placement into liquidation (reduction in prices which also involved a significant adjustment to the presumed realisable value of inventories) and (ii) the disputes which arose with said importer supplier relating to the nature and/or amount of the reciprocal contractual rights;
- the estimated reduction of Euro 8.7 million in the total value of the receivables due to Esprinet S.p.A. from the aforementioned supplier for amounts stemming from the advances granted in respect of the supplies of goods entrusted to factories located predominantly in China and credit notes (withdrawal of products under warranty, repositioning and coverage from fluctuations in public prices etc.).

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

(euro/000)	Charge type	12 months 2019	12 months 2018	Var.	Q4 2019	Q4 2018	Var.
Gross Profit		-	(8.417)	8.417	-	(7.318)	7.318
Overheads and administrative costs	Value adjustments on receivables from suppliers	-	(8.823)	8.823	-	(8.823)	8.823
Total SG&A	Total SG&A	-	(8.823)	8.823	-	(8.823)	8.823
Operating income (EBIT)	Operating income (EBIT)	-	(17.240)	17.240	-	(16.141)	16.141
Profit before income taxes	Profit before income taxes	-	(17.240)	17.240	-	(16.141)	16.141
Income tax expenses	Non -recurring events impact		4.401	(4.401)	-	4.137	(4.137)
Net income / (loss)	Net income / (loss)	-	(12.839)	12.839	-	(12.004)	12.004

11. 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 should be noted that the agreement made provision for: (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.

Acquisition of 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 4Side company at the transfer date plus a fixed goodwill of Euro 0.4 million.

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 deed was signed on 20 March 2019.

Annual Shareholders' Meeting of the parent company Esprinet S.p.A.

On 8 May 2019, Esprinet's Shareholders' Meeting approved the separate financial statements for the fiscal year ended as at 31 December 2018 and the distribution of a dividend of Euro 0.135 per ordinary share, corresponding to a pay-out ratio of 49%⁵.

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 No. 58/1998;
- authorised, subject to prior revocation of former authorisation resolved on the Shareholders' Meeting of 4 May 2018, the acquisition and disposal of own shares according to Art. 2357 and subs. of Italian Civil Code, Art. 132 of Legislative Decree No. 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 assignment of the audit engagement, including therein a limited audit of the condensed half-yearly financial statements, for the years 2019 to 2027, pursuant to Legislative Decree No. 39/2010 and Regulation (EU) no. 537/2014 - to PricewaterhouseCoopers S.p.A..

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

In 2019, 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 Euro 47.0 million of which Euro 34.0 million in favour of Esprinet Iberica and Euro 13.0 million in favour of Vinzeo.

⁵ Based on Esprinet Group's consolidated net profit

Waiver to exercise the option on minority interests of Celly S.p.A. and 5% increase in the relevant shareholding

In June 2019 the Board of Directors of Esprinet S.p.A. approved to waive the exercise of the European 'call option' on the 20% of the share capital of Celly S.p.A. by accepting as consideration a 5% share in Celly's equity.

This transfer was carried out on 13 September 2019.

Share buy-back programme

Upon commencement of the share buy-back program, which was resolved by the Esprinet S.p.A. Shareholders' Meeting of 8 May 2019, in the period between 1 July 2019 and 31 December 2019, the Company purchased a total of 1,145,008 ordinary shares of Esprinet S.p.A. (equal to 2.18% of the share capital), at an average purchase price of Euro 3.36 per share, net of fees.

Following these purchases, as at 31 December 2019, Esprinet S.p.A. owns 2,295,008 own shares (or 4.38% of share capital).

Financial structure strengthening

On 30 September, Esprinet S.p.A. signed a 3-year unsecured RCF-Revolving Credit Facility with a pool of Italian and international banks for a total amount of Euro 152.5 million. This transaction was closed after the full repayment of the previous pool loan, which was outstanding for Euro 72.5 million, given the revolving credit line of Euro 65.0 million granted was not drawn down.

This loan is supported by a set of financial covenants, which are typical for this kind of transaction:

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

In addition, on 7 November 2019 the subsidiary Vinzeo Technologies S.A.U. was granted two 5-year loans with a total amount of Euro 10.0 million from two Spanish banks.

As a result of the new pool loan and the medium-term loans granted or approved within the period for a total amount of Euro 72.0 million, the Group financial structure was completed.

Striking off of Celly Nordic OY in liquidation from the Companies Register

On 31 October 2019, the company Celly Nordic OY, already in liquidation as at 30 September 2019 and wholly owned by Celly S.p.A., was struck off from the Finnish Companies Register.

Developments in legal disputes

With reference to the writ of summons served on 6 February 2019 from the long-standing supplier of the 'Sport Technology' products line, with respect to information disclosed in the Financial Statements as at 31 December 2018, it should be highlighted that on 21 May 2019 the Liquidator of the above-mentioned supplier filed a preliminary application for a voluntary arrangement with creditors with the competent Court in accordance with Art. 161, paragraph 6, of the Bankruptcy Law. Subsequent to the procedure opening, 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 of the Bankruptcy Law, with respect to which no further developments are known.

Developments in tax disputes

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

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, with a total amount of Euro 18.7 million, 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 statement are as follows:

- On 12 February 2019, the Regional Tax Commission issued an adverse appeal judgement for the year 2011 (disputed tax amounts to Euro 1.0 million) against which the Company has filed 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 Euro 0.1 million) against which the Company filed an appeal with the Regional Tax Commission on 10 June 2019. The hearing was held on 29 January 2020 and a judgment is pending;
- 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 Euro 3.1 million) and was favourable to the Company;
- 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 amounts to Euro 2.8 million) thanks to a favourable decision from the Regional Tax Commission of 23 March 2018, which became final since the Italian Revenue Office did not appeal;
- On 11 November 2019, as set forth in the administrative procedure, the Company paid an advance of Euro 6.2 million in relation to the dispute concerning the 2013 tax year (disputed tax of Euro 14.5 million). The first instance hearing was set for 25 March 2020.

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 Euro 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. The Regional Tax Commission hearing was held on 22 January 2020 and a judgment is pending.

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 (Articles 6 and 7 of Decree Law No. 119/2018) with reference to assessment notices relating to Ires, Irap and VAT 2006 (disputed tax amounts to Euro 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 Euro 0.1 million.

On 23 July 2019, an overall tax inspection was commenced relating to tax year 2016 for direct taxes, IRAP and VAT with respect to Mosaico S.r.l., which was merged into Esprinet S.p.A. on 1 November 2018, following which a report on findings was issued.

In consideration of the findings and of the small amounts involved, Mosaico S.r.l. filed a voluntary correction return and at the same time paid the small amount of 10 thousand euro.

12. Subsequent events

Relevant events occurred after period end are briefly described below:

Share buy-back programme

In continuation of the share buy-back programme, which was resolved by the Esprinet S.p.A. Shareholders' meeting of 8 May 2019, in the period between 1 January 2020 and 13 February 2020, the Company purchased a total of 262,000 ordinary shares of Esprinet S.p.A. (equal to 0.50% of the share capital), at an average purchase price of Euro 5.03 per share, net of fees.

Following these purchases, Esprinet S.p.A. held 2,557,008 own shares (or 4.88% of share capital) as of the date of this report. A total of 63,209 shares, equal to 0.12% of the share capital are needed to complete the buy-back programme.

Developments in tax disputes

For a better presentation, developments in tax disputes occurred after the period under review are disclosed under the paragraph 'significant events occurring in the period'.

Vimercate, 13 February 2020

Of behalf of the Board of Directors
The Chairman
Maurizio Rota

13. Declaration of the officer responsible for financial reports

DECLARATION EX ART. 154-bis, paragraph 2 of the TUF (Finance Consolidation Act)

SUBJECT: Interim management statement as at 31 December 2019

The undersigned Pietro Aglianò, the manager responsible for preparing the accounting documents of

ESPRINET S.p.A.

in accordance with the provisions set forth in Art. 154-bis of the "Finance Consolidation Act"

HEREBY DECLARES

that the Interim management statement as at 31 December 2019 corresponds to the accounting documents, books and records.

Vimercate, 13 February 2020

The Officer in charge of drawing up financial reports

(Pietro Aglianò)