Esprinet Group

Interim management statement as at 30 September 2019

Approved by the Board of Directors on 13 November 2019

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159 R.E.A. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 30/09/2019: Euro 7,860,651
www.esprinet.com - info@esprinet.com

Company Officers

Board of Directors:

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

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

Notes:

(InD): Independent Director
(CRC): Control and Risk Committee
(RAC): Remuneration and Nomination Committee
(SC): Strategy Committee
(CSC): Competitiveness and Sustainability Committee

Board of Statutory Auditors:

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

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

Independent Auditor:

(Mandate expiring with approval of accounts for the year ending 31 December 2027)

PricewaterhouseCoopers S.p.A.

Waiver of obligation to provide information on extraordinary transactions

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

CONTENTS

1. Notes on financial performance for the period

(euro/000)	9 months							Q3					
	notes	2019	%	2018 *	notes	%	% var. 19/18	2019	%	2018	notes	%	% var. 19/18
Profit & Loss													
Sales from contracts with customers		2,611,054	100.0%	2,309,801		100.0%	13%	893,569	100.0%	771,642		100.0%	16%
Gross profit		118,697	4.5%	111,134		4.8%	7%	37,618	4.2%	34,182		4.4%	10%
EBITDA	(1)	30,650	1.2%	18,576	(1)	0.8%	65%	10,012	1.1%	5,310		0.7%	89%
Operating income (EBIT)		20,646	0.8%	15,054		0.7%	37%	6,663	0.7%	4,117		0.5%	62%
Profit before income tax		13,297	0.5%	11,406		0.5%	17%	3,059	0.3%	2,872		0.4%	7%
Net income		9,358	0.4%	8,338		0.4%	12%	1,781	0.2%	2,147		0.3%	-17%
Financial data													
Cash flow	(2)	19,360		11,860	(2)								
Gross investments		1,855		2,567									
Net working capital	(3)	334,002		(2,224)	(3)								
Operating net working capital	(4)	347,308		10,443	(4)								
Fixed assets	(5)	211,429		118,502	(5)								
Net capital employed	(6)	528,841		101,855	(6)								
Net equity		345,275		342,898									
Tangible net equity	(7)	163,054		251,579	(7)								
Net financial debt	(8)	183,566		(241,044)	(8)								
Main indicators													
Net financial debt / Net equity		0.5		(0.7)									
Net financial debt / Tangible net equity		1.1		(1.0)									
EBIT / Finance costs - net		2.8		4.1									
EBITDA / Finance costs - net		4.2		5.1									
Net financial debt/ EBITDA	(9)	4.5		(8.4)									
ROCE	(10)	8.3%		6.9%	(10)								
Operational data													
N. of employees at end-period		1,293		1,250									
Avarage number of employees	(11)	1,278		1,249	(11)								
Earnings per share (euro)													
- Basic		0.18		0.16			13%	0.04		0.04			0%
- Diluted		0.18		0.16			13%	0.03		0.04			-25%

(*) Financial data indicators are calculated on 31 December 2018 figures.

(1) EBITDA is equal to the operating profit (EBIT) gross of amortisation, depreciation and write-downs.
(2) Sum of consolidated net profit and amortisation & depreciation.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of net current financial debts.
(4) Sum of trade receivables, inventory and trade payables.
(5) Equal to non-current assets net of non-current derivative financial assets.
(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.
(7) Equal to net equity less goodwill and intangible assets.
(8) Sum of financial payables, financial liabilities for leasing, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.
(9) 12-month rolling EBITDA for 2019.
(10) Calculated as the ratio of (i) 12-month rolling operating profit (EBIT) net of non-recurring items, the effects of IFRS 16 and taxes calculated at the effective tax rate of the latest issued consolidated financial statements, to (ii) average invested capital (calculated as the sum of net working capital and fixed capital) at the closing date of the period under review and the four preceding quarters.
(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 July 27, 2001.

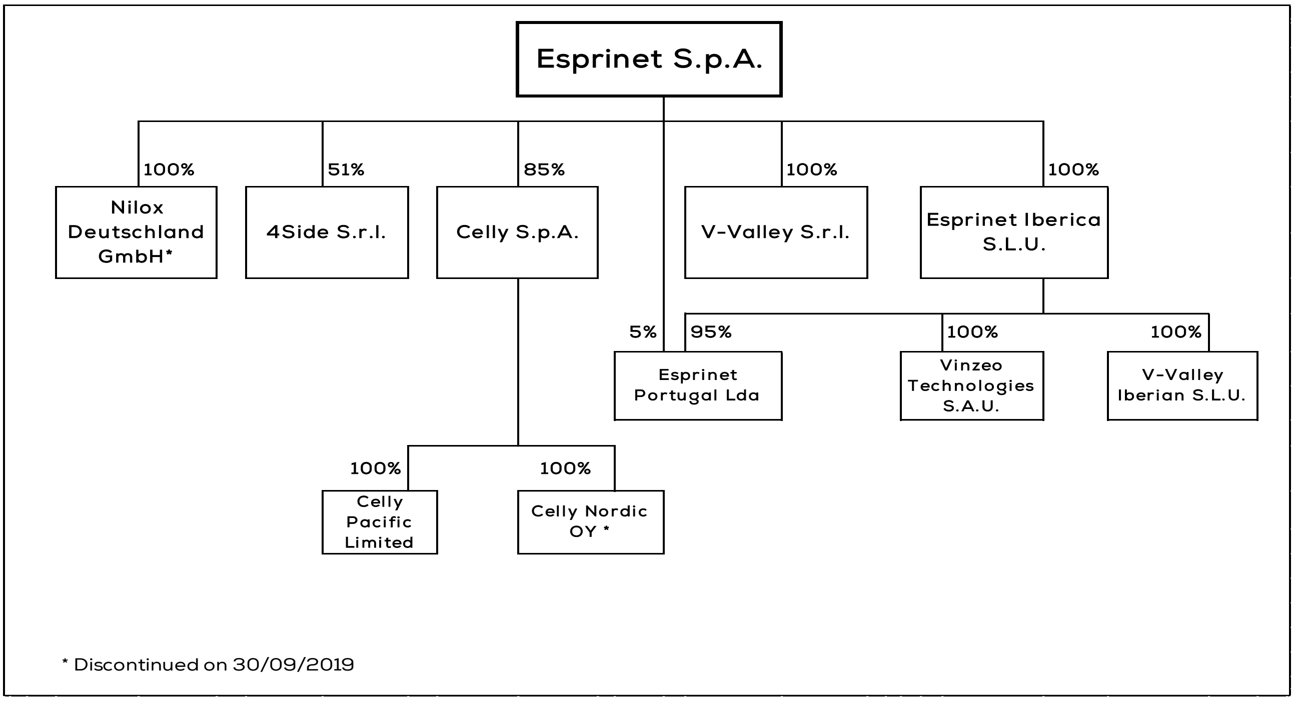
Due to this, the Esprinet Group consolidated interim management statement as at 30 September 2019, non-audited, has been drawn up as per Article 154-ter, paragraph 5 (Financial reports), of the Legislative Decree No. 58/1998 (T.U.F. - Finance Consolidation Act).

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 30 September 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, 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 subsidiaries:

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

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

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

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

2.3 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 30 September 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.	Zaragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	100,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
4Side S.r.l.	Legnano (MI)	100,000	51.00%	Esprinet S.p.A.	51.00%
Subsidiaries indirectly controlled:					
Celly Nordic OY	Helsinki (Finland)	2,500	85.00%	Celly S.p.A.	100.00%
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.	95.00%
				Esprinet S.p.A.	5.00%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Zaragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

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

Compared with 31 December 2018, 4Side S.r.l. entered the scope of consolidation, the 51% of which was acquired on 20 March 2019, while on 13 September 2019 the shareholdings in the subsidiary Celly S.p.A. grew from 80% to 85%.

Compared with 30 September 2018, during the month of November 2018 the following mergers occurred, with no significant impacts on the consolidation scope, since the involved companies were already directly or indirectly wholly owned by Esprinet S.p.A.:

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

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

[1] With the exception of Celly Nordic OY and 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 this interim period, as permitted by IAS 34, income taxes were calculated based on the best estimate of the tax burden expected for the entire financial year. On the contrary, in the annual consolidated financial statement, current taxes have been calculated specifically based on the tax rates in force at the closing date of the financial statement.
Prepaid and deferred taxes have been instead estimated based on the tax rates expected to be in force at the time when the relevant assets or liabilities will be realised or settled.
Figures in this document are expressed in thousands of euro, unless otherwise indicated.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.5 Amendments of 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 30 September 2018. Application of the standard on 1 January 2019 resulted in the recognition by the Group of a 'right to use' the assets and a corresponding financial liability of approximately 97.3 million euro.

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 30 September 2019:

(euro/000)	30.09.2019 Published	30.09.2019 Pre-IFRS 16	IFRS 16 Impact
ASSETS			
Non-current assets			
Property, plant and equipment	11,808	11,808	-
Right-of-use assets	91,014	-	91,014
Goodwill	90,714	90,714	-
Intangible assets	492	492	-
Deferred income tax assets	15,123	15,102	21
Receivables and other non-current assets	3,248	3,248	-
	212,399	**121,364**	**91,035**
Current assets			
Inventory	503,182	503,182	-
Trade receivables	364,336	364,336	-
Income tax assets	1,997	2,132	(135)
Other assets	27,581	28,941	(1,360)
Cash and cash equivalents	65,201	65,201	-
	962,297	**963,792**	**(1,495)**
Disposal groups assets	-	-	-
Total assets	**1,174,696**	**1,085,156**	**89,540**
EQUITY			
Share capital	7,861	7,861	-
Reserves	326,022	326,034	(12)
Group net income	9,217	9,143	74
Group net equity	**343,100**	**343,038**	**62**
Non-controlling interests	2,175	2,179	(4)
Total equity	**345,275**	**345,217**	**58**
LIABILITIES			
Non-current liabilities			
Borrowings	41,394	41,394	-
Lease liabilities	83,890	-	83,890
Deferred income tax liabilities	9,576	9,576	-
Retirement benefit obligations	4,788	4,788	-
Provisions and other liabilities	2,226	2,226	-
	141,874	**57,984**	**83,890**
Current liabilities			
Trade payables	520,210	521,503	(1,293)
Short-term financial liabilities	127,782	127,782	-
Lease liabilities	6,885	-	6,885
Income tax liabilities	968	968	-
Derivative financial liabilities	587	587	-
Debts for investments in subsidiaries	-	-	-
Provisions and other liabilities	31,115	31,115	-
	687,547	**681,955**	**5,592**
Disposal groups liabilities	-	-	-
Total liabilities	**829,421**	**739,939**	**89,482**
Total equity and liabilities	**1,174,696**	**1,085,156**	**89,540**

(euro/000)	9 months 2019 Published	9 months 2019 Pre-IFRS 16	IFRS 16 Impact
Sales from contracts with customers	**2,611,054**	**2,611,054**	**-**
Cost of sales	(2,492,357)	(2,492,357)	-
Gross profit	**118,697**	**118,697**	**-**
Sales and marketing costs	(38,222)	(40,002)	1,780
Overheads and administrative costs	(59,048)	(59,520)	472
Impairment loss/reversal of financial assets	(781)	(781)	-
Operating income (EBIT)	**20,646**	**18,394**	**2,252**
Finance costs - net	(7,349)	(5,301)	(2,048)
Profit before income taxes	**13,297**	**13,093**	**204**
Income tax expenses	(3,939)	(3,816)	(123)
Net income	**9,358**	**9,277**	**81**

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

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

- In the income statement: an improvement in the EBIT due to the elimination of the rental charges and the recognition of (i) the depreciation of the right-of-use assets and (ii) the financial expenses on the recorded payable.

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

The impact of the IFRS 16 adoption may be subject to changes till the Group's 2019 Annual Financial Report is published.

3. Consolidated income statement and notes

3.1 Consolidated income statement

Below is the consolidated income statement, showing revenues by 'function' in accordance with the IFRS, along with the additional information required under CONSOB Resolution No. 15519 of 27 July 2006:

(euro/000)	Notes	9 months 2019	non - recurring	related parties*	9 months 2018	non - recurring	related parties*
Sales from contracts with customers	33	**2,611,054**	**-**	4	**2,309,801**	**-**	7
Cost of sales		(2,492,357)	-	-	(2,198,667)	(1,099)	-
Gross profit	35	**118,697**	**-**		**111,134**	**(1,099)**	
Sales and marketing costs	37	(38,222)	-	-	(39,238)	-	-
Overheads and administrative costs	38	(59,048)	-	(3,834)	(56,268)	-	(3,675)
Impairment loss/reversal of financial assets	39	(781)	-		(574)	-	
Operating income (EBIT)		**20,646**	**-**		**15,054**	**(1,099)**	
Finance costs - net	42	(7,349)	-	10	(3,648)	-	4
Profit before income taxes		**13,297**	**-**		**11,406**	**(1,099)**	
Income tax expenses	45	(3,939)	-	-	(3,068)	264	-
Net income		**9,358**	**-**		**8,338**	**(835)**	
- of which attributable to non-controlling interests		140			153		
- of which attributable to Group		9,218	-		8,185	(835)	
Earnings per share - basic (euro)	46	0.18			0.16		
Earnings per share - diluted (euro)	46	0.18			0.16		

(euro/000)	Notes	Q3 2019	non - recurring	related parties*	Q3 2018	non - recurring	related parties*
Sales from contracts with customers	33	**893,569**	**-**	-	**771,642**	**-**	2
Cost of sales		(855,951)	-	-	(737,460)	(1,099)	-
Gross profit	35	**37,618**	**-**		**34,182**	**(1,099)**	
Sales and marketing costs	37	(12,219)	-	-	(12,434)	-	-
Overheads and administrative costs	38	(18,742)	-	(1,276)	(17,557)	-	(1,228)
Impairment loss/reversal of financial assets	39	6	-		(74)	-	
Operating income (EBIT)		**6,663**	**-**		**4,117**	**(1,099)**	
Finance costs - net	42	(3,604)	-	3	(1,245)	-	2
Profit before income taxes		**3,059**	**-**		**2,872**	**(1,099)**	
Income tax expenses	45	(1,278)	-	-	(725)	264	-
Net income		**1,781**	**-**		**2,147**	**(835)**	
- of which attributable to non-controlling interests		(120)	-		88	-	
- of which attributable to Group		1,901	-		2,059	(835)	
Earnings per share - basic (euro)	46	0.04			0.04		
Earnings per share - diluted (euro)	46	0.04			0.04		

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

3.2 Consolidated statement of comprehensive income

(euro/000)	9 months 2019	9 months 2018	Q3 2019	Q3 2018
Net income	**9,358**	**8,338**	**1,781**	**2,147**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	(47)	166	53	171
- Taxes on changes in 'cash flow hedge' equity reserve	11	(44)	27	(40)
- Changes in translation adjustment reserve	0	6	2	1
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	(347)	159	(139)	24
- Taxes on changes in 'TFR' equity reserve	97	(35)	39	(5)
Other comprehensive income	**(285)**	**252**	**(17)**	**151**
Total comprehensive income	**9,073**	**8,590**	**1,764**	**2,298**
- of which attributable to Group	8,948	8,427	1,891	2,210
- of which attributable to non-controlling interests	125	163	(127)	88

3.3 Notes on financial performance of the Group

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2019 AND OF THE THIRD QUARTER OF 2019

It should be highlighted that the scope of consolidation as at 30 September 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 2,611.1 million euro, showed an increase of +13% compared with 2,309.8 million euro as of 30 September 2018. In the third quarter, sales increased by +16% compared with the same period of the previous year (893.6 million euro vs € 771.6 million euro).

The gross profit totalled 118.7 million euro and showed an increase of +7% compared with 30 September 2018 (+4% excluding 1.1 million euro of non-recurring charges, entirely accrued in the third quarter 2018, from the 2018 result, and the positive contribution of 1.5 million euro from the company 4Side S.r.l. from the 2019 result, while the first-time application of IFRS 16 had no impact) as a consequence of higher sales, counterbalanced by a decrease in gross profit margin. In the third quarter, Gross profit, equal to 37.6 million euro, increased by +10% compared with the same period of previous year (or +6% net of non-recurring charges and of 0.3 million euro contribution of 4Side S.r.l.).

Operating income (EBIT), equal to 20.6 million euro, showed an increase of +37% compared with 30 September 2018 (15.1 million euro), with an EBIT margin increased to 0.79% from 0.65% as at 30 September 2018, due to both an increase in the gross profit and a less than proportional increase in operating costs. In the third quarter, EBIT, equal to 6.7 million euro, increased by +62% compared with the third quarter 2018, with an EBIT margin increase from 0.53% to 0.75%. Net of the improvement from the first-time adoption of IFRS 16 (leading to a reversal of lease rentals against lower depreciation rates on related right-of-use assets), the positive contribution of the company 4Side S.r.l. for 0.3 million euro and non-recurring charges booked in 2018, EBIT still shows an improvement of +12% (+18% in the third quarter 2019 where the company 4Side S.r.l. showed and operating loss of 0.3 million euro).

Profit before income taxes, equal to 13.3 million euro, showed an increase of +17% compared with 30 September 2018 (lower than the +37% in EBIT) as a consequence of higher financial charges mainly from interest expense due to the first-time recognition of lease liabilities (equal to 90.8 million euro as at 30 September 2019), pursuant to IFRS 16 and from charges relating to the early repayment of the existing pool loan for 72.5 million euro. Net of this interest cost pursuant to IFRS 16 and of the positive impact (€ 0.3 million) of the company 4Side S.r.l., the profit before income taxes was equal to € 12.8 million (€ 3.3 million in the third quarter 2019), with an increase of +2% (-18% in the third quarter 2019), taking into account non-recurring charges booked in the comparative periods of 2018.

Net income, equal to 9.4 million euro, showed an increase of +12% compared with 30 September 2018 (in line with the result of the first nine months of 2018, if considering the same scope and excluding 0.8 million euro of non-recurring charges, net of relative estimated taxes). In the third quarter 2019, all the rest being equal, net profit totalled 2.1 million euro compared with 3.0 million euro in the third quarter of 2018, also as a consequence of a significantly high tax rate, as a consequence of inability to take advantage of tax losses of the subsidiaries in liquidation.

Basic earnings per ordinary share, equal to 0.18 euro, showed an increase of +13% compared with the value at 30 September 2018 (0.16 euro). In the third quarter, basic earnings per ordinary share was 0.04 euro, in line with the same quarter of 2018.

The Group's main earnings, financial and net assets position as at 30 September 2019 and of the third quarter 2019 are hereby summarised:

(euro/000)	9 months 2019	9 months 2018	Var. %
Sales from contracts with customers	**2,611,054**	**2,309,801**	***13%***
Cost of sales	(2,492,357)	(2,198,667)	*13%*
Gross profit	**118,697**	**111,134**	***7%***
Gross Profit %	*4.55%*	*4.81%*	
Sales and marketing costs	(38,222)	(39,238)	*-3%*
Overheads and administrative costs	(59,048)	(56,268)	*5%*
Impairment loss/reversal of financial assets	(781)	(574)	*36%*
Operating income (EBIT)	**20,646**	**15,054**	***37%***
EBIT %	*0.79%*	*0.65%*	
Finance costs - net	(7,349)	(3,648)	*101%*
Profit before income taxes	**13,297**	**11,406**	***17%***
Income tax expenses	(3,939)	(3,068)	*28%*
Net income	**9,358**	**8,338**	***12%***
Earnings per share - basic (euro)	0.18	0.16	13%

(euro/000)	Q3 2019	Q3 2018	Var. %
Sales from contracts with customers	**893,569**	**771,642**	***16%***
Cost of sales	(855,951)	(737,460)	*16%*
Gross profit	**37,618**	**34,182**	***10%***
Gross profit %	*4.21%*	*4.43%*	
Sales and marketing costs	(12,219)	(12,434)	*-2%*
Overheads and administrative costs	(18,742)	(17,557)	*7%*
Impairment loss/reversal of financial assets	6	(74)	*-108%*
Operating income (EBIT)	**6,663**	**4,117**	***62%***
EBIT %	*0.75%*	*0.53%*	
Finance costs - net	(3,604)	(1,245)	*189%*
Profit before income taxes	**3,059**	**2,872**	***7%***
Income tax expenses	(1,278)	(725)	*76%*
Net income	**1,781**	**2,147**	***-17%***
Earnings per share - basic (euro)	0.04	0.04	0%

For a better comparison with the first nine months and third quarter 2018, the Group's main financial results are shown below using the adjusted figures at 30 September 2019 without the IFRS 16 impact:

(euro/000)	9 months 2019 Pre-IFRS 16	9 months 2018	Var. %
Sales from contracts with customers	**2,611,054**	**2,309,801**	***13%***
Cost of sales	(2,492,357)	(2,198,667)	*13%*
Gross Profit	**118,697**	**111,134**	***7%***
Gross Profit %	*4.55%*	*4.81%*	
Sales and marketing costs	(40,002)	(39,238)	*2%*
Overheads and administrative costs	(59,520)	(56,268)	*6%*
Impairment loss/reversal of financial assets	(781)	(574)	*36%*
Operating income (EBIT)	**18,394**	**15,054**	***22%***
EBIT %	*0.70%*	*0.65%*	
Finance costs - net	(5,301)	(3,648)	*45%*
Profit before income taxes	**13,093**	**11,406**	***15%***
Income tax expenses	(3,816)	(3,068)	*24%*
Net income	**9,277**	**8,338**	***11%***

(euro/000)	Q3 2019 Pre-IFRS 16	Q3 2018	Var. %
Sales from contracts with customers	**893,569**	**771,642**	***16%***
Cost of sales	(855,951)	(737,460)	*16%*
Gross Profit	**37,618**	**34,182**	***10%***
Gross Profit %	*4.21%*	*4.43%*	
Sales and marketing costs	(12,816)	(12,434)	*3%*
Overheads and administrative costs	(18,916)	(17,557)	*8%*
Impairment loss/reversal of financial assets	6	(74)	*-108%*
Operating income (EBIT)	**5,892**	**4,117**	***43%***
EBIT %	*0.66%*	*0.53%*	
Finance costs - net	(2,914)	(1,245)	*134%*
Profit before income taxes	**2,978**	**2,872**	***4%***
Income tax expenses	(1,233)	(725)	*70%*
Net income	**1,745**	**2,147**	***-19%***

Consolidated net working capital was equal to 347.3 million euro compared with 10.4 million euro as at 31 December 2018;

Net financial position as at 30 September 2019, negative by 183.6 million euro, and in line with figures at 30 June 2019 (negative by 183.1 million euro), included 90.8 million euro of lease liabilities not recorded as at 31 December 2018 as they arose from the first-time adoption of the IFRS 16, compared with a cash surplus of 241.0 million euro as at 31 December 2018 (negative by 120.8 million euro as at 30 September 2018). Nevertheless, the worse net financial position was mainly due to the level of net working capital as at 30 September 2019 which in turn was influenced by technical and seasonal events and by the level of utilisation of both 'without-recourse' factoring programmes referring to the trade receivables and the securitization programme.

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

Taking into account other technical forms of cash advances other than 'without-recourse assignment', but showing the same effects – such as 'confirming' used in Spain –, the overall impact on financial debt at 30 September 2019 was approx. 311.3 million euro (596.7 million euro as at 31 December 2018 and 343.2 million euro as at 30 September 2018).

Net equity as at 30 September 2019, equal to 345.3 million euro, showed an increase compared with 342.9 million euro as at 31 December 2018.

(euro/000)	30/09/2019	31/12/2018
Fixed assets	211,429	118,502
Operating net working capital	347,308	10,443
Other current assets/liabilities	(13,306)	(12,667)
Other non-current assets/liabilities	(16,590)	(14,424)
Total uses	**528,841**	**101,854**
Short-term financial liabilities	127,782	138,311
Lease liabilities	6,886	-
Current financial (assets)/liabilities for derivatives	587	610
Financial receivables from factoring companies	(1,508)	(242)
Current debts for investments in subsidiaries	-	1,082
Other current financial receivables	(9,293)	(10,881)
Cash and cash equivalents	(65,201)	(381,308)
Net current financial debt	59,253	(252,428)
Borrowings	41,394	12,804
Lease liabilities	83,889	-
Other non - current financial receivables	(970)	(1,420)
Net financial debt (A)	183,566	(241,044)
Net equity (B)	345,275	342,898
Total sources of funds (C=A+B)	**528,841**	**101,854**

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

(euro/000)	30/09/2019 Pre - IFRS 16	31/12/2018
Fixed assets	120,393	118,502
Operating net working capital	346,014	10,443
Other current assets/liabilities	(11,809)	(12,667)
Other non-current assets/liabilities	(16,590)	(14,424)
Total uses	**438,008**	**101,855**
Short-term financial liabilities	127,782	138,311
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	587	610
Financial receivables from factoring companies	(1,508)	(242)
Current debts for investments in subsidiaries	-	1,082
Other financial receivables	(9,293)	(10,881)
Cash and cash equivalents	(65,201)	(381,308)
Net current financial debt	52,367	(252,428)
Borrowings	41,394	12,804
Lease liabilities	-	-
Other financial receivables	(970)	(1,420)
Net Financial debt (A)	92,791	(241,044)
Net equity (B)	345,217	342,898
Total sources of funds (C=A+ B)	**438,008**	**101,855**

MAIN CONSOLIDATED RESULTS BY GEOGRAPHICAL AREA

Subgroup Italy[2]

Sales from contracts with customers, equal to 1,729.4 million euro, showed an increase of +14% compared with 1,522.6 million euro as of 30 September 2018. In the third quarter 2019, sales showed an increase of +19% compared with the third quarter 2018.

The gross profit totalled 87.0 million euro and showed an increase of +7% compared with 81.3 million euro as at 30 September 2018 (+4% excluding 1.1 million euro of non-recurring charges, entirely accrued in the third quarter 2018, from the 2018 result, and the positive contribution of 1.5 million from the company 4Side S.r.l. from the 2019 result) with a gross profit margin equal to 5.03% (5.34% as at 30 September 2018). In the third quarter, Gross profit, equal to 27.7 million euro, increased by +13% compared with the third quarter 2018 (or +7% net of non-recurring charges and of 0.3 million euro contribution of 4Side S.r.l.).

Operating income (EBIT), equal to 12.7 million euro, showed an increase of +57% compared to 30 September 2018, with an EBIT margin, equal to 0.73%, increased vs 0.53% of 30 September 2018. In the third quarter 2019, EBIT showed an increase of +157% reaching 4.3 million euro compared with 1.7 million euro of the third quarter 2018, with an EBIT margin of 0.75% compared with 0.35% of the same period of 2018. Net of the benefit from the first-time adoption of IFRS 16, the positive contribution of the company 4Side S.r.l. for 0.3 million euro in 2019 and non-recurring charges booked in 2018, EBIT shows an improvement of +14% (+42% in the third quarter 2019 when the company 4Side S.r.l. showed a decrease of 0.3 million euro).

Operating net working capital is equal to 255.9 million euro compared with 48.4 million euro as at 31 December 2018.

Net financial position is negative by 155.0 million euro (negative by 118.7 million euro as at 30 June 2019), including 73.5 million euro of lease liabilities not recorded as at 31 December 2018 as they arose from the first-time adoption of the IFRS 16, compared with a cash surplus of 146.5 million euro as at 31 December 2018 (negative by 58.0 million euro as at 30 September 2018). The impact of both 'without-recourse' sale and securization program of trade receivables as at 30 September 2019 was equal to 182.5 million euro (319.9 million euro as at 31 December 2018 and 190.3 million euro as at 30 September 2018).

(euro/000)	9 months 2019	9 months 2018	Var. %
Sales to third parties	1,697,343	1,483,742	*14%*
Intercompany sales	32,098	38,815	*-17%*
Sales from contracts with customers	**1,729,441**	**1,522,557**	***14%***
Cost of sales	(1,642,397)	(1,441,238)	*14%*
Gross profit	**87,044**	**81,319**	***7%***
Gross Profit %	*5.03%*	*5.34%*	
Sales and marketing costs	(29,722)	(30,676)	*-3%*
Overheads and administrative costs	(43,935)	(42,128)	*4%*
Impairment loss/reversal of financial assets	(684)	(423)	*62%*
Operating income (EBIT)	**12,703**	**8,092**	***57%***
EBIT %	*0.73%*	*0.53%*	

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

(euro/000)	Q3 2019	Q3 2018	Var. %
Sales to third parties	570,718	476,101	*20%*
Intercompany sales	9,332	12,682	*-26%*
Sales from contracts with customers	**580,050**	**488,783**	***19%***
Cost of sales	(552,344)	(464,212)	*19%*
Gross profit	**27,706**	**24,571**	***13%***
Gross profit %	*4.78%*	*5.03%*	
Sales and marketing costs	(9,550)	(9,803)	*-3%*
Overheads and administrative costs	(13,876)	(13,075)	*6%*
Impairment loss/reversal of financial assets	51	(6)	*-950%*
Operating income (EBIT)	**4,331**	**1,687**	***157%***
EBIT %	*0.75%*	*0.35%*	

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

(euro/000)	9 months 2019 Pre-IFRS 16	9 months 2018	Var. %
Sales to third parties	1,697,343	1,483,742	*14%*
Intercompany sales	32,098	38,815	*-17%*
Sales from contracts with customers	**1,729,441**	**1,522,557**	***14%***
Cost of sales	(1,642,397)	(1,441,238)	*14%*
Gross Profit	**87,044**	**81,319**	***7%***
Gross Profit %	*5.03%*	*5.34%*	
Sales and marketing costs	(31,300)	(30,676)	*2%*
Overheads and administrative costs	(44,265)	(42,128)	*5%*
Impairment loss/reversal of financial assets	(684)	(423)	*62%*
Operating income (EBIT)	**10,795**	**8,092**	***33%***
EBIT %	*0.62%*	*0.53%*	

(euro/000)	Q3 2019 Pre-IFRS 16	Q3 2018	Var. %
Sales to third parties	570,718	476,101	*20%*
Intercompany sales	9,332	12,682	*-26%*
Sales from contracts with customers	**580,050**	**488,783**	***19%***
Cost of sales	(552,344)	(464,212)	*19%*
Gross Profit	**27,706**	**24,571**	***13%***
Gross Profit %	*4.78%*	*5.03%*	
Sales and marketing costs	(10,079)	(9,803)	*3%*
Overheads and administrative costs	(13,995)	(13,075)	*7%*
Impairment loss/reversal of financial assets	51	(006)	*-950%*
Operating income (EBIT)	**3,683**	**1,687**	***118%***
EBIT %	*0.63%*	*0.35%*	

(euro/000)	**30/09/2019**	**31/12/2018**
Fixed assets	191,157	115,414
Operating net working capital	255,878	48,346
Other current assets/liabilities	(22,547)	830
Other non-current assets/liabilities	(10,184)	(9,310)
Total uses	**414,304**	**155,280**
Short-term financial liabilities	131,559	136,269
Lease liabilities	5,199	-
Current debts for investments in subsidiaries	-	1,082
Current financial (assets)/liabilities for derivatives	587	613
Financial receivables from factoring companies	(1,508)	(242)
Financial (assets)/liab. from/to Group companies	(9,500)	(104,500)
Other financial receivables	(9,290)	(10,880)
Cash and cash equivalents	(37,944)	(180,219)
Net current financial debt	79,103	(157,877)
Borrowings	8,602	12,804
Lease liabilities	68,307	-
Other financial receivables	(970)	(1,420)
Net Financial debt (A)	155,042	(146,493)
Net equity (B)	299,262	301,773
Total sources of funds (C=A+B)	**454,304**	**155,280**

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

(euro/000)	**30/09/2019 Pre - IFRS 16**	**31/12/2018**
Fixed assets	117,347	115,414
Operating net working capital	254,594	48,346
Other current assets/liabilities	18,947	830
Other non-current assets/liabilities	(10,184)	(9,310)
Total uses	**380,704**	**155,280**
Short-term financial liabilities	131,559	136,269
Lease liabilities	-	-
Current debts for investments in subsidiaries	-	1,082
Current financial (assets)/liabilities for derivatives	587	613
Financial receivables from factoring companies	(1,508)	(242)
Financial (assets)/liab. from/to Group companies	(9,500)	(104,500)
Other financial receivables	(9,290)	(10,880)
Cash and cash equivalents	(37,944)	(180,219)
Net current financial debt	73,904	(157,877)
Borrowings	8,602	12,804
Lease liabilities	-	-
Other financial receivables	(970)	(1,420)
Net Financial debt (A)	81,536	(146,493)
Net equity (B)	299,168	301,773
Total sources of funds (C=A+ B)	**380,704**	**155,280**

Subgroup Iberica[3]

Sales from contracts with customers, equal to 913.7 million euro, shows an increase of +11% compared with 826.1 million euro as at 30 September 2018. In the third quarter 2019, sales disclosed an increase of +9% (equal to 27.3 million euro) compared with the same period in the previous year.

Gross profit totals 31.4 million euro, showing an increase of +6% compared with 29.8 million euro of 30 September 2018 with a gross profit margin decreased from 3.60% to 3.44%. In the third quarter, gross profit confirmed the result of the same period of the previous year, with a gross profit margin down to 2.99% from 3.27%.

Operating income (EBIT), equal to 7.7 million euro, showed an increase of +11% compared with 30 September 2018, with a stable EBIT. Excluding the impact of first-time adoption of IFRS 16, EBIT showed a lower improvement, equal to +6%, with an EBIT margin slightly down (0.81% compared with 0.84% as at 30 September 2018). In the third quarter 2019, EBIT was equal to 2.1 million euro, compared with 2.5 million euro of the third quarter 2018, with an EBIT margin decreased from 0.84% to 0.64% as at 30 September 2018. Excluding the first-time adoption of IFRS 16, the third quarter EBIT shows a decrease of -21% with an EBIT margin down to 0.60% from 0.84% in the same period of 2018.

Consolidated net working capital was equal to 91.8 million euro compared with -37.3 million euro as at 31 December 2018.

Net financial position is negative by 68.5 million euro (negative by 64.4 million euro as at 30 June 2019), including 17.3 million euro of lease liabilities not recorded as at 31 December 2018 as they arose from the first-time adoption of the IFRS 16, compared with a cash surplus of 94.6 million euro as at 31 December 2018 (negative by 63.7 million euro as at 30 September 2018). The impact of both 'without-recourse' sale and receivable financing programmes was approx. 128.8 million euro (276.8 million euro as at 31 December 2018 and 152.9 million euro as at 30 September 2018).

(euro/000)	9 months 2019	9 months 2018	Var. %
Sales to third parties	913,711	826,059	*11%*
Intercompany sales	-	-	*0%*
Sales from contracts with customers	**913,711**	**826,059**	***11%***
Cost of sales	(882,269)	(796,283)	*11%*
Gross profit	**31,442**	**29,776**	***6%***
Gross Profit %	*3.44%*	*3.60%*	
Sales and marketing costs	(8,500)	(8,562)	*-1%*
Overheads and administrative costs	(15,145)	(14,152)	*7%*
Impairment loss/reversal of financial assets	(97)	(151)	*-36%*
Operating income (EBIT)	**7,700**	**6,911**	***11%***
EBIT %	*0.84%*	*0.84%*	

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

(euro/000)	Q3 2019	Q3 2018	Var. %
Sales to third parties	322,851	295,540	*9%*
Intercompany sales	-	-	*0%*
Sales from contracts with customers	**322,851**	**295,540**	***9%***
Cost of sales	(313,190)	(285,882)	*10%*
Gross profit	**9,661**	**9,658**	***0%***
Gross profit %	*2.99%*	*3.27%*	
Sales and marketing costs	(2,670)	(2,631)	*1%*
Overheads and administrative costs	(4,875)	(4,482)	*9%*
Impairment loss/reversal of financial assets	(45)	(68)	*-34%*
Operating income (EBIT)	**2,071**	**2,477**	***-16%***
EBIT %	*0.64%*	*0.84%*	

For a better comparison with the first nine months and third quarter 2018, the main financial results of the Spain Subgroup are shown below using the adjusted figures at 30 September 2019 without the IFRS 16 impact:

(euro/000)	9 months 2019 Pre-IFRS 16	9 months 2018	Var. %
Sales to third parties	913,711	826,059	*11%*
Intercompany sales	-	-	*0%*
Sales from contracts with customers	**913,711**	**826,059**	***11%***
Cost of sales	(882,269)	(796,283)	*11%*
Gross Profit	**31,442**	**29,776**	***6%***
Gross Profit %	*3.44%*	*3.60%*	
Sales and marketing costs	(8,702)	(8,562)	*2%*
Overheads and administrative costs	(15,287)	(14,152)	*8%*
Impairment loss/reversal of financial assets	(097)	(151)	*-36%*
Operating income (EBIT)	**7,356**	**6,911**	***6%***
EBIT %	*0.81%*	*0.84%*	

(euro/000)	Q3 2019 Pre-IFRS 16	Q3 2018	Var. %
Sales to third parties	322,851	295,540	*9%*
Intercompany sales	-	-	*0%*
Sales from contracts with customers	**322,851**	**295,540**	***9%***
Cost of sales	(313,190)	(285,882)	*10%*
Gross Profit	**9,661**	**9,658**	***0%***
Gross Profit %	*2.99%*	*3.27%*	
Sales and marketing costs	(2,737)	(2,631)	*4%*
Overheads and administrative costs	(4,930)	(4,482)	*10%*
Impairment loss/reversal of financial assets	(045)	(068)	*-34%*
Operating income (EBIT)	**1,949**	**2,477**	***-21%***
EBIT %	*0.60%*	*0.84%*	

(euro/000)	30/09/2019	31/12/2018
Fixed assets	94,958	77,606
Operating net working capital	91,772	(37,317)
Other current assets/liabilities	9,241	(13,496)
Other non-current assets/liabilities	(6,406)	(5,114)
Total uses	**189,565**	**21,679**
Short-term financial liabilities	16,223	2,042
Lease liabilities	1,686	-
Current financial (assets)/liabilities for derivatives	-	(3)
Financial (assets)/liab. from/to Group companies	29,500	104,500
Other financial receivables	(3)	(1)
Cash and cash equivalents	(27,257)	(201,089)
Net current financial debt	20,149	(94,551)
Borrowings	32,792	-
Lease liabilities	15,583	-
Net Financial debt (A)	68,524	(94,551)
Net equity (B)	121,041	116,230
Total sources of funds (C=A+B)	**189,565**	**21,679**

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

(euro/000)	30/09/2019 Pre - IFRS 16	31/12/2018
Fixed assets	77,732	77,606
Operating net working capital	91,764	(37,317)
Other current assets/liabilities	9,242	(13,496)
Other non-current assets/liabilities	(6,406)	(5,114)
Total uses	**172,332**	**21,679**
Short-term financial liabilities	16,223	2,042
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	-	(3)
Financial (assets)/liab. from/to Group companies	29,500	104,500
Other financial receivables	(3)	(1)
Cash and cash equivalents	(27,257)	(201,089)
Net current financial debt	18,463	(94,551)
Borrowings	32,792	-
Lease liabilities	-	-
Net Financial debt (A)	51,255	(94,551)
Net equity (B)	121,077	116,230
Total sources of funds (C=A+ B)	**172,332**	**21,679**

RECLASSIFIED INCOME STATEMENT

Please find below the consolidated income statement showing the reclassification of charges attributable to the without-recourse revolving factoring of trade receivables in the period under the item finance costs (both factoring and securitisazion) and the EBITDA, i.e. EBIT, gross of depreciation, amortisation and write-downs:

(euro/000)	9 months 2019	9 months 2019 reclassified	Var.
Sales from contracts with customers	**2,611,054**	**2,611,054**	**-**
Cost of sales	(2,492,357)	(2,489,409)	(2,948)
(+) Depreciation and amortization	520	520	-
Gross Profit adjusted	**119,217**	**122,165**	**(2,948)**
Gross Profit adjusted %	*4.57%*	*4.68%*	
Sales and marketing costs	(38,222)	(38,222)	-
Overheads and administrative costs	(59,048)	(59,048)	-
(+) Depreciation and amortization	9,484	9,484	-
Impairment loss/reversal of financial assets	(781)	(781)	-
Earnings before Interest, taxe, depreciation and amortization (EBITDA)	**30,650**	**33,598**	**(2,948)**
EBITDA %	*1.17%*	*1.29%*	
(+) Depreciation and amortization	(10,004)	(10,004)	-
Operating income (EBIT)	**20,646**	**23,594**	**(2,948)**
Finance costs - net	(7,349)	(10,297)	2,948
Profit before income taxes	**13,297**	**13,297**	**0.00**
Income tax expenses	(3,939)	(3,939)	-
Net income	**9,358**	**9,358**	**0.00**

(euro/000)	Q3 2019	Q3 2019 reclassified	Var.
Sales from contracts with customers	**893,569**	**893,569**	**-**
Cost of sales	(855,951)	(854,997)	(954)
(+) Depreciation and amortization	168	168	0
Gross Profit adjusted	**37,786**	**38,740**	**(954)**
Gross Profit adjusted %	*4.23%*	*4.34%*	
Sales and marketing costs	(12,219)	(12,219)	-
Overheads and administrative costs	(18,742)	(18,742)	-
(+) Depreciation and amortization	3,182	3,182	-
Impairment loss/reversal of financial assets	6	6	-
Earnings before Interest, taxe, depreciation and amortization (EBITDA)	**10,013**	**10,967**	**(954)**
EBITDA %	*1.12%*	*1.23%*	
(+) Depreciation and amortization	(3,350)	(3,350)	-
Operating income (EBIT)	**6,663**	**7,617**	**(954)**
Finance costs - net	(3,604)	(4,558)	954
Profit before income taxes	**3,059**	**3,059**	**-**
Income tax expenses	(1,278)	(1,278)	-
Net income	**1,781**	**1,781**	**-**

3.4 Notes to consolidated income statement items

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

33) Sales

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

Sales by geographical segment

(euro/million)	9 months 2019	%	9 months 2018	%	Var.	% Var.	Q3 2019	%	Q3 2018	%	Var.	% Var.
Italy	1,678.7	64.3%	1,470.5	63.7%	208.2	14%	566.4	63.4%	471.2	61.1%	95.2	20%
Spain	883.7	33.8%	803.4	34.8%	80.3	10%	310.1	34.7%	288.3	37.4%	21.8	8%
Other EU countries	36.3	1.4%	31.2	1.4%	5.1	16%	15.0	1.7%	10.2	1.3%	4.8	47%
Extra EU countries	12.4	0.5%	4.7	0.2%	7.7	164%	2.1	0.2%	1.9	0.2%	0.2	11%
Group Sales from contracts with clients	2,611.1	100.0%	2,309.8	100.0%	301.3	13%	893.6	100.0%	771.6	100.0%	122.0	16%

Revenues generated in other EU countries mainly refer to sales made by the Spanish affiliated company to customers resident in Portugal (22.9 million euro). The remaining portion mainly refer to sales to customers resident in Germany, Greece and Sweden.

Sales in non-EU countries refer mainly to sales to customers resident in the Republic of San Marino or in Mexico.

Sales by products and services

(euro/million)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Product sales	1,693.1	64.8%	1,478.9	64.0%	14%	569.9	63.8%	480.1	62.2%	19%
Services sales	4.2	0.2%	4.8	0.2%	*-13%*	0.8	0.1%	(4.0)	-0.5%	*-120%*
Sales - Subgroup Italy	**1,697.3**	**65.0%**	**1,483.7**	**64.2%**	***14%***	**570.7**	**63.9%**	**476.1**	**61.7%**	***20%***
Product sales	913.0	35.0%	825.1	35.7%	*11%*	322.8	36.1%	295.1	38.2%	*9%*
Services sales	0.8	0.0%	1.0	0.0%	*-20%*	0.1	0.0%	0.4	0.1%	*-75%*
Sales - Subgroup Spain	**913.8**	**35.0%**	**826.1**	**35.8%**	***11%***	**322.9**	**36.1%**	**295.5**	**38.3%**	***9%***
Sales from contracts with customers	2,611.1	100.0%	2,309.8	100.0%	*13%*	893.6	100.0%	771.6	100.0%	*16%*

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)	9 months 2019	%	9 months 2018	%	Var.	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Revenues from contracts with customers as 'principal'	2,607.9	*99.9%*	2,308.0	*99.9%*	299.9	*13%*	892.7	*99.9%*	771.1	*99.9%*	*16%*
Revenues from contracts with customers as 'agent'	3.1	*0.1%*	1.8	*0.1%*	1.3	*72%*	0.9	*0.1%*	0.5	*0.1%*	*80%*
Group revenues from contracts with customers	2,611.0	100.0%	2,309.8	100.0%	301.2	*13%*	893.6	100.0%	771.6	100.0%	*16%*

Revenues by product family and customer type

(euro/million)	9 months 2019	%	9 months 2018	%	Var.	% Var.	Q3 2019	%	Q3 2018	%	Var.	% Var.
GDO/GDS	920.9	35.3%	739.8	32.0%	181.1	24%	352.2	39.4%	270.1	35.0%	82.1	30%
Dealers	711.1	27.2%	675.7	29.3%	35.4	5%	241.4	27.0%	239.8	31.1%	1.6	1%
VARs	536.5	20.5%	494.6	21.4%	41.9	8%	172.8	19.3%	148.9	19.3%	23.9	16%
Office/Consumables dealers	241.3	9.2%	215.1	9.3%	26.2	12%	69.9	7.8%	66.6	8.6%	3.3	5%
On-line Shops	140.0	5.4%	126.9	5.5%	13.1	10%	41.0	4.6%	26.2	3.4%	14.8	56%
Sub-distribution	61.3	2.3%	57.7	2.5%	3.6	6%	16.3	1.8%	20.0	2.6%	(3.7)	-19%
Group Sales from contracts with customers	**2,611.1**	**100%**	**2,309.8**	**100%**	**301.3**	***13%***	**893.6**	**100%**	**771.6**	**100%**	**122.0**	***16%***

The analysis of the revenues by type of customer reveals an improvement compared with the first nine months of 2018 both with regard to consumer customers and business customers. In particular, the consumer channel referred to 'GDO/GDS' (+24%), small-medium business customers ('Dealers' +5%), 'Office/consumables' (+12%), 'Sub-distribution' (+6%), 'Shop on-line (+10%) as well as large business customers ('VAR-Value Added Reseller' +8%) shows an increase in sales.

The third quarter shows similar trends even though with different percentage changes, with the exception of the 'Sub-distribution' channel (-19%).

(euro/million)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
TLC	652.7	25.0%	611.7	26.5%	*7%*	266.5	29.8%	215.0	27.9%	*24%*
PCs - notebooks	465.8	17.8%	406.3	17.6%	*15%*	153.7	17.2%	139.4	18.1%	*10%*
PCs - tablets	322.8	12.4%	260.7	11.3%	*24%*	117.4	13.1%	93.8	12.2%	*25%*
Consumer electronics	285.0	10.9%	216.6	9.4%	*32%*	106.0	11.9%	78.0	10.1%	*36%*
PCs - desktops and monitors	202.8	7.8%	172.1	7.5%	*18%*	59.1	6.6%	52.4	6.8%	*13%*
Consumables	157.0	6.0%	153.9	6.7%	*2%*	47.3	5.3%	44.0	5.7%	*8%*
Software	123.8	4.7%	106.4	4.6%	*16%*	38.7	4.3%	29.0	3.8%	*34%*
Printers & Multifunction devices	105.5	4.0%	87.9	3.8%	*20%*	32.0	3.6%	26.6	3.4%	*20%*
Networking	95.1	3.6%	69.7	3.0%	*36%*	28.7	3.2%	24.5	3.2%	*17%*
Storage	88.9	3.4%	83.9	3.6%	*6%*	26.7	3.0%	27.4	3.6%	*-3%*
Servers	54.5	2.1%	53.5	2.3%	*2%*	15.3	1.7%	13.8	1.8%	*11%*
Services	5.0	0.2%	8.1	0.4%	*-38%*	0.9	0.1%	2.8	0.4%	*-70%*
Other	52.2	2.0%	79.0	3.4%	*-34%*	1.4	0.2%	24.9	3.2%	*-94%*
Group Sales from contracts with customers	**2,611.1**	**100%**	**2,309.8**	**100%**	***13%***	**893.6**	**100%**	**771.6**	**100%**	***16%***

The breakdown of the sales revenue by product category disclosed a peak in growth in the 'Networking'' (+36%), 'Consumer Electronic' (+32%) and 'PC-tablet' (+24%) categories. The categories 'Printers & Multifunction' (+20%), 'PCs - desktops and monitors' (+18%) and 'Software' (+16%) are positive as opposed to the negative trend of the categories 'Services' (-38%) and 'Others' (-34%).

The third quarter substantially shows the same trend changes in each segment even if with different percentage, except for 'Storage' that drops -3% as opposed to an increase in the first nine months.

35) Gross profit

(euro/000)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	2,611,054	100.00%	2,309,801	100.00%	13%	893,569	100.0%	771,642	100.00%	16%
Cost of sales	2,492,357	95.45%	2,198,667	95.19%	13%	855,951	95.8%	737,460	95.57%	16%
Gross profit	**118,697**	**4.55%**	**111,134**	**4.81%**	**7%**	**37,618**	**4.21%**	**34,182**	**4.43%**	**10%**
- of which non recurring	-	0.00%	1,099	0.05%	-100%	-	0.00%	1,099	0.14%	-100%
Gross profit "recurrent"	**118,697**	**4.55%**	**112,233**	**4.86%**	**6%**	**37,618**	**4.21%**	**35,281**	**4.57%**	**7%**

The consolidated gross profit totalled 118.7 million euro and showed an increase of +7% compared with 30 September 2018 (+4% excluding 1.1 million euro of non-recurring charges, entirely accrued in the third quarter 2018, from the 2018 result, and the positive contribution of 1.5 million euro from the company 4Side S.r.l. from the 2019 result, while the first-time application of IFRS 16 had no impact) as a consequence of higher sales, counterbalanced by a decrease in gross profit margin. In the third quarter, Gross profit, equal to 37.6 million euro, increased by +10% compared with the same period of previous year (or +6% net of non-recurring charges and of 0.3 million euro 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 the first nine months of 2019 this effect is quantifiable as 2.9 million euro (3.4 million euro in 2018), of which 1.0 million euro in just the third quarter (0.8 million euro in the third quarter of 2018).

37-38) Operating costs

(euro/000)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	**2,611,054**		**2,309,801**		**13%**	**893,569**		**771,642**		**16%**
Sales and marketing costs	38,222	1.46%	39,238	1.70%	-3%	12,219	1.37%	12,434	1.61%	-2%
Overheads and administrative costs	59,048	2.26%	56,268	2.44%	5%	18,741	2.10%	17,555	2.28%	7%
Impairment loss/reversal of financial assets	781	0.03%	574	0.02%	36%	(6)	0.00%	74	0.01%	<-100%
Operating costs	**98,051**	**3.76%**	**96,080**	**4.16%**	**2%**	**30,954**	**3.46%**	**30,063**	**3.90%**	**3%**
- of which non recurring	-	0.00%	-	0.00%	0%	-	0.00%	-	0.00%	0%
'Recurring' operating costs	**98,051**	**3.76%**	**96,080**	**4.16%**	**2%**	**30,954**	**3.46%**	**30,063**	**3.90%**	**3%**

During the first nine months of 2019, operating costs, amounting to 98.1 million euro, increased by 2.0 million euro compared to the same period of 2018 although with an operating costs margin down from 4.16% in 2018 to 3.76%. In the second quarter the operating costs, equal to 31.0 million euro, increased by +3% compared with the same period of previous year.

Operating costs in the first nine months of 2019 include the positive effect of 2.3 million euro generated by the first time adoption of IFRS 16, which provides for the recognition of depreciation charges of the right-of-use assets instead of the higher rentals for the leased assets to which they refer.
However, operating costs also include 1.2 million euro of fees from the newly-acquired subsidiary 4Side S.r.l., purchased on 20 March 2019.

Reclassification by nature of some categories of operating costs

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

Labour costs and number of employees

(euro/000)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	**2,611,054**		**2,309,801**		***13%***	**893,569**		**771,642**		***16%***
Wages and salaries	33,756	1.29%	32,369	1.40%	*4%*	10,451	1.17%	9,991	1.29%	*5%*
Social contributions	10,105	0.39%	9,525	0.41%	*6%*	3,155	0.35%	2,952	0.38%	*7%*
Pension obligations	1,767	0.07%	1,793	0.08%	*-1%*	606	0.07%	590	0.08%	*3%*
Other personnel costs	710	0.03%	745	0.03%	*-5%*	216	0.02%	248	0.03%	*-13%*
Employee termination incentives	598	0.02%	552	0.02%	*8%*	195	0.02%	66	0.01%	*195%*
Share incentive plans	213	0.01%	296	0.01%	*-28%*	76	0.01%	104	0.01%	*-27%*
Total labour costs [1]	**47,149**	**1.81%**	**45,280**	**1.96%**	***4%***	**14,699**	**1.64%**	**13,951**	**1.81%**	***5%***

[1] Cost of temporary workers excluded.

In the first nine months, labour costs increase (+4%) over the same period of previous year to a higher extent than the average staff growth over the same period (+2%), mainly due to the acquisition of the Italian subsidiary 4Side S.r.l. on 20 March 2019 as well as 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	726	-	744	
Celly S.p.A.	-	48	-	48	
Celly Pacific LTD	-	3	-	3	
Celly Nordic OY	-	-	-	-	
Nilox Deutschland GmbH	-	1	-	1	
4Side S.r.l.	4	10	-	14	
V-Valley S.r.l.	-	-	-	-	
Subgroup Italy	**22**	**788**	**-**	**810**	**801**
Esprinet Iberica S.L.U.	-	230	80	310	
Vinzeo Technologies S.A.U.	-	142	-	142	
V-Valley Iberian S.L.U.	-	19	-	19	
Esprinet Portugal Lda	-	12	-	12	
Subgroup Spain	**-**	**403**	**80**	**483**	**477**
Group as at 30 September 2019	**22**	**1,191**	**80**	**1,293**	**1,278**
Group as at 31 December 2018	**22**	**1,155**	**86**	**1,263**	**1,256**
Var 30/09/2019 - 31/12/2018	-	36	(6)	30	22
Var %	0%	3%	-7%	2%	2%
Group as at 30 September 2018	**22**	**1,158**	**70**	**1,250**	**1,249**
Var 30/09/2019 - 30/09/2018	-	33	10	43	29
Var %	0%	3%	14%	3%	2%

(*) 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)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	**2,611,054**		**2,309,801**		***13%***	**893,569**		**771,642**		***16%***
Depreciation of tangible assets	3,059	0.12%	3,079	0.13%	*-1%*	1,035	0.12%	1,050	0.14%	*-1%*
Amortisation of intangible assets	434	0.02%	444	0.02%	*-2%*	144	0.02%	143	0.02%	*1%*
Depreciation of right-of-use assets	6,511	0.25%	-	0.00%	*100%*	2,172	0.24%	-	0.00%	*100%*
Amort . & depreciation	**10,004**	**0.38%**	**3,523**	**0.15%**	***>100%***	**3,351**	**0.38%**	**1,194**	**0.15%**	***>100%***
Write-downs of fixed assets	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	*0%*
Amort. & depr., write-downs (A)	**10,004**	**0.38%**	**3,523**	**0.15%**	***>100%***	**3,351**	**0.38%**	**1,194**	**0.15%**	***>100%***
Accruals for risks and charges (B)	165	0.01%	103	0.00%	*60%*	7	0.00%	17	0.00%	*-59%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**10,169**	**0.39%**	**3,626**	**0.16%**	***>100%***	**3,358**	**0.38%**	**1,211**	**0.16%**	***>100%***

42) Finance costs – net

(euro/000)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	**2,611,054**		**2,309,801**		***13%***	**893,569**		**771,642**		***16%***
Interest expenses on borrowings	1,830	0.07%	2,132	0.09%	*-14%*	596	0.07%	669	0.09%	*-11%*
Interest expenses to banks	296	0.01%	246	0.01%	*20%*	61	0.01%	152	0.02%	*-60%*
Other interest expenses	9	0.00%	4	0.00%	*>100%*	6	0.00%	1	0.00%	*>100%*
Upfront fees amortisation	1,282	0.05%	563	0.02%	*>100%*	974	0.11%	182	0.02%	*>100%*
IAS 19 expenses/losses	50	0.00%	41	0.00%	*22%*	16	0.00%	14	0.00%	*14%*
IFRS financial lease interest expenses	2,048	0.08%	-	0.00%	*100%*	690	0.08%	-	0.00%	*100%*
Derivatives ineffectiveness	29	0.00%	110	0.00%	*-74%*	16	0.00%	23	0.00%	*-30%*
Total financial expenses (A)	**5,544**	**0.21%**	**3,096**	**0.13%**	***79%***	**2,359**	**0.26%**	**1,041**	**0.13%**	***>100%***
Interest income from banks	(86)	0.00%	(22)	0.00%	*>100%*	(16)	0.00%	(5)	0.00%	*>100%*
Interest income from others	(117)	0.00%	(112)	0.00%	*4%*	(75)	-0.01%	(22)	0.00%	*>100%*
Interest income on business combination	-	0.00%	(6)	0.00%	*-100%*	-	0.00%	(4)	0.00%	*-100%*
Derivatives ineffectiveness	(8)	0.00%	7	0.00%	*<-100%*	(4)	0.00%	6	0.00%	*<-100%*
Total financial income(B)	**(211)**	**-0.01%**	**(133)**	**-0.01%**	***59%***	**(95)**	**-0.01%**	**(25)**	**0.00%**	***>100%***
Net financial exp. (C=A+B)	**5,333**	**0.20%**	**2,963**	**0.13%**	***80%***	**2,264**	**0.25%**	**1,016**	**0.13%**	***>100%***
Foreign exchange gains	(283)	-0.01%	(843)	-0.04%	*-66%*	30	0.00%	(37)	0.00%	*<-100%*
Foreign exchange losses	2,299	0.09%	1,528	0.07%	*50%*	1,310	0.15%	266	0.03%	*>100%*
Net foreign exch. (profit)/losses (D)	**2,016**	**0.08%**	**685**	**0.03%**	***>100%***	**1,340**	**0.15%**	**229**	**0.03%**	***>100%***
Net financial (income)/costs (E=C+D)	**7,349**	**0.28%**	**3,648**	**0.16%**	***>100%***	**3,604**	**0.40%**	**1,245**	**0.16%**	***>100%***

The total balance between financial income and expense, negative for 7.4 million euros, shows a worsening of 3.7 million euro compared to the same period of the previous year (3.7 million euro) due to (i) 2.0 million euro 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) 0.8 million euro to the arrangement fees of the pre-existing medium/long-term senior loan valued at amortised cost but fully charged to the income statement in the current quarter following the early repayment of this loan on 26 September and (iii) 1.3 million euro to higher net foreign exchange losses compared to the previous year.
On the other hand, net bank interest expense shows an improvement of 0.3 million euro, from 2.3 to 2.0 million euro, due to a lower average use of bank funding sources, at the same average cost of debt.

In the third quarter alone, the balance of finance income and expense was a negative 3.6 million euro, 2.3 million euro worse than the previous year.
In particular, in addition to interest expense pursuant to IFRS 16 for 0.7 million euro, the balance was affected by higher bank commissions for 0.8 million euro and a negative difference of 1.1 million euro in the foreign exchange management.

45) Income tax expenses

(euro/000)	9 months 2019	%	9 months 2018	%	% Var.	Q3 2019	%	Q3 2018	%	% Var.
Sales from contracts with customers	**2,611,054**		**2,309,801**		***13%***	**893,569**		**771,642**		***16%***
Current and deferred taxes	**3,939**	**0.15%**	**3,068**	**0.13%**	***28%***	**1,278**	**0.14%**	**725**	**0.09%**	***76%***
Profit before taxes	13,297		11,406			3,059		2,872		
Tax rate	**30%**		**27%**			**42%**		**25%**		

Income tax expenses, equal to 4.0 million euro, increased by +28% 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)	9 months 2019	9 months 2018	Var.	% Var.	Q3 2019	Q3 2018	Var.	% Var.
Net income attributable to Group	**9,218**	**8,185**	1,033	*13%*	1,901	2,059	(158)	*-8%*
Weighed average no. of shares in circulation: basic	50,758,882	51,719,886			50,268,869	51,637,228		
Weighed average no. of shares in circulation: diluted	51,270,267	52,060,716			50,869,765	52,041,164		
Earnings per share in euro - basic	0.18	0.16	0.02	*13%*	0.04	0.04	0.00	*0%*
Earnings per share in euro - diluted	0.18	0.16	0.02	*13%*	0.04	0.04	0.00	*0%*

For the purpose of calculating the 'basic' earnings per share, own shares (1,982,508 units) and the residual potential callable shares (637,709 units), as per the maximum limit defined by the Board of Directors of Esprinet S.p.A. on 27 June 2019, were excluded.

The potential shares involved in the stock grant plan approved on 4 May 2018 by the Esprinet S.p.A. AGM were included in the calculation of the 'diluted' profit per share. The plan provides for the allotment of 1,120,000 free shares due to the employment termination of some beneficiaries.

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)	30/09/2019	related parties *	31/12/2018	related parties *
ASSETS				
Non-current assets				
Property, plant and equipment	11,808		13,327	
Right-of-use assets	91,014		-	
Goodwill	90,714		90,595	
Intangible assets	492		724	
Deferred income tax assets	15,123		11,884	
Receivables and other non-current assets	3,248	1635	3,392	1,554
	212,399	**1,635**	**119,922**	**1,554**
Current assets				
Inventory	503,182		494,444	
Trade receivables	364,336	2	383,865	-
Income tax assets	1,997		3,421	
Other assets	27,581	1275	29,610	1,310
Cash and cash equivalents	65,201		381,308	
	962,297	**1,277**	**1,292,651**	**1,310**
Disposal groups assets	-		-	
Total assets	**1,174,696**	**2,912**	**1,412,573**	**2,864**
EQUITY				
Share capital	7,861		7,861	
Reserves	326,022		319,831	
Group net income	9,217		14,031	
Group net equity	**343,100**		**341,723**	
Non-controlling interests	2,175		1,175	
Total equity	**345,275**		**342,898**	
LIABILITIES				
Non-current liabilities				
Borrowings	41,394		12,804	
Lease liabilities	83,890		-	
Deferred income tax liabilities	9,576		8,138	
Retirement benefit obligations	4,788		4,397	
Provisions and other liabilities	2,226		1,889	
	141,874		**27,228**	
Current liabilities				
Trade payables	520,210	-	867,866	-
Short-term financial liabilities	127,782		138,311	
Lease liabilities	6,885		-	
Income tax liabilities	968		103	
Derivative financial liabilities	587		613	
Debts for investments in subsidiaries	-		1,082	
Provisions and other liabilities	31,115	1555	34,472	1,567
	687,547	**1,555**	**1,042,447**	**1,567**
Disposal groups liabilities	-		-	
Total liabilities	**829,421**	**1,555**	**1,069,675**	**1,567**
Total equity and liabilities	**1,174,696**	**1,555**	**1,412,573**	**1,567**

Further information on operation with Related Parties can be found in the relevant section in the 'Interim Directors' Report on Operations'.

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	30/09/2019			31/12/2018
	Esprinet Group	Subgroup Italy	Subgroup Iberian	Esprinet Group
Plant and machinery	440	382	58	424
Ind. And comm. Equipment & Other assets	1,447	1,244	203	1,378
Assets under construction and advances	145	138	7	1,018
Total Property, plant and equipment	**2,032**	**1,764**	**268**	**2,820**
Industrial patents and intellectual rights	191	59	132	137
Licences, concessions, brand names and similar rights	-	-	-	4
Assets under construction and advances	11	11	-	105
Total intangible asstes	**202**	**70**	**132**	**246**
Total gross investments	**2,234**	**1,834**	**400**	**3,066**

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

Investments in 'Industrial & commercial equipment & other assets' refer to the purchase of electronic office machinery and office furniture by the parent company Esprinet S.p.A. for 0.9 million euro, and to the purchase of new equipment and office machinery by the Spanish subsidiaries for 0.2 million euro as well as to 0.3 million euro originated from the first consolidation of 4Side S.r.l., 51% of which was purchased by the parent company on 20 March 2019.

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

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

Investments in 'Industrial and other patent rights' include substantially costs sustained for the long-term renewal and upgrade of ERP system (software); the increase is mainly attributable to the Spanish subsidiaries, while, as regards the Italian companies, they refer to the amount generated by the first-time consolidation of 4Side S.r.l., the 51% of which was acquired by the parent company on 20 March 2019.

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

4.2.2 Net financial position and covenants

(euro/000)	30/09/2019	31/12/2018	Var.	30/09/2018	Var.
Short-term financial liabilities	127,782	138,311	(10,529)	193,676	(65,894)
Lease liabilities	6,886	-	6,886	-	6,886
Current debts for investments in subsidiaries	-	1,082	(1,082)	1,306	(1,306)
Current financial (assets)/liabilities for derivatives	587	610	(23)	350	237
Financial receivables from factoring companies	(1,508)	(242)	(1,266)	(6,553)	5,045
Other financial receivables	(9,293)	(10,881)	1,588	(9,844)	551
Cash and cash equivalents	(65,201)	(381,308)	316,107	(143,662)	78,461
Net current financial debt	**59,253**	**(252,428)**	**311,681**	**35,273**	**23,980**
Borrowings	41,394	12,804	28,590	86,853	(45,459)
Lease liabilities	83,889	-	83,889	-	83,889
Non-current financial (assets)/liabilities for derivatives	-	-	-	45	(45)
Other financial receivables	(970)	(1,420)	450	(1,411)	441
Net financial debt	**183,566**	**(241,044)**	**424,610**	**120,760**	**62,806**

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, negative in the amount of 183.6 million euro, corresponds to a net balance of gross financial debts of 169.2 million euro, financial receivables equal to 11.8 million euro, financial liabilities for leases equal to 90.8 million euro, cash and cash equivalents equal to 65.2 million euro and financial liabilities for derivatives of 0.6 million euro.

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

The revolving programme for without-recourse sale of account receivables, focusing on selected customer segments, particularly in the large-scale distribution sector, continued during the first nine months of 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-recognized in the statement of financial position according to IFRS 9. The overall effect on the levels of financial debt as at 30 September 2019 is approx. 331 million euro (approx. 597 million euro as at 31 December 2018).

4.2.3 Goodwill

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

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

(euro/000)	30/09/2019	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	B2C 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 report, 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 0.1 million euro, was not considered a triggering event and, consequently, it was not deemed necessary to proceed ahead of schedule with the steps required to perform an impairment test, which involves the formal and separate approval by the Board of Directors of the 2019-23E forecast plans. Nevertheless, management assessed the recoverability of the value of goodwill currently recognized in the financial statements without recognizing the need to make any writedowns.

On the basis of the above, the values of the goodwill recognised as at 31 December 2018 and in this interim management report are confirmed. For further information on the 'Goodwill' and on the procedures for performing the impairment test, see the notes to the consolidated financial statements at 31 December 2018.

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**	**309,192**	**(5,145)**	**26,280**	**338,188**	**1,046**	**337,142**
Total comprehensive income/(loss)	**-**	**252**	**-**	**8,338**	**8,590**	**163**	**8,427**
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	-	-	-
Dividend payment	-	-	-	(6,987)	**(6,987)**	-	**(6,987)**
Purchases of own shares	-	-	(3,265)	-	**(3,265)**	-	**(3,265)**
Transactions with owners	**-**	**19,293**	**(3,265)**	**(26,280)**	**(10,252)**	**-**	**(10,252)**
Grant of share under share plans	-	(3,815)	4,274	-	**459**	-	**459**
Currently active Share plans	-	323	-	-	**323**	-	**323**
FTA for new IFRS standard application	-	133	-	-	**133**	-	**133**
Other variations	-	23	-	-	**23**	-	**23**
Balance at 30 September 2018	**7,861**	**325,401**	**(4,136)**	**8,338**	**337,464**	**1,209**	**336,255**
Balance at 31 December 2018	**7,861**	**325,680**	**(4,800)**	**14,158**	**342,899**	**1,175**	**341,724**
Total comprehensive income/(loss)	**-**	**(285)**	**-**	**9,358**	**9,073**	**125**	**8,948**
Allocation of last year net income/(loss)	-	7,239	-	(7,239)	**-**	-	**-**
Increase in reserve from 4Side acquisition	-	1,180	-	-	**1,180**	1,180	**-**
Dividend payment	-	-	-	(6,919)	**(6,919)**	-	**(6,919)**
20% Celly Call Option deletion	-	1,082	-	-	**1,082**	-	**1,082**
Celly Group step up acquisition	-	(463)	-	-	**(463)**	(310)	**(153)**
Purchases of own shares	-	-	(2,500)	-	**(2,500)**	-	**(2,500)**
Transactions with owners	**-**	**9,038**	**(2,500)**	**(14,158)**	**(7,620)**	**870**	**(8,490)**
Grant of share under share plans	-	935	-	-	**935**	-	**935**
Other variations	-	(12)	-	-	**(12)**	5	**(17)**
Balance at 30 September 2019	**7,861**	**335,356**	**(7,300)**	**9,358**	**345,275**	**2,175**	**343,100**

6. Consolidated statement of cash flows[4]

(euro/000)	9 months 2019	9 months 2018
Cash flow provided by (used in) operating activities (D=A+B+C)	**(316,692)**	**(234,027)**
Cash flow generated from operations (A)	**31,398**	**18,779**
Operating income (EBIT)	20,646	15,054
Depreciation, amortisation and other fixed assets write-downs	10,004	3,522
Net changes in provisions for risks and charges	337	(384)
Net changes in retirement benefit obligations	(524)	(195)
Stock option/grant costs	935	782
Cash flow provided by (used in) changes in working capital (B)	**(342,173)**	**(249,125)**
Inventory	(8,738)	15,807
Trade receivables	17,831	(12,242)
Other current assets	3,922	(2,297)
Trade payables	(348,319)	(263,491)
Other current liabilities	(6,869)	13,098
Other cash flow provided by (used in) operating activities (C)	**(5,917)**	**(3,681)**
Interests paid, net	(3,821)	(2,058)
Foreign exchange (losses)/gains	(1,887)	(502)
Income taxes paid	(209)	(1,121)
Cash flow provided by (used in) investing activities (E)	**(2,854)**	**(2,662)**
Net investments in property, plant and equipment	(1,463)	(2,382)
Net investments in intangible assets	(142)	(176)
Changes in other non current assets and liabilities	(197)	3,160
4Side business combination	1,448	-
Own shares acquisition	(2,500)	(3,264)
Cash flow provided by (used in) financing activities (F)	**3,439**	**83,382**
Medium/long term borrowing	47,000	-
Repayment/renegotiation of medium/long-term borrowings	(111,062)	(35,032)
Leasing liabilities remboursement	(6,777)	-
Net change in financial liabilities	80,652	138,810
Net change in financial assets and derivative instruments	757	(14,133)
Deferred price Celly acquisition	-	1
Dividend payments	(6,919)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	(36)	122
Changes in third parties net equity	(183)	172
Other movements	7	429
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(316,107)**	**(153,307)**
Cash and cash equivalents at year-beginning	**381,308**	**296,969**
Net increase/(decrease) in cash and cash equivalents	**(316,107)**	**(153,307)**
Cash and cash equivalents at year-end	**65,201**	**143,662**

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

The table below shows the changes during the period and the reconciliation with the final situation at the end of that period:

(euro/000)	9 months 2019	9 months 2018
Net financial debt at start of the year	**(241,044)**	**(123,058)**
Cash flow provided by (used in) operating activities	(316,692)	(234,027)
Cash flow provided by (used in) investing activities	(2,854)	(2,662)
Cash flow provided by (used in) changes in net equity	(7,131)	(6,264)
Total cash flow	**(326,677)**	**(242,953)**
Unpaid interests	(1,463)	(865)
Lease liabilities posting	(97,552)	-
20% Celly Call Option deletion	1,082	-
Net financial position at end of year	**183,566**	**120,760**
Short-term financial liabilities	127,782	193,676
Lease liabilities	6,886	-
Customers financial receivables	(9,293)	(9,844)
Current financial (assets)/liabilities for derivatives	587	350
Financial receivables from factoring companies	(1,508)	(6,553)
Current Debts for investments in subsidiaries	-	-
Cash and cash equivalents	(65,201)	(143,662)
Net current financial debt	**59,253**	**33,967**
Borrowings	41,394	86,853
Lease liabilities	83,889	-
Non current Debts for investments in subsidiaries	-	1,306
Non-current financial (assets)/liab. for derivatives	-	45
Customers financial receivables	(970)	(1,411)
Net financial debt at start of the year	**183,566**	**120,760**

7. Relationships with related parties

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

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

Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.

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

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.

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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)	9 months 2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	1,697,343	913,711	-	2,611,054
Intersegment sales	32,098	-	(32,098)	-
Sales from contracts with customers	**1,729,441**	**913,711**	**(32,098)**	**2,611,054**
Cost of sales	(1,642,397)	(882,269)	32,309	(2,492,357)
Gross profit	**87,044**	**31,442**	**211**	**118,697**
Gross Profit %	*5.03%*	*3.44%*		*4.55%*
Sales and marketing costs	(29,722)	(8,500)	-	(38,222)
Overheads and admin. costs	(43,935)	(15,145)	32	(59,048)
Impairment loss/reversal of financial assets	(684)	(97)	-	(781)
Operating income (Ebit)	**12,703**	**7,700**	**243**	**20,646**
EBIT %	*0.73%*	*0.84%*		*0.79%*
Finance costs - net				(7,349)
Profit before income tax				**13,297**
Income tax expenses				(3,939)
Net income				**9,358**
- of which attributable to non-controlling interests				140
- of which attributable to Group				9,218
Depreciation and amortisation	**7,379**	**2,198**	425	**10,002**
Other non-cash items	**2,856**	**69**	-	**2,925**
Investments	**1,455**	**400**	-	**1,855**
Total assets	**876,745**	**425,007**	(127,056)	**1,174,696**

(euro/000)	9 months 2018 Italy Distr. IT & CE B2B	Iberian Pen. Distr. IT & CE B2B	Elim. and other	Group
Sales to third parties	1,483,742	826,059	-	2,309,801
Intersegment sales	38,815	-	(38,815)	-
Sales from contracts with customers	**1,522,557**	**826,059**	**(38,815)**	**2,309,801**
Cost of sales	(1,441,238)	(796,283)	38,854	(2,198,667)
Gross profit	**81,319**	**29,776**	**39**	**111,134**
Gross profit %	*5.34%*	*3.60%*		*4.81%*
Sales and marketing costs	(30,676)	(8,562)	-	(39,238)
Overheads and admin. costs	(42,128)	(14,153)	13	(56,268)
Impairment loss/reversal of financial assets	(423)	(151)	-	(574)
Operating income (Ebit)	**8,092**	**6,910**	**52**	**15,054**
EBIT %	*0.53%*	*0.84%*		*0.65%*
Finance costs - net				(3,648)
Profit before income tax				**11,406**
Income tax expenses				(3,068)
Net income				**8,338**
- of which attributable to non-controlling interests				153
- of which attributable to Group				8,185
Depreciation and amortisation	**2,540**	**612**	370	**3,522**
Other non-cash items	**2,611**	**117**	-	**2,728**
Investments	**2,346**	**221**	-	**2,567**
Total assets	**911,416**	**375,452**	(184,168)	**1,102,700**

(euro/000)	Q3 2019 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	570,718	322,851		893,569
Intersegment sales	9,332	-	(9,332)	-
Sales from contracts with customers	**580,050**	**322,851**	**(9,332)**	**893,569**
Cost of sales	(552,344)	(313,190)	9,583	(855,951)
Gross profit	**27,706**	**9,661**	**251**	**37,618**
Gross Profit %	*4.78%*	*2.99%*		*4.21%*
Sales and marketing costs	(9,550)	(2,670)	1	(12,219)
Overheads and admin. costs	(13,876)	(4,875)	11	(18,740)
Impairment loss/reversal of financial assets	51	(45)	-	6
Operating income (Ebit)	**4,331**	**2,071**	**263**	**6,665**
EBIT %	*0.75%*	*0.64%*		*0.75%*
Finance costs - net				(3,604)
Profit before income tax				**3,061**
Income tax expenses				(1,278)
Net income				**1,783**
- of which attributable to non-controlling interests				(120)
- of which attributable to Group				1,903
Depreciation and amortisation	2,472	**730**	147	**3,349**
Other non-cash items	926	**(3)**	-	**923**
Investments	317	**80**	-	**397**
Total assets	**876,745**	**425,007**	(127,056)	**1,174,696**

(euro/000)	Q3 2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	476,101	295,540		771,642
Intersegment sales	12,682	-	(12,682)	-
Sales from contracts with customers	**488,783**	**295,540**	**(12,682)**	**771,642**
Cost of sales	(464,212)	(285,882)	12,634	(737,460)
Gross profit	**24,571**	**9,658**	**(48)**	**34,182**
Gross profit %	*5.03%*	*3.27%*		*4.43%*
Sales and marketing costs	(9,803)	(2,631)	-	(12,434)
Overheads and admin. costs	(13,075)	(4,483)	1	(17,557)
Impairment loss/reversal of financial assets	(6)	(68)	-	(74)
Operating income (Ebit)	**1,687**	**2,476**	**(47)**	**4,117**
EBIT %	*0.35%*	*0.84%*		*0.53%*
Finance costs - net				(1,245)
Profit before income tax				**2,872**
Income tax expenses				(725)
Net income				**2,147**
- of which attributable to non-controlling interests				88
- of which attributable to Group				2,059
Depreciation and amortisation	855	**207**	131	**1,193**
Other non-cash items	898	**23**	-	**921**
Investments	1,248	**47**	-	**1,295**
Total assets	**911,416**	**375,452**	(184,168)	**1,102,700**

Statement of financial position by operating segments

(euro/000)	30/09/2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	8,978	2,830	-	11,808
Right-of-use assets	73,801	17,213	-	91,014
Goodwill	21,569	68,106	1,039	90,714
Intangible assets	336	156	-	492
Investments in others	75,830	-	(75,830)	-
Deferred income tax assets	8,666	6,352	105	15,123
Receivables and other non-current assets	2,947	301	-	3,248
	192,127	**94,958**	**(74,686)**	**212,399**
Current assets				
Inventory	325,088	178,436	(342)	503,182
Trade receivables	263,004	101,332	-	364,336
Income tax assets	1,587	410	-	1,997
Other assets	56,995	22,614	(52,028)	27,581
Derivative financial assets	-	-	-	-
Cash and cash equivalents	37,944	27,257	-	65,201
	684,618	**330,049**	**(52,370)**	**962,297**
Disposal groups assets	-	-	-	-
Total assets	**876,745**	**425,007**	**(127,056)**	**1,174,696**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	284,857	61,611	(20,446)	326,022
Group net income	4,334	4,742	141	9,217
Group net equity	**297,052**	**121,046**	**(74,998)**	**343,100**
Non-controlling interests	2,210	(5)	(30)	2,175
Total equity	**299,262**	**121,041**	**(75,028)**	**345,275**
LIABILITIES				
Non-current liabilities				
Borrowings	8,602	32,792	-	41,394
Lease liabilities	68,307	15,583	-	83,890
Deferred income tax liabilities	3,420	6,156	-	9,576
Retirement benefit obligations	4,788	-	-	4,788
Provisions and other liabilities	1,976	250	-	2,226
	87,093	**54,781**	**-**	**141,874**
Current liabilities				
Trade payables	332,214	187,996	-	520,210
Short-term financial liabilities	131,559	45,723	(49,500)	127,782
Lease liabilities	5,199	1,686	-	6,885
Income tax liabilities	119	849	-	968
Derivative financial liabilities	587	-	-	587
Debts for investments in subsidiaries	-	-	-	-
Provisions and other liabilities	20,712	12,931	(2,528)	31,115
	490,390	**249,185**	**(52,028)**	**687,547**
Disposal groups liabilities	-	-	-	-
Total liabilities	**577,483**	**303,966**	**(52,028)**	**829,421**
Total equity and liabilities	**876,745**	**425,007**	**(127,056)**	**1,174,696**

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

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. Non-recurring significant events and operations

In the first nine months of 2019 no non-recurring items were identified.

During the same period of 2018, the events which led to the estimate of an impairment of the Group's receivables from suppliers as a consequence of disputes relating to the nature and/or the amount of the reciprocal contractual rights, had been identified as non-recurrent.

The following table shows effects of the events on the income statement, including the related tax effects:

(euro/000)	Charge type	9 months 2019	9 months 2018	Var.
Cost of sales	Other assets impairment	-	(1,099)	1,099
Gross Profit	**Gross Profit**	**-**	**(1,099)**	**1,099**
Overheads and administrative costs	Employee termination incentives	-	-	-
Total SG&A	**Total SG&A**	**-**	**-**	**-**
Operating income (EBIT)	**Operating income (EBIT)**	**-**	**(1,099)**	**1,099**
Profit before income taxes	**Profit before income taxes**	**-**	**(1,099)**	**1,099**
Income tax expenses	Non -recurring events impact	-	264	(264)
Net income / (loss)	**Net income / (loss)**	**-**	**(835)**	**835**

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

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

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

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

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

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

The notarial dead was signed on 20 March 2019.

Esprinet S.p.A. Annual Shareholders' Meeting

On 8 May 2019, Esprinet Shareholders' Meeting approved the separate financial statements for the fiscal year ended at 31 December 2018 and the distribution of a dividend of € 0.135 per ordinary share, corresponding to a pay-out ratio of 49%.[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 58/1998;
- authorised, subject to prior revocation of former authorization resolved on the Shareholders' Meeting of May 4th 2018, the acquisition and disposal of own shares according to art. 2357 and subs. of Italian Civil Code, art. 132 of Legislative Decree 58/98, art. 73, 144-bis and Appendix 3A, Schedule 4 of CONSOB Resolution 11971 of 14 May 1999 ('Issuer Regulations'), to Regulation (EU) 596/2014 and Delegated Regulation (EU) 2016/1052 and other current laws and regulations;
- authorised the appointment of the independent auditors, also for a limited audit of the condensed half-yearly report, for the years 2019 to 2027 pursuant to Lgs. 39/2010 and to the European Regulation (EU) no. 537/2014 to PricewaterhouseCoopers S.p.A.

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

During the first nine months of 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 47.0 million euro of which 34.0 million in favour of Esprinet Iberica and 13.0 million in favour of Vinzeo.

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

Under the starting share buy-back program, which was resolved by the Esprinet S.p.A. AGM of 8 May 2019, the Company purchased a total of 832,508 ordinary shares of Esprinet S.p.A. (corresponding to 1.59% of total share capital), along the period between 1 July 2019 and 30 September 2019, with an average purchase price of euro 3.05 per share, net of fees.

Taking into account the above-mentioned purchases, Esprinet S.p.A. held 1,982,508 own shares (equal to 3.78% of share capital) as at 30 September 2019.

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

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 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. 6, comma 2019, L.F.
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 L.F., 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 18.7 million euro, plus penalties and interest, with respect to transactions occurred between 2010 and 2013. Since some customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.
The main events occurred since 1 January 2019 till the date of this interim report are as follows:

- On 12 February 2019 the Regional Tax Commission issued an adverse appeal judgement for the year 2011 (disputed tax amounts to 1.0 million euro) against which the Company is preparing to file an appeal with the Supreme Court;
- On 13 February 2019 the Provincial Tax Commission issued an adverse first-instance judgement for the year 2013 (disputed tax amounts to 0.1 million euro) against which the Company filed an appeal with the Regional Tax Commission on 10 June 2019;
- On 1 April 2019 the Italian Revenue Office lodged an appeal with the Regional Tax Commission against the first instance judgement which related to 2012 (disputed tax amounts to 3.1 million euro) 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 amount to 2.8 million euro) thanks to a favourable decision from the Regional Tax Commission of 23 March 2018, which became final since the Revenue Office did not appeal.
- On 11 November 2019, the designated section of the Milan Provincial Tax Commission did not uphold the suspension of payment by Esprinet S.p.A. of 6.2 million euro, which had been provisionally ordered on 4 June 2019. This payment is due pursuant to the assessment notice relating to 2013 VAT (disputed tax for 14.5 million euro) against which the Company filed an appeal.

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

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

On 16 July 2019, Monclick S.r.l., a company controlled by Esprinet S.p.A. until February 2014 and in favour of which it granted guarantees at the time of transferring its shares, filed an appeal with the Supreme Court against the appeal judgement issued by the Regional Tax Commission, which overturned the first instance judgement related to challenged direct taxes for 2012 amounting to 0.1 million euro.

On 23 July 2019 an overall tax inspection was started against the Company relating to tax year for direct taxes, IRAP and VAT for 2016 with respect to Mosaico S.r.l., which was merged into Esprinet S.p.A. on 1 November 2018 followed by a tax audit report.
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:

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 152.5 million euro. This transaction was closed after the full repayment of the previous pool loan, which was outstanding for 72.5 million euro, being undrawn the relative revolving credit line of 65.0 million euro.
This loan is supported by a set of financial covenants, which are ordinary for this kind of transaction:
- ratio of net financial indebtedness' to EBITDA;
- ratio of 'extended net financial indebtedness' to Equity;
- ratio of EBITDA to net financial charges;
- amount of 'gross net financial indebtedness'.

In addition, on 7 November 2019 the subsidiary Vinzeo Technologies S.A.U. was granted two 5-year loans with a total amount of 10.0 million euro 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 72.0 million, the Group financial structure was completed.

Share buy-back program

Under the ongoing share buy-back program, which was resolved by the Esprinet S.p.A. AGM of 8 May 2019, the Company purchased a total of 151,000 ordinary shares of Esprinet S.p.A. (corresponding to 0.29% of total share capital), along the period between 1 October 2019 and 13 November 2019, with an average purchase price of euro 3.74 per share, net of fees.

Following these purchases, Esprinet S.p.A. held 2,133,508 own shares (or 4.07% of share capital) as of the date of this report.

Deletion of Celly Nordic OY in liquidation from the Companies Register

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

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 November 2019

Of behalf of the Board of Directors
The Chairman
Maurizio Rota

13. Declaration of the officer responsible for financial reports

Declaration under article 154-bis, par. 2 of the Financial Consolidation Act.

SUBJECT: Interim management statement as at 30 September 2019

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

ESPRINET S.p.A.

in accordance with the provisions of in article 154 bis, par. 2 of the Finance Consolidation Act

HEREBY DECLARES

that the Interim management statement as at 30 September 2019 agrees with the accounting documents, books and records.

Vimercate, 13 November 2019

The Officer in charge of drawing up financial reports

(Pietro Aglianò)