Esprinet Group

Annual Report 2017

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 31/12/2017: Euro 7,860,651
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Directors' Report on Operations

[1] Each booklet has a separate table of contents to facilitate the reader
[2] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Directors' Report on Operations 2017

Consolidated results overview

1. Letter from the Chairman

Dear Shareholders,

The Esprinet Group closed 2017 with net profit of 26.3 million euro, a reduction of approximately -2% on the 26.9 million euro recorded in 2016, compared with a 6% increase in revenues which passed the 3.2 billion euro mark and growth in absolute terms of a little under 180 million euro.
In terms of the balance sheet, the year ended with consolidated shareholders' equity for the group of 338 million euro and a cash balance of more than 123.1 million euro.

During the recently ended financial year, all the main economic and capital indicators were once again broadly positive, even though the integration of acquisitions made during the previous year combined with a particularly competitive market scenario led to a reduction in profitability compared with 2016.
Once again, our more than ten-year market leadership in Italy is confirmed, and in 2017 our Group maintained the leadership it acquired for the first time in 2016 in the Spanish market.

The market

The technology distribution sector in which the Esprinet operates generally shows development rates in line with the overall trend in gross domestic product, the rate of incidence of ICT spending on GDP and the relative impact of this particular channel in relation to direct distribution.
Key factors influencing overall ICT demand are degree of technological innovation, average product prices, the populations degree of computer literacy and the propensity of businesses to use new technologies, which is sometimes encouraged by tax breaks.

Macroeconomic environment

As far as the macroeconomic scenario is concerned, ECB Economic Bulletin No 1/2018 summarises the European macroeconomic situation as follows:

'The strong cyclical momentum, the ongoing reduction of economic slack and increasing capacity utilisation strengthen the confidence of the Governing Council that inflation will converge towards the aim of an inflation rate of below, but close to, 2%. The risks to growth prospects in the euro area are broadly balanced. On the one hand, the strong cyclical momentum could give rise to further positive growth developments in the coming quarter. On the other hand, downside risks remain mainly attributable to global factors and to developments in currency markets.'

Continuing on from 2016, 2017 was characterised by a recovery in the economy, which currently continues to face risks essentially related to geopolitical uncertainties and political instability.

Overall, the Group operates in a European economy - and in particular in Italy, Spain and Portugal - which has produced the best macroeconomic figures in recent years, although it is subject to the possible severe fluctuations resulting from the outside turbulence - typically political in nature - that periodically affects western economies.

Product Innovation

High-tech products typically designed for company Data Centres have experienced a year characterised by the gradual spread of Cybersecurity solutions, the ever-increasing presence of Cloud and software solutions in the Artificial Intelligence and Data Analysis segment, and a slow but

steady increase in applications for industry and cities that generically come under the heading of the 'Internet of Things.'
Businesses are gradually moving towards investment in software solutions that dramatically improve the speed and efficiency of decision-making, production and customer service processes.
Huge amounts of data are collected by cloud-connected sensors, analysed by software that can learn and defend itself with increasingly sophisticated cybersecurity tools.
Over time, the volume of Servers sold is falling while the sale of software grows and, within the context of networking, the proportion of investments linked to on-field traffic management is increasing compared with traditional data centre networking.
Overall, the data centre technologies segment continues to grow but it is mainly evolving towards models that require the ability to integrate complex solutions, favouring the growth of professional resellers who rely on Esprinet for support when choosing the best products to offer their customers.

With regard to the business information technology used in offices, and therefore in particular PCs and printers, there continues to be a downward trend in print volumes and in the number of personal computers sold, but this phenomenon is being counteracted by a gradual increase in the average prices of products, thanks on the one hand to a pricing policy implemented by many producers who are more concerned with profit than with market share, and on the other hand the gradual launch of increasingly sophisticated products that are shifting the attention of companies from price alone to increasingly high performing products.

However, the area recording the highest rates of innovation is consumer electronics.
The year just ended saw the launch of many new smartphones with increasingly improved dimensions and features, as well as televisions and audio solutions.
We are now on the threshold of introducing into the mass market products with flexible screens that should lead to a genuine revolution in end-user consumption.
The integration of cloud-based artificial intelligence into consumer products augurs the obsolescence of the traditional keyboard interface in favour of the audio interface, with the result that a massive technological renewal will take place.
Not least, interesting new markets are being opened up in the electrical mobility segment, with a growing increase in volumes of electric bicycles being sold, as well as cars in the future.

In short, the flow of technological innovation continues to grow, confirming confidence in a period of long-term expansion of the reference market in which our Group operates.

Developments in the applicable distribution market

Overall, in the course of 2017, the European wholesale distribution sector, based on Context data (January 2018) grew by +4% compared to 2016 with fourth quarter growth of +3% compared to the same period the previous year.
In the countries in which our Group operates, the growth rate was virtually nil in Italy, while Spain recorded a significant increase of around 9%.

During 2017, the level of PC inventory in the market gradually stabilised, after 2016 which, as a result of strong competition between producers to capture market share, resulted in stock accumulation among all commercial intermediaries.
The year just ended was characterised by a continued increase in the number of on-line retailers and the sharp crisis affecting quite a number of traditional retailers, especially in the Italian market.
This phenomenon (the retailer crisis), combined with the competitive pressure from, in particular, a competing distributor, has led to a sharp decline in margins on product lines more targeted to final consumers, which is only partially offset by the modest performance of the professional IT reseller segment and data centre-oriented product lines.
On the other hand, the upward trend in average product prices in the most important categories, such as PCs and smartphones, initially recorded at the beginning of 2017, has continued.

The continuous reduction in fixed costs by large technology manufacturers and the subsequent need to outsource some of the commercial and logistical processes confirm a trend that has been under way for years: greater use of the distribution channel as an alternative and increasingly preferred model for the sale of technology.
The crisis suffered by the traditional retail model based solely on points of sale, faced with the growth of online or mixed models, will also lead these operators to seek out future alliances that go beyond the traditional, purely commercial model and will result in a cooperative model where we believe that distributors like Esprinet can act as genuine partners to whom retailers will outsource parts of their activities.

The Italian business

In 2017, the Italian business essentially maintained the levels of revenues and market share we saw in 2016 in a distribution market which in turn did not grow in the previous year.
Pressure continued on the first production margin as a result of competitive pressure, especially in the retail segment, and was only partially offset by work on improving the product mix.
During the first half of the year, the performance of the Italian sub-group was adversely affected by the difficulties encountered by the subsidiaries Celly and EDSLan.
Celly incurred significant promotional costs in the first half of 2017 in order to protect sales volumes. These costs, recognised in the accounts as marketing expenses, fell significantly in the second half, leading to an operating margin of more than 7%, up from approximately 6% in the second half of 2016, despite lower sales volumes.
This strategy of attention to costs and favouring better-margin sales continues in 2018, in line with the guidelines on cost containment and improved profitability set out in our strategic plan.
EDSLan suffered from the migration of information processes and systems to Esprinet Group standards which took place in January 2017.
During the year, work began to rationalise sales methods and to reduce the cost structure, which enabled the company to show the structure with an operating profit during the second half of the year.
The plans developed by our team in charge of value technology management include the transfer of EDSLan personnel and all activities to Esprinet, in particular the value structure called V-Valley, which took place with the lease of the business by EDSLan to Esprinet in February 2018.
The rationalisation of cost structures implemented during the year is consistent with the work of reviewing and modernising the operating processes which commenced at the end of 2016.
During the year, the new B2B e-commerce website www.esprinet.com, was launched, on schedule, completely overhauled from the point of view of both the underlying software technology and operational capabilities, giving us a tool which is available on both a PC platform and a tablet and smartphone, nailing the latest trends in content usage.
As a corollary to the customer interaction model renewal programme, a new CRM tool was launched together with a review of the operating procedures at cash&carry in order to create the conditions for more targeted sales per customer segment of all product lines available in the very wide-ranging Esprinet catalogue.
Significant improvements have been made in logistics management, which is now also available to provide advanced services on behalf of customers and suppliers who are increasingly using the group as true outsourcers of technical and logistical services with obvious long-term gains in terms of customer loyalty.

The Iberian Peninsula business

During 2017, the distribution market in the Iberian Peninsula was particularly buoyant, mainly due to the excellent performance of the smartphone segment.
Our group worked throughout the year to integrate Vinzeo and launch the enhanced value business by integrating the Spanish IT-Way VAD activities into its scope of consolidation.

This integration was implemented by keeping Vinzeo as a separate legal entity and thorough the closure, in August, of the warehouse used in Madrid, with the simultaneous use of the Zaragoza warehouse as a central hub for group logistics throughout the entire Iberian Peninsula and for all legal entities operating there.
Although significant one-off costs were incurred due to both having to transfer products and ending working relationships with the warehouses in Madrid and the recruitment and training of warehouse staff in Zaragoza, the work was carried out extremely effectively and without any deterioration in the level of service provided to customers and suppliers.
IT-Way VAD activities have been transferred to the newly incorporated V-Valley Iberian and a process has begun to expand both the portfolio of technologies and brands distributed, and the customers served.
The growth in operating margin both in absolute and percentage terms bears witness to the success of these integration activities.
On the negative side, however, we note that during 2017 there was still a particularly high level of price competitiveness in the Spanish market, especially in the retail segment.
Our group reacted by focusing on improving processes, cutting costs and improving customer service, whilst abandoning negotiations that were considered unprofitable.
The reduction in market share in Spain is mainly due to these choices.
After years of relative stability in the Portuguese market, our group decided, in view of the lead position we have now achieved in Spain, to launch a process of growth in this market as well.
A group manager has been posted to Portugal and projects and activities are being developed to increase our capacity to serve this market more effectively and efficiently.
In 2017, the tool development project continued to ensure better coverage of smaller IT retailers as the group's second cash&carry opened in Barcelona.
Finally, the commercial structure adopted for the Celly and Nilox brands has been strengthened with the first encouraging commercial results that bode well for the future.

New initiatives

2018 started with the Italian market seemingly more buoyant than it was at the beginning of 2017, while the Iberian market seems to be a little less pronounced.
Our Group has been working for several quarters on the redesign of certain processes, especially in the consumer sales segment, so as to optimise the cost structure for that department in particular, but not exclusively for that customer segment.
Operations are also underway to merge EDSLan and Mosaico activities into Esprinet S.p.A., in order to simplify the sales model and improve service levels for corporate clients.
In Spain, a great deal of attention has been paid to the V-Valley project, partly thanks to the launch of new product lines, and a new phase of development in under way in the Portuguese market, partly due to the appointment of a new Country Manager.
In 2018, a series of investments aimed at strengthening CRM activities will be implemented in order to improve the level of efficacy and efficiency when serving the small and medium-sized business customer segment, and the first Artificial Intelligence projects with applications for sales and logistics processes are being planned.

Investment in human resources continued by making full use of attracting, training, motivation and control methodologies developed over the last few years.

Conclusions

As for many years, the macroeconomic environment in which our Group operates offers interesting opportunities for development but also considerable volatility and uncertainty.
This mix of opportunities on the one hand, and instability and volatility on the other, is managed thanks to a robust capital structure and a solid organisational structure well integrated in the market.
We believe that turbulence opens up additional spaces for growth and new business spaces at the expense of smaller, less financially sound operators.

As in previous years, we believe that the strategy of focusing on specific markets, control over processes and costs, the support offered by the financial system, and the cohesion of the management team and the historical shareholder base will ensure growth opportunities and value creation over time, while fully complying with the best governance standards.
As ever, I would like to finish by thanking all of the Group's employees, who every day with dedication, integrity and intelligence help to ensure our success. I send them and all our customers, suppliers and investors my sincere best wishes for even more personal and professional satisfaction in 2018.
Thank you for investing in our Company.

Francesco Monti
Chairman of the Board of Directors

2. Summary of the Group's economic and financial results

The financial position and results for 2017 and the relevant periods of comparison were drawn up according to International Financial Reporting Standards ('IFRS') as endorsed by the European Union and in force during the period. In the chart displayed below, in addition to the conventional 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.

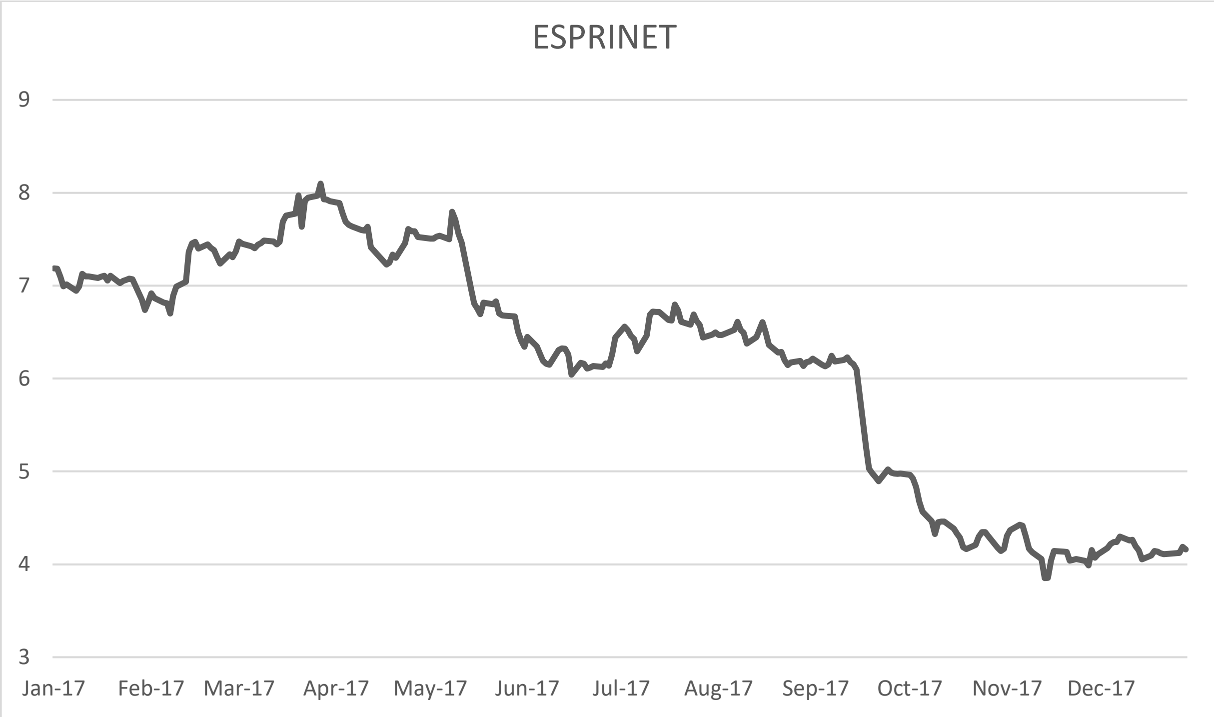
(euro/000)	notes	2017	%	2016	%	% var. 17/16	2015	%
Profit & Loss								
Sales		3,217,172	100.0%	3,042,330	100.0%	6%	2,694,054	100.0%
Gross profit		167,763	5.2%	163,895	5.4%	2%	156,864	5.8%
EBITDA	(1)	39,475	1.2%	43,117	1.4%	-8%	50,558	1.9%
Operating income (EBIT)		34,347	1.1%	38,566	1.3%	-11%	46,499	1.7%
Profit before income tax		33,634	1.0%	35,720	1.2%	-6%	42,247	1.6%
Net income		26,279	0.8%	26,870	0.9%	-2%	30,041	1.1%
Financial data								
Cash flow	(2)	31,033		30,820			33,378	
Gross investments		3,843		11,710			5,731	
Net working capital	(3)	107,133		102,322			21,905	
Operating net working capital	(5)	104,175		102,046			34,512	
Fixed assets	(6)	122,403		124,516			101,083	
Net capital employed	(7)	215,128		212,535			111,692	
Net equity		338,188		317,957			297,605	
Tangible net equity	(8)	246,522		225,299			221,695	
Net financial debt	(9)	(123,058)		(105,424)			(185,913)	
Main indicators								
Net financial debt / Net equity		(0.4)		(0.3)			(0.6)	
Net financial debt / Tangible net equity		(0.5)		(0.5)			(0.8)	
EBIT / Finance costs - net		45.9		13.5			11.0	
EBITDA / Finance costs - net		52.7		15.1			11.9	
Net financial debt/ EBITDA		(3.1)		(2.4)			(3.7)	
Operational data								
N. of employees at end-period		1,247		1,327			1,016	
Avarage number of employees	(10)	1,288		1,172			993	
Earnings per share (euro)								
- Basic		0.51		0.52		-2%	0.59	
- Diluted		0.50		0.51		-2%	0.58	

(1) EBITDA is equal to the operating income (EBIT) gross of amortisation, depreciation and accruals for risks and charges.
(2) Sum of consolidated net profit and amortisations.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of current net financial debts.
(5) Sum of trade receivables, inventory and trade payables.
(6) Equal to non-current assets net of non-current financial assets for derivatives.
(7) 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.
(8) Equal to equity less goodwill and intangible assets.
(9) Sum of financial debts, cash availability, assets/liabilities for financial derivatives and financial receivables from factoring.
(10) Calculated as the average of opening balance and closing balance of consolidated companies.

3. Share performance

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.

The graph below illustrates the share performance from 1 January till 31 December 2017:



As at 31 December 2017, the official closing price of the Esprinet share was 4.161 euro, decreasing by 42.714% compared to its quotation at the beginning of the year (7.1853 euro).
Compared with a placement price of 1.4 euro per share in July 2001, taking into account the 1:10 share split-up effected during 2005 and without considering the reinvestment of the dividends paid out in shares, growth was 197%.
The average quotation in 2017 was 6.1671 euro; the maximum official price reached during the year was 8.0984 euro, recorded on 28 March 2017.
During the year, a dividend of 0.11 euro per share was distributed, a 1.78% dividend yield when compared with the average quotation of the year.

An average volume of 181,510 shares per day was traded during 2017, increasing by 49% than the average volumes daily traded in 2016 (121,809). Volumes reached an all-time high (1,797,627 shares traded) in the session held on 18 September 2017. Average volumes daily traded were 271,942 shares in the same month.[1]

On March 19 2018 the Esprinet share price was 4.1638 euro, a 0.18% decrease since the beginning of the year (4.1713 euro). Average daily trading up to the same day was 442,706 shares per day.

[1] Unweighted average of Esprinet shares volumes traded according to a Bloomberg Finance L.P. time series. Source: Banca IMI

Call of Shareholders' Meeting

ESPRINET S.p.A.
Headquarter in Vimercate (MB), Via Energy Park n. 20
Share capital 7,860,651.00 euro, fully paid-up
Listed on the Register of Companies of Milan, Monza Brianza, Lodi at number 05091320159
Tax code 05091320159 - VAT number 02999990969 – Economic Administrative Index MB1158694
Website: www.esprinet.com

Notice of Ordinary Meeting of Shareholders

The Ordinary Meeting will be held at the Cosmo Hotel, Via Torri Bianche n. 4, Vimercate (MB), at 11:00 a.m. on 4 May 2018 - single call, to discuss the following:

Agenda

1. Financial statements of Esprinet S.p.A. as at 31 December 2017:
   1.1. Approval of 2017 Financial Statement; Directors' Report on Operations, Statutory Auditors' Report, Independent Auditors' Report. Presentation of the Consolidated Financial Statement of Esprinet Group as at 31 December 2017.
   1.2. Allocation of income of the year.

2. Board of Directors appointments for fiscal years 2018/2020.
   2.1 Definition of the BoD Members number
   2.2 Directors' Appointments
   2.3 Appointment of the Chairman of the Board of Directors
   2.4 Definition of the corresponding remuneration

3. Board of Statutory Auditor appointments for fiscal year 2018/2020.
   3.1 Members Appointments
   3.2 Chairman Appointment.
   3.3 Definition of the corresponding remuneration.

4. Report on Remuneration. Report on Remuneration. Resolutions on the first section of the Report on Remuneration pursuant to par. 6 of the art. 123-ter of the legislative decree 58/1998.

5. Proposal for authorisation of a 18-month buy-back plan for the maximum number of shares legally allowed and concurrent repeal of the authorisation for the unused portion of the plan (if any) resolved by the Shareholders' Meeting of 4 May 2017.

6. Proposal for the approval of a Long Term Incentive Plan, in relation to remuneration policies and in accordance with article 114-bis of legislative decree 58/1998, for the members of the Company's Board of Directors and other executives for the period 2018/2019/2020. The

object of the plan is the free allocation of ordinary shares in the Company ('performance stock grants') to beneficiaries designated by the Board of Directors, up to a maximum of 1,150,000 shares of the Company.

7. Integration of fees for the legal accounting support of the Esprinet S.p.A. Consolidated Financial Statement.

For information about the Share Capital, the right to amend the agenda and the presentation of new resolutions proposals, the right to ask questions and representation in the Meeting, and the right to ask questions before the Meeting, please refer to the complete notice text published at the company internet site www.esprinet.com, Investor Relations section, Corporate Documents - 2018 Shareholders Meeting.

DOCUMENTATION

Documentation relating to the Agenda matters pursuant to law in force, as well as resolution proposals, will be available to the public at the company's head office by the legal deadline. A copy is available to the shareholders and will be published on the Company's website www.esprinet.com, section Investor Relations - Corporate Documentation - 2018 Meeting as well as on the storage service at www.emarketstorage.com.

Those authorised to attend and vote are invited to arrive at least one hour before the start of the Meeting, in order to facilitate the registration process.

Corporate Governance

1. Company Officers

Board of Directors:

(Term of office expiring with the approval of the annual financial statements as at 31 December 2017)

Chairman	Francesco Monti	(SC)
Deputy Chairman and Chief Executive Officer	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	Cristina Galbusera	(InD) (CRC) (RAC)
Director	Mario Massari	(InD) (CRC) (RAC)
Director	Chiara Mauri	(InD) (CRC) (RAC)
Director	Emanuela Prandelli	(InD)
Director	Ariela Caglio [1]	(InD)
Secretary	Manfredi Vianini Tolomei	Studio Chiomenti

[1] Since 4 May substituting Mr. Andrea Cavaliere

Notes:

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

Board of Statutory Auditors:

(Term of office expiring with the approval of the annual financial statements as at 31 December 2017)

Chairman	Giorgio Razzoli
Permanent Auditor	Patrizia Paleologo Oriundi
Permanent Auditor	Bettina Solimando
Alternate Auditor	Antonella Koenig
Alternate Auditor	Bruno Ziosi

Independent Auditor:

(Term of office expiring with the approval of the annual financial statements as at 31 December 2018)

EY S.p.A.

2. 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.

3. Corporate Governance

Esprinet S.p.A. adopts and complies with the Corporate Governance Code for Italian Listed Companies (the Code), adapting it to the Group's characteristics.
In compliance with the disclosure requirements provided for by industry legislation, a 'Corporate Governance Report and ownership structure' is drafted every year with a general description of the corporate governance system adopted by the Group, as well as information regarding its ownership structure, its organisational model adopted as per Legislative Decree No. 231 of 2001 and its degree of compliance to the Corporate Governance Code for Italian Listed Companies. It also includes the main governance practices used and features of the risk management and internal auditing systems regarding the financial reporting process.

The 'Report on Corporate Governance and ownership structure' is available under Investor Relations – Corporate Documents – 2018 Shareholder Meeting on the Company website (www.esprinet.com). The Corporate Governance Code for Italian Listed Companies is available on the Borsa Italiana S.p.A. site at www.borsaItaliana.it.

Activities and structure of the Esprinet Group

1. Description of the activities

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (the 'Esprinet Group' or the 'Group') operate in Italy, Spain and Portugal.

The Group is active in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics, and is now the biggest distributor in Southern Europe and the 4th in Europe, having brought to completion a strategy fully focused on pure 'business-to-business' ICT distribution, specifically addressed to achieve the leadership in each country where the Group operates.

In the Italian market, the distribution of IT products (hardware, software, value-added services) and consumer electronics constitutes the Group's primary business. Besides the more traditional IT products (desktop PCs, notebooks, printers, copiers, servers, standard software etc.) and to their 'consumables' (cartridges, tapes, toners, magnetic supports), the Group also distributes tablet, mobile devices (smartphones) and their accessories, networking products (modems, routers, switches), state-of-the-art digital and entertainment products such as TVS, photo cameras, video cameras, videogames and MP3/MP4 readers.
The 'sales by product family and customer type' section provides a more detailed description of the main product categories marketed.

The Esprinet Group distributes branded IT products (hardware and software), mobile devices and, by its subsidiary Celly S.p.A., in the wholesale distribution of accessories for mobile devices, pitching itself at a customer base made up of resellers that in turn target both consumer and business users. Its markets in geographical terms are Italy and Iberian Peninsula.

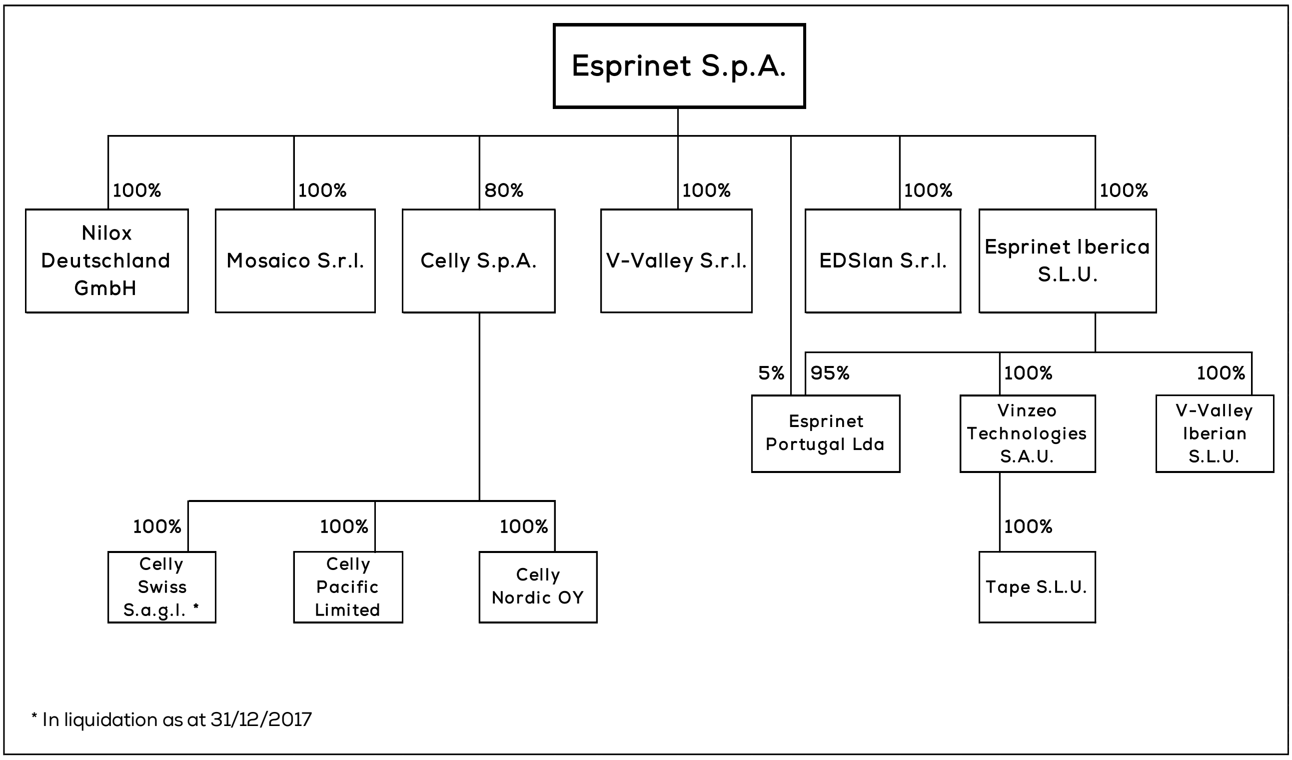
The range marketed by the Group consists of over 600 brands by more than 200 primary standing technology manufacturers (vendors), including all the world's leading technology manufacturers (HP, Apple, Samsung, Asus, Lenovo, Dell, Microsoft, Acer, Fujitsu and Epson, to name just a few).
The Group has also been distributing, in both geographic markets, house-branded products commissioned by third parties; these brands are Nilox, for entertainment sport products and PCs accessories, and Celly for mobile devices accessories.

Customers, made up of the various types of IT resellers present in the Italian and Iberians markets, range from value-added resellers (VAR) to system integrators/corporate resellers, from dealers to shops (independent and/or affiliated stores), from major general and/or specialist retailers to sub-distributors.
Total professional customers in 2017 in the B2B market were approx. 36,000, approx. 23,000 of which in Italy and approx. 13,000 in Spain.

Logistics activities are carried out at the four main logistics centres at Cambiago (MI), Cavenago (MB) Zaragoza (Spain) and Madrid (Spain), all leased premises, totalling approx. 130,000 sqm (approx. 90,000 sqm in Italy and 40,000 sqm in Spain).

2. Group Structure

The chart below illustrates the structure of the Esprinet Group as at 31 December 2017:



In legal terms, the parent company, Esprinet S.p.A., was formed in September 2000 following the merger of the two leading distributors operating in Italy: Comprel S.p.A. and Celomax S.p.A..
The Esprinet Group later assumed its current composition as a result of the carve-out of micro-electronic components from the parent company and of various business combination and establishment of new companies carried out in 2005.

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
At period end, 'Subgroup Italy' included parent company Esprinet S.p.A. and its directly controlled subsidiaries, V-Valley S.r.l., Celly S.p.A., EDSlan S.r.l.(consolidated since 1 December 2016), Mosaico S.r.l. (consolidated since 1 December 2016) and Nilox Deutschland Gmbh,(established on 11 July 2017 but still inactive).

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;
- Celly Pacific LTD, a Chinese-law company;
- Celly Swiss SAGL, a Helvetic-law company (in liquidation from 31 December 2017);

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, V-Valley Iberian S.L.U., consolidated from 1 December 2016, and Vinzeo Technologies S.A.U.. This was acquired and consolidated from 1 July 2016 with its wholly owned subsidiary, Tape 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.

Subgroup Italy

Celly S.p.A. and its foreign subsidiaries

Established in 1998, Celly S.p.A is headquartered in Italy and is specialized in the design, production and distribution of mobile devices accessories. The Company has always been focussing on the development of concepts such as 'Italian identity' and 'quality' for its Celly branded products.

On 12 May 2014 Esprinet S.p.A. bought a 60% stake in the share capital of Celly S.p.A.. This deal was executed through a purchase of shares from former shareholders as well as company's own shares and, ultimately, the subscription of a share capital increase.

On July 20th, Esprinet S.p.A acquired 20% stake in Celly S.p.A. from GIR S.r.l., a company owned by Claudio Gottero, Celly's former co-Chief Executive Officer. As consequence of this acquisition, Esprinet owns 80% in Celly's share capital.

Celly S.p.A. wholly owns the companies operating in the same industry Celly Nordic OY, Celly Pacific LTD and Celly Swiss SAGL (in liquidation from 31 December 2017).

V-Valley S.r.l.

Established in June 2010 as Master Team S.r.l. and named V-Valley S.r.l. in September, the company is headquartered in Vimercate (MB), and is 100%-owned by Esprinet S.p.A..

In this company, in fact active since December 2010, the distribution of 'high-value' products and solutions (high-end servers, networking and storage, virtualization, security software, bar-code scanning, mainly) has been concentrated.

EDSLan S.r.l..

EDSlan S.r.l. established on 24 March 2016, started operating from 9 April 2016, having bought the distribution business unit referring to the networking, cabling & Efficiency Energy, PBX, Phone, Videoconference & UCC as well as Measuring instruments from pre-existing company EDSlan S.p.A, 11th Italian distributor in 2015, on the previous date.

EDSlan S.r.l. is a company established to face the market of complex technological solutions in an even more effective and efficient way, by enlarging the product range and the addressable market.
Its customers are 'VAR-Value Added Resellers', system integrators, telco resellers and TelCos, as well as installers and technicians.
Its main suppliers include Hewlett Packard Enterprise Networking, Aruba Networks, Huawei Enterprise, Brocade Networks, Alcatel-Lucent Enterprise, Watchguard, Allied Telesis Panduit, CommScope, Audiocodes and Panasonic.

Mosaico S.r.l.

Mosaico S.r.l., established on 8 November 2016, started operating from 1 December 2016 having bought the 'VAD-Value Added Distribution' business unit referring to the Italian distribution of IT security software products, networking, as well as server application software from Itway S.p.A., on the previous day.

The Mosaico technological offering includes ICT Security solutions, Enterprise Software, virtualization

and OpenSource / Linux solutions and training, as well as pre and post-sales technical services.
In 2017, the acquired business served more than 700 customers, consisting of Corporate Resellers, System Integrators, Value Added Resellers (VAR) and Tel.Cos..

Itway VAD acquisition is part of Esprinet's strategy aiming at becoming point of reference in the field of complex technological solutions.

Nilox Deutschland GmbH

On 11 July 2017 the new legal entity Nilox Deutschland GmbH was established, in order to expand selling and distribution activities of Nilox products (brand owned by Esprinet S.p.A.) also in Germany. The company's headquarters is in Düsseldorf and as at 31 December 2017 is still inactive.

Subgroup Iberica

Esprinet Iberica S.L.U.

Originally established by the Group as the non-operating company governed by Spanish law to aid in the Spanish acquisitions effected between the end of 2005 and the end of 2006, due to the mergers through incorporations made in 2007, Esprinet Iberica S.L.U. is now the third distributor in Spain from a standalone point of view. Taking into account the consolidated values, Esprinet Iberica S.L.U. is the market leader in 2016, as consequence of the 2016 business combinations.

Esprinet Iberica's offices and warehouses are in Zaragoza, only approx. 300 km from all the main cities in Spain (Madrid, Barcelona, Bilbao and Valencia) which total over 80% of Spain's IT consumption.

Esprinet Portugal Lda

On April 29th 2015 the new legal entity Portugal Lda was established according to the Portuguese law with the purpose of further enhance Groups' distribution activities in Portugal territory.

Vinzeo S.A.U.

On 1 July 2016 Esprinet S.p.A., through its fully owned subsidiary Esprinet Iberica, completed the purchase of the entire capital of Vinzeo Technologies S.A.U., the fourth largest ICT wholesaler in Spain.
Vinzeo operates many important distribution agreements both in the ICT 'volume' market (i.e. HP, Samsung, Acer, Asus, Toshiba, Lenovo) and in the 'value' one (mainly Hewlett-Packard Enterprise). Since 2009, Vinzeo has been a key distributor of Apple products, including iPhones (since 2014) and Apple Watch (since 2015).
The headquarter is in Madrid, while branch offices are located in Barcelona and Bilbao.

Tape S.L.U.

On 30 May 2016 Tape S.L.U. was established, dealing with the distribution of 'telco' products, notebooks and consumer electronic products, as well as related accessories and services. The company's main target is the 'Pay per Print' business development.

V-Valley Iberian S.L.U.

V-Valley Iberian S.L.U., established on 28 October 2016, started operating from 1 December 2016, having bought the 'VAD-Value Added Distribution' business unit referring to the peninsula Iberian distribution of IT security software products, networking, as well as server application software from Itway Iberian S.L.U., on the previous day.

V-Valley Iberian's technological offer includes ICT Security solutions, Enterprise Software,

virtualization and OpenSource / Linux solutions and training on a selection of products sold, as well as pre and after-sales technical services.
Customers are represented by Corporate Resellers, System Integrators, Value Added Resellers (VARs) and Tel.Cos..

Structure and target market trends

B2B distribution of IT and consumer electronics

The IT distribution chain

Generally speaking, IT and electronic products are distributed in two different ways: direct ('Tier 1') and indirect ('Tier 2').
The former enables suppliers to reach their technology end-users directly, while the latter makes use firstly of an intermediary or distributor and, secondly, of 'resellers'. Very briefly the subjects making up the distribution chain are:

- 'vendors': technology and/or IT products manufacturers who operate under their own brand;
- 'distributors': operators supplying logistics services, storage, credit and marketing. In their turn, distributors can be classified into:
  (i) wide-range distributors, identified by their wide range and high turnover volumes;
  (ii) specialised distributors, the reference point for specific technology for products and services, such as intermediate systems, networking products, Internet and consultancy, training and assistance services;
- 'resellers': mixed operators in terms of size, profits and organisational structures, business models and ways of approaching the end-user.

'Resellers' are traditionally coded in terms of their customer base and type of services or answers offered together with the sales of information systems (consultancy, installation, infrastructure production, systems support, outsourcing, after-sales service, and training).

They are usually identified as per the following categories:

VAR ("Value Added Reseller")	GDO/GDS (Large-scale retail and specialist sectors)
Corporate Reseller	Sub-distribution
System Integrator	Computer shop
Dealer	Shop on-line
Office automation products and consumables specialist	

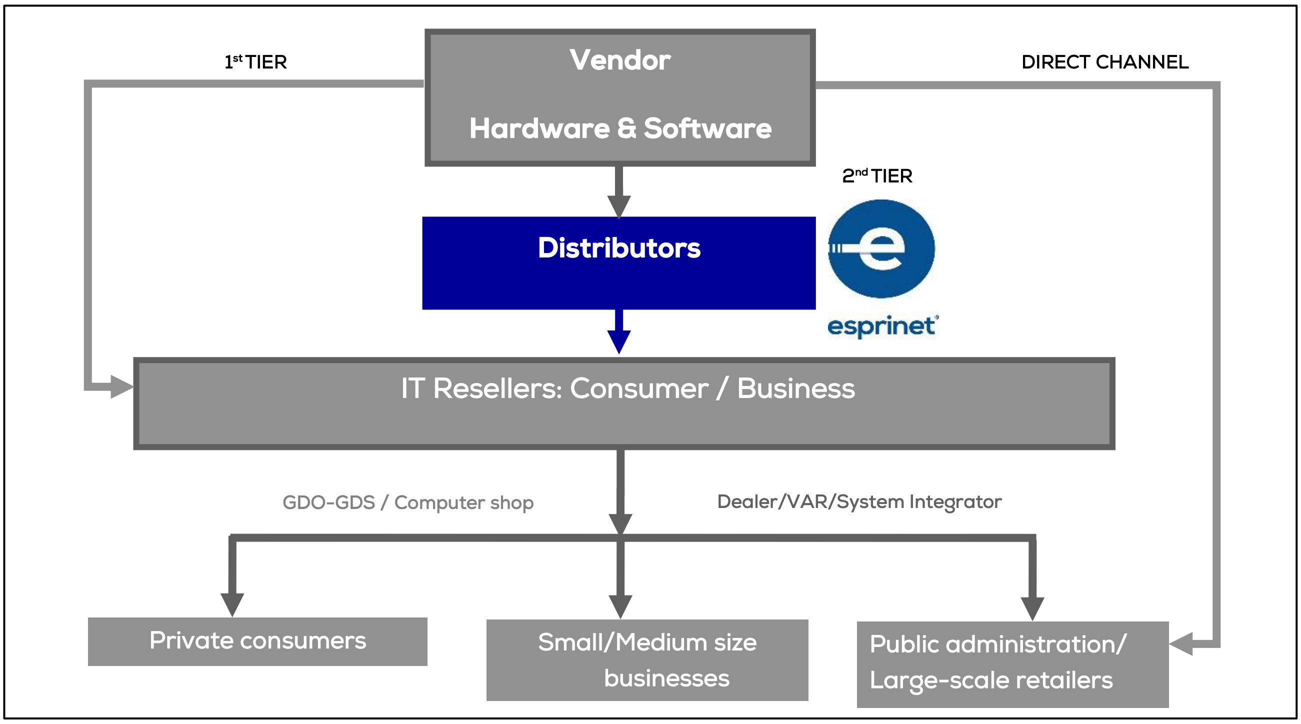
The individual sectors of the business system described above can be further defined in two different ways:

a) the so-called 'addressed' market, which is the total volume of IT product sales made by distributors or effectively passing through the so-called 'indirect channel' (that is, the sales flow that does not pass directly from the producer to the retailer or from the producer to the IT end-user);
b) the so-called 'addressable' market, which is the volume of IT product sales which can be made by distributors or effectively moved through the so-called 'indirect channel' (with the sole exclusion of hardware equipment such as mainframes or application software such as ERP etc., which by their very nature cannot be intercepted by distributors.).

It follows that the size of the sector must therefore be considered by analysing:

- IT demand (end-user consumption);
- the size of the distribution sector (that is the actual value of the sales effected by distributors or the value of the sales that can be guided by distributors according to the intrinsic nature of the products themselves).

The chart below illustrates the typical IT products distribution chain:



Europe

The distribution industry generated revenues in 2017 for approx. 68.2 billion euro, up +3.8% with respect to 65.7 billion euro in 2016, as measured by the English company, Context (Jan 2018), with reference to a distributors panel representative of the general trend. Namely, the second half, up +3.3% compared to the previous year values, shows a growth rate lower than the one recorded at the end of the first half.

Germany (the first market in Europe in terms of size) accounts for the largest share in results, up 6.7%, while the UK distribution market (the second largest in Europe) increased by more than 2 percentage points compared with 2016. France showed positive results (+3%) and Spain was one of the best performing country (+9%), while Italy ended in line with 2016.

The following table summarises the distribution trend in the last two quarters and in the whole of 2017 compared with the same periods of the previous year:

Country	Q3-17 vs Q3-16	Q4-17 vs Q4-16	2H 2017 vs 2H 2016	2017 FY vs 2016 FY
Total	**3,9%**	**2,9%**	**3,3%**	**3,8%**
Germany	5,9%	8,3%	7,2%	6,7%
UK & Ireland	-0,1%	-2,2%	-1,2%	2,2%
France	4,7%	1,6%	2,9%	3,0%
Italy	**2,6%**	**-1,0%**	**0,5%**	**0,0%**
Spain	**9,2%**	**9,6%**	**9,4%**	**9,0%**
Merged Countries	1,5%	0,4%	0,9%	0,5%
Poland	1,1%	3,3%	2,4%	2,5%
Switzerland	12,6%	9,2%	10,6%	9,4%
Sweden	-7,6%	-2,2%	-4,6%	-2,2%
Austria	8,2%	1,0%	3,8%	4,3%
Belgium	-4,8%	-5,4%	-5,2%	-2,3%
Czech Republic	5,2%	3,8%	4,4%	0,6%
Denmark	-1,3%	-4,5%	-3,2%	-2,8%
Portugal	**11,5%**	**9,4%**	**10,3%**	**13,5%**
Finland	12,0%	-5,3%	1,7%	5,7%
Norway	27,1%	11,0%	17,6%	15,7%
Baltics	13,5%	3,5%	7,5%	8,7%
Slovakia	-2,4%	24,1%	13,4%	3,1%

Source: Context, January 2018

Italy

IT, electronics consumption and distribution industry

In 2017, the Italian Information Technology ('IT') and Communication Technology (including TLC) market, as measured by GFK (February 2018) data monitoring a cluster - i.e. sales to individuals which represents approx. 30.0% of Esprinet Italy sales of the year - recorded a -1% change to 15.97 billion euro from 16.13 billion euro.
Phone devices (+3%) and small household appliances (+3%) came out as the best performing categories. Consumer electronics (-8%), IT (-7%) and photo (-5%) segments performed negatively.

In 2017, the Italian distribution market (source: Context, January 2018) showed no growth compared with 2016. The analysis by semester reveals that the second half slightly increased compared with the first half and grew by +0.5% compared with previous year half, all concentrated in the third quarter (+2.6%), while the fourth quarter went down by -1%. Software licences (-47 million euro), desktops (-11%) and tablets (-12%) definitely contributed to slow down the market. Notebooks, which account for the largest share of distributors sales, slightly decreased (-1% or -13 million euro). In contrast, phones grew thanks to the positive trend of smartphones (+5%).

Based on Context data, also in 2017 Esprinet Italy confirms its leadership in the Italian distributors market, with a market share that is substantially unchanged year-on-year.

Spain

IT, electronics consumption and distribution industry

In 2017, the Spanish Information Technology ('IT') and Communication Technology (including TLC) market, as measured by GFK data (February 2018) monitoring a cluster, i.e. sales by shops to individuals which represents approx. 45% of Esprinet Iberica sales, recorded an increase +3% from 9.5 billion euro to 9.8 billion euro.

In order of importance IT category (+2%) grew followed by phones (+5%). Small household appliances (+7%) and major household appliance (+6%) also had a very positive trend. Consumer electronics (-3%) performed negatively.

In 2017, the Spanish distribution market (source: Context, Jan 2018) showed a growth of +9% compared with 2016. Smartphones (+29%), desktops (+8%) and notebooks (+3%) performed well.

Virtualization software (-16 million euro), hard disks (-10%) and consumables (-6%) contributed to slow down the market. The Esprinet market share decreased by 3 percentage points.
Esprinet Group is also the first distributor in the Spanish technology market (Source: Channel Partner - March 2018).

Group and Esprinet S.p.A. economic and financial results

Please note that the economic and financial results and those of the relative period of comparison have been drawn up according to IFRSs.

1. Income trend

A) Esprinet Group's financial highlights

The Group's main earnings, financial and net assets position as at 31 December 2017 are hereby summarised:

(euro/000)	2017	%	2016	%	Var.	Var. %
Sales	**3,217,172**	**100.00%**	**3,042,330**	**100.00%**	**174,842**	***6%***
Cost of sales	(3,049,409)	-94.79%	(2,878,435)	-94.61%	(170,974)	*6%*
Gross profit	**167,763**	**5.21%**	**163,895**	**5.39%**	**3,868**	***2%***
Other income	-	0.00%	2,838	0.09%	(2,838)	*-100%*
Sales and marketing costs	(53,800)	-1.67%	(49,871)	-1.64%	(3,929)	*8%*
Overheads and administrative costs	(79,616)	-2.47%	(78,296)	-2.57%	(1,320)	*2%*
Operating income (EBIT)	**34,347**	**1.07%**	**38,566**	**1.27%**	**(4,219)**	***-11%***
Finance costs - net	(749)	-0.02%	(2,847)	-0.09%	2,098	*-74%*
Other investments expenses / (incomes)	36	0.00%	1	0.00%	35	*3500%*
Profit before income taxes	**33,634**	**1.05%**	**35,720**	**1.17%**	**(2,086)**	***-6%***
Income tax expenses	(7,355)	-0.23%	(8,850)	-0.29%	1,495	*-17%*
Net income	**26,279**	**0.82%**	**26,870**	**0.88%**	**(591)**	***-2%***
Earnings per share - basic (euro)	0.51		0.52		(0.01)	-2%

Consolidated net sales equal to 3,217.2 million euro showed an increase of +6% (174.8 million euro) compared with 3,042.3 million euro as at 31 December 2016. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, consolidated sales would have been equal to 2,566 million euro (2,654 million euro in the same period of 2016).

Consolidated Gross profit equal to 167.8 million euro showed an increase of +2% (3.9 million euro) compared with the same period of 2016 as a consequence of higher sales only partially offset by a decrease in the gross profit margin. With the same consolidation scope, i.e. excluding the 2016 acquired companies contribution in both the fiscal years, consolidated gross profit would have been equal to 136.5 million euro, decreased by -6% compared with the same period of 2016 (145.0 million euro).

Other income, recorded only in 2016, amounted to 2.8 million euro and referred entirely to the gain realized from the newly established company EDSlan S.r.l. for the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC – unified communication sectors, from the former EDSlan S.p.A..

Operating Income (EBIT) as at 31 December 2017, equal to 34.3 million euro, showed a reduction of -11% compared with 31 December 2016 (38.6 million euro) with an EBIT margin decreased to 1.07%

from 1.27% mainly due to a reduction in the gross profit margin. With the same consolidation scope, i.e. excluding the 2016 acquired companies contribution in both the fiscal years, EBIT would have been equal to 24.0 million euro compared with 29.3 million euro in the same period of 2016.

Consolidated Profit before income taxes equal to 33.6 million euro, (-6% compared with 31 December 2016), showed a reduction less marked than the EBIT reduction mainly as consequence of higher financial income due to a downward review of contractual consideration to be paid for the purchase of remaining shares of the subsidiary Celly S.p.A. (20%).

Consolidated Net income equal to 26.3 million euro, showed a reduction of -2% (-0.6 million euro) compared with 31 December 2016.

Basic earnings per ordinary share as at 31 December 2017, equal to 0.51 euro, showed a reduction of -2% compared with 31 December 2016 (0.52 euro).

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	122,403	56.90%	124,516	58.59%	(2,113)	*-2%*
Operating net working capital	104,175	48.42%	102,046	48.01%	2,129	*2%*
Other current assets/liabilities	2,958	1.38%	276	0.13%	2,683	*972%*
Other non-current assets/liabilities	(14,406)	-6.70%	(14,305)	-6.73%	(101)	*1%*
Total uses	**215,130**	**100.00%**	**212,533**	**100.00%**	**2,597**	***1%***
Short-term financial liabilities	155,960	72.50%	151,885	71.46%	4,075	*3%*
Current financial (assets)/liabilities for derivatives	663	0.31%	483	0.23%	180	*37%*
Financial receivables from factoring companies	(1,534)	-0.71%	(1,492)	-0.70%	(42)	*3%*
Current debts for investments in subsidiaries	-	0.00%	4,719	2.22%	(4,719)	*-100%*
Other current financial receivables	(510)	-0.24%	(5,596)	-2.63%	5,087	*-91%*
Cash and cash equivalents	(296,969)	-138.04%	(285,933)	-134.54%	(11,036)	*4%*
Net current financial debt	(142,390)	-66.19%	(135,934)	-63.96%	(6,455)	*5%*
Borrowings	19,927	9.26%	28,833	13.57%	(8,906)	*-31%*
Non - current debts for investments in subsidiaries	1,311	0.61%	3,941	1.85%	(2,630)	*-67%*
Non-current financial (assets)/liab. for derivatives	(36)	-0.02%	28	0.01%	(64)	*-229%*
Other non - current financial receivables	(1,870)	-0.87%	(2,292)	-1.08%	422	*-18%*
Net financial debt (A)	(123,058)	-57.20%	(105,424)	-49.60%	(17,634)	*17%*
Net equity (B)	338,188	157.20%	317,957	149.60%	20,231	*6%*
Total sources of funds (C=A+B)	**215,130**	**100.00%**	**212,533**	**100.00%**	**2,597**	***1%***

Consolidated net working capital as at 31 December 2017 equal to 104.2 million euro compared with 102.0 million euro as at 31 December 2016.

Net financial position as at 31 December 2017, is positive by 123.1 million euro, compared with a cash surplus equal to 105.4 million euro as at 31 December 2016.
Increase of net cash surplus was due to the performance of consolidated net working capital as at 31 December 2017 which in turn is influenced by technical events often not related to the average level of working capital and by the level of utilisation of both 'without – recourse' factoring programs referring to the trade receivables and of the corresponding securization programme.

This program is aimed at transferring risks and rewards to the buyer, thus receivables sold are eliminated from balance sheet according to IAS 39.

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 31 December 424 was approx. 400 million euro (approx. 31 million euro as at 2017 December 2016).

Consolidated equity as at 31 December 2017 equal to 338.2 million euro, showed an increase of 20.2 million euro compared with 318.0 million euro as at 31 December 2016.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main earnings, financial and net assets position for the Italian subgroup (Esprinet, V-Valley, EDSlan[2], Mosaico[3] and Celly Group) as at 31 December 2017 are hereby summarised:

(euro/000)	2017	%	2016	%	Var.	Var. %
Sales to third parties	1,991,524		1,995,640		(4,116)	*0%*
Intercompany sales	46,050		46,506		(456)	*-1%*
Sales	**2,037,574**		**2,042,146**		**(4,572)**	***0%***
Cost of sales	(1,916,908)	-94.08%	(1,916,365)	-94.05%	(543)	*0%*
Gross profit	**120,666**	**5.92%**	**125,781**	**6.16%**	**(5,115)**	***-4%***
Other income	-	0.00%	2,838	0.14%	(2,838)	*-100%*
Sales and marketing costs	(42,871)	-2.10%	(41,913)	-2.05%	(958)	*2%*
Overheads and administrative costs	(58,985)	-2.89%	(60,967)	-2.99%	1,982	*-3%*
Operating income (EBIT)	**18,810**	**0.92%**	**25,739**	**1.26%**	**(6,929)**	***-27%***

Sales, equal to 2,037.6 million euro, are substantially in line compared with 2,042.1 million euro at 31 December 2016. With the same consolidation scope, i.e. excluding the 2016 acquired companies contribution in both the fiscal years, sales would have been equal to 1,901.1 million euro (1,935.3 million euro in the same period of 2016).

Gross profit, equal to 120.7 million euro showed a decrease of -4% compared with 125.8 million euro at 31 December 2016 with a gross profit margin decreased from 6.16% to 5.92%. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, gross profit would have been equal to 109.1 million euro showing a decrease of -7% compared with the same period of the previous year (117.2 million euro).

Other income, recorded only at 31 December 2016, amounted to 2.8 million euro and referred entirely to the gain realized by the newly established company EDSlan S.r.l. from the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC – unified communication sectors, from the former EDSlan S.p.A..

Operating income (EBIT), equal to 18.8 million euro, showed a decrease of -27% compared with the same period of 2016, with an EBIT margin reduction from 1.26% to 0.92% compared with the same period of the previous year. The reduction is due to both the above-mentioned 2016 non-recurring income, and to an increase in the operating costs. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, EBIT 2017 would have been equal to 16.7 million euro compared with 21.5 million euro in the same period of 2016.

[2] Company operating since 9 April 2016.

[3] Company operating since 1 December 2016.

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	Var. %
Fixed assets	117,075	64.89%	119,337	54.32%	(2,262)	*-2%*
Operating net working capital	55,494	30.76%	94,709	43.11%	(39,215)	*-41%*
Other current assets/liabilities	17,699	9.81%	16,261	7.40%	1,438	*9%*
Other non-current assets/liabilities	(9,857)	-5.46%	(10,612)	-4.83%	755	*-7%*
Total uses	**180,411**	**100.00%**	**219,695**	**100.00%**	**(39,284)**	***-18%***
Short-term financial liabilities	150,364	83.35%	122,466	55.74%	27,898	*23%*
Current debts for investments in subsidiaries	-	0.00%	3,959	1.80%	(3,959)	*-100%*
Current financial (assets)/liabilities for derivatives	644	0.36%	428	0.19%	216	*50%*
Financial receivables from factoring companies	(1,534)	-0.85%	(1,492)	-0.68%	(42)	*3%*
Financial (assets)/liab. from/to Group companies	(112,500)	-62.36%	(126,500)	-57.58%	14,000	*-11%*
Other financial receivables	(510)	-0.28%	(509)	-0.23%	(1)	*0%*
Cash and cash equivalents	(184,912)	-102.49%	(88,651)	-40.35%	(96,261)	*109%*
Net current financial debt	(148,448)	-82.28%	(90,299)	-41.10%	(58,149)	*64%*
Borrowings	18,163	10.07%	5,849	2.66%	12,314	*211%*
Non - current debts for investments in subsidiaries	1,311	0.73%	3,942	1.79%	(2,631)	*-67%*
Other financial receivables	(1,870)	-1.04%	(2,292)	-1.04%	422	*-18%*
Net Financial debt (A)	(130,844)	-72.53%	(82,800)	-37.69%	(48,044)	*58%*
Net equity (B)	311,255	172.53%	302,495	137.69%	8,760	*3%*
Total sources of funds (C=A+B)	**180,411**	**100.00%**	**219,695**	**100.00%**	**(39,284)**	***-18%***

Operating net working capital as at 31 December 2017 was equal to 55.5 million euro, compared with 94.7 million euro at 31 December 2016.

Net financial position as at 31 December 2017 was positive by 130.8 million euro, compared with a cash surplus equal to 82.8 million euro at 31 December 2016. The impact of both 'without-recourse' sale and securitization programmes of trade receivable as at 31 December 2017 was approx. 184 million euro (approx. 133 million euro as at 31 December 2016).

B.2) Subgroup Iberica

The main earnings, financial and net assets position for the Iberica Subgroup (Esprinet Iberica, Esprinet Portugal, Tapes[4], Vinzeo Technologies[5] and V-Valley Iberian[6]) as at 31 December 2017 are hereby summarised:

(euro/000)	2017	%	2016	%	Var.	Var. %
Sales to third parties	1,225,648		1,046,689		178,959	*17%*
Intercompany sales	-		-		-	*100%*
Sales	**1,225,648**		**1,046,689**		178,959	***17%***
Cost of sales	(1,178,439)	-96.15%	(1,008,404)	-96.34%	(170,035)	*17%*
Gross profit	**47,209**	**3.85%**	**38,285**	**3.66%**	**8,924**	***23%***
Sales and marketing costs	(10,872)	-0.89%	(7,940)	-0.76%	(2,932)	*37%*
Overheads and administrative costs	(20,699)	-1.69%	(17,357)	-1.66%	(3,342)	*19%*
Operating income (EBIT)	**15,638**	**1.28%**	**12,988**	**1.24%**	**2,650**	***20%***

Sales equal to 1,225.6 million euro, showed an increase of +17% compared with 1,046.7 million euro at 31 December 2016. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, sales would have been equal to 664.8 million euro (718.8

[4] Company not active as at 31 December 2016.
[5] Company acquired and active since 1 July 2016.
[6] Company operating since 1 December 2016.

million euro compared with the same period of 2016) although the figures were affected by a reorganisation of both market and customer segments managed by the Iberian companies after the business combinations occurred.

Gross profit as at 31 December 2017 equal to 47.2 million euro, showing an increase of +23% compared with 38.3 million euro of the same period of 2016 with a gross profit margin increased from 3.66% to 3.85%. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, gross profit margin would have been equal to 27.5 million euro, showing a decrease of -2% compared with the same period of the previous year (28.0 million euro).

Operating income (EBIT) was equal to 15.6 million euro showing an increase of 2.7 million euro compared with the value posted at 31 December 2016, with an EBIT margin increased to 1.28% from 1.24%. With the same consolidation scope, i.e. excluding in both fiscal years the contribution of companies acquired in 2016, EBIT would have been equal to 7.4 million euro showing a decrease of -6% compared with the previous year (7.9 million euro).

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	80,051	72.87%	79,866	117.72%	185	*0%*
Operating net working capital	49,102	44.69%	7,656	11.28%	41,446	*541%*
Other current assets/liabilities	(14,742)	-13.42%	(15,986)	-23.56%	1,244	*-8%*
Other non-current assets/liabilities	(4,549)	-4.14%	(3,693)	-5.44%	(856)	*23%*
Total uses	**109,862**	**100.00%**	**67,843**	**100.00%**	**42,019**	***62%***
Short-term financial liabilities	5,596	5.09%	29,419	43.36%	(23,823)	*-81%*
Current financial (assets)/liabilities for derivatives	19	0.02%	55	0.08%	(36)	*-65%*
Current debts for investments in subsidiaries	-	0.00%	759	1.12%	(759)	*-100%*
Financial (assets)/liab. from/to Group companies	112,500	102.40%	126,500	186.46%	(14,000)	*-11%*
Other financial receivables	(0)	0.00%	(5,087)	-7.50%	5,087	*-100%*
Cash and cash equivalents	(112,057)	-102.00%	(197,282)	-290.79%	85,225	*-43%*
Net current financial debt	6,058	5.51%	(45,636)	-67.27%	51,694	*-113%*
Borrowings	1,764	1.61%	22,984	33.88%	(21,220)	*-92%*
Non-current financial (assets)/liab. for derivatives	(36)	-0.03%	28	0.04%	(64)	*-229%*
Net Financial debt (A)	7,786	7.09%	(22,624)	-33.35%	30,410	*-134%*
Net equity (B)	102,076	92.91%	90,467	133.35%	11,609	*13%*
Total sources of funds (C=A+B)	**109,862**	**100.00%**	**67,843**	**100.00%**	**42,019**	***62%***

Operating net working capital as at 31 December 2017 was equal to 49.1 million euro, compared with 7.7 million euro at 31 December 2016.

Net financial position as at 31 December 2017 was negative by -7.8 million euro, compared with a cash surplus equal to 22.6 million euro as at 31 December 2016. The impact of both 'without-recourse' sale and securization programmes of trade receivables as at 31 December 2017 was approx. 240 million euro (approx. 268 million euro as at 31 December 2016).

C) Esprinet S.p.A. financial highlights

The main economic, financial, asset result of Esprinet S.p.A. are hereby summarized:

(euro/000)	2017	%	2016	%	Var.	Var. %
Sales	**1,917,559**	100.00%	**1,951,845**	100.00%	**(34,286)**	*-2%*
Cost of sales	(1,819,846)	-94.90%	(1,848,573)	-94.71%	28,727	*-2%*
Gross profit	**97,713**	**5.10%**	**103,272**	**5.29%**	**(5,559)**	***-5%***
Sales and marketing costs	(30,181)	-1.57%	(30,204)	-1.55%	23	*0%*
Overheads and administrative costs	(51,136)	-2.67%	(53,556)	-2.74%	2,420	*-5%*
Operating income (EBIT)	**16,396**	**0.86%**	**19,512**	**1.00%**	**(3,116)**	***-16%***
Finance costs - net	(1,880)	-0.10%	(1,909)	-0.10%	29	*-2%*
Profit before income taxes	**14,516**	**0.76%**	**17,603**	**0.90%**	**(3,087)**	***-18%***
Income tax expenses	(3,906)	-0.20%	(4,865)	-0.25%	959	*-20%*
Net income	**10,610**	**0.55%**	**12,738**	**0.65%**	**(2,128)**	***-17%***

Sales equal to 1,917.6 million euro, decreased by -2% compared with 1,951.8 million euro as at 31 December 2016.

Gross profit equal to 97.7 million euro showed a decrease of -5% compared with 103.3 million euro of 31 December 2016 as a consequence of lower sales and a gross profit margin decreased from 5.29% to 5.10%.

Operating income (EBIT) equal to 16.4 million euro, showed a decrease of -16% compared with 2016 with an EBIT margin decreased from 1.00% to 0.86%, notwithstanding a reduction in operating costs (-2.4 million euro).

Profit before income taxes equal to 14.5 million euro, decreased by -18% (3.1 million euro) compared with 31 December 2016.

Net Income equal to 10.6 million euro, showed a decrease of -17% (-2.1 million euro) compared with 31 December 2016.

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	121,233	82.51%	121,958	65.31%	(725)	*-1%*
Operating net working capital	(13,417)	-9.13%	16,801	9.00%	(30,218)	*-180%*
Other current assets/liabilities	46,654	31.75%	55,702	29.83%	(9,048)	*-16%*
Other non-current assets/liabilities	(7,548)	-5.14%	(7,721)	-4.13%	173	*-2%*
Total uses	**146,922**	**100.00%**	**186,740**	**100.00%**	**(39,818)**	***-21%***
Short-term financial liabilities	149,263	101.59%	118,779	63.61%	30,484	*26%*
Current financial (assets)/liabilities for derivatives	644	0.44%	428	0.23%	216	*50%*
Financial receivables from factoring companies	(1,202)	-0.82%	(1,176)	-0.63%	(26)	*2%*
Financial (assets)/liab. From/to Group companies	(157,500)	-107.20%	(151,500)	-81.13%	(6,000)	*4%*
Customers financial receivables	(510)	-0.35%	(509)	-0.27%	(1)	*0%*
Cash and cash equivalents	(165,368)	-112.55%	(80,109)	-42.90%	(85,259)	*106%*
Net current financial debt	(174,673)	-118.89%	(114,087)	-61.09%	(60,586)	*53%*
Borrowings	18,163	12.36%	2,252	1.21%	15,911	*707%*
Non-current financial (assets)/liab. for derivatives	(377)	-0.26%	(377)	-0.20%	0	*0%*
Customers financial receivables	(1,870)	-1.27%	(2,292)	-1.23%	422	*-18%*
Net Financial debt (A)	(158,757)	-108.06%	(114,504)	-61.32%	(44,253)	*39%*
Net equity (B)	305,679	208.06%	301,244	161.32%	4,435	*1%*
Total sources of funds (C=A+B)	**146,922**	**100.00%**	**186,740**	**100.00%**	**(39,818)**	***-21%***

Consolidated net working capital as at 31 December 2017 was equal to -13.4 million euro compared with 16.8 million euro as at 31 December 2016.

Net financial position as at 31 December 2017, was positive by 158.8 million euro, compared with a cash surplus equal to 114.5 million euro as at 31 December 2016. The impact of 'without-recourse' sale of trade receivables as at 31 December 2017 was equal to 169 million euro (approx. 123 million euro as at 31 December 2016).

Equity as at 31 December 2017 was equal to 305.7 million euro.

D) Separate income statement by legal entity

Please find below the separate income statement showing the contribution of the individual group companies regarded as significant[7]:

(euro/000)	2017													
	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley + Nilox GmbH	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberian	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	1,854,572	53,556	27,911	55,485	-	1,991,524	633,015	28,258	6,195	558,180	-	1,225,648	-	3,217,172
Intersegment sales	62,961	1,129	1,107	1,846	(20,993)	46,050	20,837	12	-	3,447	(24,296)	-	(46,050)	-
Sales	**1,917,533**	**54,685**	**29,018**	**57,331**	**(20,993)**	**2,037,574**	**653,852**	**28,270**	**6,195**	**561,627**	**(24,296)**	**1,225,648**	**(46,050)**	**3,217,172**
Cost of sales	(1,820,245)	(49,689)	(17,218)	(50,745)	20,989	(1,916,908)	(627,090)	(27,452)	(5,614)	(542,504)	24,221	(1,178,439)	45,938	(3,049,409)
Gross profit	**97,288**	**4,996**	**11,800**	**6,586**	**(4)**	**120,666**	**26,762**	**818**	**581**	**19,123**	**(75)**	**47,209**	**(112)**	**167,763**
Gross Profit %	*5.07%*	*9.14%*	*40.66%*	*11.49%*	*0.02%*	*5.92%*	*4.09%*	*2.89%*	*9.38%*	*3.40%*		*3.85%*		*5.21%*
Sales and marketing costs	(28,781)	(1,417)	(8,544)	(4,180)	51	(42,871)	(6,171)	(333)	(855)	(3,599)	85	(10,872)	(57)	(53,800)
Overheads and admin. costs	(52,075)	(864)	(3,070)	(2,990)	14	(58,985)	(13,116)	(543)	(255)	(6,776)	(10)	(20,699)	68	(79,616)
Operating income (Ebit)	**16,432**	**2,715**	**186**	**(584)**	**61**	**18,810**	**7,475**	**(58)**	**(529)**	**8,748**	**-**	**15,638**	**(101)**	**34,347**
EBIT %	*0.86%*	*4.96%*	*0.64%*	*-1.02%*	*-0.29%*	*0.92%*	*1.14%*	*-0.21%*	*-8.54%*	*1.56%*		*1.28%*		*1.07%*
Finance costs - net														(749)
Share of profits of associates														36
Profit before income tax														**33,634**
Income tax expenses														(7,355)
Net income														**26,279**
- of which attributable to non-controlling interests														45
- of which attributable to Group														26,234

(euro/000)	2016													
	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberica	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	1,900,972	11,042	30,415	53,212	(1)	1,995,640	690,275	26,785	741	328,889	-	1,046,689	-	3,042,330
Intersegment sales	50,849	-	1,911	1,678	(7,932)	46,506	20,845	25	-	1,269	(22,139)	-	(46,506)	-
Sales	**1,951,821**	**11,042**	**32,326**	**54,890**	**(7,933)**	**2,042,146**	**711,120**	**26,810**	**741**	**330,158**	**(22,139)**	**1,046,689**	**(46,506)**	**3,042,330**
Cost of sales	(1,848,942)	(10,128)	(18,071)	(47,172)	7,948	(1,916,365)	(683,589)	(26,320)	(673)	(319,961)	22,138	(1,008,404)	46,334	(2,878,435)
Gross profit	**102,879**	**914**	**14,255**	**7,718**	**15**	**125,781**	**27,531**	**490**	**68**	**10,197**	**(1)**	**38,285**	**(172)**	**163,895**
Gross Profit %	*5.27%*	*8.28%*	*44.10%*	*14.06%*	*-0.19%*	*6.16%*	*3.87%*	*1.83%*	*9.18%*	*3.09%*		*3.66%*		*5.39%*
Other incomes	-	-	-	2,838	-	2,838	-	-	-	-	-	-	-	2,838
Sales and marketing costs	(28,706)	(130)	(8,882)	(4,193)	(2)	(41,913)	(5,916)	(310)	(60)	(1,654)	-	(7,940)	(18)	(49,871)
Overheads and admin. costs	(54,463)	(122)	(3,640)	(2,816)	74	(60,967)	(13,355)	(515)	(50)	(3,438)	-	(17,357)	28	(78,296)
Operating income (Ebit)	**19,710**	**662**	**1,733**	**3,547**	**87**	**25,739**	**8,260**	**(335)**	**(42)**	**5,105**	**(1)**	**12,988**	**(162)**	**38,566**
EBIT %	*1.01%*	*6.00%*	*5.36%*	*6.46%*	*-1.10%*	*1.26%*	*1.16%*	*-1.25%*	*-5.67%*	*1.55%*		*1.24%*		*1.27%*
Finance costs - net														(2,847)
Share of profits of associates														1
Profit before income tax														**35,720**
Income tax expenses														(8,850)
Net income														**26,870**
- of which attributable to non-controlling interests														203
- of which attributable to Group														26,667

* Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.

2. Operating net working capital

The following table details the operating net working capital indicators compared with those of the previous year:

[7] V-Valley S.r.l., Tape S.L.U. and Nilox Deutschland Gmbh are not shown separately, because they are respectively a mere 'commission sales agent' of Esprinet S.p.A., not significant and non-active.

(euro/000)	31/12/2017			31/12/2016		
	Group	Italy	Iberica	Group	Italy	Iberica
Trade receivables [a]	**313,073**	**219,973**	**93,100**	**388,672**	**283,980**	**104,692**
Trade receivables net of VAT [1]	257,248	180,306	76,942	319,293	232,770	86,522
Sales [2]	3,217,172	1,991,524	1,225,648	3,042,330	1,995,640	1,046,689
[A] Days Sales Outstanding - DSO [3]	29	33	23	38	43	30
Inventory [b]	**481,551**	**326,165**	**155,386**	**328,886**	**224,075**	**104,811**
[B] Days Sales of Inventory - DSI [4]	58	62	50	42	43	40
Trade payables [c]	**690,449**	**490,644**	**199,805**	**615,512**	**413,346**	**202,166**
Trade payables net of VAT [1]	567,295	402,167	165,128	505,888	338,808	167,079
Cost of Sales	3,049,409	1,916,908	1,132,501	2,878,435	1,916,365	962,070
Total SG&A	133,416	101,856	31,560	128,167	102,880	25,287
[C] Days Payable Outstanding - DPO [5]	65	73	52	61	61	62
Operating net working capital [a+b-c]	**104,175**	**55,494**	**48,681**	**102,046**	**94,709**	**7,337**
Cash conversion Cycle [A+B-C]	**22**	**22**	**21**	**19**	**25**	**8**
Operating net working capital/Sales	**3.2%**	**2.8%**	**4.0%**	**3.4%**	**4.7%**	**0.7%**

(1) Net of VAT calculated applying the ordinary 22% rate in the case of Subgroup Italy and 21% in the case of Subgroup Spain.
(2) Net of intercompany sales.
(3) (Trade receivables net of VAT /Sales and services) * 365.
(4) (Inventory / Cost of Sales) * 365.
(5) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

The level of the Group operating net working capital as at 31 December showed an increase as compared with the previous year end (104.2 million euro versus 102.0 million euro at 31 December 2016).

Based on the net working capital level as at 31 December, application of the calculation method described in the notes to the table above, showed a decrease of 3 days in the duration of the Italian Subgroup cash conversion cycle and a corresponding improvement of the net working capital / sales ratio from 4.7% to 2.8%.
The decrease in working capital turnover was mainly due to an improvement of the average DSO.
The Spanish Subgroup showed a decrease in the working capital level and in the working capital / sales ratio, up from 0.7% to 4.0%. The worsening was mainly due to an improvement of the average inventory turnover counterbalanced by an improvement in DSO and DPO.

During 2017, the revolving programme of the 'without-recourse' sale of receivables continued as part of processes concentrating on the management of operating net working capital in both Italy and Spain, focusing on selected customer types, mainly in the large-scale distribution sector. Also taking into account technical forms of factoring other than 'without recourse assignment', but with similar effects – i.e. confirming in Spain – as well as securitisation, the overall impact on financial debt was approx. 424 million euro (400 million euro as at 31 December 2016). These transactions resulted in a reduction in spot DSO.

The following table illustrates the Esprinet S.p.A. working capital trend in the last two financial years:

(euro/000)	Esprinet S.p.A.	
	31/12/2017	31/12/2016
Trade receivables [a]	**141,244**	**190,146**
Trade receivables net of VAT (1)	115,774	155,857
Sales (2)	1,855,043	1,901,338
[A] Days Sales Outstanding - DSO (3)	23	30
Inventory [b]	**310,451**	**207,876**
[B] Days Sales of Inventory - DSI (4)	62	41
Trade payables [c]	**465,112**	**381,221**
Trade payables net of VAT (1)	381,239	312,476
Cost of Sales (5)	1,816,079	1,845,716
Total SG&A (6)	83,247	83,138
[C] Days Payables Outstanding - DPO (7)	73	59
Operating net working capital [a+b-c]	**(13,417)**	**16,801**
Cash conversion Cycle [A+B-C]	**12**	**12**
Operating net working capital / Sales	**-0.7%**	**0.9%**

(1) Net of VAT measured by applying the ordinary 22% rate.
(2) Net of intercompany sales amounting to 62.5 million euro (50.5 million euro in 2016) as shown in the table in the separate financial statements.
(3) (Trade receivables net of VAT / Sales and services) * 365.
(4) (Inventory / Cost of Sales) * 365.
(5) Net of intercompany costs amounting to 3.7 million euro (2.6 million euro in 2016) as shown in the table shown in the separate financial statements.
(6) Net of intercompany costs and recharges of -1.9 million euro (-0.6 million euro in 2016) as shown in the table shown in the separate financial statements.
(7) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

As at 31 December, the duration of the entire cash conversion cycle of Esprinet S.p.A. decreased and the ratio between operating net working capital and sales reached -0.7% from +0.9% in 2016. Based on the method adopted as described in the notes to the table, this increase results from a worsening in both inventory days and DPO ratio, partially counterbalanced by a DSO ratio influenced also by a greater use of technical forms of accounts receivable financing.

The total effect of these revolving programmes (for the without-recourse sale of receivables, focusing particularly on selected customer sectors) on the level of financial debt at year-end was approx. 169 million euro (approx. 123 million euro as at 31 December 2016).

3. Net Financial Position

The tables below show the contributions of Subgroup Italy and Subgroup Iberica to the Group's net financial position (or 'net financial debt' or 'net financial indebtedness') as at 31 December 2017:

(euro/000)	31/12/2017			31/12/2016			Var. Group
	Italy	Iberica	Group	Italy	Iberica	Group	
Short-term financial liabilities	150,364	5,596	155,960	122,466	29,419	151,885	4,075
Customers financial receivables	(510)	(0)	(510)	(509)	(5,087)	(5,596)	5,087
Current financial (assets)/liabilities for derivatives	644	19	663	428	55	483	180
Financial receivables from factoring companies	(1,534)	-	(1,534)	(1,492)	-	(1,492)	(42)
Current Debts for investment in subsidiaries	-	-	-	4,719	759	5,478	(5,478)
Financial (assets)/liab. from/to Group companies	(112,500)	112,500	-	(126,500)	126,500	-	-
Cash and cash equivalents	(184,912)	(112,057)	(296,969)	(88,651)	(197,282)	(285,933)	(11,036)
Net current financial debt	**(148,448)**	**6,058**	**(142,390)**	**(89,539)**	**(45,636)**	**(135,175)**	**(7,215)**
Borrowings	18,163	1,764	19,927	5,849	22,984	28,833	(8,906)
Non-current Debts for investment in subsidiaries	1,311	-	1,311	3,182	(0)	3,182	(1,871)
Non-current financial (assets)/liab. for derivatives	-	(36)	(36)	-	28	28	(64)
Customers financial receivables	(1,870)	-	(1,870)	(2,292)	-	(2,292)	422
Net financial debt	**(130,844)**	**7,786**	**(123,058)**	**(82,800)**	**(22,624)**	**(105,424)**	**(17,634)**

The Group's net financial situation at year-end showed a 123.1 million euro cash surplus, up 17.6 million euro compared with the 105.4 million euro surplus recorded at 31 December 2016.

The following table shows the trend in the relative weight of the individual companies making up Subgroup Italy:

(euro/000)	31/12/2017						31/12/2016				
	Esprinet	Celly*	EDSlan	Mosaico	V-Valley	Nilox Deutschland GmbH	Esprinet	Celly*	EDSlan	Mosaico	V-Valley
Short-term financial liabilities	149,262	13	659	300	130	-	118,779	1,014	2,628	-	46
Customers financial receivables	(510)	-	-	-	-	-	(509)	-	-	-	-
Current financial (assets)/liabilities for derivatives	644	-	-	-	-	-	428	-	-	-	-
Financial receivables from factoring companies	(1,202)	-	-	-	(332)	-	(1,176)	-	-	-	(316)
Current Debts for investments in subsidiaries	-	-	-	-	-	-	-	-	-	3,959	-
Financial (assets)/liab. from/to Group companies	(157,500)	5,000	15,000	23,892	-	-	(151,500)	5,000	10,000	10,000	-
Cash and cash equivalents	(165,368)	(1,471)	(3,197)	(10,746)	(4,038)	(92)	(80,109)	(3,277)	(1,095)	(1,718)	(2,452)
Net current financial debt	**(174,674)**	**3,542**	**12,462**	**13,446**	**(4,240)**	**(92)**	**(114,087)**	**2,737**	**11,533**	**12,241**	**(2,722)**
Borrowings	18,163	-	-	-	-	-	2,252	3,000	597	-	-
Non-Current Debts for investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Non-current financial (assets)/liab. for derivatives	(377)	-	-	-	-	-	(377)	-	-	-	-
Customers financial receivables	(1,870)	-	-	-	-	-	(2,292)	-	-	-	-
Net financial debt	**(158,758)**	**3,542**	**12,462**	**13,446**	**(4,240)**	**(92)**	**(114,504)**	**5,737**	**12,130**	**12,241**	**(2,722)**

* Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.

Its role as an IT production chain distributor means that the level of net financial indebtedness of the Esprinet Group is heavily influenced by the typical working capital requirement for the performance of its activities.

This level fluctuates dramatically, not only throughout the calendar year, but also during each month and each day, due not only to the seasonal nature of the business, but also to the concentration of payments received from customers and/or factors at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

For this reason, the figure resulting at the end of the period, as at 31 December 2017, or at the end of each month or quarter, is not representative of the average net financial indebtedness customarily observable during the same period.

Compared with 31 December 2016, an increase in the average debt levels to banks occurred, despite the average mix of financing sources shows a more favourable interest rate conditions, thanks to a considerably longer average duration compared with the previous year.

The increase in the average level of indebtedness is significantly due to the extraordinary transactions finalised in the second half of the previous year and to the relevant higher financing needs.

4. Sales by product family and customer type

Group sales by product family and customer type

Sales by product family

(euro/million)	2017	%	2016	%	Var.	% Var.
TLC	811.8	25.2%	677.5	22.3%	134.3	*20%*
PCs - notebooks	625.7	19.4%	714.8	23.5%	(89.1)	*-12%*
PCs - tablets	339.6	10.6%	182.1	6.0%	157.5	*86%*
Consumer electronics	261.5	8.1%	274.5	9.0%	(13.0)	*-5%*
PCs - desktops and monitors	217.6	6.8%	268.7	8.8%	(51.1)	*-19%*
Consumables	211.1	6.6%	222.8	7.3%	(11.7)	*-5%*
Software	161.8	5.0%	134.4	4.4%	27.4	*20%*
Storage	122.8	3.8%	114.9	3.8%	7.9	*7%*
Peripheral devices	117.1	3.6%	123.8	4.1%	(6.7)	*-5%*
Networking	94.5	2.9%	104.9	3.4%	(10.4)	*-10%*
Servers	67.1	2.1%	52.4	1.7%	14.7	*28%*
Services	25.8	0.8%	23.6	0.8%	2.2	*9%*
Other	160.8	5.0%	147.9	4.9%	12.9	*9%*
Group sales	**3,217.2**	**100%**	**3,042.3**	**100%**	**40.6**	***6%***

The breakdown of sales by product categories highlights a pick growth in 'PCs-tablet' (+86%), and also a significant increase in the categories 'Servers' (+28%), 'TLC' (+20%) and 'Software' (+20%). Positive results were also achieved by 'Services' (+9%) and 'Storage' (+7%), as opposed to the negative performance of office business: 'PCs – desktops e monitors' (-19%), 'PCs - notebooks' (-12%), 'Networking' (-10%), 'Consumables' (-5%), 'Consumer electronics' (-5%) and 'Peripheral devices' (-5%).

Sales by Customer type

(euro/million)	2017	%	2016	%	Var.	% Var.
GDO/GDS	1,028.5	32.0%	865.9	0.3	162.6	*19%*
Dealers	862.0	26.8%	813.9	0.3	48.1	*6%*
Vars	726.9	22.6%	615.9	0.2	111.0	*18%*
Shop on-line	257.9	8.0%	262.2	0.1	(4.3)	*-2%*
Office/Consumables dealers	235.8	7.3%	360.3	0.1	(124.5)	*-35%*
Sub-distributors	106.1	3.3%	124.1	0.0	(18.0)	*-15%*
Group Sales	**3,217.2**	**100%**	**3,042.3**	**100%**	**174.9**	***6%***

The analyses by customer type highlights an improvement compared with 2016, in the channels Large Business Customer ('VARs - Value Added Resellers' +18%) and Small-Medium Business ('Dealers', +6%), as well as in 'GDO/GDS' channel (+19%). The channels 'Office/Consumables dealers', 'Sub-distributors', 'Shop on-line' showed instead a decrease of -35%, -15% and -2% respectively.

Esprinet S.p.A. sales by product family and customer type

The following are the same breakdowns of the sales performance of Esprinet S.p.A. during the year:

Sales by product family

(euro/million)	2017	%	2016	%	Var.	% Var.
TLC	453.8	23.7%	424.0	21.7%	29.8	7%
PCs - notebooks	316.0	16.5%	295.6	15.1%	20.4	7%
Consumer electronics	211.2	11.0%	224.0	11.5%	(12.8)	-6%
Consumables	196.0	10.2%	207.4	10.6%	(11.4)	-5%
PCs - desktops and monitors	142.0	7.4%	185.3	9.5%	(43.3)	-23%
Software	109.7	5.7%	115.8	5.9%	(6.1)	-5%
Peripheral devices	93.0	4.8%	91.4	4.7%	1.6	2%
Storage	81.8	4.3%	92.9	4.8%	(11.1)	-12%
PCs - tablets	79.4	4.1%	96.3	4.9%	(16.9)	-18%
Networking	46.0	2.4%	42.0	2.2%	4.0	10%
Servers	41.0	2.1%	44.3	2.3%	(3.3)	-7%
Services	21.1	1.1%	20.3	1.0%	0.8	4%
Other	126.6	6.6%	112.5	5.8%	14.1	13%
Esprinet S.p.A. sales	**1,917.6**	**100%**	**1,951.8**	**100%**	**(34.2)**	**-2%**

The breakdown of sales by product family underlines an increase mainly in relation to 'Networking' (+10%), 'TLC' (+7%), 'PCs- notebooks' (+7%), 'Services' (+4%) and 'Peripheral devices' (+2%) while the other categories show an overall decrease mainly in 'PCs- desktops and monitors' (-23%), 'PCs-tablets' (-18%), 'Storage' (-12%) and 'Servers' (-7%).

Sales by Customer type

(euro/million)	2017	%	2016	%	Var.	% Var.
Dealers	617.9	32.2%	703.3	0.4	(85.4)	-12%
GDO/GDS	506.1	26.4%	439.9	0.2	66.2	15%
Vars	337.1	17.6%	318.4	0.2	18.7	6%
Office/Consumables dealers	196.1	10.2%	243.7	0.1	(47.6)	-20%
Shop on-line	211.2	11.0%	178.6	0.1	32.6	18%
Sub-distributors	49.2	2.6%	67.9	0.0	(18.7)	-28%
Esprinet S.p.A. Sales	**1,917.6**	**100%**	**1,951.8**	**100%**	**(34.2)**	**-2%**

In 2017, 'GDO/GDS' (+15%), 'Shop on-line' (+18%) and 'VAR' (+6%) showed an increase, while all other channels, 'Office/Consumables dealers' (-20%), 'Sub-distributors' (-28%) and 'Dealers' (-12%) recorded a decrease.

Significant events occurring in the period

This section discloses the significant events occurred during the year.

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

Syndicated loan of 210.0 million euro

On 28 February 2017, Esprinet S.p.A. signed an unsecured amortising facility agreement with a pool of Italian and Spanish banks for an amount up to 210.0 million euro, consisting of a Term Loan Facility of up to 145.0 million euro and a Revolving Facility of 65.0 million euro. This loan has a term of five years and is supported by a set of ordinary financial covenants.

The minimum amount for the successful completion of the syndication was set at 175.0 million euro. Although the total amount of participation requests was more than the maximum amount of 210.0 million euro, the final amount was fixed at the maximum level.

The main purpose of the facility is to re-finance existing outstanding debt in relation to the existing syndicated loan signed on 31 July 2014 - 40.6 million euro of Term Loan facility and 65.0 million euro of Revolving Facility - and to further consolidate financial structure by lengthening the average maturity of the financial debt.

Following the signing of the new syndicated facility agreement, Esprinet S.p.A. initiated negotiations with the lending banks having the purpose of executing a number of bilateral 'IRS - Interest Rate Swap' contracts in order to hedge the interest rate risk on the Term Loan Facility. On 7 April 2017, aforementioned negotiations led to the subscription of such IRS contracts with six out of the eight lending banks on a pro-rata basis for a total notional value of 105.6 million euro effective from the date of the second instalment, i.e. 31 August 2017. Simultaneously, in March IRS contracts covering the terminated term loan facility agreement were extinguished. The aforementioned repayment was effected at fair value at the termination date for 0.3 million euro.

Withdrawal by Giuseppe Calì and Stefania Caterina Calì of their challenge of some 2015 resolutions of the Shareholders' Meeting and the Board of Directors of Esprinet S.p.A..

Mr. Giuseppe Calì and Mrs. Stefania Caterina Calì, who had challenged certain resolutions of the Shareholders' Meeting of the Company adopted on 30 April 2015, as well as Board member Andrea Cavaliere, appointed by the above mentioned minority shareholders, who had challenged certain Board resolutions adopted on 4 May 2015 and on 14 May 2015, agreed to withdraw the challenge brought.

The above-mentioned shareholders and Board member took said decision after having examined with the Company, in the context of the judicial proceedings, the respective positions on juridical grounds. Thereafter, these shareholders and the Board member acknowledged the fairness of the said resolutions adopted by the Shareholders' Meeting and by the Board of Directors of the Company.

At the same time, Mr. Cavaliere resigned from the Esprinet S.p.A. Board of Directors. The Esprinet S.p.A. Board of Directors therefore referred the matter to the Shareholders' Meeting for any consequent decisions.

Esprinet S.p.A. Annual Shareholders Meeting

On 4 May 2017 Esprinet Shareholders' meeting, held in second call, approved the separate financial statements for the fiscal year ended at 31 December 2016 and the distribution of a dividend of 0.135 euro per ordinary share, corresponding to a pay-out ratio of 26%[8].
The dividend payment was scheduled from 10 May 2017, with an ex-coupon date (no. 12) on 8 May 2017 and a record date of 9 May 2017.

The Annual Shareholders' Meeting has also:

- approved the first section of the Report on Remuneration Art.123 – ter, paragraph. 6 of the Legislative Decree 58/1998;
- resolved upon the integration of the number of directors of Esprinet S.p.A. determined in the number of twelve by the Shareholders' Meeting held on 30 April, 2015, appointing Prof. Ariela

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

Caglio as new director in substitution of Mr. Andrea Cavaliere who resigned from his office on 20 February 2017;

- resolved to authorize the acquisition and disposal of own shares, within 18 months since the resolution, provided that any such purchase does not exceed the maximum of 2,620,217 ordinary shares of Esprinet (5% of the Company's share capital), simultaneously revoking, with respect to the unused portion of it, the former authorization resolved by the Shareholder's Meeting of 4 May 2016;
- authorized the Company to update the economic conditions of the statutory auditing mandate, assigned to EY S.p.A. to the extent of 12,000 euro for the financial years 2016, 2017 and 2018 each, for recurrent additional activities concerning the consolidated financial statements following the perimeter expansion and of 5,000 euro for the auditory activity concerning the PPA (Purchase Price Allocation) to be executed only with reference to the financial statement as of 31 December 2016.

The Shareholders' Meeting passed special resolution amending articles 4, 5, 8, 11, 13, 16, 19 of Esprinet S.p.A. By-Laws.

Nilox Deutschland GmbH establishment

On 11 July 2017 the new legal entity Nilox Deutschland GmbH with operating office in Düsseldorf, was established, in order to expand selling and distribution activities of Nilox products (brand owned by Esprinet S.p.A.) in Germany.

The Company, having a share capital equal to 100,000 thousand euro, entirely paid-up as at establishment date, is 100% owned by Esprinet S.p.A..
At the date of approval of this Interim Management Statement, the company was still non-operating.

Disposal of Ascendeo S.A.S. shareholding

On 2 August 2017, Celly S.p.A. completed the disposal of its share in the associate company Ascendeo S.A.S..
The shareholding, consisting of 9,250 shares with a nominal value of 1 euro each representing 25% of the capital of the associate company which aims to promote and manage Muvit branded products, was transferred for a price equal to 75,000 thousand euro to the majority shareholder Ascendeo France S.A.S..

Breach of financial covenants on Facility Agreement

The Group financing structure includes a medium/long-term senior loan granted to Esprinet S.p.A. in February 2017 by a pool of banks, consisting of a 5-year amortised facility in the original amount of 145.0 million euro and a 5-year revolving facility for 65.0 million euro.
As at 31 December 2017, the amortised facility was outstanding for 130.5 million euro, while the revolving facility was undrawn.
The above-mentioned loan was unsecured thus, as is common practice in similar transactions, is supported by a set of 4 financial covenants that entitle the lenders to demand early repayment in case of failure.

As at 31 December 2017, even if the compliance of the above-mentioned covenants should be checked against the consolidated and audited financial statements, according to Group quarterly results, 3 out of 4 covenants are expected to be met while the remaining one is supposed to be unmet. Thus, pursuant to the accounting standards in force, the entire outstanding amount of the amortised facility - as well as the liability from the 'fair value' of 'IRS-Interest Rate Swap' contracts signed to hedge the loan interest rate risk - is booked under the current financial liabilities.

With respect to the above, in the last few weeks, the Group entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment. A request was also made to partially review and loosen the thresholds for some financial metrics underling the contractual covenants.
At the date this Draft Annual Report was prepared, the pool of banks expressed their willingness to accept the above requests and to initiate the credit granting process in order to obtain the approval from the respective decision-making bodies within mid-April.

Developments in tax disputes

On 10 July 2017, the Provincial Tax Commission issued a judgement that upheld the Esprinet appeal against the assessment notice of 82 thousand euro (plus penalties and interest) related to IRAP and direct taxes, issued by the Italian Revenue Office against Monclick S.r.l. relating to the tax period 2012 (a year in which the company was still part of the Esprinet Group).
On 17 October 2017 the Italian Revenue Office lodged an appeal against the first instance judgement and Esprinet S.p.A. entered an appearance filing its counter-arguments.

On 4 December 2017, the Regional Tax Commission, before which Esprinet S.p.A. appealed against the judgement issued in 2016 by the Provincial Tax Commission relating to indirect taxes, required the filing of certain additional documents and adjourned the hearing to 19 March 2018. This judgement provides for collection of VAT, equal to 2.8 million euro (plus penalties and interest), on taxable transactions entered into in 2010 with a customer company whose purchases benefited from tax exemption by virtue of a declaration issued by the same company, which eventually did not qualify as a frequent exporter.
As at 31 December 2017, advances equal to 4.5 million euro were paid pursuant to the administrative procedure and were booked under 'Other tax assets'.

On 11 December 2017, the Italian Revenue Office closed a tax audit relating to IRES, IRAP and VAT of the subsidiary Celly S.p.A. for the fiscal year 2014 (on 12 May of the same year Celly became part of the Esprinet Group) serving a tax notice. On 11 December 2017 the Italian Revenue.
From the tax audit report a number breaches were alleged resulting in a disallowance of costs. While awaiting the assessment, Celly S.p.A. is considering the better defensive strategy together with its advisors.

On 30 November 2017 Esprinet S.p.A. filed appeal before the Provincial Tax Commission against the request of an advance payment under the administrative procedure following an assessment notice served on 2 October 2017, which provided for the collection of VAT, equal to 3.1 million euro (plus penalties and interest), on taxable transactions entered into in 2012 with three customer companies that had presented fraudulent declarations as regards their status of frequent exporter.
On 19 December 2017, the President of the Commission, recognising not only the potential merits of Esprinet's request ('fumus') and the potential damage to it ('periculum'), but also the lack of urgency of the challenged measure, temporarily suspended the challenged act until the collegial judgement on the assessment by the competent court. The hearing was held on 23 February 2018 and the Provincial Tax Commission upheld the application for suspension.

Final definition of the consideration for the acquisition of the business unit 'VAD-Value Added Distribution' from Itway Group.

The value of the acquisition of the business units 'VAD-Value Added Distribution' from Itway Group by Esprinet Group, effected one year earlier through the two subsidiaries Mosaico S.r.l. and V-Valley Iberian S.L.U., was finally assessed on 30 November 2017.
As at 31 December 2017 the relevant liability was completely settled.

Subsequent events

Relevant events occurred after period end are briefly described below:

Developments in tax disputes

On 10 January 2018, the Provincial Tax Commission issued a judgement referring to indirect taxes relating to an assessment claiming VAT of 1.0 million euro (plus penalties and interest) from Esprinet S.p.A.. The tax authority claims that some 2011 transactions were taxable in respect of which a customer company had previously filed a declaration of intent, but later, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter.

Pursuant to the administrative procedure, as at 31 December 2017, advances equal to 0.4 million euro were paid and were booked under 'Other tax assets', and on 23 February 2018 a further advance for 1.5 million euro was paid and booked under 'Other tax assets'.
On 4 September 2017, Celly S.p.A. was served a correction and settlement notice relating to the registration fees due with reference to the transfer deed of a business unit from Celly (selling party) to the company Rosso Garibaldi S.p.A..

Since, pursuant to law, Celly S.p.A. was jointly committed to the payment of the amount claimed by the Tax Office and the purchaser was declared bankrupt in December, on 12 January 2018 the higher registration fee and interest totalling 4 thousand euro were paid.

On 4 July 2017 Edslan S.r.l. was served a correction and settlement notice, equal to approx. 180 thousand euro (plus penalties and interest), relating to the reassessment of the business unit acquired on 8 June 2016 from Edslan S.p.A. (now I-Trading S.r.l.).
On 24 January 2018, an appeal was filed by Edslan S.r.l..

On 16 June 2017, the Revenue Office invited Mosaico S.r.l. to appear in order to initiate adversarial proceedings and find any settlement for the assessment relating to the acquisition agreement (signed on 13 December 2016) of a business unit from Itway S.p.A..
During the meeting with the Tax Office, the Company pointed out that the price was not final since price adjustments are expected by the first months of 2018.
On 26 January 2018, a summary agreement was signed on price of the sold company, pending the Revenue Office judgements.

Outlook

In 2017, the European distribution market grew by +4% compared with the previous year (source: Context, February 2018), whilst the fourth quarter was +3% compared with the same period of 2016. Italy was substantially stable year-over-year, whilst the fourth quarter decreased by -1% vs the same period of 2016. Spain posted a strong growth of +9% with the fourth quarter's trend substantially in line with the yearly growth.

The distribution market has started 2018 with a growth slightly below +8% both in Italy and Spain (source: Context, February 2018), boosted by the excellent performance of smartphones in both countries and above all by particularly good sales in January against a less performing February.

The rationalization of the cost structure, which began in 2017 with the primary goal of lowering the break-even point significantly, will continue to speed up in 2018 as a logical outcome of the renewed focus on reducing fixed costs.

The continuous fine-tuning of both operating processes and service level appear to result in a higher customer satisfaction, as demonstrated by the good feedbacks received by customers and suppliers as well as by some new business opportunities that we believe might positively contribute to the financial performance of the Group.
The competitive landscape should gradually show a lower pressure compared to the previous year, as demonstrated by the sales trend in the first weeks of the current year.

The management confirms to expect a 'low-single digit' growth of sales in 2018, also in the light of positive performance in the first months, as a result of the positive contribution of the Italian operations and the expected reduction of sales in Spain arising from the decrease in the 'fulfilment consumer', only partially offset by the growth in other business areas.
With respect to profitability, EBIT should be comprised between 39-41 million euro, net of non-recurring items.

Human Resources

Principles

Human resources are considered of primary importance in pursuing Group objectives. The Esprinet Group's HR management and development model mainly aims to motivate and enhance all employees by improving their skills, according to the business development strategy.
Although within a context where the rationalization of costs is paramount, these objectives are achieved, mainly, with the following instruments:
- training targeted and adequate to management needs;
- selection of the best resources coming from the main national schools and universities and constant attention to internal mobility;
- a compensation system based on principles of selectivity and meritocracy linked to the achievement of individual objectives.

Employment

Compared with 2016, the number of employees in Esprinet S.p.A. at the end of 2017 was substantially unchanged with an increase of 3 units (from 679 to 682), while Edslan S.r.l. shows a decrease of 27 units due to, on the one hand, the centralisation of some commercial activities from the branch offices to Vimercate headquarters and, on the other hand, both the outsourcing of logistic activities and additional synergies from the integration of the two companies.

As at 31 December 2017, the average number of employees of Esprinet S.p.A. increased by 11 units compared with the previous year, from 670 units to 681 units. The above-mentioned increase is mainly due to the completion of EDSlan S.r.l. back office centralisation into Esprinet S.p.A. already started in the second half of 2016.

With reference to the companies in the Iberian Peninsula, the headcount reduced considerably compared with 31 December 2016: Esprinet Iberica S.L.U. down by 33 units, Vinzeo Technologies S.A.U. down 18 units, V-Valley Iberian S.L.U. down 4 units, for a total decrease of 55 units.
The staff decrease fits into a restructuring process aiming at, on the one hand, rationalising and cutting operating costs to boost Group competitiveness in the light of an increasing competitive pressure and, one the other hand, making operating process and service levels more effective by developing synergies among the different companies.
In this regard, the reorganisation occurred in the front office structures, the centralisation of logistics operations in the Zaragoza site as well as the closing of the Portuguese site of V-Valley Iberian should be highlighted particularly.
The staff of the companies Esprinet Portugal Lda and Tape S.L.U. remained unchanged compared with 31 December 2016.

The average number of employees of all Iberian companies as at 31 December 2017 increases by 61 units against 31 December 2016; this in mainly due to the expansion of the Group companies' scope in the Iberian peninsula, since at 31 December 2015, this comprised only Esprinet Iberica and Esprinet Portugal.
The trend of the Group employees in the fiscal year under review is represented as follows:

	Executives	Clerks and middle management	Workers	Total	Average [1]
			31/12/2017		
Esprinet S.p.A.	17	664	1	**682**	**681**
V-Valley S.r.l.	-	-	-	-	-
Celly [2]	1	49	-	**50**	**51**
Edslan S.r.l.	2	49	-	**51**	**65**
Mosaico S.r.l.	1	29	-	**30**	**30**
Subgroup Italy	**21**	**791**	**1**	**813**	**826**
Esprinet Iberica S.L.U.	-	226	52	**278**	**295**
Esprinet Portugal L.d.A.	-	8	-	**8**	**8**
Vinzeo Technologies S.A.U.	-	135	-	**135**	**144**
Tape S.L.U. [3]	-	1	-	**1**	**1**
V-Valley Iberian S.L.U.	-	12	-	**12**	**14**
Subgroup Iberica	**-**	**382**	**52**	**434**	**462**
Esprinet Group	**21**	**1,173**	**53**	**1,247**	**1,288**
			31/12/2016		
Esprinet S.p.A.	17	660	2	**679**	**670**
V-Valley S.r.l.	-	-	-	-	-
Celly [2]	3	49	-	**52**	**47**
Edslan S.r.l.	3	70	5	**78**	**39**
Mosaico S.r.l.	1	28	-	**29**	**15**
Subgroup Italy	**24**	**807**	**7**	**838**	**771**
Esprinet Iberica S.L.U.	-	250	61	311	**309**
Esprinet Portugal L.d.A.	-	8	-	8	**8**
Vinzeo Technologies S.A.U.	-	129	24	153	**76**
Tape S.L.U. [3]	-	1	-	1	**-**
V-Valley Iberian S.L.U.	-	16	-	16	**8**
Subgroup Iberica	**-**	**404**	**85**	**489**	**401**
Esprinet Group	**24**	**1,211**	**92**	**1,327**	**1,172**

[1] Average of the balance at period-beginning and period-end.
[2] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.
[3] Tecnologías Avanzadas y Promociones Empresariales, S.L.U., wholly controlled by Vinzeo Technologies S.A.U..

The following table shows a substantial balance of increases and decreases with reference to the companies of the Italian Subgroup, except for Edslan S.r.l. for the reasons already mentioned in the comments to the previous table.

However, as regards Esprinet Iberica S.L.U. and its subsidiaries, a decrease in staff against previous year is clearly prevailing, for the reasons already mentioned in the comments to the previous table.

	Headcount at 31/12/2016	Increase	Decrease	Headcount at 31/12/2017
Esprinet S.p.A.	679	81	78	682
V-Valley S.r.l.	-	-	-	-
Celly [1]	52	11	13	50
Edslan S.r.l.	78	17	44	51
Mosaico S.r.l.	29	1	-	30
Subgroup Italy	**838**	**110**	**135**	**813**
Esprinet Iberica S.L.U.	311	35	68	278
Esprinet Portugal L.d.A.	8	-	-	8
Vinzeo Technologies S.A.U.	153	36	54	135
Tape S.L.U.	1	-	-	1
V-Valley Iberian S.L.U.	16	3	7	12
Subgroup Iberica	**489**	**74**	**129**	**434**
Group	**1,327**	**184**	**264**	**1,247**

[1] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. e Celly and Celly Pacific Limited.

With respect to gender distribution, the table below highlights a constant predominance of women employees in the Group: 54.1% as at 31 December 2017.

In line with last year, the Italian Subgroup shows a percentage of women employees almost unchanged, equal to approx 51% (411 units out of 813 units), while a predominance of men is recorded in EDSlan S.r.l. (63%) in line with last year.

With reference to the Iberian Peninsula (Spain and Portugal) women's employment is significantly prevalent (264 units out of 434, equal to 60.8%), with a light decrease in percentage terms compared with 31 December 2016.

At year end graduates were 36.6% on the total of the Group, while the percentage of high-school leavers was 53%.

	31/12/2017										
	Italy					Iberian Peninsula (Spain and Portugal)					
	Esprinet S.p.A.	V-Valley S.r.l.	Celly [1]	Edslan S.r.l.	Mosaico S.r.l.	Esprinet Iberica S.L.U.	Esprinet Portugal L.d.A.	Vinzeo Technologies S.A.U. [2]	V-Valley Iberian S.L.U.	Group	%
Men	324	-	28	32	18	100	4	59	7	572	*45.9%*
Women	358	-	22	19	12	178	4	77	5	675	*54.1%*
Total	**682**	**-**	**50**	**51**	**30**	**278**	**8**	**136**	**12**	**1,247**	***100%***
Graduation	226	-	29	6	14	110	6	61	5	457	*36.6%*
High School Cerrt.	416	-	20	41	16	125	2	34	7	661	*53.0%*
Secondary School Cert	40	-	1	4	-	43		41	-	129	*10.3%*
Total	**682**	**-**	**50**	**51**	**30**	**278**	**8**	**136**	**12**	**1,247**	***100%***

[1] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.
[2] Refers to the subgroup made up of Vinzeo Technologies S.A.U. and Tape S.L.U..

Training

During 2017, the Group (Esprinet S.p.A., Celly S.p.A., Edslan S.r.l., Mosaico S.r.l., Esprinet Iberica S.L.U and Esprinet Portugal L.d.A.) provided 19,172 training hours, with a slight decrease compared with the previous year (21,131). Excluding directors and interns, the Esprinet Group provided 18,430 training hours (19,979 hours in the previous year).

In particular in Italy with reference to Esprinet S.p.A., Celly S.p.A., Edslan S.r.l. and Mosaico S.r.l. the total training hours for employees, interns and directors were 13,267. Of these, 2,387 hours referred to privacy, health and safety at work and to the Legislative Decree 231.

3,271 classroom hours of language training were provided, in line with 2016 (3,362 hours). The training aims at improving both Spanish and English language; for the latter the weekly group courses continued, as well as some workshops relating to business English topics, with more than 450 classroom hours and 129 attendees.

During 2017, the structured trainings continued, as per the training catalogue, published and shared mid 2016. As always, training courses are planned for the three different attendee clusters from 'starter', to 'runner' and 'trainer'.

The internal training, provided mainly for 'starter', employees and stagiaire who had worked for the company for less than one year, covered 2,173 hours, with 777 classroom attendees and more than 30 internal specialist involved as teachers.

Trainings referring to 'runner' employees, having more than one year of professional experience, and to 'trainer' employees, who have team responsibility, involved 306 participants totalling 3,964 classroom hours, including the Office suite training (making a significant investment with more than 990 hours, sharply grown compared with 2016).

During 2017, new courses with both internal speakers and external trainers were tested, in order to evaluate the catalogue enrichment and to answer to always new training needs; i.e. training paths aiming at enforcing the knowledge of both margin concept, and of matters relating to problem solving and to customers relationship.

In addition, a significant training investment was made in 2017 for the new project of Smart Working, aiming at accompanying managers and contractors along the path of both a cultural and organisational change. Together with the Human Resources Department, researchers at the School of Management of Milan's Politecnico University were engaged, with more than 489 participants and a total of 1,472 classroom hours.

With reference to Iberian peninsula, 5,905 training hours were delivered in 2017.

The training hours portion of Esprinet Iberian is organised through an annual training plan split into various areas of competence, and in particular languages training and prevention of risk at work make up the majority of courses: trainings referring to risk prevention and to health and safety at work (2,155 hours in 2017) as well as to language (1,800 hours) are equal to 70% of the total training hours delivered.

The language training is continuously growing compared with the previous years, with an increase of more than +44% of hours in 2017 vs 2016 (English courses in particular).

Other trainings, as those referred to products, decreased significantly from 1,014 hours delivered in 2016 to 356 in 2017, due to a selection and rationalisation based on their added value.

In 2017, Esprinet continued with the Healthy Company project, an important step towards improving the health of its workers and thus improving in productivity at work. In 2017, mindfulness courses and quarterly stress management seminars were held which had already shown positive results in the previous year.

As in previous years, a significant part of the training was carried out thanks to funded training, so called Fundación Tripartita. Concretely, in 2017 70% of the training costs were financed through this tool.

Recruitment

In Italy, in 2017, an intense recruiting activity continued as in previous years. Specifically for the marketing and sales departments, there was a trend reversal aimed mainly at hiring people with previous work experience instead of the more junior profiles which accounted for the majority of hires in recent years.
As in the past, relations with the Bocconi and Cattolica Universities have been maintained, with the aim of increasing brand awareness among students and recent graduates. Specifically, Esprinet's managers and professionals continued sharing their experiences in undergraduate and masters courses. In addition, some field projects have been launched, i.e. projects focused on specific business issues involving teams of university students who collaborate with the company.
In addition, the government 'alternanza scuola-lavoro' (dual education) project continued: this project gave the opportunity to 16 students, attending third and fourth year at local High-schools, to work together with Esprinet employees for two or three weeks (i.e. in the HR, Finance, Internal Audit, Credit and Help Desk departments).
27 new graduates completed an internship in Esprinet, EDSlan and Celly in 2017. Of these, two are university students who have carried out curricular internships, useful for earning school credit. Of the others, excluding the two internships still ongoing as at 31 December 2017 and the four interns who resigned during the training period, 95% continued their career in the company with a work contract.
For experienced profiles, the new 'Link up!' recruiting channel has been further developed, which allows employees to participate in the selection process by submitting CVs and receiving financial recognition if the person is hired. Six employees were able to grow into new professional positions thanks to the Job Posting tool which fosters internal mobility and facilitates professional and inter-functional growth.
In addition to the two previous programmes, the selection methods vary according to the profile sought and range from the individual interview (over 400 organised in 2017) with HR management and with line managers, to the assessment centre, with the organisation of sessions in the classroom that involved about 60 new graduates.

As for Spain, the recruitment activity in 2017 was intense due to the hiring of people both in the Supply Chain area, due to the centralisation of the group's logistics activities in Zaragoza, and the areas of highly specialised business (e.g. 'Value' area of V-Valley Iberian S.L.U. and Vinzeo Technologies S.A.U.) focusing on professionals with previous work experience and specific skills replacing temporarily absent workers.

The recruiting of young graduates to on-board as trainees is ongoing, in order to ensure the Company has a pipeline of talented people to cover any vacancies.
The recruitment of young graduates continues to be managed through the maintenance and development of existing agreements with the main Universities and Business Schools and other training bodies, both national and local (Universidad San Jorge, Kühnel, Esic, Complutense de Madrid, etc.).

Organisation

In May 2017, an important project of organisational change both in Esprinet S.p.A. and Celly S.p.A. was started: the launch of a six-month pilot regarding Smart Working, that enables employees to work out of office for a maximum of a day per week. More in detail, the company gave the opportunity to access the Smart Working to eligible staff by role, whose performance was positively rated, making available the technological tools necessary for remote work (notebooks, smartphones and access to company servers). The Smart Working in Esprinet is based on the key concepts of flexibility,

independence and trust giving the chance to work in a private place outside the office, thus orienting the professional performance to an higher accountability for targets. From the start the project involved a significant number of resources, 433 employees, equal to 77% of the eligible resources, who voluntarily and enthusiastically joined the initiative. At the end of 2017, given the positive results of the pilot, the significant level of participation and the motivation of the resources involved, it was decided to proceed with the project.
As already mentioned under paragraph 'employment', in EDSLan an important restructuring process was implemented, concerning both the closing of the territorial branches (centralising all the internal selling activities in Vimercate) and the disposal of the logistic branch.

With reference to Esprinet Iberica, several organisational changes and restructuring occurred during 2017, aiming at rationalising the production structure, decreasing operating costs and improving the process efficiency and service levels by developing the existing synergies among various companies, in order to improve the Group companies competitiveness facing a higher competitive pressure.

In this regard, we note in particular:

- the centralisation of logistics activities of all the peninsula companies at the logistic hub in Zaragoza, through a collective transfer proceeding of Vinzeo Technologies employees allowing the closing of the warehouse in Daganzo - Madrid.
- the closing of the Lisbon branch of V-Valley Iberian, that required the opening of a collective redundancy procedure.
- the considerable restructuring of Front Office in the company Esprinet Iberica, that reduced the number of marketing and sales departments, streamlining the structure with the aim of improving the agility and thus the company competitiveness in the industry. At the moment, the structure is split into four Market Areas or Divisions where both product and sales management are integrated. Thus, the new Font Office Structure is made up by the following areas:
  - B2B Development, focused on the development of Medium-Small Business and Consumer customers, also including the management of the Product Marketing Digital & AV PRO areas, aiming at developing sales of these product categories to the target customers, as well as at providing services for this product category to all the Front Office areas.
  - Volume Area, focused on the development and management of large Consumer and Apple Reseller customers, also including the management of Product Marketing areas focused on the Consumer segment.
  - Office Area, focused on the development of the business in the areas Printing, Accesories, Components and stationery with a sale channel focused on customers of the Office & Supplies industry.
  - Mobility Area, focused on the development and management of large Corporate customers, also including the management of Product Marketing areas focused on the Professional segment.

Development and 'compensation'

In the first half of 2017, 25 calibration meetings were organised aimed at discussing and sharing personnel assessments for 2016, to which 604 Esprinet S.p.A. and Celly S.p.A. employees took part.
As in the previous years, the performance valuation process gave also the opportunity to each manager to share their requests for training courses, which are then approved by the Human Resources department in order to set the training calendar.

For the whole Group, with the approval of the 2017 Financial Statements, the long-term compensation plan for the 2015-2017 3year period will end, which affects directors and executives with strategic responsibilities, as well as other Group key managers (Italy and Spain).

Hiring of people with disabilities

For Esprinet S.p.A., an agreement with the Province of Monza and Brianza was signed for the hiring of 1 person with disabilities in the Vimercate office and one with the Province of Milan for the identification of 1 disabled person who will be hired in January.
At Celly S.p.A. and Mosaico S.r.l. there are no vacancies, while for Edslan S.r.l. there is still an active agreement with the Province of Monza and Brianza for the hiring of 3 disabled people.

In compliance with Law No. 68/69 regarding the hiring of disabled people, Esprinet S.p.A. continued to avail itself of the partial exemption by paying a fee to the Regional Fund for the Employment of the Disabled.

In 2017 Esprinet Iberica fully complied with the law governing the compulsory hiring of disabled people without any recourse to alternative solutions provided for in case of failure to hire disabled people.

Health, safety and environment

General principles and actions undertaken

The respect for the environment and the protection of health and safety at work has always been at the basis of Esprinet Group operations. It is the Group's precise intention to further maintain, consolidate and improve the leadership position won in its own sector, by continuing to propose innovation in processes and in service to its customers and by simultaneously paying constant attention to safety, to individuals' and collective health by respecting the law and the surrounding environment.

In order to achieve these objectives, the Group has established, documented, implemented and maintained an Integrated Environment, Health and Safety Management System in the workplace.
Esprinet S.p.A. and the subsidiary Esprinet Iberica S.L.U. have Quality Certification (ISO 9001), Environmental Certification (ISO 14001) and Safety in Workplace Certification (OHSAS 18001) whereas Celly S.p.A. has Quality Certification.
During 2017 all the above companies had their Certifications renewed by BSI, a leading international certification body.

The following is a list of the tools considered essential for:

- the pursuit of continuous improvement;
- the reduction of accidents and illnesses in the workplace;
- the minimisation of environmental impact caused by the Group's activities.

Training and involvement

The Group is aware of the role of primary importance played by staff and it is therefore strongly committed to promoting the active involvement, responsibility and professional growth of them.

The constant activity of information and training is fundamental, in order to sensitise the personnel on environmental and safety topics, and on the importance of the contribution of each individual regarding the prevention and improvement of the general conditions of the safety at work and of the environmental efficiency of the company.

Identification and evaluation of risks in the workplace and the environmental impact of operations

The Esprinet Group defines the criteria and method for the continual evaluation of the main environmental aspects, of the risk of misfortune and danger, and of the identification of the corresponding impact. The latter are periodically verified compared to the forecasted objectives, which are defined, monitored, and updated for their continuous improvement.

Compliance with laws and other regulations

Compliance with laws and regulations issued to protect workers' health and safety and for the respect of the environment are values inseparable from the Group's strategic action.

Concluding conduct

The correct management, maintenance and regular checking of plants and equipment is one of the ways that the Group runs 'health, safety and environmental' policies together with checks on any possible use and/or disposal of chemical preparations or compounds whether dangerous or otherwise. This is also outsourced to qualified suppliers accurately selected for their technical/professional expertise and for their products and services which significantly eliminate or reduce the environmental, health or safety risks. These are just some of the methods used by the Group to implement its ' environment, health and safety' policies.

The Group is also engaged in minimising the consumption of natural resources (electricity, gas, water) and of waste production, encouraging recycling where possible.

Effective communication

The Group recognises the importance of the role of 'communication' for all interested parties (personnel, suppliers, contractors and sub-contractors) as the basic element for managing responsibility correctly within the health, safety and environmental protection context.

Audit

Both internal and external audits are an effective tool. They form the basis of company culture and are what determine the performance checks and supervision, including that regarding health, safety and environment.

Membership of waste disposal consortia

Esprinet S.p.A., Celly S.p.A., EDSlan S.r.l. e Mosiaco S.r.l. are members of the Remedia consortium. All companies delegate to the abovementioned consortium the operational aspects relating to the 'end of life' products management defined by the regulation regarding the disposal of electric and electronics waste, cells and batteries.
Esprinet Iberica, the Spanish subsidiary, is a member of the Ecotic, Ecopilas and Ecoembes consortia, Vinzeo S.A.U. is a member of Ecoplias and Ecoasimelecand consortia, while Esprinet Portugal is a member of Erp, Ecophilas and Ponto Verde consortia.
Italian companies have also adhered to SISTRI (the waste traceability checking system), founded in 2009 by the Ministry for the Environment and Protection of Land and Sea for computerizing the whole special waste production chain nationally.

Disclosure as per Legislative Decree 32/2007 and its interpretation

In the case of the document approved on 14 January 2009 by the National Council of Accountants and Accounting Experts (Cndcec), aimed at supporting the first application of Legislative Decree 32/2007 concerning information regarding the environment and staff, the following has to be noted.

'Compulsory' disclosure

As regards staff, during the year, no deaths, or serious or very serious accidents occurred and no professional illnesses were reported by employees or former employees, and no Group company was found finally guilty in any 'mobbing' trials.

In the case of the environment, during the year no damages to the environment, or fines or definitive penalties were charged to the company for environmental crimes or damages, nor any emission of greenhouse gases was reported.

'Voluntary' disclosure

In the case of staff, the section 'Human Resources' and the 'General principles and action undertaken' of this chapter provide a complete picture of the policies pursued.

The 'pure' IT products distribution activities (hardware, software and services) and consumer electronic products, undertaken at the three main sites at Cambiago and Cavenago in Italy (approx. 80.000 sqm), and at Zaragoza in Spain (approx. 49.000 sqm), do not create any special problems for the environment. Nevertheless the Group constantly monitors the use of energy at its various premises and has adopted strict disposal procedures for any type of waste.

Main risks and uncertainties facing the Group and Esprinet S.p.A.

Risks classification

Esprinet Group and Esprinet S.p.A. activities are exposed to risk factors able to influence their economic and financial situation.

Esprinet S.p.A. and the Esprinet Group identify, assess and manage risks in compliance with internationally recognised models and techniques such as 'Enterprise Risk Management - Integrated Framework'.

Since 2009 the Group adopted an operative and organisational framework able to manage risks and monitor its adequacy in time (the so-called 'ERM-Framework'). It hinges on the methodological model for the creation of an effective 'risk management' system able to involve the actors in the internal audit system at various levels, who are charged with different key roles according to the various control activities.

The identification, assessment, management and monitoring system of the company's main risks is based on a process which involves the performance of the following tasks, at least annually:

- risk scoring and risk assessment of the main company risks;
- identification of 'risk management' priorities;
- identification of a 'risk strategy' and its transfer into action plans orientated to strengthening, improving and monitoring the checking facilities of the risks identified.

The ultimate purpose of the system described is to maintain the risk level within the acceptability threshold defined by the administrative body and supply reasonable support to the furtherance of company objectives.

During 2016 the operational action plan, including an audit plan and a plan of measures aiming at improvements in the case of priority risks, has effectively checked on.
The risk classification is based as follows:
- strategic risks;
- operational risks;
- compliance risks;
- financial risks.

The annual revision of the company's main risks has substantially confirmed the existing map of the risks.
The following is a brief description of the main risks, these last assessed without taking into consideration the response actions put into force or planned by the Group to bring the seriousness of the risk within acceptable levels.

Strategic Risks

Inadequate response to unfavourable macro-economic scenarios

The Group's economic and financial situation is influenced by various factors which make up the macro-economic contexts of the markets where the Group operates.
These include, but not only, GDP performance, consumer and business confidence levels, the inflation rate, interest rate trends, the cost of raw materials prime and unemployment rates.

In 2017 the European distributors market grew by +4% compared with 2016, with Italy remaining stable and Spain strongly increasing by +9% (Context figures).
The market expectations for 2018 are slight growth in Italy and substantial stability in Spain.

However, it is not certain that the market will perform in line with analysts' expectations and, if these expectations are not realized, the financial assets, economic, and financial situation could be adversely affected.

Inadequate response to customers' and suppliers' demands

Due to its intermediary role within the IT production chain, the Esprinet Group's success largely depends on its ability to address, interpret and meet customers' and suppliers' demands.
This ability translates into a value proposition both at the source and later on in the sales process which differentiates itself from the competition through its adequate and historically superior profitability conditions compared with both its direct and indirect competitors.
Should the Esprinet Group be unable to maintain and renew this value proposition, that is, to develop more innovative offers and competitive services than those of its main competitors, the Group's market share could fall significantly, with a negative impact on its economic and financial position.

Competition

The nature of the Group's trade brokering activities means that it operates in highly competitive sectors, both in Italy and in the Iberian Peninsula.
The Group therefore has to operate in a highly competitive context and to compete in the various geographical markets against both strongly rooted local operators and multinational companies significantly larger than the Group and with considerably greater resources.
Competition in the IT distribution and electronic consumables sector, the Group's main activity, is measured in terms of prices, availability, quality and variety of products, associated logistics services and pre- and after-sale assistance.
The degree of competition is also heightened by the fact that the Group acts as a broker between the large world-wide suppliers of technology and resellers of IT/electronic consumables, which include operators with high contractual power, including the major retail chains, often with the potential to open supply chains directly with producers.
The Group also competes with multinational groups of extremely high financial standing, both in Italy and in the Iberian Peninsula.
Should the Esprinet Group be unable to deal effectively with the external situation in question there could be a negative impact on the Group's outlook and operations, as well as on its economic results and financial position.

Moreover, the Group is also exposed to competition from alternative distribution models, whether current or potential, such as those based on direct sales to the user by the producer, even though in the past all the limits of these alternative distribution models have been revealed.
If the 'de-intermediation' situation, already affecting the Group in the markets where it operates, accelerates in the coming years, even though not caused by any empirical or economically rational facts, the Esprinet Group could suffer negative repercussions in terms of its economic and financial position.

Price changes

The technological sector is typified by a deflationary price trend linked to high product obsolescence and strong market competition, besides mainly economic factors linked to changes in the value of the USA dollar and the Chinese currency, which are the two main functional currencies for IT products.

The Group is therefore exposed to the risk of falls in IT and electronic product unit prices, if the gross profit margin formed by the difference between the sales prices to retailers and purchasing costs applied by suppliers falls in absolute value when prices applied to the end consumer are lowered. This occurs since it is difficult to pass the higher costs caused by the lowering of prices on to customers in a sector as highly competitive as the distribution sector.

Despite the fact that this risk is lessened by the Group's capacity to limit overheads/fixed costs levels and productivity standards at various levels, thus reducing process costs chiefly linked to physical drivers (e.g. number of transactions, number of products moved in warehouses or forwarded by courier), and despite the fact that the percentile value of the gross sales margin is to some extent independent of reductions in the single prices of products, it is not possible to provide assurances regarding the Group's ability to deal with the technological sector's deflation rates

Business combinations

As an integral part of its strategy for growth, the Group periodically acquires assets (divisions of a company and/or company shareholdings) which are highly compatible in strategic terms with its own area of business.

Such operations, as any other future operation of the same type, run the risk of not being able to activate expected synergies either fully or in part, that is the risk that the explicit and/or implicit costs of integration might outweigh the benefits of the acquisition.
Integration problems are increased by the fact that the companies acquired have to operate in countries and markets other than those where the Group has always operated and which involve specific business and regulatory issues different from those met with so far by the Group.
Such problems arise from the need to align them to standards and policies mainly regarding internal auditing, reporting, information management and data protection procedures, besides to the implementation of suitable coordination and organisational mechanisms between the companies acquired and the rest of the Group.

Therefore it is impossible to give any guarantees about the Group's future success in concluding further acquisitions, neither to maintain the competitive positioning of purchasing target and neither to favourably repeat the proper business model and proposal system.

Operating risks

Dependency on IT systems

The Esprinet Group is strongly dependent on its IT systems in the performance of its activities.

In particular, the viability of its business depends to some extent on the capacity of the IT systems to store and process enormous volumes of data and guarantee elevated standards of performance (speed, quality, reliability and security) that are stable over time.
The critical nature of the IT systems is also heightened by the fact that the Group, because of its business model, relies on Internet for a consistent part of its business, both as an instrument for the transmission of information to its clients, and order-processing and marketing intelligence. Other critical factors are the connections in EDI mode to the IT systems of many vendors, as well as the remote connection to the cash & carry network active in the country.
The Group has invested remarkable resources in the prevention and mitigation of risks linked to its dependency on IT systems and in the improvement of the IT security level (such as the continual maintenance of the hardware installed and the updating of the relative software, the stipulation of insurance policies against damages caused indirectly by possible system crashes, the housing of the data centre in safe environments, the construction of anti-intrusion and anti-virus defences by carrying out penetration tests aimed at verifying the robustness of the abovementioned defences, the continual backup of memory-resident data, the provision of business continuity and disaster recovery plans and the execution of 'shutdown and restart tests on redundant systems').

Despite this, the possibility that the Group might have to suspend or interrupt its sales activities due to systems malfunctioning or actual black-outs cannot be totally excluded.
It is similarly impossible to guarantee that the IT systems of companies and/or businesses acquired will satisfy the Group's minimum reliability and safety requirements at the time of the acquisition.

Medium-/long-term interruptions of logistics chain

The Group's sales activities strongly depend on the correct functioning and efficiency of the logistics chain, thanks to which the products are able to reach their reference markets.
These logistics chains have reached high levels of complexity and the journey of the goods from the factories where the IT and electronic products sold are produced to the end customers could be subject to interruptions due to natural, political and operational events such as natural disasters, changes in trade relations between governments, trade restrictions and embargoes or operators' financial soundness in the various transport and storage stages.

Any unfavourable events in these areas are likely to cause long-term interruptions, which could have a significantly negative impact on the Group's prospects and financial position.

Dependency on suppliers and risk of non-observance of extra-contractual agreements

Overall, the Group has direct contacts with about 200 leading vendors of technology, including IT, electronic consumables and micro-electronic components vendors. The Group has always focused on the distribution of branded goods, earnings from the sale of own-brand products (accessories, consumables, Nilox and Celly micro-computer components) being negligible.
In most cases, trading contacts with the vendors are governed by contracts and/or agreements generally renewed every year.
Despite the high number of vendors in its portfolio, the Esprinet Group presents a certain degree of risk concentration in that the top 10 suppliers account for over 77% of consolidated sales (same value in 2016).

A consequence of this situation is that the Group is exposed to the risk of the non-renewal of current distribution contracts and/or inability to replace these contracts effectively.

The Group is also exposed to the risk of significant changes in the terms and conditions of contracts drawn up with vendors, particularly regarding amounts regarding premiums for the attainment of targets, or the very level and nature of these targets, the sums for co-marketing and development, the policies for protection of the economic value of the stock and commercial returns, payment terms and associated discounts.

These variations, if negative, are likely to have a negative impact on the assets and on the Group's economic and financial results.

Traditionally, however, the Group has been able to negotiate contractual conditions with its counterparts providing a long historical series of positive economic results. The degree of partnership attained with the majority of its suppliers also laid the foundations for significantly consolidated collaborations with the most important suppliers over the years, something also due to the use and maintenance of direct communication channels.

Dependency on suppliers of critical services

The Group's logistics model is based upon the direct warehousing handling and collections and the outsourcing of haulage and delivery services. These activities are of critical importance to the value chain for IT and electronic consumables distributors.
In the case of the first of the activities mentioned, the Group makes use of two porters' co-operatives in Italy. Transport activities are contracted out, both in Italy and in the Iberian Peninsula, to independent outside shippers.
The interruption of contractual relations with the above-mentioned suppliers of services, or a significant reduction in the level of quality and efficiency of the services provided, could have a significant negative impact on the Group's economic and financial results.
These suppliers and the relative industry are continually monitored in order to mitigate any related risk.

Low profit margins

The result of the high level of competition to which the Group is submitted is a low profit margin (gross trading margin and net operating result) in relation to earnings.
These low margins tend to amplify the effects of unexpected variations in sales levels and operating costs on profitability
that can be also negatively impacted from any incorrect decisions concerning the products 'pricing' and the management of discount policies.
It is impossible to guarantee that the Group will also be able to manage its 'pricing' policies with the same care and prudence in the future, in difficult economic situations.
Product margins and customers and the search for the best mix in suppliers and clientele are continually monitored, however, in order to mitigate any possible related risk.

Reduction in value of inventory

The Group is subject to the risk of a reduction in the value of unsold stock as a result of lowered list prices on the part of vendors and economic or technological obsolescence.
it is usual within the sector for the vendors to set up forms of total and/or partial protection, contractual or otherwise, of the financial value of stock in the above-mentioned cases for the benefit of the distributors with direct supply contacts.
Nevertheless, cases of non-fulfilment on the part of the vendors or the failure to activate non-contractual protection can occur.
Further, these protective clauses also come into force solely under certain conditions and are therefore totally controlled and by purchase planning ability in function of market potentiality.
It is not possible to give guarantees regarding the Group's future ability to manage stock levels so that even limited risks of stock devaluation are avoided, or failure to activate the contractual protection provided in the case of the majority of the product suppliers.
The main risk mitigation methods depend on the constant ability to minimise stock levels also due to the support of expert inventory management and demand planning systems based on availability indicators and consequently customer satisfaction, together with the constant monitoring of existing contractual agreements, in terms of the consolidated practice of the sector which traditionally believes that suppliers are also likely to protect the value of stock.

Dependency on key managers

The activity and development of the Esprinet Group is characterised by a significant dependence on the contribution of some key management staff, particularly that of the Chief Executive Officers, other executive Directors, and of the 'front line' management and/or heads of functions acting in the two geographical markets where the Group operates.
The Group's success therefore depends to a large extent on the professional and personal ability of such key figures.
The loss of the services of some of the managers without any suitable replacement, together with the inability to attract and keep new qualified resources, could therefore have negative effects on the Group's outlook, operations and financial results.
The main methods used by the Group to deal with the risk in question comprise professional development and employee retention policies. The latter are part of a compensation system which includes the use of long-term incentive plans as well as continual training activities.

Physical destruction of company assets and products assigned for sale

Premises and products stored in warehouses are subject to risks linked to events such as earthquakes, floods, fire, theft and destruction. These events could cause a significant fall in the value of the damaged assets and an interruption in the Group's operational ability, even for extended periods of time.
As the occurrence of such events and the damage caused by the same cannot be ruled out, and while bearing in mind the management and mitigation policies for these risk categories in terms of physical safety and fire prevention basically effected by transferring the risks to insurance companies, no guarantees regarding the negative impacts that could affect the Group's the financial position can be given.

Fraud perpetrated by employees

Bearing in mind the high number of transactions effected, the intensive use of IT systems both for operations and for interfacing with customers and suppliers, besides the high unit value of some transactions, significant economic damage could be generated by disloyal employees' conduct.
The Esprinet Group is committed to reducing the likelihood of such fraudulent conduct occurring by means of duty segregation techniques, IT systems access management, the introduction of procedures and checks and the circulation of the code of ethics.
However, it is not possible to give any guarantees about unfavourable impacts on the Group's financial position which could derive from fraudulent activities of the kind described.

Reliability of the administrative-accounting system

Strategic and operational decisions, the planning and reporting system, as well as the process of external communication of data and economic and financial information is based on the reliability of the administrative-accounting information generated and processed within the Group. The correctness of this information also depends on the existence of organisational procedures, rules and organisation, on employees' professional expertise and on the effectiveness and efficiency of IT systems.
The Group is committed to maintaining a high level of control over all the procedures that generate, process and circulate economic and financial information. These procedures and the underlying IT systems are subject to regular audits and checks by various actors of the Internal Audit System and are constantly updated even when solutions to 'Non Conformity' situations have been applied.

Compliance risks

The Esprinet Group is exposed to the risk of violating numerous laws, rules and regulations, including tax laws, which govern its operations.

Legal and tax disputes

As of the drafting date of these financial statements some legal and tax disputes involving some of the companies within the Group are still pending. These could potentially influence the economic and financial results.
Although the sums allocated into the relative risk provisions are deemed sufficient to cover any liabilities arising from pending disputes, it cannot be excluded that in case of a negative outcome worse than expected, some negative effects may reflect on the Group's economic, asset and financial results.

Legal disputes

The type of legal disputes to which the Group is exposed can be divided essentially into two main groups: disputes of a commercial nature (having as the object the nature and/or quantity of goods supplied, the interpretation of contractual clauses and/or the supporting documentation) and other of various kinds.
The risks associated with the first type of dispute are the object of accurate monthly analyses together with the Group's legal advisors and the consequent financial impacts are reflected in the Bad debt provision.
The 'other disputes' refer to various types of claims made against companies within the Group due to supposed infringements of laws or contracts.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the Provision for risks and charges.

Tax disputes

It cannot be excluded that the Group may have to pay liabilities as a result of tax disputes of various kinds. In such case the Group could be called on to pay extraordinary liabilities with consequent economic and financial effects.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the Provision for risks and charges.
For risks and the main developments of disputes in course please see the item 'Non-current provisions and other liabilities'.

Financial risks

Esprinet Group's activities are exposed to a series of financial risks able to influence its financial assets, profits and cash flows through their impact on existing financial operations.

These risks may be summarised as follows:

a) credit risk;
b) liquidity risk;
c) market risk (foreign exchange risk, interest rate risk and other price risks).

The overall responsibility for the creation and supervision of a financial risk management system for the Group is, within the Internal Control System, up to the Board of Directors, to which the various organisational units responsible for actually managing the single types of risk report.
These units, substantially belonging to the Finance and Treasury departments, within the guidelines traced out by the Board in the case of each specific risk, define the instruments and techniques necessary for the relevant cover and/or transfer to third parties (insurance) and assess risks that are neither covered nor insured.
The Group has consolidated practices, operational procedures and risk management policies, which are continually adapted to changing environmental and market conditions, which are able to identify and analyse the risks to which the Group is exposed, to define appropriate controls and constantly monitor the same limits.

Further information regarding risks and financial instruments pursuant to IFRS 7 and 13 can be found under 'Disclosure on risks and financial instruments' in the 'Notes to the consolidated financial statements'.
The degree of the Group's exposure to the various categories of financial risk identified is detailed in next paragraphs.

Credit risk

Credit risk is the risk that the Group might suffer a financial loss through the effects of the non-fulfilment of an obligation to pay by a third party.
Esprinet Group's exposure to credit risk depends on the class of financial instruments, even if it is essentially linked to the option of deferred payments granted to clients in relation to sales of products and services in the markets where the Group operates.
Management strategies dealing with this risk are as follows:

- in the case of cash and cash equivalents and financial derivatives assets, the choice of leading national and international banks;
- in the case of trade receivables, the transfer of the risk, within the limits of the credit negotiated and with the aim of reaching an optimum balance of costs and benefits, to leading insurance and/or factoring companies as well as applying special checking procedures regarding the assignment and periodical review of lines of credits to customer, besides requiring collateral in the case of customers whose ratings are insufficient to guarantee operations.

Group policies include a strict hierarchically organised authorisation mechanism to deal with trade receivables, involving the Credit Committee and on up until the Board of Directors, in cases where the limits of the line of credit granted independently by the Group exceed the corresponding credit facilities granted by the insurance company.
Customer credit risk is monitored by grouping the same according to sales channels, the aging of the credit, the existence or otherwise of any previous financial difficulties or disputes and any ongoing legal or receivership proceedings.
Customers classified as 'high risk' are inserted in a strictly-checked list and any future orders are filled solely against advance payment.
The Group usually accrues estimated impairment of trade receivables quantified on the basis of analyses and write-downs of each single position to a bad-debt provision, after taking into account the benefits provided by the insurance.

In the case of credit risk concentration, the following table shows the incidence of the top 10 clients on consolidated sales with reference to Esprinet S.p.A. and to the Group respectively:

Entity	% top 10 customers
Esprinet S.p.A.	35%
Group	35%

The incidence of the top 10 clients on the Esprinet Group's sales is equal to approx. 35% (34% in 2016).

Liquidity risk

Liquidity risk is the risk the Group may encounter difficulty in meeting obligations associated with its financial instruments.
The policy is therefore one of maximum prudence to avoid, at the occurrence of unexpected events, to have to sustain excessive charges or even see one's reputation compromised in the market.

Liquidity risk management hinges on cash-flow planning and also on the maintenance of consistent amounts of unused lines of credit in Italy and in Spain of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources including that for financing working capital. As at 31 December 2017 the Group had unused credit lines of 424 million euro (374 million euro at 31 December 2016), or approx. 73% (approx. 71% as at 31 December 2016) of the total of the existing credit lines.
The availability of unused credit lines did not cause any specific charges. For further information please refer to the paragraph 8.6 'Lines of credit' under section 8 'Other significant information' in the 'Notes to the consolidated financial statement'.
The Group's financial needs are largely covered by a five-year Senior Loan with a residual duration of 50 months. This Loan is one of the pillars of the liquidity risk management and is subject to the strict observance of some covenants the non-compliance with which gives the issuing pool of banks the right to demand the immediate reimbursement of the same loan.
While the existence of a covenant structure allows the Group to dispose of a stable funding structure not subject to any cancellation and/or unilateral downsizing as per international contractual practice, on one hand, on the other it introduces elements of instability linked to the possible violation of one or more of the threshold financial parameters, failure to observe which exposes the Group to the risk of the advance reimbursement of the borrowed sums.
According to management calculations, as at 31 December 2017, one covenant was breached. Accordingly, the outstanding principal was entirely classified under 'current liabilities' pursuant to IFRSs.

Market risk: the currency risk

Currency risk is the risk of fluctuations in the value of a financial instrument as a result of variations in foreign exchange rates. In this regard, it should be noted that only a residual part of the products purchased by the Esprinet Group are expressed in currencies other than euro.
During 2017 these purchases were mainly in US dollars and amounted to 3.1% of the Esprinet Group's total purchases (2.5% in 2016).
The possibility that parity of exchange - and the euro/USA dollar in particular– may be modified in the period running between the time of invoicing in foreign currency and the time of payment, determines the Group's exposure to foreign exchange risk. Given that the Group has no other financial assets and liabilities or loans in foreign currency, its exposure to this type of risk is limited.
Given the potentially modest impact involved, the policy adopted so far has consisted in the restraint of such risk type, without the activation of any specific form of cover, especially through the use of hedging instruments.

Market risk: the interest rate risk

Interest rate risk comprises the risk of fluctuations in the fair value and/or in the future cash flows of a financial instrument as a result of variations in market interest rates.
All of the loans obtained by the Esprinet Group provide for index-linked interest rates based on referential rates, and in particular on the 'Europe Interbank Offered Rate' or Euribor.
The Group, as a result of analysis on the amount and composition of the Group indebtedness, can decide to totally or partially hedge itself against the interest rate risk on the loans.
The aim of the hedging activity regarding interest rate risk is to fix the funding cost of the middle-term floating-rate loans (hedged items).

During 2017 this result was achieved by entering into Interest Rate Swap (IRS) contracts (hedging instruments), signed with the same banks lending the medium/long-term loan, which fully hedged the Group against its exposure to fluctuations in the interest rate on the loan by enabling receipt of a floating rate in return for payment of a fixed rate.
Within the business combinations occurred in 2016, other medium-long term loans having 'IRS - Interest Rate Swap' contracts were granted. These contracts also contributed to hedge changes on interest rates linked to those loans.

These hedging transactions qualify for cash flow hedge accounting and are so recognised in the consolidated financial statements.

Market risk: the other price risks

Other price risks include the risk of fluctuations in the fair value of marketable securities due to variations in the market price arising both from specific factors related to the individual security or its issuer and from factors able to influence the total securities traded in the market place.
The Esprinet Group does not own any securities negotiable in active markets and consequently is not exposed to this type of risk in any way.

Other significant information

1. Research and development activities

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

2. Number and value of own shares

At the closing date of this financial report, Esprinet S.p.A. held 646,889 own shares, representing 1.23% of the share capital.
These consist of 31,400 residual own shares purchased in 2007 (fulfilling the Shareholders' Meeting resolution dated 26 April 2007) at a unit price of 11.06 euro gross of fees, fully held at the prior year-end date.

The remaining 615,489 ordinary shares were bought pursuant to the Shareholders' Meeting resolution dated 30 April 2015 in the period between 22 July 2015 and 4 September 2015, at an average unit price of 7.79 euro, gross of fees.

3. Relationships with related parties

The related parties of the Esprinet Group have been defined as per IAS 24.

Group operations with related parties 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.

During the year relationships with related parties consisted essentially in the sales of products and services at market conditions, including the leasing of real estate, between Group's entities and associates or companies where the key management personnel of Esprinet S.p.A. - shareholders or directors or key manager - play important roles.
Further details of these operations, the total value of which is not material compared with the total volume of the Group's activities, can be found under 'Relationships with related parties' in the 'Notes to the consolidated financial statements'.
Relationships with key managers result from the recognition of the payments for services rendered by the same, the quantification of which can be found under 'Emoluments to board members and key managers' in the 'Notes to the consolidated financial statements'.
In the case of Consob Regulation No. 17221 of .17221/12/03 and successive amendments and supplements, please note that Esprinet S.p.A. approved and implemented the management

procedure regarding operations with related parties, further details of which may be found in the 'Esprinet S.p.A Corporate Governance Report'.
This procedure is similarly available at www.esprinet.com, under 'Investor Relations'.

4. Business combinations

During 2017, no business combinations occurred but, as shown under 'Significant events occurring in the period', the value of the acquisition of the business units 'VAD-Value Added Distribution' effected on 30 November 2016 from Itway Group was finally assessed on 30 November 2017. As a result of this, goodwill amounts to 10.2 million euro.

In 2016, in addition to the above business combinations, the following transactions were effected:

- business unit acquisition by the newly established EDSlan S.r.l. on 8 April 2016;
- acquisition of Vinzeo Technologies S.A.U. and its wholly-owned subsidiary Tape S.L.U. on 1 July 2016;

For further information related to the above-mentioned transactions please refer to the same paragraph in the Consolidated Financial Statements as at 31 December 2016.

5. Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:
- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/.196;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.
Starting from fiscal year 2010 Esprinet S.p.A. and its subsidiary V-Valley S.r.l. have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR - Italian Income Tax Code), which enables Corporate Income Tax (IRES) to be determined on the tax base resulting from the algebraic sum of the positive and negative tax bases of the single companies.
This option was renewed in 2016 for the 3-years period 2016-2018.
Starting from fiscal year 2015 Esprinet S.p.A. and its subsidiary Celly S.p.A. have opted for the National consolidated tax regime, with effects for the 2015-2017 period.
During 2016, the subsidiary EDSlan S.r.l. also joined the 'National consolidated tax regime' for the 2016-2018 period.

6. Shares of the parent company Esprinet S.p.A held by board members, statutory auditors and key managers with strategic responsibilities

Name	Office	No. of shares at 31/12/16 or at appointment date	No. of shares purchased	No. of shares sold	Decrease for office termination	No. Of shares at 31/12/17 or at termination date
Francesco Monti [1]	Chairman	8.232.070	-	-	-	8.232.070
Maurizio Rota [2]	Deputy Chairman and CEO	2.625.458	-	-	-	2.625.458
Alessandro Cattani	Chief Executive Officer	561.607	-	-	-	561.607
Valerio Casari	Director	-	-	-	-	-
Marco Monti [3]	Director	-	-	-	-	-
Matteo Stefanelli	Director	834.507	-	-	-	834.507
Tommaso Stefanelli	Director	885.000	-	-	-	885.000
Mario Massari	Director	-	-	-	-	-
Chiara Mauri	Director	-	-	-	-	-
Cristina Galbusera	Director	-	-	-	-	-
Emanuela Prandelli	Director	-	-	-	-	-
Ariela Caglio [4]	Director	-	-	-	-	-
Andrea Cavaliere [5]	Director	-	-	-	-	-
Total Board of Directors		**13.138.642**	**-**	**-**	**-**	**13.138.642**
Giorgio Razzoli	Chairman	-	-	-	-	-
Patrizia Paleologo Oriundi	Standing Statutory Auditor	-	-	-	-	-
Bettina Solimando	Standing Statutory Auditor	-	-	-	-	-
Total Board of Statutory Auditor		-	-	-	-	-

(1) Holder of full ownership of 2,058,019 shares and right of usufruct on 6,174,051 shares
(2) Share hold by spouse
(3) Holder of bare ownership of 2,058,017 shares
(4) Since 4 May substituting Mr. Andrea Cavaliere
(5) Resigning from the February 20, 2017

In compliance with CONSOB Resolution 11971 dated 14 May 1999, the previous table provides details of share dealing effected during the year by Esprinet S.p.A. Directors, Statutory Auditors and key managers, reminding that the company organisation structure does not include a General Manager.

7. 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.

8. Additional information required by Bank of Italy and Consob

Pursuant to the document 2 of 6 February 2009 and the successive specifications of 3 March 2010, requiring the drafters of financial reports to supply adequate disclosure on some themes, the relevant sections in which the requirements applicable to the Group are met are shown below:

1. disclosure about entity's going concern, 'Notes to the consolidated financial statements' - paragraph 'Accounting principles and valuation criteria';
2. disclosure concerning financial risks, 'Directors' Report on Operations' - paragraph 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' - and 'Notes to the consolidated financial statements' - section 'Disclosure on risks and financial instruments';

3. disclosure concerning impairment testing of assets, 'Notes to the consolidated financial statements' - paragraph 'Notes to the balance sheet items' item 'Goodwill';
4. disclosure about uncertainties when using estimates, 'Notes to the consolidated financial statements' - paragraph 'Main accounting definitions and estimates';
5. disclosure on financial liabilities type clauses, Notes to the consolidated financial statements' - paragraph 'Loans and loan covenants';
6. disclosure concerning 'fair value hierarchy', 'Notes to the consolidated financial statements' - paragraph 'Financial instruments pursuant to IAS 39: classes of risk and fair value'.

The information required by Consob communication No. DEM/11012984 of 24 February 2011 'Request for information pursuant to Art. 114, paragraph 5, of Legislative Decree No. 58 of 24 February 1998, regarding compensation for advance termination of employment' can be found in the 'Corporate Governance Report'.

Disclosure required by Consob communication No. 3907 of 19 January 2015 can be found in the relevant sections of the 'Notes to the consolidated financial statements'.

9. Share incentive plans

Within the scope of share incentive policies aimed at strengthening the loyalty of executives deemed essential for the purpose of achieving the Group operating targets, on 30 April 2015 Esprinet Shareholders' Meeting approved a new compensation Plan ('Long Term Incentive Plan') for the benefit of the members of the Board of Directors and executives, as proposed by the Remuneration Committee. Such plan will apply for the 3-year period 2015-17 with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet. S.p.A. ordinary shares.
646,889 of the above-mentioned free subscription rights were granted on 30 June 2015 and are conditional upon the achievement of some Group revenue targets in the 2015-17 period and the beneficiary being still employed by the Group at the date of the presentation of the Group's 2017 consolidated financial statements to the Esprinet Shareholders' Meeting.

Based on the estimated results for the period 2015-17 and the employment termination of some beneficiaries, the number of shares was reduced to 535,134.

Further information can be found in the 'Notes to the consolidated financial statement' – paragraph 'Group Personnel costs'.

10. Equity and result reconciliation between Group and parent company

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

(euro/000)	Net Income/(loss)		Equity	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Esprinet S.p.A. separate financial statements	**10,610**	**12,738**	**305,678**	**301,244**
Consolidation adjustments:				
Net equity and result for the year of consolidated companies, net of minority interests	12,845	13,218	120,957	107,819
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(92,585)	(92,420)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,040	1,040
Goodwill from Celly S.p.A. business combination	-	-	4,153	4,153
Adjustment to equity value of associated companies	-	1	-	1
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	(31)	(53)	(335)	(305)
Option on Celly shares	2,855	966	(1,587)	(4,442)
Other movements	-	-	867	867
Consolidated net equity	**26,279**	**26,870**	**338,188**	**317,957**

11. Consolidated disclosure of non-financial information (DNF)

The company, pursuant to article 5, paragraph 3(b) of the legislative decree 254/2016, prepared the consolidated disclosure of non-financial information, which represents a separate statement.
The consolidated disclosure of non-financial information, drawn up according to GRI standards (or 'GRI G4 Sustainability Reporting Guidelines') is available on the Group's website.

12. Other information

The System Security Planning Paper (SSPP) - as initially foreseen by Legislative Decree 196/2003, integrated by the Legislative Decree n.5/2012 (decree on simplification) - continues to be drawn up and applied by the companies of the Group localized in the Italian Country.

On 28 June 2004, the Esprinet S.p.A. Board of Directors appointed the company's Chief Executive Officer, Alessandro Cattani, as the executive responsible for protecting personal data. Mr Cattani was, however, vested with the particular ability to delegate all his powers and responsibilities to those company executives and employees operating as data-processing managers, in accordance with their respective areas of responsibility.

Proposal of approval of the Financial Statement and allocation of the 2017 profits

To our Shareholders,
at the end of our illustration of the Esprinet S.p.A. financial statements (separate financial statements) and the Group consolidated financial statements as at 31 December 2017, together with the Directors' report on operations, we hereby present you with our proposal for the allocation of the positive result posted for the year by Esprinet S.p.A..

In seeking your approval of our operations, by assenting to our draft Financial Statements, as well as to our Report on operations and the Notes to the financial statements, we propose to allocate the Company's net profit of 10,609,589.80 euro as follows:

- a dividend of 0.135 euro gross to each one of the Company's ordinary shares in circulation, excluding therefore any of its own shares held by the Company in its portfolio at the coupon detachment date;

- 85,806.96 to reserve on exchange gains valuation;

- any remaining amount to the Extraordinary Reserve.

Note that the company needs not set aside amounts to the legal reserve having reached 20% of the Share Capital.
For the purpose of taxing beneficiaries, note that the company has residual retained earnings generated up to the financial year ended on 31 December 2007, thus pursuant to the legal presumption set forth by Ministry Decree of 26 May 2017 the whole amount of dividends distributed is considered to consist of profits made by the company up to financial year as at 31 December 2007.

Vimercate, 23 March 2018

Of behalf of the Board of Directors
The Chairman
Francesco Monti

2017 Consolidated Financial Statements
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Consolidated statement of financial position

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

(euro/000)	Notes	31/12/2017	related parties*	31/12/2016	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	14,634		15,284	
Goodwill	2	90,595		91,189	
Intangible assets	3	1,070		1,469	
Investments in associates	5	-		39	
Deferred income tax assets	6	11,262		11,931	
Derivative financial assets	8	36		38	
Receivables and other non-current assets	9	6,712	1,553	6,896	1,286
		124,309	**1,553**	**126,846**	**1,286**
Current assets					
Inventory	10	481,551		328,886	
Trade receivables	11	313,073	11	388,672	9
Income tax assets	12	3,116		6,175	
Other assets	13	27,778	10	32,091	-
Cash and cash equivalents	17	296,969		285,933	
		1,122,487	**21**	**1,041,757**	**9**
Disposal groups assets	48	-		-	
Total assets		**1,246,796**	**1,574**	**1,168,603**	**1,295**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	303,046		282,430	
Group net income	21	26,235		26,667	
Group net equity		**337,142**		**316,958**	
Non-controlling interests		1,046		999	
Total equity		**338,188**		**317,957**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	19,927		28,833	
Derivative financial liabilities	23	-		66	
Deferred income tax liabilities	24	7,088		6,100	
Retirement benefit obligations	25	4,814		5,185	
Debts for investments in subsidiaries	49	1,311		3,942	
Provisions and other liabilities	26	2,504		3,020	
		35,644		**47,146**	
Current liabilities					
Trade payables	27	690,449	-	615,512	12
Short-term financial liabilities	28	155,960		151,885	
Income tax liabilities	29	693		740	
Derivative financial liabilities	30	663		483	
Debts for investments in subsidiaries	51	-		4,718	
Provisions and other liabilities	32	25,199	1,510	30,162	-
		872,964	**1,510**	**803,500**	**12**
Disposal groups liabilities	34	-		-	
Total liabilities		**908,608**	**1,510**	**850,646**	**12**
Total equity and liabilities		**1,246,796**	**1,510**	**1,168,603**	**12**

* For further details regarding related parties please see the section 'Relationships with related parties' in the 'Notes to the consolidated financial statements'.

Consolidated income statement

The Group's separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'. It also includes the information required pursuant to Consob Resolution No. 15519 of 27 July 2006:

(euro/000)	Notes	2017	non - recurring	related parties*	2016	non - recurring	related parties*
Sales	33	3,217,172	-	16	3,042,330	-	15
Cost of sales		(3,049,409)	-	-	(2,878,435)	-	-
Gross profit	35	167,763	-		163,895	-	
Other income	50	-	-		2,838	2,838	
Sales and marketing costs	37	(53,800)	-	-	(49,871)	-	-
Overheads and administrative costs	38	(79,616)	(1,839)	(4,882)	(78,296)	(4,754)	(3,782)
Operating income (EBIT)		34,347	(1,839)		38,566	(1,916)	
Finance costs - net	42	(749)	-	2	(2,847)	-	2
Other investments expenses / (incomes)	43	36	-		1	-	
Profit before income taxes		33,634	(1,839)		35,720	(1,916)	
Income tax expenses	45	(7,355)	478	-	(8,850)	1,411	-
Net income		26,279	(1,361)		26,870	(505)	
- of which attributable to non-controlling interests		45			203		
- of which attributable to Group		26,234	(1,361)		26,667	(505)	
Earnings per share - basic (euro)	46	0.51			0.52		
Earnings per share - diluted (euro)	46	0.50			0.51		

* Emoluments to key managers excluded.

Consolidated statement of comprehensive income

(euro/000)	2017	2016
Net income	26,279	26,870
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	(194)	(79)
- Taxes on changes in 'cash flow hedge' equity reserve	68	17
- Changes in translation adjustment reserve	(1)	(1)
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	45	(139)
- Taxes on changes in 'TFR' equity reserve	(10)	30
Other comprehensive income	(92)	(172)
Total comprehensive income	26,187	26,698
- of which attributable to Group	26,141	26,499
- of which attributable to non-controlling interests	46	199

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 2015	7,861	264,848	(5,145)	30,041	297,605	797	296,808
Total comprehensive income/(loss)	-	(172)	-	26,870	26,697	199	26,498
Allocation of last year net income/(loss)	-	22,277	-	(22,277)	-	-	-
Dividend payment	-	-	-	(7,764)	(7,764)	-	(7,764)
Transactions with owners	-	22,277	-	(30,041)	(7,764)	-	(7,764)
Increase/(decrease) in 'stock grant' plan reserve	-	1,404	-	-	1,404	-	1,404
Other variations	-	15	-	-	15	3	12
Balance at 31 December 2016	7,861	288,372	(5,145)	26,870	317,957	999	316,958
Balance at 31 December 2016	7,861	288,372	(5,145)	26,870	317,957	999	316,958
Total comprehensive income/(loss)	-	(92)	-	26,280	26,188	46	26,142
Allocation of last year net income/(loss)	-	19,883	-	(19,883)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Transactions with owners	-	19,883	-	(26,870)	(6,987)	-	(6,987)
Change in 'stock grant' plan reserve	-	1,026	-	-	1,026	-	1,026
Other variations	-	4	-	-	4	1	3
Balance at 31 December 2017	7,861	309,193	(5,145)	26,280	338,188	1,046	337,142

Consolidated statement of cash flows[9]

(euro/000)	2017	2016
Cash flow provided by (used in) operating activities (D=A+B+C)	**25,994**	**34,413**
Cash flow generated from operations (A)	**39,225**	**40,986**
Operating income (EBIT)	34,347	38,566
Income from business combinations	-	(2,838)
Depreciation, amortisation and other fixed assets write-downs	4,754	3,954
Net changes in provisions for risks and charges	(516)	171
Net changes in retirement benefit obligations	(386)	(271)
Stock option/grant costs	1,026	1,404
Cash flow provided by (used in) changes in working capital (B)	**(7,922)**	**3,447**
Inventory	(152,665)	37,760
Trade receivables	75,599	(38,454)
Other current assets	2,328	(12,321)
Trade payables	75,074	18,354
Other current liabilities	(8,258)	(1,892)
Other cash flow provided by (used in) operating activities (C)	**(5,309)**	**(10,020)**
Interests paid, net	(2,272)	(644)
Foreign exchange (losses)/gains	393	(760)
Net results from associated companies	75	9
Income taxes paid	(3,505)	(8,625)
Cash flow provided by (used in) investing activities (E)	**(2,263)**	**(105,981)**
Net investments in property, plant and equipment	(3,425)	(6,010)
Net investments in intangible assets	(280)	(1,098)
Changes in other non current assets and liabilities	848	73
EDSlan business combination	-	(17,065)
Itway business combination	594	(8,731)
Vinzeo business combination	-	(73,150)
Cash flow provided by (used in) financing activities (F)	**(12,695)**	**77,412**
Medium/long term borrowing	165,000	-
Repayment/renegotiation of medium/long-term borrowings	(112,162)	(23,078)
Net change in financial liabilities	(59,224)	106,763
Net change in financial assets and derivative instruments	5,562	(3,371)
Deferred price Itway acquisition	(4,718)	4,718
Dividend payments	(6,987)	(7,764)
Increase/(decrease) in 'cash flow edge' equity reserve	(214)	(61)
Changes in third parties net equity	48	205
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**11,036**	**5,844**
Cash and cash equivalents at year-beginning	**285,933**	**280,089**
Net increase/(decrease) in cash and cash equivalents	**11,036**	**5,844**
Cash and cash equivalents at year-end	**296,969**	**285,933**

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

Notes to the consolidated financial statements

1. General information

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (the 'Esprinet Group' or the 'Group') operate on the Italian, Spanish and Portuguese markets in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

In Italy and in Iberian peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza). 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.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The consolidated financial statements of the Esprinet Group as at 31 December 2017 have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as measures issued in accordance with art. 9 of D. Lgs. n. 38/2005.
The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria are applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analysed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.
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.

2.3 Consolidation criteria and methods

The consolidated financial statements derive from the accounts of the parent company Esprinet S.p.A. and its direct and/or indirect subsidiaries or associated companies, as approved by their respective Boards of Directors[10].
Wherever necessary, the accounts of subsidiaries were suitably adjusted to ensure consistency with the accounting standards used by the parent company.

The table below lists companies included in the consolidation perimeter as at 31 December 2017, 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	80.00%	Esprinet S.p.A.	80.00%
EDSlan S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Mosaico S.r.l.	Vimercate (MB)	100,000	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%
Subsidiaries indirectly controlled:					
Celly Nordic OY	Helsinki (Finland)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Swiss SAGL	Lugano (Switzerland)	16,296	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (China)	935	80.00%	Celly Swiss SAGL	100.00%
Esprinet Portugal Lda	Porto (Portugal)	400,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spain)	4,000	100.00%	Vinzeo Technologies S.A.U.	100.00%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

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

The most significant consolidation criteria adopted when preparing the Group's consolidated financial statements are presented below.

Subsidiaries

Subsidiaries are entities where the Group is exposed, or has rights, to variable returns and has the capacity of influencing them, pursuant to IFRS 10, paragraph 6. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
Any effects of transactions between Group companies on the Group's assets and profits, unrealized gains and losses and dividends included, are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the transferred asset.
Changes in a parent's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

[10] Excluding Celly Nordic OY, Celly Swiss SAGL, Celly Pacific LTD because they do not have this body.

Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group.
The cost of an acquisition is the aggregate of the acquisition-date fair value of the consideration transferred and of the amount of any non-controlling interest (or 'NCI') in the acquiree. A non-controlling interest can be measured at fair value or at the NCI's proportionate share of net assets of the acquiree (option available on a transaction by transaction basis). Any costs directly attributable to the combination are expensed and classified in administrative costs.
In the case of business combination achieved in stages, on the date that control is obtained the fair values of the acquired entity's assets and liabilities, including goodwill, are measured; any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss.
Contingent consideration is measured at the acquisition date fair value.
Goodwill is measured as the difference between the cost of an acquisition and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.
If the difference above is negative, the resulting gain is recognized as a bargain purchase in profit or loss.

The 'purchase method' was used to account acquisition of subsidiaries by the Group until 2009 included. Costs directly attributable to the acquisition were included in the cost of the acquisition. Minority interests consisted of the share of the net assets of the acquired entity. Business combinations achieved in stages were treated separately at the date of each transaction, with no impact on the previous goodwill may be accounted

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with parties outside the Group itself.
The share of equity attributable to outside shareholders of subsidiary companies included in the consolidated accounts is carried separately under the equity item 'Non-controlling interests', precisely created for this purpose. The share of net income attributable to non-controlling shareholders is reported separately in the consolidated separate income statement under the item 'Non-controlling interests'.
Losses are attributed to non-controlling shareholders even if they make negative the non-controlling interests balance.

Associated companies

Group investments in associates are assessed using the net equity method.
Associates are companies over which the Group has significant influence, even though they are not subsidiaries or part of a joint-venture.
Financial statements of associates are used by the Group for the application of the net equity method of accounting.
The closing of accounts of associates and of the Group take place at the same date and by using the same accounting principles.
Group investments in associates are recorded in the statement of financial position at the cost increased or decreased by the post-acquisition changes in the Group's share of its associates' net profit and eventually decreased by any possible loss of value. The possible Goodwill relating to an associate is included in the carrying amount of the investment and its amortization or impairment are not permitted.
The separate income statement reflects the Group's share of its associates' net profit/loss except the quotas of profits and losses resulting from transactions between the Group and the associate which are eliminated.
If an associate adjusts a movement directly taking it to equity, the Group also adjusts its share subsequently and reports it, where applicable, in the statement of changes in equity.

After application of the equity method the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate. At each reporting date the Group determines whether objective reasons exist to support any impairment loss with respect to its investment in the associate. In the case the impairment loss occurred, the Group measures it by comparing the recoverable amount and the carrying amount of the investment, and recognize this loss in the separate income statement under 'share of profits/losses of associates'.

Intercompany dividends

Dividends distributed among Group companies are eliminated from the consolidated income statement.

2.4 Changes to the Group's consolidation area

As compared to 31 December 2016 we remark the first consolidation of the German law company Nilox Deutschland GmbH, established on 11 July 2017 and the disposal of 25% share in the associate company Ascendeo S.A.S. by Celly S.p.A..

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

2.5 Changes in accounting estimates and reclassifications

Changes in critical accounting estimates

No changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this annual financial statement.

2.6 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income.
They include goodwill, when it is acquired for a consideration.

Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item 'Industrial and other patent rights' is amortized within three years.
Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test. The Impairment test is described below in the section entitled 'Impairment of assets'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.
Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Property, plant and equipment

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.

Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortised over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.
Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.

Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	da 3% a 20%
Other specific plants	15%
Conditioning plants	da 3% a 14.3%
Telephone systems and equipment	da 10% a 20%
Communication and telesignal plants	25%
Industrial and commercial equipment	da 7.1% a 15%
Electronic office machines	da 20% a 25%
Furniture and fittings	da 10% a 25%
Other assets	da 10% a 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed. The relevant liability is entered under 'Financial liabilities'.

The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemised as operating leasing. The earnings (costs) emerging from operating leasing are entered straight-line in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred. In the case of goodwill and other assets with indefinite lives this test must be conducted at least annually.

In the case of goodwill, the Group carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater. Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life. CGUs have been identified within the Group's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item 'Income taxes'.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.).
The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value. The amortization is carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item 'Finance income/(cost)' and the Shareholders' Equity item 'Other reserves' respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.

Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.
At each reporting date the Group assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realisable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Group concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.
The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to

promote the brands being distributed and to develop the sales channels utilised. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.
Obsolete and surplus stock and stock characterised by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortised cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortised cost method).
The amount obtained using the amortised cost method, is then reduced to the realisable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.
Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. See also the comment under item 'Income taxes'.

Other current assets

Other current assets are stated at the lesser of the cost and the net realisable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Non-current assets held for sale

A non-current asset held for sale (or assets of a disposal group) is an asset whose carrying amount will be recovered principally through a sale transaction rather than through its continuing use. As consequence a non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell, and depreciation on such asset ceases.
It is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale is highly probable.

Equity

Own shares

Own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Short-term financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.
The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when there is the probable existence of an obligation, be it actual, legal or implicit, due to past events and the amount of the obligation can be reliably estimated. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item 'Finance costs'.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.
In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed. Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.
Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.
Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial assumption linked to salary increases and the revision of financial-type hypotheses. This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction.
They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.

Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.
The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that regarding provisions.

For further details regarding trade payables please see 'Definitions' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.
Revenues are recognised at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.
Costs are recognised when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.

The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements. Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Group operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Earnings per share

Basic

Basic earnings per share are calculated by dividing the Group's year-end profit by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as own shares.

Diluted

The diluted profit per share is calculated by dividing the Group's year-end profit by the weighted average of ordinary shares in circulation during the accounting period, excluding any own shares. For the purposes of the calculation of the diluted profit per share, the weighted average of the shares in circulation is modified by assuming the exercising by all owners of rights that potentially having diluting effects, while the net result of the Group is adjusted to take into account any effects, net of taxes, of the exercising of said rights. The result per diluted share is not calculated in the case of losses, in that any diluting effect would determine an improvement in the result per share.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes' and is stated in the form of a counterparty in the 'Reserves'.

Income taxes

Current income taxes are calculated with an estimate of taxable income for each Group company; the forecast payable is stated in the item 'Current income tax liabilities' but, if surplus accounts have been paid, the receivable is stated in the item 'Current income tax assets'. Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.

Deferred and advance income taxes are calculated using the 'liability method' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.

Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item 'Deferred income tax assets'; if it is negative, it is stated in the item 'Deferred income tax liabilities'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency).
The consolidated financial statements are presented in euro, which is the Group's functional and presentation currency.

Currency transactions and translation criteria

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement. Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Exchange rate	Punctual at 31.12.2017	Average period
Hong Kong Dollar (HKD)	9.37	8.81
Franco Svizzero (CHF)	1.17	1.11
US Dollar (USD)	1.20	1.13

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates), the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging instrument recognised directly in equity from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under 'Other significant information'.

2.7 Critical accounting estimates and definitions

2.7.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.
This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).
Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarised in the following categories:
- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

The Group further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.

As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.

In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier. More in particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash payment is required. In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.
In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.
This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.7.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Short-term financial liabilities

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.

As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.7.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.

Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.
The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Group, should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the 'value in use' of the Cash Generating Units ('CGUs') to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Group's organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

'Fair value' of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in April 2017 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'.

Their conditions fully comply with International Accounting Standard 39 regarding 'hedge accounting'(formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) and as a consequence, the derivative contracts were subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity. Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs 'Share incentive plans' and 'Share capital'.
The cost of these plans has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.
Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the Group until the vesting date of the plans – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account.

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.
For revenue recognition purposes for services, the actual moment the service is rendered is considered.

Revenues adjustments and credit notes to be issued toward customers

The Group usually estimates amounts to be recognised to customers as discounts for targets achievement, in order to promote the sales development also through temporary promotions, for different kind of incentives.
The Group has developed a series of procedures and checks to minimise potential errors in evaluations and estimates of the credit notes to be issued.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Costs adjustments and credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Group, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Group has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Depreciation and amortisation of assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life.
Useful life is defined as the period in which the activities will be used by the Company.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes.
As a result, the actual economic life may differ from the estimated useful life.

The validity of the expected useful life in terms of its asset category is regularly checked by the Group. This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of encashment of receivables, the Group makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual value of encashment of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.

Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Group's debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Company usually effects forecasts regarding the value of encashment of obsolete, surplus or slow-moving warehouse stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.
The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.

The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Group makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
This estimate is the result of a complex process involving legal and tax consultants as well as subjective judgement on the part of the Group's management. The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 19.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Income tax expenses

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.

Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability. Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.
The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.8 Recently issued accounting standards

New or revised accounting standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements as at 31 December 2017 are consistent with those used in the consolidated financial statements as at 31 December 2016, except for the accounting standards and amendments described below and obligatorily applied with effect from 1 January 2017 after being endorsed by the competent authorities.

The principal changes are as follows:

Amendments to IAS 7 - Disclosure Initiative - The changes are intended to improve disclosure of cash flows related to the net cash flow generated/absorbed by investing activities and to the entity's liquidity, especially in the presence of restrictions on the use of cash and cash equivalents. The European Union endorsement process was completed in November 2017

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - on 19 January 2016 IASB published some amendments clarifying that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The European Union endorsement process was completed in November 2017 The above-mentioned amendment had no significant impacts on the Group.

The new standards and interpretations, already issued but not yet in force and/or not yet adopted as at the date of this report. The Group intends to adopt these standards once they become effective.

Standards issued and endorsed but not yet in force and/or endorsed but not applied early.

IFRS 9 – Financial Instruments (issued in July 2014) IFRS 9 brings together the three phases of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after 1 January 2008, with early application permitted. Except for hedge accounting, the standard must be applied retrospectively, however comparative disclosures are not required. As for hedge accounting, as a rule the standard will apply prospectively, with limited exceptions.

During 2017 the Group evaluated the effects of IFRS 9, determining that these would not be material. In particular, in 2018, the Group upon adopting IFRS 9 will have to post adjustments equal to 0.3 million euro mainly as a consequence of no amortisation in the remaining upfront fee, relating to changes in loans occurred in 2017 in the parent company Esprinet S.p.A.

IFRS 15 'Revenues from contracts with customers': the standard, issued by the IASB on 28 May 2014, introduces a new five-step model and will apply to all contracts with customers. IFRS 15 provides for revenues to be accounted for at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard will replace all current IFRS requirements relating to revenue recognition. The standard will be effective for annual periods beginning on or after 1 January 2018, using either a full retrospective approach or a modified retrospective approach. Early application is permitted.
The Group plans to adopt the new standard on the required effective date. During 2017 the Group evaluated the effects of IFRS 15, determining that these would not be material. In 2018, the Group will make the following adjustments upon adopting IFRS 15: Revenues and cost of sales will be reduced by 13.6 million euro as a mere effect of a different presentation of the gross margin, which is then unchanged, as a result of some transactions as agent and not as principal. This change is almost entirely attributable to the parent company, Esprinet S.p.A..

IFRS 16 Leases - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is evaluating the adoption and the consequent impact of this new standard. Early application is not expected.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 - The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are effective for annual periods beginning on or after 1 January 2018 with early application permitted.

Annual Improvements to the IFRS, 2014-2016 Cycle - these amendments were published on 8 December 2016, but not yet endorsed by the European Union and refer mainly to the Deletion of short-term exemptions for first adopters in IFRS1 – First Time Adoption of International Financial Reporting Standards, IAS 28 – Investments in Associates and Joint Ventures, IFRS 12 – Disclosure of Interests in Other Entities. These standards partially supplement the pre-existing standards. These amendments are not expected to have any impact on the Group.

IFRIC interpretation 22 'Foreign Currency Transactions and Advance Consideration' - published on 8 December 2016 - The interpretation's objective is to provide guidelines for transactions carried out in foreign currency where non-monetary advances are recorded, before the relative activity, cost or revenue is recorded. This document provides indications on how an entity should determine the date of a transaction and, consequently, the spot rate to be used when foreign currency transactions take place in which the payment is executed or received in advance. IFRIC 22 is applicable from 1 January 2018 but early application is permitted. In light of its type of activity, the Group does not expect these amendments to have any impact.

Amendment to IAS 40 'Transfers of Investment Property' - published on December 8, 2016 - These changes provide clarification on the transfers of property to or from investment property. In particular, an entity must reclassify property from investment properties only when there is evidence that there has been a change in the property's use. This change must derive from a specific event that has occurred and must not be limited to a change in the intentions of an entity's management. Such amendments are applicable from January 1, 2018 but early application is permitted. In light of its type of activity, the Group does not expect these amendments to have any impact.

IFRIC interpretation 23 'Uncertainty over Income Tax' - published on 8 December 2016 - This interpretation addresses the matter of uncertainties regarding the tax treatment to be adopted for income tax and specifies that uncertainties in determining tax liabilities or assets should only be reflected in the financial statements when it is likely that the entity will pay or receive the amount in question. In addition, the document does not contain any new disclosure requirement, but emphasises that the entity must establish whether it is necessary to provide information regarding the considerations made by management concerning the uncertainty in the accounting for taxes, in accordance with IAS 1. The new interpretation applies from 1 January 2019, but early adoption is permitted. These amendments are not expected to have significant impacts on the Group.

Any possible impact on the financial statement disclosures arising from the application of these changes is under review.

3. Segment information

3.1 Introduction

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group);
b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which financial information is separately available.

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

The B2B IT and consumer electronics distribution is aimed at professional dealers, including large-scale distributors/retailers, and regards traditional IT products (desktop PCs, PC notebooks, printers, photocopiers, servers, standard software), consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), tablets, smartphones and related accessories and state-of-the-art digital and entertainment products such as photographic cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.

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

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

Although the organisation by geographical segments is the main way of managing and analysing the Group's results, the next tables also provide a fuller picture of the operating results and asset balances of the business segments where the Group operates in Italy.

3.2 Separate income statement by operating segments

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

Separate income statement and other significant information by operating segments

(euro/000)	2017			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,991,524	1,225,648	-	3,217,172
Intersegment sales	46,050	-	(46,050)	-
Sales	**2,037,574**	**1,225,648**	**(46,050)**	**3,217,172**
Cost of sales	(1,916,908)	(1,178,439)	45,938	(3,049,409)
Gross profit	**120,666**	**47,209**	**(112)**	**167,763**
Gross Profit %	*5.92%*	*3.85%*		*5.21%*
Sales and marketing costs	(42,871)	(10,872)	(57)	(53,800)
Overheads and admin. costs	(58,985)	(20,699)	68	(79,616)
Operating income (Ebit)	**18,810**	**15,638**	**(101)**	**34,347**
EBIT %	*0.92%*	*1.28%*		*1.07%*
Finance costs - net				(749)
Share of profits of associates				36
Profit before income tax				**33,634**
Income tax expenses				(7,355)
Net income				**26,279**
- of which attributable to non-controlling interests				45
- of which attributable to Group				26,234
Depreciation and amortisation	**3,578**	**731**	445	**4,754**
Other non-cash items	**3,536**	**219**	-	**3,755**
Investments	**2,476**	**1,367**	-	**3,843**
Total assets	**996,079**	**444,422**	(193,705)	**1,246,796**

(euro/000)	2016			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	1,995,640	1,046,689	-	3,042,330
Intersegment sales	46,506	-	(46,506)	-
Sales	**2,042,146**	**1,046,689**	**(46,506)**	**3,042,330**
Cost of sales	(1,916,365)	(1,008,404)	46,334	(2,878,435)
Gross profit	**125,781**	**38,285**	**(172)**	**163,895**
Gross profit %	*6.16%*	*3.66%*		*5.39%*
Other income	2,838	-	-	2,838
Sales and marketing costs	(41,913)	(7,940)	(18)	(49,871)
Overheads and admin. costs	(60,967)	(17,357)	28	(78,296)
Operating income (Ebit)	**25,739**	**12,988**	**(162)**	**38,566**
EBIT %	*1.26%*	*1.24%*		*1.27%*
Finance costs - net				(2,847)
Share of profits of associates				1
Profit before income tax				**35,720**
Income tax expenses				(8,850)
Net income				**26,870**
- of which attributable to non-controlling interests				203
- of which attributable to Group				26,667
Depreciation and amortisation	**3,068**	**556**	326	**3,950**
Other non-cash items	**4,067**	**207**	-	**4,274**
Investments	**6,672**	**5,039**	-	**11,710**
Total assets	**880,942**	**495,320**	(207,659)	**1,168,603**

Statement of financial position by operating segments

(euro/000)	31/12/2017			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,908	3,726	-	14,634
Goodwill	21,450	68,106	1,039	90,595
Intangible assets	1,020	50	-	1,070
Investments in associates	-	-	-	-
Investments in others	75,891	-	(75,891)	-
Deferred income tax assets	3,257	7,876	129	11,262
Derivative financial assets	-	36	-	36
Receivables and other non-current assets	6,419	293	-	6,712
	118,945	**80,087**	**(74,723)**	**124,309**
Current assets				
Inventory	326,165	155,807	(421)	481,551
Trade receivables	219,973	93,100	-	313,073
Income tax assets	3,116	-	-	3,116
Other assets	142,968	3,371	(118,561)	27,778
Cash and cash equivalents	184,912	112,057	-	296,969
	877,134	**364,335**	**(118,982)**	**1,122,487**
Disposal groups assets	-	-	-	-
Total assets	**996,079**	**444,422**	**(193,705)**	**1,246,796**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	287,458	35,907	(20,319)	303,046
Group net income	14,839	11,460	(64)	26,235
Group net equity	**310,158**	**102,060**	**(75,076)**	**337,142**
Non-controlling interests	1,097	16	(67)	1,046
Total equity	**311,255**	**102,076**	**(75,143)**	**338,188**
LIABILITIES				
Non-current liabilities				
Borrowings	18,163	1,764	-	19,927
Derivative financial liabilities	-	-	-	-
Deferred income tax liabilities	2,940	4,148	-	7,088
Retirement benefit obligations	4,814	-	-	4,814
Debts for investments in subsidiaries	1,311	-	-	1,311
Provisions and other liabilities	2,103	401	-	2,504
	29,331	**6,313**	**-**	**35,644**
Current liabilities				
Trade payables	490,644	199,805	-	690,449
Short-term financial liabilities	150,364	118,096	(112,500)	155,960
Income tax liabilities	544	149	-	693
Derivative financial liabilities	644	19	-	663
Debts for investments in subsidiaries	-	-	-	-
Provisions and other liabilities	13,297	17,964	(6,062)	25,199
	655,493	**336,033**	**(118,562)**	**872,964**
Disposal groups liabilities	-	-	-	-
Total liabilities	**684,824**	**342,346**	**(118,562)**	**908,608**
Total equity and liabilities	**996,079**	**444,422**	**(193,705)**	**1,246,796**

(euro/000)	31/12/2016			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	12,076	3,208	-	15,284
Goodwill	22,891	67,259	1,039	91,189
Intangible assets	1,430	39	-	1,469
Investments in associates	39	-	-	39
Investments in others	75,826	-	(75,826)	-
Deferred income tax assets	2,825	9,006	100	11,931
Derivative financial assets	-	38	-	38
Receivables and other non-current assets	6,542	354	-	6,896
	121,629	**79,904**	**(74,687)**	**126,846**
Current assets				
Inventory	224,075	105,130	(319)	328,886
Trade receivables	283,980	104,692	-	388,672
Income tax assets	4,683	1,492	-	6,175
Other assets	157,924	6,820	(132,653)	32,091
Cash and cash equivalents	88,651	197,282	-	285,933
	759,313	**415,416**	**(132,972)**	**1,041,757**
Disposal groups assets	-	-	-	-
Total assets	**880,942**	**495,320**	**(207,659)**	**1,168,603**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	275,206	27,372	(20,148)	282,430
Group net income	18,391	8,382	(106)	26,667
Group net equity	**301,458**	**90,447**	**(74,947)**	**316,958**
Non-controlling interests	1,037	20	(58)	999
Total equity	**302,495**	**90,467**	**(75,005)**	**317,957**
LIABILITIES				
Non-current liabilities				
Borrowings	5,849	22,984	-	28,833
Derivative financial liabilities	-	66	-	66
Deferred income tax liabilities	2,904	3,196	-	6,100
Retirement benefit obligations	5,185	-	-	5,185
Debts for investments in subsidiaries	3,942	-	-	3,942
Provisions and other liabilities	2,523	497	-	3,020
	20,403	**26,743**	**-**	**47,146**
Current liabilities				
Trade payables	413,346	202,166	-	615,512
Short-term financial liabilities	122,466	155,919	(126,500)	151,885
Income tax liabilities	244	496	-	740
Derivative financial liabilities	428	55	-	483
Debts for investments in subsidiaries	3,959	759	-	4,718
Provisions and other liabilities	17,601	18,715	(6,154)	30,162
	558,044	**378,110**	**(132,654)**	**803,500**
Disposal groups liabilities	-	-	-	-
Total liabilities	**578,447**	**404,853**	**(132,654)**	**850,646**
Total equity and liabilities	**880,942**	**495,320**	**(207,659)**	**1,168,603**

3.3 Other information

The Group's operating segments can be identified by the geographical markets where the Group operates: Italy and Iberian Peninsula.
'Iberian peninsula' segment is represented by Esprinet Iberica S.L.U., Esprinet Portugal Lda, V-Valley Iberian S.L.U. and Vinzeo Technologies S.A.U., together with its controlled company Tape S.L.U.. With reference to 'Italy' the main B2B IT and consumer electronics distribution segment is presented, which relates to holding company Esprinet S.p.A. and to subsidiaries V-Valley S.r.l., EDSlan S.r.l., Mosaico S.r.l., Nilox Deutschland Gmbh and Celly S.p.A., the latter together with its foreign subsidiaries and associated companies.

Intra-segment operations, including those between the minor Italian segments, are identified in terms of the counter-party and the accounting rules are the same as those used in the case of transactions with third-parties which can be found under 'Main valuation criteria and accounting'. Details of the Group's revenues from external customers by product family and geographical area, with quotas effected in the country where the parent company is headquartered highlighted, can be found under the section 'Revenues' in the 'Notes to income statement items'. Geographical area breakdown depends in particular on the customers' country of residence.

The Group is not dependent on any major customers despite one of them being considered a single entity under IFRS 8.34 that accounts for 10% or more of the revenues, even though it consists of more than one legal entities.

4. Disclosure on risks and financial instruments

4.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

The principles in this IFRS complement and/or supersede the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 'Financial instruments: Presentation' and IAS 39 'Financial instruments: Recognition and Measurement'. Disclosures as per IFRS 7 and IFRS 13 are therefore reported in this section. Accounting principles regarding financial instruments used in preparing the consolidated financial statements can be found in the section 'Accounting principles and valuation criteria' whereas the definition of financial risks, the degree of the Group's exposure to the various identified categories of risk, such as:

a) credit risk;
b) liquidity risk;
c) market risk (currency risk, interest rate risk, other price risk);

and the relevant risk management policies have been analysed in depth under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations'.

4.2 Financial instruments pursuant to IAS 39: classes of risk and fair value

The following table illustrates the relationship between the financial instrument items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting standard IAS 39:

Assets	31/12/2017				31/12/2016			
(euro/000)	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39
Derivative financial assets	36	36			38	38		
Customer financial receivables	*1,870*		*1,870*		*2,292*		*2,292*	
Guarantee deposits	*4,842*		*2,844*	*1,998*	*4,604*		*3,027*	*1,577*
Rec.and other non-curr. Assets	6,712		4,714	1,998	6,896		5,319	1,577
Non-current assets	**6,748**	**36**	**4,714**	**1,998**	**6,934**	**38**	**5,319**	**1,577**
Trade receivables	313,073		313,073		388,672		388,672	
Receivables from associates	-				*6*		*6*	
Receivables from factors	*1,534*		*1,534*		*1,492*		*1,492*	
Customer financial receivables	*510*		*510*		*509*		*509*	
Bank financial receivables	-				*5,087*		*5,087*	
Other tax receivables	*16,009*			*16,009*	*10,821*			*10,821*
Receivables from suppliers	*5,276*			*5,276*	*9,241*			*9,241*
Receivables from insurances	*284*		*284*		*1,881*		*1,881*	
Receivables from employees	*1*		*1*		*2*		*2*	
Receivables from others	*186*		*186*		*196*		*196*	
Receivables from others	*3,978*			*3,978*	*2,856*			*2,856*
Pre-payments	27,778		2,515	25,263	32,091		9,173	22,918
Cash and cash equivalents	296,969		296,969		285,933		285,933	
Current assets	**637,820**	**-**	**612,557**	**25,263**	**706,696**	**-**	**683,778**	**22,918**

Liabilities	31/12/2017				31/12/2016			
(euro/000)	Carrying amount	Financial liabilities at FVTPL (1)	Financial liabilities amortized cost	Not IAS 39	Carrying amount	Financial liabilities at FVTPL (1)	Financial liabilities amortized cost	Not IAS 39
Borrowings	19,927		19,927		28,833		28,833	
Derivative financial liabilities	-				66	66		
Debts for investments in subsidiai	1,311	3,942			3,942	3,942		
Provisions of pensions	*1,915*			*1,915*	*2,325*			*2,325*
Other provisions	*589*			*589*	*480*			*480*
Cash incentive liabilities	-				*215*		*215*	
Provis. And other non-curr. Liab.	2,504		-	2,504	3,020		215	2,805
Non-current liabilities	**23,742**	**3,942**	**19,927**	**2,504**	**35,861**	**4,008**	**29,048**	**2,805**
Trade payables	690,449		690,449		615,512		615,512	
Short-term financial liabilities	155,960		155,960		151,885		151,885	
Derivative financial liabilities	663	663			483	483		
Debts for investments in subsidiai	-				4,718		4,718	
Debts for investments in subsidiai	-				*5*		*5*	
Associates liabilities	*3,320*		*3,320*		*4,379*		*4,379*	
Social security liabilities	*10,703*			*10,703*	*12,901*			*12,901*
Other tax liabilities	*10,750*		*10,750*		*12,458*		*12,458*	
Payables to others	*393*		*393*		*360*		*360*	
Deferred income	*33*			*33*	*59*			*59*
Provisions and other liabilities	25,199		14,463	10,736	30,162		17,202	12,960
Current liabilities	**872,271**	**663**	**860,872**	**10,736**	**802,760**	**483**	**789,317**	**12,960**

(1) 'FVTPL': Fair Value Through Profit and Loss

For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the section 'Notes to the statement of financial position items'. As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:

- cash and cash equivalents and financial receivables (current and non-current);
- receivables from insurance companies;
- trade receivables;
- receivables from employees;
- receivables from associated companies;
- receivables from others;
- trade payables;
- financial liabilities;
- debts for investments in subsidiaries - other debts (current and non-current)

- financial instruments measured at 'fair value' since initial recognition:
  - derivative financial assets;
  - derivative financial liabilities;
  - debts for investments in subsidiaries;

Cash and cash equivalents are almost entirely immediately available bank deposits. These, together with financial receivables toward banks consisting of bank deposits restricted for more than three months, receivables from factoring companies which are usual counterparties for the Group operations, derivative financial assets (even though the latter are measured at fair value and not at amortised cost) and guarantee deposits with the counterparty under securitisation transactions, have a very low financial risk rating, substantially limited to credit risk.
This last circumstance is linked to the high standing of counter-parties, which are banks, financial services and factoring companies with high ratings and often also to credits as a result of loans and/or advance payments.
Receivables in the form of reimbursements already recognised by international insurance companies, and consequently with consolidated relationships with the Group, are of the same type and risk level.
Customers financial receivables are of the same type but with an even lower risk level, considering as they are composed by receivables from the Italian Public Administration.

Trade receivables are subject to credit risk. They are the result of a structured process that starts with customer selection and admission to a credit line and then monitoring the same credit facilities. The risk is mitigated by recourse to traditional insurance contracts with leading international insurance companies, without-recourse factoring schemes and, for the remainder, by specific guarantees (bank guarantees typically).
It should be noted that no significant financial effects have ever arisen from insolvency problems.

Receivables from others are subject to a sensibly lower credit risk compared to trade receivables due to the existence of contractual guarantees
Receivables from employees are made up of advances and have a lower credit risk than trade receivables, given the closer relationship between the parties and considering the continuity of the employment.
Receivables from associated companies are subject to the same risk level, due to the significant influence exerted by Esprinet S.p.A. as a consequence of the operative and management relationships established with the parent company.
Trade payables, other debts and debts for investments in subsidiaries measured at amortised cost, are subject to the risk that the Group will be unable to respect the payment commitments undertaken in a timely manner (liquidity risk).

Financial liabilities and derivative financial liabilities (even though the latter are measured at fair value and not at amortised cost) are exposed at the same but higher risky kind of risk than trade payables, due to the superior negotiating power of banks and the implicitly less flexible nature of covenants and obligations of the 'negative pledge', 'pari passu' or similar type in the case of medium/long-term loans.

Debts for investments in subsidiaries measured at 'fair value' are exposed to the same but intermediate liquidity risk than the two aforementioned classes of financial instruments (trade payables and financial liabilities) because of obligations stated in the acquisition agreement and because of the type of counterparts. The latter are minorities who are also directors of the subsidiary to which the option for buying the remaining stake of share capital refers.

The fair value measurement of financial assets and liabilities reported in the statement of financial statements as provided for by IAS 39 and governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in determining them, are as follows:

Assets	31/12/2017						31/12/2016					
		Fair value						Fair value				
(euro/000)	Carrying amount	Trade receiv	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe	Carrying amount	Trade receiv	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From empl.
Derivate Financial Assets	36			36			38			38		
Customer financial receivables	1,870		2,028				2,292		2,489			
Guarantee deposits	2,844		2,852				3,027		3,027			
Other non current assets	4,714		4,880				5,319		5,516			
Non - current assets	**4,750**	**-**	**4,880**	**36**	**-**	**-**	**5,357**	**-**	**5,516**	**38**	**-**	**-**
Trade receivables	313,073	313,073					388,672	388,672				
Receiv. From associates	-						6					6
Receiv. From factors	1,534		1,534				1,492		1,492			
Customer financial receivables	510		510				509		509			
Bank financial receivables	-						5,087		5,087			
Receiv. From insurances	284				284		1,881				1,881	
Receiv. From employees	1					1	2					2
Receiv. From others	186			186			196			196		
Other receivables	2,515		2,044	186	284	1	9,173		7,088	196	1,881	8
Cash and cash equival.	296,969		296,969				285,933		285,933			
Current assets	**612,557**	**313,073**	**299,013**	**186**	**284**	**1**	**683,778**	**388,672**	**293,021**	**196**	**1,881**	**8**

Liabilities	31/12/2017					31/12/2016				
		Fair value					Fair value			
(euro/000)	Carrying amount	Trade payables	Financial payables	FVTPL derivat	Other payables	Carrying amount	Trade payables	Financial payables	FVTPL derivat	Other payables
Borrowings	19.927		19.743			28.833		28.461		
Financial derivatives	-					66			66	
Debts for investments in subsidiar	1.311		1.306			3.942		3.940		
Cash incentive liab	-					*215*				*215*
Provisions and other liab	-				-	215				215
Non-current liabilities	**21.238**	**-**	**21.049**	**-**	**-**	**33.056**	**-**	**32.401**	**66**	**215**
Trade payables	690.449	690.449				615.512	615.512			
Short-term financial liab.	155.960		156.506			151.885		151.603		
Financial Derivatives	663			663		483			483	
Debts for investments in subsidiar.	-					4.718				-
Associates liabilities	-					*5*				*5*
Social security liabilities	*3.320*				*3.320*	*4.379*				*4.379*
Payables to others	*10.750*				*10.750*	*12.458*				*12.458*
Accroued exp. (insurance)	*393*				*393*	*360*				*360*
Provisions and other liab.	14.463				14.463	17.202				17.202
Current liabilities	**861.535**	**690.449**	**156.506**	**663**	**14.463**	**789.800**	**615.512**	**151.603**	**483**	**17.202**

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

Assets	31/12/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Derrivate Financial Assets	36	36	*level 2*	38	38	*level 2*
Customer financial receivables	1,870	2,028	*level 2*	2,292	2,489	*level 2*
Guarantee deposits	2,844	2,852	*level 2*	3,027	3,027	*level 2*
Other non current assets	4,714	4,880		5,319	5,516	
Non - current assets	**4,750**	**4,916**		**5,357**	**5,554**	
		-			-	
Trade receivables	313,073	313,073	*level 2*	388,672	388,672	*level 2*
Receiv. From associates	-	-	*level 2*	6	6	*level 2*
Receiv. From factors	1,534	1,534	*level 2*	1,492	1,492	*level 2*
Customer financial receivables	510	510	*level 2*	509	509	*level 2*
Bank financial receivables	-	-	*level 2*	5,087	5,087	*level 2*
Receiv. From insurances	284	284	*level 2*	1,881	1,881	*level 2*
Receiv. From employees	1	1	*level 2*	2	2	*level 2*
Receiv. From others	186	186	*level 2*	196	196	*level 2*
Receiv. From others	2,515	2,515		9,173	9,173	
Cash and cash equival.	296,969	296,969		285,933	285,933	
Current assets	**612,557**	**612,557**		**683,778**	**683,778**	

Liabilities	31/12/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	19,927	19,743	*level 2*	28,833	28,461	*level 2*
Financial derivatives	-	-	*level 2*	66	66	*level 2*
Debts for investments in subs	1,311	1,306	*level 3*	3,942	3,940	*level 3*
Cash incentive liab	-	-	*level 2*	215	215	*level 2*
Provisions and other liab.	-	-		215	215	
Non-current liabilities	**21,238**	**21,049**		**33,056**	**32,682**	
Trade payables	690,449	690,449	*level 2*	615,512	615,512	*level 2*
Short-term financial liab.	155,960	156,506	*level 2*	151,885	151,603	*level 2*
Financial derivatives	663	663	*level 2*	483	483	*level 2*
Debts for investments in subs	-	-	*level 3*	4,718	4,718	*level 3*
Associates liabilities	-	-	*level 2*	5	5	*level 2*
Social security liabilities	3,320	3,320	*level 2*	4,379	4,379	*level 2*
Payables to others	10,750	10,750	*level 2*	12,458	12,458	*level 2*
Accroued exp. (insurance)	393	393	*level 2*	360	360	*level 2*
Provisions and other liab	14,463	14,463		17,202	17,202	
Current liabilities	**861,535**	**862,081**		**789,800**	**789,518**	

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

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

The 'fair value' of 'Interest Rate Swap' (IRS) derivatives was estimated by discounting expected cash flows, according to the terms and the due dates of each derivative agreement and its underlying, and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The interest rates used were obtained from the 'Forward' and the 'Spot' Curve Euro at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.
The soundness of the measurement made, with reference to IRS - Interest Rate Swap, was confirmed by the comparison with the value provided by the issuer banks.

Non-current debt for investments in subsidiaries shows the discounted enterprise value of the residual 20% share in Celly S.p.A., measured using the risk-free rate at 31 December 2017. This debt was adjusted in order to take into account the remaining time until the first available exercise date of the option (falling on 12 May 2019). The current debt for investment in subsidiaries represents the value at 31 December 2016 of the share of income that the management had estimated to be realisable in the first 12 months by the subsidiary companies that acquired the 'VAD' business unit from the Itway group that was settled to the latter in December 2017.
The fair values thus measured correspond to level 3 in the fair value hierarchy, as they are also based on management estimates about the future financial performance of the subsidiaries. Further details can be found in the paragraph 'Goodwill' in the Notes to the Consolidated Financial Statement.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the paragraph 'Derivatives analysis' for information relating to existing derivative instruments.

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under '42) Finance costs'.

Please note that general and administrative expenses include 1.7 million euro (1.5 million euro in 2016) relating to bad debt allowances on the basis of analyses of each single debtor's solvency.

4.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, and vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not detecting at this end).

As highlighted in the section 'Trade and other receivables' in the paragraph 'Summary of significant valuation criteria and accounting policies', in the case of impairment by credit losses, the value of receivables is adjusted.
This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
In the year closed at 31 December 2017, as in the previous one, it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.
The following table illustrates the above-mentioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Acquisitions	Disposals	Final provision
2017 financial year	7,177	1,675	(1,753)	-	-	7,099
2016 financial year	5,765	1,460	(1,628)	1,580	-	7,177

The Group usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.
During 2017, the securitisation plan structured by UniCredit Bank AG was continued, under which trade receivables are assigned without recourse on a revolving basis to a 'special purpose vehicle' under Law no. 130/99.
In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Group continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.
As at 31 December 2017 the with-recourse sold receivables which obtained advances under usual reserves amounted to 1.5 million euro (2.4 million euro at 31 December 2016); the same kind of advances (under usual reserves) about effects amounted to 1.6 million euro (1.2 million euro at 31 December 2016).

The financial assets' gross book value is the Group's maximum exposure to credit risk.

The following tables show an analysis of the status of trade receivables and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2017	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	320,172	13,156	64,828	242,188
Bad debt provision	(7,099)	(7,099)	-	-
Net trade receivables	**313,073**	**6,057**	**64,828**	**242,188**

(euro/000)	31/12/2016	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	395,849	10,689	59,484	325,676
Bad debt provision	(7,177)	(7,177)	-	-
Net trade receivables	**388,672**	**3,512**	**59,484**	**325,676**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receiv. past due not impaired at 31/12/2017	64,828	1,794	4,324	1,331	57,379
Receiv. past due not impaired at 31/12/2016	59,484	204	2,176	3,038	54,066

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, the Group does not believe that premises for allocating provisions for doubtful receivables for amounts not yet overdue exist.
There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.

The following instruments are usually used by the Group to limit its credit risk (the percentages refer to trade receivables at 31 December 2017):

- traditional credit insurance (covering approx. 90% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 59% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 10% of the receivables (the amount refers to receivables existing at the closing date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 2% of total gross amount of trade receivables;

No financial or non-financial assets were obtained by the Group during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees).
Nor did the Group hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.
No other financial assets regulated by IFRS 7 have been impaired in the current or in the previous year. The two tables below illustrate their status and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2017 Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired	31/12/2016 Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Derivate Financial Assets	36			36	38			38
Customer financial receiv	1,870			1,870	2,292			2,292
Guarantee deposits	2,844			2,844	3,027			3,027
Other non-current assets	4,714			4,714	5,319			5,319
Non-current assets	**4,750**	**-**	**-**	**4,750**	**5,357**	**-**	**-**	**5,357**
Receivables from asscociat	-				6		6	
Receivables from factors	1,534		13	1,521	1,492	-	11	1,503
Customer financial receiv	510			510	509			509
Bank financial receivables	-				5,087			5,087
Receivables from insurances	284		284		1,881		1,684	197
Receivables from employees	1			1	2			2
Receivables from others	186		109	77	196		90	106
Other receivables	2,515		406	2,109	9,173		1,769	7,404
Cash and cash equivalents	296,969		296,969		285,933		285,933	
Current assets	**299,484**	**-**	**297,375**	**2,109**	**295,106**	**-**	**287,702**	**7,404**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receivables from associat.	-	-	-	-	-
Receivables from factoring companies	13	-	-	-	13
Receivables from insurance companies	284	89	37	118	40
Receivables from others	109	109	-	-	-
Receiv. past due not impaired at 31/12/2017	**406**	**198**	**37**	**118**	**53**
Receivables from associat.	6	6	-	-	-
Receivables from factoring companies	(11)	-	-	-	(11)
Receivables from insurance companies	1,684	1,551	15	88	30
Receivables from others	90	90	-	-	-
Receiv. past due not impaired at 31/12/2016	**1,769**	**1,647**	**15**	**88**	**19**

Receivables from factoring companies relate wholly to 'without-recourse' factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.
The past due quota relates to sums due at the closing date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Group companies. It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

4.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	Carrying amount 31/12/2017	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	19,927	21,092	214	138	7,490	13,250	-
Derivative financial liabilities	-	-	-	-	-	-	-
Debts for investments in subsidiaries	1,311	1,311	-	-	1,311	-	-
Cash incentive liabilities	-	-	-	-	-	-	-
Provisions and other non-corr. liabilities	-	-	-	-	-	-	-
Non-current liabilities	**21,238**	**22,403**	**214**	**138**	**8,801**	**13,250**	**-**
Trade payables	690,449	763,008	696,448	5,999	12,329	29,189	19,043
Short-term financial liabilities	155,960	162,265	156,902	5,363	-	-	-
Derivative financial liabilities	663	667	660	7	-	-	-
Debts for investments in subsidiaries	-	-	-	-	-	-	-
Payables to assoc. and subsidiaries	-	-	-	-	-	-	-
Social security liabilities	*3,320*	*3,320*	*3,320*	-	-	-	-
Payables to others	*10,750*	*10,750*	*10,750*	-	-	-	-
Accrued expenses (insurance)	*393*	*393*	*393*	-	-	-	-
Provisions and other liabilities	14,463	14,463	14,463	-	-	-	-
Current liabilites	**861,535**	**940,403**	**868,473**	**11,369**	**12,329**	**29,189**	**19,043**

(euro/000)	Carrying amount 31/12/2016	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	28,833	29,797	121	19	18,037	11,620	-
Derivative financial liabilities	66	43	-	-	39	4	-
Debts for investments in subsidiaries	3,942	3,925	-	-	-	3,925	-
Cash incentive liabilities	*215*	*31*	-	-	*31*	-	-
Provisions and other non-corr. liabilities	215	31	-	-	31	-	-
Non-current liabilities	**33,056**	**33,796**	**121**	**19**	**18,107**	**15,549**	**-**
Trade payables	615,512	686,189	621,908	6,395	11,869	31,576	14,441
Short-term financial liabilities	151,885	153,619	144,573	9,046	-	-	-
Derivative financial liabilities	483	549	507	42	-	-	-
Debts for investments in subsidiaries	4,718	-	-	-	-	-	-
Payables to assoc. and subsidiaries	*5*	*5*	*5*	-	-	-	-
Social security liabilities	*4,379*	*4,379*	*4,379*	-	-	-	-
Payables to others	*12,458*	*12,458*	*12,458*	-	-	-	-
Accrued expenses (insurance)	*360*	*360*	*360*	-	-	-	-
Provisions and other liabilities	17,202	17,202	17,202	-	-	-	-
Current liabilites	**789,800**	**857,559**	**784,190**	**15,483**	**11,869**	**31,576**	**14,441**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Group can be required to pay;
- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

The Group companies maintain medium-short term loan contracts, that contain standard acceleration clauses in case certain financial covenants are not met when checked against data from the consolidated and audited financial statements.
At 31 December 2017 according to the management estimates (to be checked against the consolidated and audited financial statements), one covenant referring to two loans with total residual 130.5 million euro in principal, taken by Esprinet S.p.A., was not met. Thus, pursuant to accounting standards, those liabilities are booked in current financial debts and the relevant contractual cash flows are assumed to take place within 6 month after the financial statements date.

With respect to the above, the Group already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment. In addition, it should be highlighted that on 28 February 2018 the Group repaid 14.5 million euro in principal as per the amortisation plan of the amortising facility, thus reducing the liability to 116.0 million euro.
Apart from above and from the breach as at 31 December 2016 of two covenants under the financing agreements, which were replaced in February 2017 by the loan outstanding at 31 December 2017, although this breach had no consequences, the Group has never been in a default situation in relation to principal, interest, amortisation schedule or repayment terms of the loans.

For further information please refer to the next paragraph 'Loans and loan covenants'.

The Group also has other minor loans (more details can be found in the section entitled 'Loans and loan covenants'), as well as a loan due in January 2022, with a remaining notional value of 2.3 million euro, booked for the same amount by effect of the amortised cost accounting method, obtained in December 2013 according to the contractual payment terms from the Public Administration for the supply of personal computers to the same by the parent company.
The issuing bank was granted by the Group an irrevocable collection derogation for multi-year contribution's collection due from the Public Administration and equal, in both the amounting and due dates, to the reimbursement loan plan that, for the above mentioned reason, do not contains dealings for a possible shirk benefitting from the reimbursement terms.

Up to now the Group has not issued any instruments containing both a liability and an equity component.

4.5 Hedge accounting

Introduction

The Esprinet Group enters into derivative contracts in order to hedge certain loan agreements against fluctuating interest rates by means of a cash flow hedging strategy.
The aim of these transactions hedging against interest rate risk is to fix the funding cost of medium/long-term floating-rate loans by entering into derivative contracts enabling receipt of a floating rate in return for payment of a fixed rate.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Group periodically carries out effectiveness tests.

Derivative instruments as at balance sheet date

As at the balance sheet date the Group has eight IRS (Interest Rate Swap) contracts in place with different notional amounts and fixed interest rates (hedging instruments), signed by Esprinet S.p.A. and by the subsidiary Vinzeo Technologies S.A.U..

The six IRS contracts entered into by Esprinet S.p.A. have different notional amounts but identical conditions (hedging instruments) and were entered into on 7 April 2017 with six of the eight lending banks that, on 28 February 2017, granted the medium-term floating-rate loan with an original notional amount of 145 million euro (then reduced to 130.5 million euro as at 31 December 2017 due to the repayments pursuant to the amortisation plan), called the Term Loan Facility.
Each of the financing counterparties entered into a derivative contract in proportion to their respective share of the loan, which the derivative is intended to hedge through receipt of a floating interest rate in return for payment of a fixed interest rate, which are identical for each counterparty.
This hedge is effective from the second instalment, i.e. 31 August 2017, covering a notional amount of 105.6 million euro.

The main features of the eight contracts signed by the Company are summarized below:

Trade date	7 April 2017
Effective date	31 August 2017
Termination date	28 February 2022
Notional amount	Total 105.6 million euro (subject to a sinking plan), unchanged as at 31 December 2017
Fixed rate	0,21%, act/360
Fixed and floating rates payment dates	Every 28 February and 31 August starting from 28 February 2018 up to 28 February 2022, subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Unicredit S.p.A., Banca Nazionale del Lavoro S.p.A., Caixabank S.A., Unione di Banche Italiane S.p.A., Banco BPM S.p.A., each for its own contract.

The main features of the two contracts signed by Vinzeo Technologies S.A.U. are summarized below:

Trade date	9 July and 15 October 2015
Termination date	20 July and 20 November 2018
Notional amount	Total 7.0 million euro (subject to a sinking plan); 3.5 million euro as at 31 December 2017
Fixed rate	0.433% and 0.467%, act/360
Fixed rate payer	Vinzeo Technologies S.A.U.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Banco Santander S.A.

Instruments terminated during the year

During 2017, Esprinet S.p.A. settled the eight IRSs entered into in December 2014 with each of the eight lending banks that on 31 July 2014 granted the medium-term floating-rate loan of 65 million euro, called the Term Loan Facility. These IRSs were intended for hedging the Term Loan Facility entered into on 31 July 2014, by way of receipt of a floating rate in return for payment of a fixed rate. Their termination was the direct consequence of the settlement on 28 February 2017 of the above-mentioned loan (that in the meantime had reduced to 40.6 million euro). IRSs were settled at an aggregate amount of 0.3 million euro, substantially equal to their fair value at the termination date. The main features of the eight IRSs terminated by Esprinet S.p.A. are summarized below:

Trade date	22 December 2014
Effective date	30 January 2015
Termination date	31 July 2019
Notional amount	Total 65.5 million euro (subject to a sinking plan); 40.6 million euro as at 28 February 2017
Fixed rate	From 0.33% to 0.37%, act/360
Fixed and floating rates payment dates	Every 31 January and 31 July starting from 31 July 2015 up to 31 July 2019, subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Unione di Banche Italiane S.p.A., Banco Popolare – Società Cooperativa, Caixabank S.A., Cassa di Risparmio di Parma e Piacenza S.p.A., each for its own contract.

During 2017, Vinzeo Technologies S.A.U. also terminated six out of eight IRSs outstanding as at 31 December 2016 as a consequence of the expiry or early repayment of the respective hedged loans. The main features of the above-mentioned IRSs terminated by Vinzeo Technologies S.A.U. are summarized below:

Trade date	Between June 2014 and January 2016
Termination date	Between June 2017 and December 2019
Notional amount	Total 23.5 million euro (subject to a sinking plan); 15.3 million euro as at 31 December 2016
Fixed rate	From 0.33% to 0.68%, act/360 or act/365
Fixed rate payer	Vinzeo Technologies S.A.U.
Floating rate	Euribor 3M, Euribor 6M, Euribor 12M, act/360 or act/365, fixed on average the second business day before the first day in the interest calculation period
Floating rate payer	Banco Bilbao Vizcaya Argentaria S.A., Banco Santander S.A., Caixabank S.A., Deutsche Bank AG, Kutxabank S.A.

Information regarding derivative contracts existing during the year

At 31 December 2017, according to management estimates, one covenant relating to the Term Loan Facility of 130.5 million euro signed by Esprinet S.p.A., whose cash flows are hedged by the six above-mentioned derivatives, was not met. Consequently, pursuant to the IFRS accounting standards, the liability representing the fair values of derivatives was entirely booked under current financial liabilities together with the amount of the hedged loan.

Since, from the signing or acquisition date, each IRS contract has been fully compliant with International Accounting Standard 39 regarding 'hedge accounting' (formal designation and documentation of the hedging relationship; hedge to be documented , highly effective and reliably measured) all derivatives are treated under the cash flow hedge accounting, which provides for recognition in the equity reserve of the respective fair value at the signing date (only for the effective portion) and thereafter changes in fair value due to movements of the interest rate curve, within the limits of the effective portion, and consequent recording in the comprehensive income statement.

Hedge accounting provisions were entirely met also with respect to the derivatives terminated by Vinzeo Technologies S.A.U.. With respect to the eight IRSs terminated by Esprinet S.p.A., the hedge accounting provisions were met till 27 February 2017, i.e. the date immediately before the hedged loan was settled, the latter being however replaced - in interest rate risk terms - by a new loan entered into against this settlement. Thus, till that date, changes in IRSs fair value were recognised in the equity reserve, while later changes were booked under 'finance costs - net' directly in the income statement till the derivative termination date, as the hedging relationship no longer applied. As at 27 February 2017, 320 thousand euro relating to the changes in fair value of the above-mentioned settled derivatives were recorded under the 'cash flow hedge' reserve in equity; this reserve is gradually reversed to the income statement following the maturities of the settled loan since the relevant interest rate risk is still outstanding, even if shifted to the new loan. In particular, this rate risk - relating to the interest flows after 27 February 2017 - was hedged by the previous IRSs till that date (and will be reversed to income statement over time according to the periods originally covered) and is now hedged by the outstanding IRSs from the inception date.

The tables below illustrate the following information regarding derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 31 December 2017 and 2016 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 31 December 2017 and 2016 representing the 'fair value' of the contracts if hedging is 'highly 'effective';
- the ineffective portion recognised or reversed in the income statement under 'Finance costs' from inception with reference to the instalments still outstanding at the same date;
- the change in fair value from the inception date to the financial statement closing date.

	Financial year	National amount		Fair Value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnigs (4)
		Within 1 year	Beyond 1 year				
Interest rate risk management							
- Esprinet IRS 2017 cash flow hedge on derivatives	2017	105,643	-	644	174	(113)	(357)
- Esprinet IRS 2014 cash flow hedge on derivatives	2017	-	-	-	-	-	(96)
- Vinzeo cash flow hedge on derivatives	2017	3,500		19	36	(5)	22
	2017	**109,143**	**-**	**663**	**210**	**(118)**	**(431)**
- Esprinet IRS 2014 cash flow hedge on derivatives	2016	48,750	-	428	114	(75)	(239)
- Vinzeo cash flow hedge on derivatives	2016	14,442	7,891	121	85	30	(66)
	2016	**63,192**	**7,891**	**549**	**199**	**(45)**	**(305)**

(1) Amount of the (assets)/liabilities recorded in the statement of financial position resulting from derivatives measured at fair value using cash flow hedge accounting technique.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
(3) Deferred income taxes related to the fair value of the derivative contracts using the cash flow hedge accounting technique.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity using the cash flow hedge accounting technique.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve during the first half are so detailed:

(euro/'000)	2017					
	Change in fair value of derivatives	Transfer to P&L (1)	Taxes effect on P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
-Esprinet IRS 2017 cash flow hedge on derivates	(644)	174	(42)	-	155	(357)
-Esprinet IRS 2014 cash flow hedge on derivates	(16)	204	(49)	-	4	143
-Vinzeo cash flow hedge on derivates	(2)	119	(30)	-	1	88
Total	**(662)**	**497**	**(121)**	**-**	**160**	**(126)**

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

(euro/'000)	2016					
	Change in FV of derivates	Transfer to P&L [1]	Taxes effect on P&L	Ineffective portion of (gain)/loss	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet cash flow hedge on derivatives	(204)	225	(67)	-	50	4
- Vinzeo cash flow hedge on derivatives	16	92	(23)	-	(4)	81
Totale	**(188)**	**317**	**(90)**	**-**	**46**	**85**

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

The following are the periods when the cash flows relating to the hedged items are expected to occur and when they are expected to affect the Income Statement:

(euro/000)			Expected cash flow	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/2017	Cash flow	4,767	4,753	14	-	-	-
		Impact on P&L	4,206	4,202	4	-	-	-
	31/12/2016	Cash flow	2,364	2,109	120	122	13	-
		Impact on P&L	340	164	97	69	10	-

Finally, the derivative instrument changes referring to the fair value variations recorded in the Income Statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1]	Rates past due	Variation FV rates not past due	FV 31/12/c.y.[2]
Esprinet derivatives	2017	320	(313)	(7)	-
Vinzeo derivatives	2017	n.a.	n.a.	n.a.	n.a.
Total		**320**	**(313)**	**(7)**	**-**
Esprinet derivatives	2016	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	2016	n.a.	n.a.	n.a.	n.a.
Total		**-**	**-**	**-**	**-**

[1] Previous year, that for the 2017 fiscal year refers to 28 February 2017, when the hedging relationship no longer applied due to repayment of the underlying loan.
[2] Current year

4.6 Non-hedging derivatives

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

The derivative instrument changes relating to the fair value variations recorded in the income statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1, 2]	Income	Variation FV	FV 31/12/c.y. [2, 3]
Interest Rate Cap	2017	(38)	-	2	(36)
Interest Rate Cap	2016	(41)	-	3	(38)
Totale		**(79)**	**-**	**5**	**(74)**

(1) Previous year, that for the 2016 fiscal year refers to 1 July 2016, when business combination of Vinzeo Technologies S.A.U. took place.
(2) (Assets)/liabilities
(3) Current year.

4.7 Sensitivity analyses

Since the Group is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations').

A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period. For these purposes, the 2017 market interest rate trend was taken into account together with the Group's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/-100 basis points was simulated.

The following tables show the results of the simulation (net of tax effects); each item includes both the current and non current portion:

Scenario 1: +100 basis points

	31/12/2017		31/12/2016	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	744	744	892	892
Debts for investments in subsidiaries	13	63	63	63
Financial liabilities [1]	(942)	(942)	(968)	(968)
Derivative financial liabilities	1,292	-	489	-
Total	**1,107**	**(135)**	**476**	**(13)**

(1) Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

Scenario 2: -100 basis points

	31/12/2017		31/12/2016	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	(62)	(62)	(112)	(112)
Debts for investments in subsidiaries	(14)	(14)	(65)	(65)
Financial liabilities [1]	405	405	291	291
Derivative financial liabilities	(1,325)	-	(600)	-
Total	**(996)**	**329**	**(486)**	**114**

(1) Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

5. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

Property, plant and equipment amount to 14.6 million euro as at 31 December 2017 (versus 15.3 million euro as at 31 December 2016). Changes occurring during the year are as follows:

(euro/000)	Plant and machinery	Ind. & Comm. Equipment & other assets	Assets under construction & advances	Total
Historical cost	13,827	28,365	2,441	**44,632**
Accumulated depreciation	(10,161)	(19,187)	-	**(29,348)**
Balance at 31 December 2016	**3,666**	**9,178**	**2,441**	**15,284**
Historical cost increase	1,042	2,414	109	**3,565**
Historical cost decrease	(862)	(1,490)	(2)	**(2,353)**
Historical cost reclassification	1,053	1,386	(2,439)	**-**
Increase in accumulated depreciation	(1,162)	(2,913)	-	**(4,075)**
Decrease in accumulated depreciation	796	1,417	-	**2,213**
Total changes	**867**	**814**	**(2,332)**	**(650)**
Historical cost	15,060	30,675	109	45,844
Accumulated depreciation	(10,527)	(20,683)	-	(31,210)
Balance at 31 December 2017	**4,533**	**9,992**	**109**	**14,634**

At 31 December 2017, investments in 'plant and machinery' amount to 1.0 million euro and mainly refer to both the purchase of new assets by the parent company Esprinet S.p.A. for the expansion of the logistic hub in Cavenago and to the acquisition of new assets from the Spanish subsidiaries mainly due to the new Cash & Carry opened in Barcelona in the fourth quarter of 2017.

Investments in 'Industrial & commercial equipment & other assets' mainly refer to the purchase of electronic office equipment, office furniture and fittings by the parent company Esprinet S.p.A. and by the Spanish subsidiaries.

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

The depreciation rates applied to each asset category are unchanged compared with the fiscal year closed at 31 December 2016.

The following is the breakdown of the item 'Industrial and commercial equipment and other assets':

(euro/000)	31/12/2017	31/12/2016	Var.
Vehicles	7	19	(12)
Electronic machines	4,408	4,384	24
Furniture and fittings	2,330	2,392	(62)
Industrial and commercial equipment	1,749	1,269	480
Other assets	1,498	1,113	385
Total	**9,992**	**9,177**	**815**

2) Goodwill

(euro/000)	31/12/2017	31/12/2016	Var.
Goodwill	90,595	91,189	(595)

All goodwill items identify the excess of the price paid for obtaining the control of another business over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Disclosures regarding impairment tests of assets: goodwill

Scope of application

IAS 36 requires the testing of property, plant and equipment and intangible assets with indefinite useful life for impairment whenever there are indications that such an impairment may have occurred.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out at least annually and whenever 'triggering events' occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an 'individual asset' and may not be tested for impairment separately from the group of assets it relates to.
Thus, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's 'CGU - Cash-Generating Units', or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.

Cash Generating Unit: identification and goodwill allocation

The next table summarises the values of the single goodwill items in terms of the business combinations from which they arose and a summary by company:

(euro/000)	Entity	Goodwill original values
Memory Set S.a.u. e UMD S.a.u.	Esprinet Iberica	58,561
Esprinet Iberica S.l.u.[(1)]	Esprinet Iberica	1,040
Assotrade S.p.A.	Esprinet S.p.A.	5,500
Pisani S.p.A.	Esprinet S.p.A.	3,878
Esprilog S.r.l.	Esprinet S.p.A.	2,115
80% Celly S.p.A.	Celly S.p.A.	4,153
Vinzeo S.a.u.	Esprinet Iberica	5,097
V-Valley Iberian S.l.u.	Esprinet Iberica	4,447
Mosaico S.r.l.	Esprinet S.p.A.	5,804
Total by business combination		**90,595**
Esprinet Iberica S.L.U.		69,145
Esprinet S.p.A.		17,297
Celly S.p.A.		4,153
Total by entity		**90,595**

(1) Transaction costs sustained for the UMD and Memory Set business combinations.

Allocation of goodwill to each CGUs, identified as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group, was made by charging the above mentioned goodwill to the relevant CGUs, that is, to the elementary units which received the businesses purchased in strictly operational terms.

The following table summarises the goodwill allocations to the 3 CGUs, highlighting the relationships between the operating segments and the legal entities which form the Group, as well as the changes occurred in the year:

(euro/000)	31/12/2017	31/12/2016	Var.		
Esprinet S.p.A.	17.297	18.738	(1.441)	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4.153	4.153	-	CGU 2	B2C ditribution of phone accessoires (Italy)
Esprinet Iberica S.l.u.	69.145	68.298	847	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Iberian Peninsula)
Total	**90.595**	**91.189**	**(594)**		

This allocation reflects the organizational and business structure of the Group, who operates in the core business of IT business-to-business distribution (i.e. exclusively for business customers made up of resellers, who in turn refer to end-users, both private and company) in two geographical markets, Italy and Iberian Peninsula. These markets are managed by two substantially independent organisational and operating structures and, on the other hand, a 'corporate' structure where coordination and strategy are centralized for almost all activities that contribute to the reseller 'value chain' (sales, purchasing, product marketing, logistics).
Compared to the operating segments identified for the purposes of Segment Information as required by IFRS, the subsidiary Celly S.p.A., being able to generate independent cash flows, was identified as a separate CGU operating in the segment of production and distribution of accessories for mobile phones.

As at 31 December 2017, goodwill overall decreased compared with 31 December 2016 as a consequence of the final assessment within the 12-month limit of the amount related to the acquisition of the business unit 'VAD-Value Added Distributor' from Itway Group, as allowed by IFRS 3.

The impairment test valuation process and the results on 31 December 2017 goodwill items, as previously explained, are below described.

A) Valuation system

The valuation framework and the methodological structure adopted are summarised below:

The extreme rarefaction of the comparable market transactions and, for the few concluded deals, the low quantity of usable published information, make difficult the identification of implicit multiples applicable for the calculation purposes of a reasonably reliable 'fair value'.
Recoverability of goodwill is tested by comparing the carrying amount of each single CGU to which the goodwill has been allocated, with the recoverable amount of the unit in the meaning of 'value in use'.
The latter is the present value, at the date of the test, of the future cash flows (inflows and outflows) expected to be derived from the continuing use of assets which are part of the tested CGU.
The 'value in use' was estimated using the Discounted Cash Flow (DCF) model, which requires an appropriate discount rate to estimate the discounting back of future cash flows.
An 'asset side' approach was used which presupposes discounting unlevered cash flows generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT).

In the case of the Spanish CGU 3, the estimated effective and nominal tax rates match (in 2016 equal to 25%). In the case of the Italian CGU 1 and CGU 2, the effective tax rates calculated as per Italian tax law and deriving from the calculation of the IRES and IRAP tax rates on their different tax bases were applied, taking into account the different structure of the tax bases and, in particular, the non-deductibility of some relevant costs.

Disclosures required by the international accounting principles regarding the main methods chosen when calculating the recoverable amount are as follows.

Basis for estimates of future cash flows

As required by the IAS 36 accounting principle, paragraph 50, estimated cash flows exclude financial charges, as per the 'asset side' approach already described.
Projections based on forecasts cover a 5-year period, from 2018 to 2022.
The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.

Projection method

Future cash flows have been estimated for each CGU in its current condition which means not including estimates of future cash inflows that are expected to arise from the business combination, or from improving or enhancing its performance, or from extraordinary operations representing a discontinuity compared with this status.
The definition of forecasted plans and of the resulting cash flows took into account each CUG's peculiarity, therefore basing the whole on the so called 'unique scenario'. The latter was identified as the 'normal' cash flow, or rather, taken as the one with the highest degree of probability of occurrence (so called 'probabilistic approach').
The operating sustainability of the plans in terms of the 'entrepreneurial model' used, and of the business size, and therefore also the plans financial sustainability, was assessed by taking into account the value drivers of each CGUs as well as the Group financial capability.
The latter has been considered as appropriate, also taking into account both the low investments level necessary for each CGU activities substantially limited to maintenance levels, and the liquidity risk management strategy. This risk is essentially managed by the preservation of a substantial number of non-used credit lines, mainly of self-liquidating nature, as well as by a conservative financial strategy focused on stable financial sources – i.e. middle term borrowings supported by financial covenants with which the Group is constantly provided – also for working capital purposes.
The forecast plans derive from the Group 2017-22E financial projections approved by the Board of Directors' Meeting on 30 November 2017 and more generally were prepared from the budget of 2018, considered as a 'pivotal' year. These plans were drawn up thanks to forecasting techniques that apply a different treatment to fixed and variable costs, and that estimate the development of revenues and gross product margin trend, by 'benchmarking' the trends in the sector and in the end market in its entirety, as evaluated by reliable external sources, as well as by assuming different trends according to the current and prospective competitive position, for each respective CGU.

Flows discounted or weighted for probability

Future cash flows have been estimated for each CGU following the 'traditional approach'. This hinges on the so called 'unique scenario' defined as the 'normal' flow profile in which accounting applications of present value have used a single set of estimated cash flows and a single discount rate, both assumed as those with the highest degree of probability of occurrence (so said 'probabilistic approach').

Terminal value

The terminal value recorded at the end of the forecast period was calculated using the 'Perpetuity Method' (unlimited capitalisation model of the plan last year's cash flow).

The approach used presumes that at the end of the 5th year on, cash flow will grow at a constant rate of 'g' and therefore the terminal value is calculated as perpetual income by means of the capitalisation of the plan's last flow at a rate corresponding to the discounting back rate used (WACC) adjusted by a growth factor presumed stable.
This factor is 1.40% for Italy and 1.86% for Iberica respectively, in accordance with the International Monetary Fund's expectations about inflation rate in Italy and Spain in 2022.

Discount rate

The discount rate used must be that of the return required by the suppliers of both risk and debt capital and takes into account risks specific to the activities relating to each single CGU.
As a consequence, a Weighted Average Cost of Capital ('WACC') notion has been used, whose cost of the risk capital has been measured using a Capital Asset Pricing Model ('CAPM') approach.
In particular, in order to calculate the cost of the risk capital (Ke), the average unlevered Beta was measured on a sample of comparable companies with international operations listed in official markets and later it was re-levered in terms of a 'target' financial structure for each CGU, in hypothesis similar to the average financial structure of the different panels analysed.
So doing the independence of the discount rate from the actual financial structure has been obtained.
The panel of comparable entities is made up of the followings:

CGU1/2/3 (Distr B2B IT&CE in Italy/Spain)
Action S.A.
ALSO Holding AG
Arrow Electronics, Inc.
Avnet, Inc.
Esprinet S.p.A.
SYNNEX Corporation
AB S.A.
Tech Data Corporation
Digital China Holdings Limited
ABC Data S.A.
Redington (India) Limited
Datatec Limited

The values attributed to the main components of each discount rate per single CGU are as follows:

the risk-free rate used is the 10-year BTP 'benchmark' (1 year average) rate of return in 2017, equal to 2.06% for CGUs 1 and 2, and the 10-year Bonos 'benchmark' (1 year average) rate of return in 2017, equal to 1.57% for CGU 3;

the Equity risk premium is 5.5% (source: analysts' average);
the marginal cost of borrowed capital (Kd) was approximated by adding to the free-risk rate the median credit spread of peer groups (Source: Damodaran Jan 2018) based on their credit rating issued by S&P; the above mentioned rate is considered representative of the cost applied both to Esprinet and to each CGU in cases of the issue of debt instruments on the market.

Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM-calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.

B) Basic assumption / critical variables

The following table describes the main basic assumptions used to calculate the recoverable value for each CGU with reference to the technical methods underlying the 'DCF Model'.

	Italy IT&CE "B2B" CGU 1 Esprinet	Italy IT&CE "B2B" CGU 2 Celly	Spain IT&CE "B2B" CGU 3 Esprinet Iberica
Future cash flow expected:			
Forecast horizon	5 years	5 years	5 years
"g" (long-term growth rate)	1.40%	1.40%	1.86%
Discount rates:			
Equity Risk Premium	5.5%	5.5%	5.5%
ß "*unlevered*" di industry	0.71	0.71	0.71
Target financial structure (D/D+E)	23.9%	23.9%	23.9%
Target financial structure (E/D+E)	76.1%	76.1%	76.1%
WACC *post-tax*	6.42%	6.42%	6.03%
WACC *pre-tax*	8.27%	8.37%	7.41%

With reference to the key assumptions used in the cash flow forecast and for the 'value in use calculation' we point out that the CGU values are particularly sensitive to the following parameters:

- basic assumption / critical variables;
- gross product margin / fixed costs contribution margin;
- operating leverage;
- cash flow discounted rate;
- growth rate 'g' applied to the cash flow of the last defined year utilized for the Terminal Value calculation.

C) External indicators of impairment and 'impairment test'

In assessing the existence of indicators of impairment the management takes into account, amongst other factors, (i) the trends in market interest rates or other market rates of return on investments and (ii) the ratio between the book value of net assets of each CGU and the relevant market capitalisation (or, better, the sum of the fair value of each CGU constituting the Group and total market capitalisation).
With regard to the first indicator, we don't have any evidence about changes in market interest rates or other market rates of return on investments taking place during the year capable of significantly affect the discount rate used in calculating the value in use or materially reduce the recoverable amount of assets.
With reference to the market value, as at 31 December 2017 the market capitalisation of Esprinet S.p.A. (Borsa Italiana: PRT) stood at 215.7 million euro against a consolidated net equity of 337.3 million euro. The average market capitalisation in 2017 was 323.2 million euro.
In the last few weeks Esprinet share price fluctuated around 4-4.5 euro, i.e. at the lowest level in the last four years, for an overall market capitalisation of 210-235 million euro.
That basically originated from the downward revision of financial targets following the issue of interim financial statements as at 30 September 2017.
However, also in the light of the most recent target prices stated by stock analysts covering Esprinet, it is reasonable to deem that current share price does not properly reflect the intrinsic value of the Group.
More particularly management believes that stock market over-reacted to negative news flows, as is often the case with small-medium caps, leading to stock price levels that are not in line with

financial fundamentals of the Esprinet Group and its perspectives and thus not in line with the relevant recoverable value as defined by international accounting standards.

D) Value adjustments and 'sensitivity analysis

The impairment test did not highlight the need for a write-down in the value of the goodwill entry as at 31 December 2017.

In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the CGUs below the carrying amount.
In that regard, for information purposes, pursuant to IAS 36, different sensitivity analysis of the test results were performed taking into account simultaneously the variation of the following basic assumptions.

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' decreased by -50% and equal to zero;
- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

In none of the scenarios arising from the different combinations of key assumptions as shown before, including the worst scenario resulting from a g equal to 0%, a WACC increased by +2% and an EBITDA decreased by -20%, any CGU impairment would occur.

3) Intangible assets

Intangible assets amount to 1.1 million euro as at 31 December 2017 (versus 1.5 million euro as at 31 December 2016). The following table highlights the changes occurred during the year:

(euro/000)	Cost and expansion	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advances	Other intagible assets	Total
Historical cost	3	10,197	30	757	-	**10,987**
Accumulated depreciation	(3)	(9,494)	(21)	-	-	**(9,518)**
Balance at 31 December 2016	**-**	**703**	**10**	**757**	**-**	**1,469**
Historical cost increase	-	270	-	6	4	**280**
Historical cost reclassification	-	757	-	(757)	-	**-**
Increase in accumulated depreciation	-	(675)	-	-	(4)	**(679)**
Total changes	**-**	**352**	**-**	**(751)**	**-**	**(399)**
Historical cost	3	11,224	30	6	4	**11,267**
Accumulated depreciation	(3)	(10,169)	(21)	-	(4)	**(10,197)**
Balance at 31 December 2017	**-**	**1,055**	**10**	**6**	**-**	**1,070**

Investments in 'Industrial and other patent rights' include costs sustained for the long-term renewal and upgrade of ERP system (software).
The increase in the item 'Industrial and other patent rights' mostly refers to the costs incurred by the parent company Esprinet S.p.A. for the purchase and upgrade of software.

The depreciation rates applied to each asset category are unchanged compared with the fiscal year closed at 31 December 2016.

This item is amortised in three years.

6) Deferred income tax assets

(euro/000)	31/12/2017	31/12/2016	Var.
Deferred income tax assets	11,262	11,931	(669)

The balance of this item is represented by prepaid tax assets due to tax losses carried forward and by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years when taxable earnings will be accounted.
On this respect, the recoverability is supported by the estimated net incomes based on the forecast plans derived from the Group 2017-22E financial projections approved by the Board of Directors on 30 November 2017.

The following table shows the composition of the abovementioned item:

(euro/000)	31/12/2017			31/12/2016		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax:						
Tax losses carried forward	23,325	25%-21%	5,797	25,370	25%-21%	6,313
Tax losses carried forward	-	16.50%	-	70	16.50%	12
Derivates instruments	126	25.00%	32	297	25.00%	74
Derivates instruments	597	24.00%	143	428	24.00%	103
Exceeding amortisation	174	3.90%	7	234	3.90%	9
Exceeding amortisation	438	24.00%	105	622	24.00%	149
Bad debt provision	5,408	24.00%	1,298	4,507	24.00%	1,082
Bad debt provision	85	25.00%	21	24	25.00%	6
Inventory obsolescence provision	3,562	3.90%	139	2,276	3.90%	89
Inventory obsolescence provision	3,562	24.00%	855	2,276	24.00%	546
Inventory obsolescence provision	546	27.90%	152	504	27.90%	141
Director's fees not paid	1,184	24%-25%	295	1,566	24%-25%	380
Agent suppl. indemnity provision	719	3.90%	28	747	3.90%	29
Agent suppl. indemnity provision	719	24.00%	173	747	24.00%	179
Double dividend tax	6,236	25.00%	1,559	7,812	25.00%	1,953
Other expenses fiscally deducted in previous years	179	25.00%	45	1,638	25.00%	410
Other	2,374	24%-25%-27,9%	613	1,793	24%-25%-27,9%	457
Deferred income tax assets			**11,262**			**11,931**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the exchange losses valuation, on the risk provisions, on the actuarial valuation of the staff severance indemnity (TFR), as well as on the write-off of intangible assets capitalized under IAS 38.

The time-related allocation of this item is as follows:

(euro/000)		Within 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/2017	3,217	6,714	1,331	11,262
	31/12/2016	3,125	7,166	1,640	11,931

8) Derivative financial assets

(euro/000)	31/12/2017	31/12/2016	Var.
Derivate Financial Assets	36	38	(2)
Derivate Financial Assets	**36**	**38**	**(2)**

The amount refers to the 'fair value' of 2 'IRS-Interest Rate Swap' contracts entered into by the subsidiary Vinzeo Technologies S.A.U. in July 2015 and expiring in July 2020. These contracts aim at hedging the risk that the increase in the interest rates applied to a set of short-term credit lines granted by lending banks exceeds a certain threshold.
This 'hedge' does not satisfy the requirements for 'hedge accounting', thus changes in fair value, together with any cash inflows from the counterparties, are booked directly in the income statement, as previously mentioned under the section 'Non-hedging derivatives' in the paragraph 'Disclosure on risks and financial instruments'.

9) Receivables and other non-current assets

(euro/000)	31/12/2017	31/12/2016	Var.
Guarantee deposits receivables	4,842	4,604	238
Trade receivables	1,870	2,292	(422)
Receivables and other non-current assets	**6,712**	**6,896**	**(184)**

Guarantee deposit receivables refer for 2.8 million euro (amount in line with 31 December 2016) to the deposit with the purchaser under the securitisation transaction conducted by the parent Company, aimed at ensuring coverage of potential dilutions during this activity or in the months following the transaction closing. The remaining portion refers substantially to guarantee deposits relating to utilities for existing lease agreements.

The trade receivables refer to the portion of receivables from the customer 'Guardia di Finanza – GdF ' (Revenue Guard Corps') which expires after one year and arose from goods delivered by Esprinet S.p.A. to GdF in 2011.

These receivables consist of an yearly payments plan until January 2022 against which the Holding Company obtained a loan from Intesa Sanpaolo in 2013 with instalments paid directly by the customer. Since the counterparties of the two transactions are different, it was deemed necessary to keep the receivables from the customer and the payables to the financial entity booked separately until full repayment of the loan.
The change compared with 31 December 2016 is due to the allocation to current receivables of the portion expiring within the next fiscal year.

Current assets

10) Inventory

(euro/000)	31/12/2017	31/12/2016	Var.
Finished products and goods	488,233	336,741	151,492
Provision for obsolescence	(6,682)	(7,855)	1,173
Inventory	**481,551**	**328,886**	**152,665**

Inventory totalled 481.6 million euro, up 152.7 million euro compared with existing stocks at 31 December 2016.
For further information on this item trend and generally the Working Capital please refer to the developments in the paragraph 'Operating net working capital' in the Directors' Report on Operations.

The 6.7 million euro allocated to the provision for obsolescence is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

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

(euro/000)	31/12/2017	31/12/2016	Var.
Provision for absolescence: year-beginning	**7,855**	**2,556**	**5,299**
Uses	(3,464)	(2,624)	(840)
Accruals	2,291	2,054	237
Subtotal	**(1,173)**	**(570)**	**(603)**
Acquisition in business combination	-	5,869	(5,869)
Total Variation	**(1,173)**	**5,299**	**(6,472)**
Provision for absolescence: period-end	**6,682**	**7,855**	**(1,173)**

11) Trade receivables

(euro/000)	31/12/2017	31/12/2016	Var.
Trade receivables - gross	320,172	395,849	(75,677)
Bad debt provision	(7,099)	(7,177)	78
Trade receivables - net	**313,073**	**388,672**	**(75,599)**

Trade receivables arise from normal sales transactions engaged in by the Group in the context of ordinary marketing activities.
These transactions are entered into almost entirely with customers resident in the two countries where the Group is present, are almost fully in euro and are short-term.

Net trade receivables are adjusted by credit notes to be issued to customers for an amount equal to 59.6 million euro at the end of 2017 and 56.3 million euro at the end of 2016.

The decrease in gross trade receivables was caused by the increase in DSO ratio, also affected by a higher use of technical forms of receivables finance compared with 2016 (i.e. equal to approx. 424 million euro at the end of 2017 compared with 400 million euro in 2016).

For further information on this item trend and generally the Working Capital please refer to the developments in the paragraph 'Operating net working capital' in the Directors' Report on Operations.

Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision which incidence on receivables-gross is substantially stable (further information can be found under 'Disclosure on risks and financial instruments'). The movement in this provision during the period was as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Bad debt provision: year-beginning	**7,177**	**5,765**	**1,412**
Uses	(1,753)	(1,628)	(125)
Accruals	1,675	1,460	215
Subtotal	**(78)**	**(168)**	**90**
Business combination acquisition	-	1,580	(1,580)
Total variation	**(78)**	**1,412**	**(1,490)**
Bad debt provision: period-end	**7,099**	**7,177**	**(78)**

The Trade receivables balance includes 4.2 million euro (5.2 million euro in 2016) of receivables transferred to factoring firms under 'with-recourse' factoring agreements.

12) Income tax assets

(euro/000)	31/12/2017	31/12/2016	Var.
Income tax assets	3,116	6,175	(3,059)

Income tax assets mainly result from the higher tax advances paid compared with the current taxes accrued in 2017. In addition, 1.2 million euro relates to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years 2004-2007 and 2007-2011 at Esprinet S.p.A..

13) Other assets

(euro/000)	31/12/2017	31/12/2016	Var.
Receivables from associates companies (A)	**-**	**6**	**(6)**
Witholding tax assets	53	882	(829)
VAT receivables	10,938	5,359	5,579
Other tax assets	5,018	4,580	438
Other receivables from Tax authorities (B)	**16,009**	**10,821**	**5,188**
Receivables from factoring companies	1,534	1,492	42
Customer financial receivables	510	509	1
Banks financial receivables	-	5,087	(5,087)
Receivables from insurance companies	284	1,881	(1,597)
Receivables from suppliers	5,276	9,241	(3,965)
Receivables from employees	1	2	(1)
Receivables from others	186	196	(10)
Other receivables (C)	**7,791**	**18,408**	**(10,617)**
Prepayments (D)	**3,978**	**2,856**	**1,122**
Other assets (E= A+B+C+D)	**27,778**	**32,091**	**(4,313)**

'VAT receivables' refer to VAT receivables accrued by parent company Esprinet S.p.A. and by its subsidiaries V-Valley S.r.l., Celly S.p.A., EDSlan S.r.l., Nilox Deutschland and Esprinet Iberica S.l.u. as well as sums claimed for refund by Esprinet S.p.A. from tax authorities and not available as tax relief.

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

Receivables from factoring companies, mainly referring to parent company (1.2 million euro) and to the subsidiary V-Valley (0.3 million euro), relate to the residual amount still unpaid of the receivables sold 'without recourse' at the end of December 2017. At the time this report was drafted, the receivables due had been almost entirely paid.
The increase compared with the previous year-end balance, is mainly due to the temporary differences in the collection of transferred receivables.

Customer financial receivables refer for 0.5 million euro to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer 'Guardia di Finanza - Gdf'. For further information please refer also to the section entitled 'Receivables and other non-current assets'.

As at 31 December 2016, banks financial receivables referred to term deposits maturing in April 2017, created by Vinzeo Technologies S.A.U., in order to better manage the temporary cash surplus. Thus, the amount as at 31 December 2017 is equal to zero.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the next fiscal year. The significant reduction occurred during the year refers to the positive closing of a litigation with a credit insurance company.

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

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

17) Cash and cash equivalents

(euro/000)	31/12/2017	31/12/2016	Var.
Bank and postal deposit	296,945	285,889	11,056
Cash	20	34	(14)
Cheques	4	10	(6)
Total cash and cash equivalents	**296,969**	**285,933**	**11,036**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. The level of liquidity (originating in the normal short-term financial cycle of collections/payments) fluctuates during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month. For further details relating to the cash flows development please refer to the Statement of cash flows and to the following section 'Cash flow analysis'.

Equity

(euro/000)	31/12/2017	31/12/2016	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	308,191	287,575	20,616
Own shares (C)	(5,145)	(5,145)	-
Total reserves (D=B+C)	**303,046**	**282,430**	**20,616**
Net income for the year (E)	**26,235**	**26,667**	**(432)**
Net equity (F=A+D+E)	**337,142**	**316,958**	**20,184**
Non-controlling interests (G)	1,046	999	47
Total equity (H=F+G)	**338,188**	**317,957**	**20,231**

Items composing the shareholders’ equity are explained in the following notes:

19) Share capital

The Esprinet S.p.A. Share capital, fully subscribed and paid-in as at 31 December 2017, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the ‘Directors’ Report on Operations’.

The value of these rights was reported in the separate income statement under costs relating to salaried staff and under those relating to Directors, with a balancing item reported in the statement of financial position under the item 'Reserves'.

20) Reserves

Reserves and profit carried over

The 'Reserve and profit carried over' balance increased by 20.6 million euro, mainly due to the allocation of profits from previous years equal to 26.7 million euro net of 7.0 million euro relating to a dividend distribution (0.135 euro per ordinary share).

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of No. 646.889 Esprinet S.p.A. shares owned by the Company. The amount is unchanged compared with the previous year and results from 31,400 residual shares from the 2007 purchase and 615,489 shares from the 2015 purchase, both carried out in execution of the share incentive plans approved by the Shareholders' Meeting of Esprinet S.p.A..

21) Net income

The year's consolidated profits amount to 26.2 million euro, decreased compared with the previous year's 26.7 million euro.

Non-current liabilities

22) Borrowings

(euro/000)	31/12/2017	31/12/2016	Var.
Borrowings	19,927	28,833	(8,906)

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

The 31 December 2017 amount also includes i) 16.3 million euro for minor loans signed by Esprinet S.p.A. in March 2017, ii) 1.8 million euro for the portion not yet due of the loan granted to the Parent Company relating to a delivery of goods to the customer 'Revenue Guard Corps' (so-called Guardia di Finanza - GdF), which led to the booking of an identical long-term receivable from GdF, as described under paragraph 9 'Receivables and other non-current assets', and iii) 1.8 million euro for the medium/long-term portion of the loans outstanding at the Spanish subsidiary Vinzeo Technologies S.A.U..

Thus, the change against last fiscal year is due to the new loans signed by the parent company, to the early repayment of a five-year loan in Celly S.p.A. (3 million euro falling due after year end), as well as to the reclassification of the portion falling due within 12 months to short-term liabilities as a consequence of instalment payments in accordance with the sinking plan.
Further details can be found in the following paragraph 'Net financial indebtedness and financial liabilities analysis'.

23) Derivative financial liabilities (non-current)

(euro/000)	31/12/2017	31/12/2016	Var.
Derivative financial liabilities	-	66	(66)

The amount at the end of the previous year referred to the 'fair value' of 'IRS-Interest Rate Swap' contracts entered into by Vinzeo Technologies S.A.U. to hedge the risk of interest rate fluctuations on various medium-long term floating rate loans. These were settled during the year or reclassified under the current liabilities since the due date is approaching.

For further details regarding the operation please refer to the sections headed 'Loan and loans covenants' and 'Hedge accounting' under the paragraph 'Disclosure on risks and financial instruments'.

24) Deferred income tax liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Deferred income tax liabilities	7,088	6,100	988

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

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

(euro/000)	31/12/2017			31/12/2016		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax liabilities						
Goodwills' amortisation	9,027	24.00%	2,167	8,175	24.00%	1,962
Goodwills' amortisation	9,027	3.90%	352	8,175	3.90%	319
Goodwills' amortisation	16,182	25.00%	4,046	12,434	25.00%	3,109
TFR' variation	159	24.00%	38	159	24.00%	38
Foreign exchange estimate	560	24.00%	134	417	24.00%	100
Change in inventory	-	27.50%	-	745	27.50%	205
Change in inventory	890	24.00%	214	92	24.00%	22
Change in inventory	890	3.90%	35	837	3.90%	33
Change in inventory	391	25.00%	98	285	25.00%	71
Option % on residual Celly	-	24.00%	-	938	24.00%	225
Other	22	25.00%	6	65	25.00%	16
Total deferred income tax liabilities			**7,088**			**6,100**

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/2017	690	-	6,398	7,088
	31/12/2016	576	160	5,364	6,100

25) Retirement benefit obligations

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

The provisions totally belong to Italian companies, since a similar system does not exist in Spain..

Please note that from 1 January 2007 important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	31/12/2017	31/12/2016	Var.
Balance at year-beginning	**5,185**	**4,044**	**1,141**
Acquisition from business combinations	-	1,039	(1,039)
Service cost	168	105	63
Interest cost	64	86	(22)
Actuarial (gain)/loss	(49)	151	(200)
Pensions paid	(554)	(240)	(314)
Changes	**(371)**	**1,141**	**(1,512)**
Balance at year-end	**4,814**	**5,185**	**(371)**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Amounts booked under personnel costs	168	105	63
Amounts booked under financial costs	64	86	(22)
Total	**232**	**191**	**42**

The provision change shows a decrease of 371 thousand euro.

The change in the 'actuarial gains or losses' compared with last year is mainly related to the experience adjustments that reflect the deviation of forward-looking assumptions used in the 31 December 2016 valuation and the actual development of the provision as at 31 December 2017 (members, payments occurred, benefit revaluation). The discount rate reflects the market returns, at the financial statement date of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in the Group's companies. (more than 10 years).[11]

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

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

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel;
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/2017	31/12/2016
Cost of living increase	1.5%	1.5%
Discouting rate [2]	1.3%	1.31%
Remuneration increase	3.00% [1]	3.00% [1]
Staff severance indemnity (TFR) - annual rate increase	2.63%	2.63%

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

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
As basic scenario the one above described was assumed and from that the most significant hypotheses (i.e. annual average discount rate, average cost of living increase and turn-over rate) were increased and decreased by half, a quarter and two percentage points respectively. The outputs so obtained are summarized as follows:

(euro)		Sensitivity analysis Esprinet Group
Past Service Liability		
Annual discount rate	*+0.50%*	4,608,103
	-0.50%	5,035,444
Annual inflation rate	*+0.25%*	4,873,404
	-0.25%	4,755,126
Annual turnover rate	*+2.00%*	4,749,914
	-2.00%	4,902,728

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	Future Cash Flow
Year	*Esprinet Group*
0 - 1	377,167
1 - 2	366,428
2 - 3	337,265
3 - 4	337,593
4 - 5	323,432
5 - 6	312,747
6 - 7	315,219
7 - 8	304,918
8 - 9	301,216
9 - 10	358,754
Over 10	4,569,032

49) Debts for investments in subsidiaries (non-current)

(euro/000)	31/12/2017	31/12/2016	Var.
Debts for investments in subsidiaries	1,311	3,942	(2,631)

The debts for investments in subsidiaries refer to the discounted fair value of the forecast potential compensation relating to the acquisition of the residual 20% of Celly S.p.A. as a consequence of the mutually granted put/call options between Esprinet S.p.A. and Celly S.p.A. on the same shares.

The above-mentioned debt, falling due between the fifth and the seventh year subsequent to the Celly Group acquisition date of 12 May 2014, was calculated based on the expected EBITDA and net financial position of Celly Group in the two-year period prior to the exercise date adjusted by means of a ratio varying based on a matrix of possible combinations and discounted using the one-year risk-free rate prevailing at the reporting date.

26) Non-current provisions and other liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Long-term liabilities for cash incentives	-	215	(215)
Provisions for pensions and similar obligations	1,915	2,325	(410)
Other provisions	589	480	109
Non-current provisions and other liabilities	**2,504**	**3,020**	**(516)**

Last year the item Long-term liabilities for cash incentives referred to the cash incentives accrued to the beneficiaries of the 'Long-term Incentive Plan' in the subsidiary Esprinet Iberica having the same features as the Italian plan, whose payment was expected in May 2018 subject to achievement of Group profit targets for the 2015-2017 period and subject to the beneficiary being still employed by the Group at the date the Consolidated Financial Statements of Esprinet Group as at 31 December 2017 will be presented. The zeroing of this item compared with 2016 is due to the reclassification to short-term items of the relevant amounts.
The item 'Provisions for pensions and similar obligations' includes the supplementary customer indemnity provision payable to agents based on current regulations governing the subject. The changes in the period were as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Provisions for pensions: year-beginning	**2,325**	**1,904**	**421**
Uses	(542)	(176)	(366)
Accruals	132	293	(161)
Subtotal	**(410)**	**117**	**(527)**
Business combination acquisition	-	304	(304)
Total variation	**(410)**	**421**	**(831)**
Provisions for pensions: period-end	**1,915**	**2,325**	**(410)**

The amount entered under other provisions, is intended to cover risks relating to current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2017	31/12/2016	Var.
Other provisions: year-beginning	**480**	**560**	**(80)**
Uses	(133)	(388)	255
Accruals	242	308	(66)
Subtotal	**109**	**(80)**	**189**
Other provisions: period-end	**589**	**480**	**109**

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

In 2017 the following developments occurred in relation to the main disputes involving the Group, for which the Company has conducted the pertinent risk assessments, with the support of its legal and/or tax consultants, and, where deemed appropriate, recognized the ensuing allocations to the provision for risks.
The following list summarises the development of the main current legal disputes.

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

In the tax dispute for the 2002 tax period relating to VAT, IRPEG and IRAP, amounting to 6.0 million euro plus penalties and interest, it should be noted that, after Esprinet S.p.A. had obtained favourable judgements in both the first and second instance against the assessment notice issued in late 2007, on 3 August 2016 a Supreme Court judgement was filed that partially accepted the appeal made by the Italian Revenue Office. The Supreme Court referred the case to another section of the Regional Tax Commission which will have to determine which part of the assessment will be upheld in relation to the disputed notice.
The Company reactivated the proceeding with the Regional Tax Commission on 10 November 2016. Currently the case has been assigned but the hearing has not been fixed yet.

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

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and after the failure of a tax settlement proposal, paid the reduced penalties and lodged an appeal with the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., at the recommendation of the seller's advisor, lodged an appeal which was registered with the Regional Tax Commission on 20 May 2013.

On 23 September 2014, the appeal was rejected and the seller's advisor lodged an appeal against the ruling with the Court of Appeal.
In the meantime, Esprinet paid the sums inscribed on the tax roll as per the Regional Tax Commission decision, after receiving the corresponding funds from the seller.

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

On 29 December 2015, the Company was served a notice amounting to 2.8 million euro, plus penalties and interest, relating to an assessment claiming VAT on taxable transactions entered into with a company whose purchases benefited from tax exemption by virtue of a declaration issued by the same company, which eventually did not qualify as a frequent exporter.
On 26 February 2016 an appeal was filed with the Provincial Tax Commission together with a self-defence petition and on 18 April 2016, in accordance with administrative procedure, the company made an advance payment equal to 1.2 million euro, posted under 'Other tax assets'.
On 20 June 2016 the matter was discussed and on 26 August 2016, the Provincial Tax Commission issued its judgement, rejecting the Company's appeal.
On 10 October another advance equal to 3.3 million euro was paid, again posted under 'Other tax assets'.
On 14 February 2017 the Company filed an appeal against the Provincial Tax Commission ruling.
The hearing was held on 13 November 2017 and on 4 December 2017 the Regional Tax Commission filed a request of documents from the Company; the hearing was then postponed to 19 March 2018.
On 23 March 2018, the 'Regional Tax Commission' issued a judgement that upheld the Company's appeal.

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

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

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

On 2 October 2017 the Company was served a notice of assessment claiming VAT on taxable transactions entered with Komar S.r.l., Game Power S.r.l. and Micro Sistemi S.r.l. for 3.1 million euro, along with penalties and interest.
The tax assessment refer to business relations with Komar S.r.l., Game Power S.r.l. and Micro Sistemi S.r.l. that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows tax audit carried out by the Direzione Regionale della Lombardia (Regional Revenue Office) - Large Taxpayer Office through the questionnaire No. Q00144/2017 notified on 3 August 2017.
The Company appealed against the notice of assessment on 30 November 2017.
On 19 December 2017, the President of the Commission, recognising not only the potential merits of Esprinet's request ('fumus') and the potential damage to it ('periculum'), but also the lack of urgency of the challenged measure, temporarily suspended the challenged act until the collegial judgement

on the assessment by the competent court. The hearing was held on 23 February 2018 and the Provincial Tax Commission upheld the application for suspension.

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

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (a year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arose resulting in a disallowance of costs equal to 82 thousand euro, plus penalties and interest.
On 2 November the Company filed its comments.
On 20 July 2016 the Italian Revenue Office notified tax assessment notices related to IRAP and direct taxation. On 29 September the Company filed a tax settlement proposal, leading to a cross-examination with the Office.
On 25 November 2016 the Office rejected the settlement proposal, and as a consequence the Company lodged a partial appeal on 16 January 2017.
On 26 June 2017 the matter was discussed and on 10 July 2017 a judgement was issued that upheld the appeal.
In July, the company obtained cancellation of the amounts inscribed on the tax roll following the Provincial Tax Commission decision.
On 17 October 2017 the Italian Revenue Office lodged an appeal against the first instance judgement and the company entered an appearance filing its counter-arguments.

V-Valley S.r.l. direct taxes for the year 2011

On 27 June 2014 an overall tax inspection was started against the Company with respect to direct taxes, IRAP and VAT for tax year 2011, followed by a tax audit report on 25 July 2014. On 6 October 2016 the Italian Revenue Office issued a notice of assessment resulting in a disallowance of costs equal to 74 thousand euro, plus penalties and interest.
On 29 September 2016 the Company filed a tax settlement proposal, and on 17 January 2017 the first meeting with the Office was held. Since the discussion with the Office did not resolve the dispute, the Company filed an appeal on 3 March 2017.
The hearing, initially fixed on 4 December 2017, was rescheduled to 28 May 2018.

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

On 4 July 2017 the company was served a correction and settlement notice relating to the reassessment of the business unit acquired on 8 June 2016 from Edslan S.p.A. (now I-Trading S.r.l.). The higher registration fee claimed amounts to 182 thousand euro, plus penalties and interest.
On 21 September 2017, the company filed a tax settlement proposal and on 11 October the first meeting was held at Tax Office, with a negative outcome.
On 29 December 2017, the company lodged an appeal that was filed with the Provincial Tax Commission on 24 January 2018.

Celly S.p.A. direct and indirect taxes for the year 2014

On 11 September 2017 the tax audit referring to Ires, Irap and VAT for 2014, closed with the notice of a tax audit report.
From the tax audit report some substantial breaches arose following which a higher tax base for IRES (918 thousand euro), IRAP (1.04 million euro) and VAT (174 thousand euro) was assessed.
At the end of the tax audit, on 9 February 2018, the Company received a questionnaire requesting information with regard to business relations with black list countries
While awaiting the assessment, the company is considering the better defensive strategy together with its advisors.

Celly S.p.A. registration fees for the year 2016

On 4 September 2017, the Company was served a correction and settlement notice from 'Direzione Provinciale II - Torino' which related to the registration fees due with reference to the transfer deed of a business unit from Celly S.p.A. (selling party) to the company Rosso Garibaldi S.p.A.. Since, pursuant to law, the Company, as seller, was jointly committed to the payment of the higher registration fees claimed by the Tax Office and the purchaser filed for bankruptcy in December, on 12 January 2018, the higher registration fee and interest totalling 4 thousand euro were paid by Celly S.p.A..

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

On 16 June 2017, the Revenue Office - 'Direzione provinciale II of Milano' invited the Company to appear in order to initiate adversarial proceedings and find any settlement for the assessment relating to the acquisition agreement (filed on 13 December 2016) of a business unit from Itway S.p.A..

During the meeting with the Tax Office, the Company pointed out that the price was not final since price adjustments were expected by the first months of 2018.

On 26 January 2018, a summary agreement was signed on price of the sold company, pending the Revenue Office judgement on the now final disposal price.

On 23 March 2018 the company was served a correction and settlement notice relating to the reassessment of the business unit acquired which results in higher registration fees for 48 thousand euro. The company is considering the better defensive strategy together with ITWAY S.p.A. advisors.

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

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

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

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

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

On 14 January 2015 an appeal was lodged by the General Attorney with the Supreme Court challenging the judgement n. 3801/2014 rendered by the Regional Tax Commission of Milan on 9 July 2014. The Company filed a cross-appeal on 20 February 2015.

Current liabilities

27) Trade payables

(euro/000)	31/12/2017	31/12/2016	Var.
Trade payables - gross	805,688	700,201	105,487
Credit notes to be received	(115,239)	(84,689)	(30,550)
Trade payables	**690,449**	**615,512**	**74,937**

The 'Receivables – credit notes' mainly refer to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections. For further information on this item trend and more generally on the Working Capital please refer to paragraph 'Operating net working capital' in the 'Directors' Report on Operations'.

28) Short-term financial liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Bank loans and overdrafts	142,009	141,852	157
Other financing payables	13,951	10,033	3,918
Short - term financial liabilities	**155,960**	**151,885**	**4,075**

Bank loans and overdraft refer almost entirely to the valuation at the amortized cost of the portion of the medium-long term loans granted to the Group companies falling due within next year.
As at 31 December 2017, these loans include a medium/long-term senior loan granted to Esprinet S.p.A. in February 2017 by a pool of banks, consisting of a 5-year amortised facility in the original amount of 145.0 million euro (130.5 million euro drawn as at 31 December 2017) and a 5-year revolving facility for 65.0 million euro (undrawn at 31 December 2017).
The above-mentioned loan was unsecured thus, as is common practice in similar transactions, is supported by a set of 4 financial covenants that entitle the lenders to demand early repayment in case of failure.
As at 31 December 2017, the whole outstanding amount of the amortised facilities is posted under current liabilities as a consequence of the breach of the four above-mentioned covenants under the applicable accounting standards. For further information please refer to 'net financial indebtedness' and 'Loans and loan covenants'.

The amount also includes the portion of other minor loans taken by Esprinet S.p.A. in March 2017 (3.6 million euro), by the subsidiary EDSlan S.r.l. (0.6 million euro) and by the Spanish subsidiary Vinzeo Technologies S.A.U. (5.2 million euro) falling due within next year.

This adds to the portion falling due within this year (0.4 million euro) of the loan taken by the parent company relating to a delivery of goods to the customer 'Guardia di finanza - GdF'.

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

29) Income tax liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Income tax liabilities	693	740	(47)

Income tax liabilities, equal to 0.6 million euro, are due to the higher amount of Esprinet Iberica (0.1 million euro) and Mosaico (0.5 million euro) current income taxes referred to 2017 tax year compared to the advances paid.

30) Derivative financial liabilities (current)

(euro/000)	31/12/2017	31/12/2016	Var.
Derivative financial liabilities	663	483	180

The outstanding amount refers to the fair value of IRS contracts entered into by Vinzeo Technologies S.A.U. to hedge the risk of interest rate fluctuations on various medium-long term floating-rate loans.

The main item (6,441 thousand euro) is due to the fair value of six IRS contracts entered into by Esprinet S.p.A. in April 2017 with six of the eight banks that on 28 February 2017 granted the medium-term floating-rate loan of 145 million euro (reduced to 130.5 million euro in capital as at 31 December 2017 as results of payments made under the amortisation plan). The portion of the loans referring to the above-mentioned six banks is equal to 105.6 million euro and is entirely hedged from the interest rate volatility risk by a derivative contract entered into by each bank with regard to its own portion of the loan hedged. These derivative contracts have the same conditions as the contracts signed by the other banks.

Thus, the change compared with 31 December 2016 is due both to the derivative instruments entered into, and to the termination of 12 IRSs aimed at hedging the interest rate risk inherent to certain loans settled during the year. This settlement related equally to Esprinet S.p.A., whose hedging instruments had a fair value equal to 428 thousand euro as at 31 December 2016, and to Vinzeo Technologies S.A.U., whose hedging instruments had a fair value equal to 42 thousand euro at the end of the previous year.
The portion, arising from the interest rate curve change relating to the two remaining derivative contracts still outstanding at Vinzeo Technologies S.A.U., is negligible.

For further details regarding the various transactions please refer to the section 'Loans and loan covenants' below and the section 'Hedge accounting' under 'Disclosure on risks and financial instruments'.

51) Debts for investments in subsidiaries (current)

(euro/000)	31/12/2017	31/12/2016	Var.
Debts for investments in subsidiaries	-	4,718	(4,718)

'Debts for investments in subsidiaries', that as at 31 December 2016 referred to the estimated discounted value of the deferred consideration that the Group owed to the Itway group for the VAD business units acquisition, is equal to zero at 31 December 2017 as a consequence of the final calculation and following settlement of these liabilities as better detailed under the section 'Significant events occurring in the period' in the 'Directors' Report on Operations'.

32) Provisions and other liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Social security liabilities (A)	**3,320**	**4,379**	**(1,059)**
Associates companies liabilities (B)	**-**	**5**	**(5)**
VAT payables	8,960	10,873	(1,913)
Withholding tax liabilities	319	328	(9)
Other tax liabilities	1,424	1,700	(276)
Other payables to Tax authorities (C)	**10,703**	**12,901**	**(2,198)**
Payables to personnel	4,824	5,538	(714)
Payables to customers	5,004	4,773	231
Payables to others	922	2,147	(1,225)
Total other creditors (D)	**10,750**	**12,458**	**(1,708)**
Accrued expenses and deferred income (E)	**426**	**419**	**7**
Provisions and other liabilities (F=A+B+C+D+E)	**25,199**	**30,162**	**(4,963)**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables, monetary incentives included.

VAT liabilities, referring to the amount matured during the month of December.

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

Payables to personnel refer to December salaries as well as to deferred monthly payables (holidays not taken, year-end bonus, monetary incentives included) accruing at the end of 2017.

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

Payables to others mainly include payables amounting to 0.4 million euro to Directors relating to emoluments accrued during this year (1.4 million euro in 2016), as well as payables of 0.4 million euro to the Group's network of agents relating to fees due and unpaid.

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

6. Guarantees, commitments and potential risks

Commitments and potential risks

The commitments and risks potentially facing the Group are as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Third-party assets on consignment to the Group	43,898	38,976	4,921
Bank guarantees issued in favour of other companies	13,856	13,784	72
Total guarantees issued	**57,753**	**52,760**	**4,993**

Third-party assets on consignment to the Group

This amount mainly refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. (36.2 million euro), at the Esprinet Iberica S.L.U. (6.8 million euro) and at the Mosaico S.r.l. (0.9 million euro) warehouses.

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank suretyships issued to the Public Administration in order to participate in tenders for services or supplies.

7. Notes to income statement items

33) Sales

The following are some breakdowns of sales performance of the Group during the year. Further analyses of sales are provided in the 'Directors' report on operations'.

Sales by products and services

(euro/million)	2017	%	2016	%		% Var.
Product sales	1,972.1	61.3%	1,979.9	65.1%	(7.8)	0%
Services sales	19.4	0.6%	15.7	0.5%	3.7	24%
Sales - Subgroup Italy	**1,991.5**	61.9%	**1,995.6**	**65.6%**	**(4.1)**	**0%**
Product sales	1,224.0	38.0%	1,045.7	34.4%	178.3	17%
Services sales	1.7	0.1%	1.0	0.0%	0.7	70%
Sales - Subgroup Spain	**1,225.7**	38.1%	**1,046.7**	**34.4%**	**179.0**	**17%**
Group sales	**3,217.2**	100.0%	**3,042.3**	**100.0%**	**174.9**	**6%**

Sales by geographical segment

(euro/million)	2017	%	2016	%	Var.	% Var.
Italy	1,973.3	61.3%	1,962.9	64.5%	10.4	0.5%
Spain	1,193.0	37.1%	1,016.5	33.4%	176.5	17.4%
Other EU countries	45.2	1.4%	40.0	1.3%	5.2	13.0%
Extra EU countries	5.7	0.2%	22.9	0.8%	(17.2)	-75.1%
Group sales	**3,217.2**	**100.0%**	**3,042.3**	**100.0%**	**174.9**	**5.7%**

Sales in other EU countries mainly refer (29.0 million euro) to sales made by the Portuguese subsidiary to local customers. The remaining portion mainly refer to sales to customers resident in Germany, Malta and Greece.

Sales in non-EU countries refer mainly to sales to customers resident in San Marino, Switzerland and Andorra.

35) Gross profit

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	3,217,172	100.00%	3,042,330	100.00%	174,842	*6%*
Cost of sales	3,049,409	94.79%	2,878,435	94.61%	170,974	*6%*
Gross profit	**167,763**	**5.21%**	**163,895**	**5.39%**	**3,868**	***2%***

The consolidated gross profit totalled 167.8 million euro, up by +2% (+3.9 million euro) compared with 2016 as a consequence of higher sales only partially offset by a decrease in the gross profit margin. As is prevalent in the sectors where the Group operates, the cost of sales is adjusted downwards to take into account the premiums/rebates for the achievement of targets, development and co-marketing provisions, cash discounts (so-called 'prompt payment discounts') and other incentives. It is further reduced by the credit notes issued by vendors in relation to protection agreed for the value of stock.

Gross profit is affected by the difference between the amount of trade receivables sold without-recourse to factoring companies within the usual revolving programmes and the amounts collected.

50) Other income

(euro/000)	2017	%	2016	%	% Var.
Sales	3,217,172		3,042,330		*6%*
Other income	-	0.00%	2,838	0.09%	

Other income, recorded only in 2016, amounted to 2.8 million euro and referred entirely to the gain realized by the newly established company EDSlan S.r.l. from the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC – unified communication sectors, from the former EDSlan S.p.A..

37-38) Operating costs

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**3,217,172**		**3,042,330**		174,842	***6%***
Sales and marketing costs	53,800	1.67%	49,871	1.64%	3,929	*8%*
Overheads and administrative costs	79,616	2.47%	78,296	2.57%	1,320	*2%*
Operating costs	**133,416**	**4.15%**	**128,167**	**4.21%**	**5,249**	***4%***
- of which non recurring	1,839	0.06%	4,754	0.16%	(2,915)	*-61%*
'Recurring' operating costs	**131,577**	**4.09%**	**123,413**	**4.06%**	**8,164**	***7%***

In 2017 operating costs, amounting to 133.4 million euro, increased by 5.2 million euro compared with the same period of 2016.
The increase in absolute value follows the Group enlargement as a consequence of business combinations occurred during 2016.

The following table shows a detailed breakdown of consolidated operating costs and their performance:

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Sales & marketing personnel costs	43,155	*1.34%*	40,231	*1.32%*	2,924	*7%*
Other sales & marketing costs	10,645	*0.33%*	9,640	*0.32%*	1,005	*10%*
Sales & marketing costs	**53,800**	***1.67%***	**49,871**	***1.64%***	**3,929**	***8%***
Administr., IT, HR and general service personnel costs	26,608	*0.83%*	25,287	*0.83%*	1,321	*5%*
Directors' compensation	4,423	*0.14%*	5,523	*0.18%*	(1,100)	*-20%*
Consulting services	5,189	*0.16%*	6,487	*0.21%*	(1,298)	*-20%*
Logistics services	18,815	*0.58%*	17,854	*0.59%*	961	*5%*
Amortisation, depreciation and provisions	6,156	*0.19%*	4,424	*0.15%*	1,732	*39%*
Other overheads and administrative costs	18,425	*0.57%*	18,721	*0.62%*	(296)	*-2%*
Overheads and administrative costs	**79,616**	***2.47%***	**78,296**	***2.57%***	**1,320**	***2%***
Totale SG&A	**133,416**	***4.15%***	**128,167**	***4.21%***	**5,249**	***4%***

Sales and marketing costs mainly include the following:

- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry shops.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP area, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of property, plant and equipment, goodwill write-downs, amortisation of intangible fixed assets (excluding assets relating to logistic equipment and plants allocated by function to sales costs) and also provisions for risks and write-downs;
- overheads and administrative costs, including leasing of premises, utilities, bank charges and fees, insurance, data connection and telephone costs.

Reclassification by nature of some categories of costs

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

Group personnel cost

(euro/000)	2017	%	2016	%	Var.	*% Var.*
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Wages and salaries	42,292	1.31%	39,643	1.30%	2,649	*7%*
Social contributions	12,550	0.39%	11,586	0.38%	964	*8%*
Pension obligations	2,293	0.07%	2,182	0.07%	111	*5%*
Other personnel costs	998	0.03%	991	0.03%	7	*1%*
Employee termination incentives	1,999	0.06%	1,079	0.04%	920	*85%*
Share incentive plans	371	0.01%	477	0.02%	(106)	*-22%*
Total labour costs (1)	**60,503**	**1.88%**	**55,958**	**1.84%**	**4,545**	***8%***

(1) Cost of temporary workers excluded.

In 2017, labour costs amounted to 60.5 million euro, up by +8% (+4.5 million euro) compared with the previous year, with a growth in the average headcount (+10%) as shown in the table which summarises the Group's number of employees, together with a breakdown by qualification as detailed under the section 'Human resources' in the 'Directors' report on operation'.

Share incentive plans

On 30 June 2015, free stock grants were allotted under the Long Term Incentive Plan approved by the Shareholders' Meeting of 30 April 2015.
Esprinet S.p.A. owned only 31.400 of the ordinary shares underlying the above-mentioned Plan, with a face value of 0.15 euro each. Therefore during 2015 it acquired the remaining amount relating to the 646,889 rights granted.
This plan was booked at the 'fair value' as at the grant date by adopting the Black-Scholes method, taking into account the expected volatility, the expected dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at that date.

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

	Plan 2015-2017
Allocation date	30/06/15
Vesting date	30/04/18
Expiry date	30/06/18
Total number of stock grant	1,150,000
Total number of stock grant allocated	646,889
Total number of stock grant allowed	535,134 (1)
Unit fair value (euro)	6.84
Total fair value (euro)	3,660,317
Risk free interest rate (BTP 3 years)	0.7% (2)
Implied volatility (260 days)	40.9% (2)
Duration (years)	3
Spot price (3)	7.20
"Dividend yield"	1.7%

(1) Decrease due to employment termination of some beneficiaries and to the estimated partial achievement of performance targets.
(2) Source: Bloomberg, 29 June 2015
(3) Official price of Esprinet S.p.A. shares at grant date.

Costs in the 2017 income statement relating to the above-mentioned plans with a contra entry in the 'Reserve' item in the statement of financial position, totalled 371 thousand euro with reference to employees (477 thousand euro in 2016) and 655 thousand euro with reference to directors (926 thousand euro in 2016).

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	2017	%	2016	%		% Var.
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Depreciation of tangible assets	4,075	0.13%	3,419	0.11%	656	*19%*
Amortisation of intangible assets	679	0.02%	531	0.02%	148	*28%*
Amort . & depreciation	**4,754**	**0.15%**	**3,950**	**0.13%**	**804**	***20%***
Write-downs of fixed assets	-	0.00%	4	0.00%	(4)	-100%
Amort. & depr., write-downs (A)	**4,754**	**0.15%**	**3,954**	**0.13%**	**800**	***20%***
Accruals for risks and charges (B)	374	0.01%	601	0.02%	(227)	*-38%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**5,128**	**0.16%**	**4,555**	**0.15%**	**573**	***13%***

(euro/000)	2017	2016	Var.
Depreciation of tangible assets increasing the accumulated deprec.	4,075	3,419	656
Other recharges	-	-	-
Depreciation of tangible assets	**4,075**	**3,419**	**656**
Amortisation of intangible assets increasing the accumulated deprec.	679	531	148
Other recharges	-	-	-
Amortisation of intangible assets	**679**	**531**	**148**

Both depreciations and amortisations of assets contains the adjustments showed in the second table, useful in marching the values to the corresponding tables of asset movements.

Costs relating to operating leasing and future payments pertaining to leasing rentals and operating leasing are detailed in the tables below:

(euro/000)	2017	%	2016	%	Var.	*% Var.*
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Lease of buildings	10,795	0.34%	8,982	0.30%	1,813	*20%*
Lease of cars	2,029	0.06%	1,665	0.05%	364	*22%*
Lease of equipment	649	0.02%	632	0.02%	17	*3%*
Lease of data connection lines	210	0.01%	213	0.01%	(3)	*-1%*
Cost Housing CED	190	0.01%	183	0.01%	7	*4%*
Leasing operating costs	**13,873**	**0.43%**	**11,675**	**0.38%**	**2,198**	***19%***

(euro/000)	2018	2019	2020	2021	2022	Over	Total
Lease of buildings	9,584	10,365	10,218	9,838	6,472	18,899	65,376
Lease of cars	1,582	1,306	751	293	38	-	3,970
Lease of equipment	440	278	239	233	216	144	1,550
Lease of data connection lines	205	193	181	182	80	-	841
Cost Housing CED	187	187	187	186	75	-	822
Leasing operating costs	**11,998**	**12,329**	**11,576**	**10,732**	**6,881**	**19,043**	**72,559**

42) Finance costs – net

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Interest expenses on borrowings	3,392	0.11%	2,308	0.08%	1,084	*47%*
Interest expenses to banks	322	0.01%	608	0.02%	(286)	*-47%*
Other interest expenses	16	0.00%	16	0.00%	-	*0%*
Upfront fees amortisation	669	0.02%	478	0.02%	191	*40%*
Financial charges for actualization	1	0.00%	83	0.00%	(82)	*-99%*
IAS 19 expenses/losses	63	0.00%	85	0.00%	(22)	*-26%*
Charges on payables for business combinations	34	0.00%	4	0.00%	30	*>100%*
Derivatives ineffectiveness	167	0.01%	3	0.00%	164	*>100%*
Total financial expenses (A)	**4,664**	**0.14%**	**3,586**	**0.12%**	**1,078**	***30%***
Interest income from banks	(82)	0.00%	(154)	-0.01%	72	*-47%*
Interest income from others	(692)	-0.02%	(121)	0.00%	(571)	*>100%*
Income from payables for business combinations	(2,631)	-0.08%	(1,281)	-0.04%	(1,350)	*>100%*
Derivatives ineffectiveness	20	0.00%	-	0.00%	20	*-100%*
Total financial income(B)	**(3,385)**	**-0.11%**	**(1,556)**	**-0.05%**	**(1,829)**	***>100%***
Net financial exp. (C=A+B)	**1,279**	**0.04%**	**2,029**	**0.07%**	**(750)**	***-37%***
Foreign exchange gains	(1,775)	-0.06%	(1,140)	-0.04%	(635)	*56%*
Foreign exchange losses	1,245	0.04%	1,957	0.06%	(712)	*-36%*
Net foreign exch. (profit)/losses (D)	**(530)**	**-0.02%**	**817**	**0.03%**	**(1,347)**	***<-100%***
Net financial (income)/costs (E=C+D)	**749**	**0.02%**	**2,846**	**0.09%**	**(2,097)**	***-74%***

The negative balance of 0.8 million euro between financial income and expenses shows an improvement equal to 2.0 million euro compared with the same period of previous year.

In particular, i) higher net interest payable to banks of 0.7 million euro and ii) higher derivatives charges and upfront fees amortisation for 0.4 million euro are recorded.
This negative effect is more than offset i) by higher income for 1.3 million euro due to a downward adjustment in the estimated contract consideration to be paid for the acquisition of the residual 20% of the subsidiary Celly S.p.A., ii) by interest receivable for 0.6 million euro booked as a consequence of the positive conclusion of a dispute against an credit insurance company and iii) by the positive value (1.4 million euro) from the foreign exchange management mainly due to the positive trend in the euro-dollar fluctuation.

The higher cost of indebtedness is due to the increase in the average debt levels to banks, while the average mix of financing sources, having a considerably longer average duration compared with the previous year, shows more favourable interest rate conditions.

The increase in the average level of indebtedness is mainly due to the extraordinary transactions finalised in the second half of the year and to the relevant higher financing needs.

45) Income tax expenses

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**3,217,172**		**3,042,330**		**174,842**	***6%***
Current income taxes	6,797	0.21%	5,892	0.19%	905	***15%***
Deferred income taxes	558	0.02%	2,958	0.10%	(2,400)	***-81%***
Taxes	**7,355**	**0.23%**	**8,850**	**0.29%**	**(1,495)**	***-17%***

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	31/12/2017			31/12/2016		
	Group	Subgroup Italy	Subgroup Iberica	Group	Subgroup Italy	Subgroup Iberica
Profit before income taxes [A]	**33,634**	**19,319**	**14,315**	**35,720**	**24,642**	**11,241**
Operating profit (EBIT)	**34,347**	**18,810**	**15,537**	**38,566**	**25,740**	**12,826**
(+) bad debt provision	1,276	1,276	-	1,058	1,058	-
(+) provision for risks and charges	218	218	-	486	486	-
Taxable am out for IRAP [B]	**35,841**	**20,304**	**-**	**40,110**	**27,284**	**-**
Theoretical taxation IRES Subgroup Italy (= A*24%)	4,637	4,637	-	-	-	-
Theoretical taxation IRES Subgroup Italy (= A*27.5%)	-	-	-	6,732	6,777	-
Theoretical taxation IRAP Subgroup Italy (= B*3.9%)	792	792	-	1,064	1,064	-
Theoretical taxation on Subgroup Spain's income (=A*25.0%-21.0%)	3,580	-	3,580	2,828	-	2,828
Total theoretical taxation [C]	**9,009**	**5,428**	**3,580**	**10,623**	**7,841**	**2,828**
Theoretical tax rate [C/A]	***26.8%***	***28.1%***	***25.0%***	***29.7%***	***31.8%***	***25.2%***
(-) Tax on income from business combinations	-	-	-	(780)	(780)	-
(-) Tax relief - ACE (aiuto alla crescita economica)	(407)	(407)	-	(1,181)	(1,181)	-
Other permanent differenced	(1,247)	(599)	(648)	188	148	46
Total effective taxation [D]	**7,355**	**4,422**	**2,932**	**8,850**	**6,027**	**2,874**
Effective tax rate [D/A]	***21.9%***	***22.9%***	***20.5%***	***24.8%***	***24.5%***	***25.6%***

46) Net income and earnings per share

(euro/000)	2017	2016	Var.	% Var.
Net income	**26,279**	**24,032**	**2,247**	***9%***
Weighed average no. of shares in circulation: basic	51,757,451	51,757,451		
Weighed average no. of shares in circulation: diluted	52,208,479	52,060,893		
Earnings per share in euro: basic	**0.51**	**0.52**	**(0.01)**	***-2%***
Earnings per share in euro: diluted	**0.50**	**0.51**	**(0.01)**	***-2%***

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

The potential shares involved in the stock grant plan approved on 30 April 2015 by the Esprinet S.p.A. Shareholders' meeting were included in the calculation of the 'diluted' profit per share. The plan provided for the allotment of 646,889 shares but, based on the estimated results for the period 2015-17 and the employment termination of some beneficiaries, the number of shares was reduced to 535,134.

8. Other significant information

8.1 Emoluments paid to the board members, statutory auditors and key managers

(euro/000)	Office	Term of office	Emoluments of office (1)	Bonuses and other benefits (2)	Non monetary benefits (3)	Other emoluments (4)	Total
Board of directors							
Francesco Monti	Chairman	2015/17	450	3	3	-	456
Maurizio Rota	Deputy Chairman and CEO	2015/17	450	5	4	-	459
Alessandro Cattani	CEO	2015/17	450	5	4	-	459
Valerio Casari	Director	2015/17	341	4	4	-	349
Marco Monti	Director	2015/17	30	-	-	18	48
Matteo Stefanelli	Director	2015/17	30	-	-	41	71
Tommaso Stefanelli	Director	2015/17	30	-	-	41	71
Mario Massari	Director (5)	2015/17	30	-	-	47	77
Chiara Mauri	Director (5)	2015/17	30	-	-	36	66
Cristina Galbusera	Director (5)	2015/17	30	-	-	36	66
Emanuela Prandelli	Director (5)	2015/17	30	-	-	-	30
Ariela Caglio	Director (5)/(6)	2017	20	-	-	-	20
Andrea Cavaliere	Director (7)	2015/16	5	-	-	-	5
			1.926	17	16	220	2.178
Board of Statutory Auditors							
Giorgio Razzoli	Chairman	2015/17	45	-	-	-	45
Patrizia Paleologo Oriundi	Standing Statutory Auditor	2015/17	40	-	-	-	40
Bettina Solimando	Standing Statutory Auditor	2015/17	40	-	-	-	40
			125	-	-	-	125
(I) Payments in company preparing financial statements			2.051	17	16	220	2.303
(II) Payments from subsidiaries and affiliates			-	-	-	-	-
(III) Total			2.051	17	16	220	2.303

(1) Solely in the case of the director Casari (CFO), the item also includes Remuneration from subordinate employment.
(2) Conditional upon achievement of targets linked to the consolidated economic and financial results of the Group. They consist of the bonus accruing in the year and from preceding years which are payable.
(3) Company car fringe benefit.
(4) Solely in the case of directors, this item includes payments for membership of Committees.
(5) Independent Director.
(6) From 4 May 2017 substituting Mr. Andrea Cavaliere
(7) Resigned on 20 February 2017

The tables below detail non-equity variable compensation for members of the Board and other key management personnel (in thousands of euro):

Beneficiares	Bonus of the year			Bonus from previous year		
	Due for payment / Paid	Deferred	Period	No longer eligible for payment	Payable/ Paid	Still deferred
Francesco Monti	-	-	2017	-	3	-
Maurizio Rota	-	-	2017	-	5	-
Alessandro Cattani	-	-	2017	-	5	-
Valerio Casari [1]	-	-	2017	-	4	-
Total	-	-		-	17	-

[1] Director

In the above reported tables, information is provided regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and 'Key Managers', payable to them in respect of the positions held by them in the latter company and in other Group companies during the year.
As defined by accounting standard IAS 24 and quoted by Consob Resolution 17221 of 12 March 2010, 'key managers are those persons having authority and responsibility for planning, directing and controlling the activities of the entity preparing the financial statements, including any director (whether executive or otherwise) of that entity'.

The aforementioned compensation includes all paid or payable emolument items (gross of tax and social contribution withholdings), benefits in kind and compensation received as directors or statutory auditors for Group companies.

The table below illustrates the Incentive Plan based on financial instruments other than stock options, for members of the Board of Directors and other key managers.

Beneficiares	Options held at 1° January 2017		Options held in 2017	Options assigned (taken up) in 2017	Options held at 31 December 2017		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Average strike price	Average due date
Maurizio Rota	131,578	free	-	-	131,578		from 30/06/2015 to 04/05/2018
Alessandro Cattani	131,578	free	-	-	131,578		
Valerio Casari [1]	120,614	free	-	-	120,614		

[1] Director

8.2 Relationships with related entities

The tables below summarise the balances of the statement of financial position and of the separate income statement deriving from transactions with related parties (as defined by IAS 24) except for relationships with directors and key management personnel as these are shown in the previous section.
Transactions between the Esprinet S.p.A. parent company and the subsidiaries included in the consolidation scope have been de-recognized in the consolidated financial statements and therefore do not appear in this section.

Relationships with 'other related parties'

The following table details operations occurred between Group companies and: - companies where Esprinet S.p.A. directors and shareholders play important roles; - key managers and their close family.

Sales relate to consumer electronics products sold under normal market conditions.
Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.
The total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

(euro/000)		2017				2016			
	Type	Sales	Cost	Receiv.	Payab.	Sales	Cost	Receiv.	Payab.
Sales									
Infoklix S.p.A.	Sales of goods	-	-	2	-	-	-	2	-
Key managers e familiari	Sales of goods	16	-	9	-	15	-	7	-
Subtotal		**16**	**-**	**11**	**-**	**15**	**-**	**9**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	1.467	2	449	-	1.455	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	3.380	8	1.038	-	2.296	-	12
Immobiliare Selene S.r.l.	Overheads	-	7	-	-	-	7	-	-
M.B. Immobiliare S.r.l.	Overheads	-	28	-	19	-	24	-	-
Immobiliare Selene S.r.l.	Guarantee deposits	-	-	717	4	-	-	717	-
M.B. Immobiliare S.r.l.	Depositi cauzionali	-	-	833	-	-	-	567	-
Subtotal		**-**	**4.882**	**1.560**	**1.510**	**-**	**3.782**	**1.284**	**12**
Finance costs - net									
Immobiliare Selene S.r.l.	Interests on guar. deposits	1	-	1	-	1	-	1	-
M.B. Immobiliare S.r.l.	Interests on guar. deposits	1	-	2	-	1	-	1	-
Subtotal		**2**	**-**	**3**	**-**	**2**	**-**	**2**	**-**
Total		**18**	**4.882**	**1.574**	**1.510**	**17**	**3.782**	**1.295**	**12**

As shown in the previous table, however, the total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

Relationships with associated companies

The relationships with the associated company are shown in the table below:

(euro/000)		2017				2016			
	Type	Sales	Cost	Receiv.	Payab.	Sales	Cost	Receiv.	Payab
Sales									
Assocloud S.rl.	Lease fees	-	-	-	-	-	21	-	-
Ascendeo SAS	Services costs	-	-	-	-	-	6	-	5
Total		**-**	**-**	**-**	**-**	**-**	**27**	**-**	**5**

No relationships with associated companies are recorded as at 31 December 2017, following disposal of the investment in Ascendeo SAS by the subsidiary Celly S.p.A. on 2 August 2017, as better detailed in the section 'Significant events occurring in the period' under 'Directors' report on operations'.

8.3 Cash flow analysis

As highlighted in the table below and illustrated in the consolidated statement of cash flows, as at 31 December 2017 the Esprinet Group posted a 123.1 million euro cash surplus, versus a 105.4 million euro cash surplus as at 31 December 2016.

(euro/000)	2017	2016
Net financial debt at start of the year	**(105,424)**	**(185,913)**
Cash flow provided by (used in) operating activities	25,994	34,413
Cash flow provided by (used in) investing activities	(2,263)	(105,981)
Cash flow provided by (used in) changes in net equity	(7,153)	(7,620)
Total cash flow	**16,578**	**(79,188)**
Unpaid interests	1,056	(1,301)
Net financial position at end of year	**(123,058)**	**(105,424)**
Short-term financial liabilities	155,960	151,885
Customers financial receivables	(510)	(5,596)
Current financial (assets)/liabilities for derivatives	663	483
Financial receivables from factoring companies	(1,534)	(1,492)
Current Debts for investments in subsidiaries	1,333	3,959
Cash and cash equivalents	(296,969)	(285,933)
Net current financial debt	**(141,057)**	**(136,694)**
Borrowings	19,927	28,833
Non current Debts for investments in subsidiaries	(22)	4,701
Non-current financial (assets)/liab. for derivatives	(36)	28
Customers financial receivables	(1,870)	(2,292)
Net financial debt at start of the year	**(123,058)**	**(105,424)**

8.4 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, net financial indebtedness (or 'net financial position') is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: 'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004' and referred to by Consob itself.

With reference to the same table, it should be underlined that net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial debt'.

(euro/000)	31/12/2017	31/12/2016
A. Bank deposits and cash on hand	296,965	285,923
B. Cheques	4	10
C. Trading securities	-	-
D. Liquidity (A+B+C)	296,969	285,933
Financial assets for derivatives	-	-
Customer financial receivables	*510*	*5,596*
Financial receivables from factoring companies	*1,534*	*1,492*
E. Current financial receivables	2,044	7,088
F. Current bank debt	3,241	63,438
G. Current portion of non current debt	138,768	78,414
H. Other current financial debt and financial liability for derivatives	14,614	10,516
I. Current financial debt (F+G+H)	156,623	152,368
J. Net current financial indebtedness (I-E-D)	**(142,390)**	**(140,653)**
K. Non-current bank loans	19,927	28,833
L. Other financial receivables	(1,870)	(2,292)
M. Other financial debt & non-current financial liabilities for derivatives	1,275	3,969
N. Non-current financial indebtedness (K+L+M)	**19,332**	**30,510**
O. Net financial indebtedness (J+N)	**(123,058)**	**(110,143)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	155,960	151,885
Current debts for investments in subsidiaries	-	4,719
Current financial (assets)/liabilities for derivatives	663	483
Other financial receivables	(510)	(5,596)
Financial receivables from factoring companies	(1,534)	(1,492)
Cash and cash equivalents	(296,969)	(285,933)
Net current financial debt	**(142,390)**	**(135,934)**
Non-current financial (assets)/liabilities for derivatives	(36)	28
Customers financial receivables	(1,870)	(2,292)
Non - current debts for investments in subsidiaries	1,311	3,941
Borrowings	19,927	28,833
Net financial debt	**(123,058)**	**(105,424)**

The Group's net financial position, positive in the amount of 123.1 million euro, corresponds to a net balance of gross financial debts of 175.9 million euro, financial receivables equal to 3.9 million euro, debts for investments in subsidiaries equal to 1.3 million euro, cash and cash equivalents equal to 297.0 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 without-recourse sale of receivables revolving programme focusing on selected customer segments, specially in GDO, continued during 2017 in both Italy and Spain in the framework of working capital management policies. In addition, in July 2015 a securitization programme of other trade receivables was started in Italy. 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 IAS 39. The overall effect on the levels of financial debt as at 31 December 2017 is approx. 424 million euro (approx. 400 million euro as at 31 December 2016).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year for each lender, regarding 'Subgroup Italy' and 'Subgroup Iberica', are illustrated below. It should be noted that the amounts may differ from the book value of the loan principal since they represent the amortised cost calculated on the basis of the real interest rate.

(euro/000)	31/12/2017			31/12/2016			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Pool loan 2017 (ag. Banca IMI)	129,469	-	129,469	-	-	-	129,469	-	129,469
Carige	2,437	7,548	9,985	-	-	-	2,437	7,548	9,985
BCC Carate	1,220	8,770	9,990	-	-	-	1,220	8,770	9,990
Intesa Sanpaolo (GdF loan)	406	1,845	2,251	386	2,252	2,638	20	(407)	(387)
Intesa Sanpaolo	256	-	256	1,252	3,256	4,508	(996)	(3,256)	(4,252)
BPM	85	-	85	337	85	422	(252)	(85)	(337)
Unicredit	256	-	256	10,252	256	10,508	(9,996)	(256)	(10,252)
Pool loan 2014 (ag. Banca IMI)	-	-	-	48,539	-	48,539	(48,539)	-	(48,539)
Total Subgroup Italy	**134,129**	**18,163**	**152,292**	**60,766**	**5,849**	**66,615**	**73,363**	**12,314**	**85,677**
Banco Santander	3,500	-	3,500	5,996	7,295	13,291	(2,496)	(7,295)	(9,791)
Banco Sabadell	1,736	1,764	3,500	3,275	5,250	8,525	(1,539)	(3,486)	(5,025)
La Caixa	-	-	-	4,580	2,248	6,828	(4,580)	(2,248)	(6,828)
Banco Popular	-	-	-	1,066	2,922	3,988	(1,066)	(2,922)	(3,988)
Targobank	-	-	-	984	2,014	2,998	(984)	(2,014)	(2,998)
Kutxabank	-	-	-	1,498	750	2,248	(1,498)	(750)	(2,248)
Bankinter	-	-	-	-	2,000	2,000	-	(2,000)	(2,000)
Deutsche Bank	-	-	-	249	505	754	(249)	(505)	(754)
Total Subgroup Iberica	**5,236**	**1,764**	**7,000**	**17,648**	**22,984**	**40,632**	**(12,412)**	**(21,220)**	**(33,632)**
Total Group	**139,365**	**19,927**	**159,292**	**78,414**	**28,833**	**107,247**	**60,951**	**(8,906)**	**52,045**

8.5 Loans and loan covenants

The book value of principals of the loans granted to the Group is as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by February 2022	130,500	-	130,500
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 9 yearly instalments by January 2022	2,292	2,696	(404)
Unsecured loan (agent: Carige) to Esprinet S.p.A. repayable in 1 six-monthly instalments by December 2021	10,000	-	10,000
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in 1 six-monthly instalments by March 2022	10,000	-	10,000
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	-	48,750	(48,750)
Unsecured loan (agent: Unicredit) to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	-	10,000	(10,000)
Unsecured loan (agent: Intesa Sanpaolo) to Celly S.p.A repayable in 1 six-monthly instalments by October 2020	-	4,000	(4,000)
Unsecured pool loan (agent: BPM) to EDSlan S.r.l repayable in quarterly instalments by March 2018	85	422	(337)
Unsecured pool loan (agent: Unicredit) to EDSlan S.r.l repayable in monthly instalments by December 2018	256	508	(252)
Unsecured pool loan (agent: Intesa) to EDSlan S.r.l repayable in monthly instalments by December 2018	256	508	(252)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2017	-	2,500	(2,500)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	2,500	5,000	(2,500)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2018	1,000	2,000	(1,000)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2019	-	3,800	(3,800)
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by August 2017	-	1,525	(1,525)
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	-	3,500	(3,500)
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by December 2019	3,500	3,500	-
Unsecured pool loan (agent: La Caixa) to Vinzeo S.A.U. repayable in yearly instalments by June 2017	-	2,333	(2,333)
Unsecured pool loan (agent: La Caixa) to Vinzeo S.A.U. repayable in yearly instalments by June 2018	-	4,500	(4,500)
Unsecured pool loan (agent: Banco Popular) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	-	4,000	(4,000)
Unsecured pool loan (agent: Targobank) to Vinzeo S.A.U. repayable in six monthly instalments by October 2019	-	3,000	(3,000)
Unsecured pool loan (agent: Kutxabank) to Vinzeo S.A.U. repayable in six-monthly instalments by January 2018	-	2,250	(2,250)
Unsecured pool loan (agent: Bankinter) to Vinzeo S.A.U repayable in six-monthly instalments by December 2019	-	2,000	(2,000)
Unsecured pool loan (agent: Deutche Bank) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	-	755	(755)
Total book value of	**160,389**	**107,547**	**52,842**

The weighted average rate used during 2017 on the above loans was approx. 1.7% (approx. 2.1% in 2016).

The loan agreement with a book value of loan principal amounting to 130.5 million euro is a Term Loan Facility entered into by Esprinet S.p.A. with a pool of banks, received in February 2017 and maturing within February 2022. Such loan is subject to the compliance of 4 covenants, any breach of which allows the issuing institutes to demand immediate reimbursement. These covenants, which are subject to six-monthly checks against the audited consolidated financial statements starting from the financial statements as at 31 December 2017, are as follows:

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

where 'extended net financial indebtedness' is the net financial indebtedness as measured in the previous section entitled 'Net financial indebtedness' gross of financial receivables and of the impact of prepayments received from factoring companies as part of without recourse sales of receivables programmes or securitisations.

A Revolving Facility, entered into on the same date and having the same maturity as the Term Loan Facility and the maximum principal equal to 65 million euro, undrawn as at the date of these financial statements, is also subject to the same covenants. The purpose of the Revolving Facility and the Term Loan Facility is to re-finance the existing outstanding indebtedness and to further consolidate financial structure by lengthening the average maturity of the financial debt.

At 31 December 2017 according to management estimates (to be checked against the consolidated and audited financial statements), one covenant was not met. Accordingly, the loans were entirely classified under the 'current liabilities' following IFRSs standards.
With respect to the above, the Group already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment. In addition, it should be highlighted that on 28 February 2018 the Group repaid 14.5 million euro in principal as per the amortisation plan of the amortising facility, thus reducing the liability to 116.0 million euro.

The subsidiary Vinzeo Technologies S.A.U. has two more medium/long-term loans, with a residual principal amounting to 3.5 million euro at 31 December 2017, subject to a financial covenant. This covenant, which is subject to checks against the audited annual consolidated financial statements, and that according to management estimates is largely met as at 31 December 2017, is represented by the ration of net financial position to EBITDA with respect to the loan granted by Kutxabank only.

Loan agreements also contain the usual 'negative pledge', 'pari passu' and similar clauses none of which had been breached at the time this report was drafted.

8.6 Lines of credit

Against the uses described in the previous paragraphs, the Esprinet Group had a total 1.391 million euro (1.353 million in cash) at its disposal in bank credit lines as at 31 December 2017, subdivided as follows:

(euro/000)	Group	Subgroup Italy	Subgroup Iberica
Credit unblocking / import financing / credit lines	329.690	241.290	88.400
Finanziamenti a medio-lungo termine	158.097	151.097	7.000
Endorsement credit	28.358	28.358	-
Factoring (trasferor) [1]	797.991	440.050	357.941
Bank overdrafts	2.162	1.812	350
Credit cards	687	600	87
Derivatives / forward currency transactions	8.701	8.685	16
Line revolving	65.000	65.000	-
Total	**1.390.686**	**936.892**	**453.794**

(1) Includes both with-recourse and without-recourse maximums.

The financial situation as at 31 December 2017, excluding the maximums granted by the banks for a without-recourse factoring scheme with a revolving credit facility and endorsement loans, shows that a total 27% (29% in the previous year) of credit lines was used, as can be seen in the table below:

(euro/000)	Uses %	Uses Gross	Credit lines
Credit unblocking / import financing / credit lines	0%	-	329.390
Medium/long-term borrowings	100%	158.097	158.097
Line revolving	0%	-	65.000
Bank overdrafts	16%	350	2.162
Factoring (trasferor) - with recourse	3%	969	28.300
Total Group	**27%**	**159.416**	**582.949**

Maintaining short-term credit lines with contained usage rates and high flexibility of usage is the main liquidity risk management method used by the Group.

8.7 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2017 and 2016:

	2017			2016		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	23.2%	24.9%	20.5%	20.2%	23.2%	14.6%
Sales Q2	21.5%	22.0%	20.8%	20.7%	23.4%	15.7%
Sales H1	**44.7%**	**46.8%**	**41.3%**	**40.9%**	**46.6%**	**30.3%**
Sales Q3	21.5%	20.9%	22.5%	22.4%	20.0%	27.0%
Sales Q4	33.9%	32.3%	36.2%	36.7%	33.4%	42.7%
Sales H2	**55.3%**	**53.2%**	**58.7%**	**59.1%**	**53.4%**	**69.7%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

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

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

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

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

8.8 Non-recurring significant events and operations

During 2017, non-recurring costs were recognised for restructuring activities and for resources rationalisation. The above-mentioned activities involved 89 employees with a total amount of indemnities equal to 1.8 million euro.

During 2016 the following non-recurring items were identified:

- 2.8 million gain arising from the asset deal relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors by the newly established company, EDSlan S.r.l., from the pre-existing company EDSlan S.p.A.;
- miscellaneous costs amounting to 2.8 million euro for consultancy, commissions and registration fees relating to business combinations in both Italy (EDSlan S.r.l.) and in Spain (Vinzeo Technologies S.A.U., acquired on 1 July 2016);
- expenses incurred in Italy relating to the enlargement of the logistic hub in Cavenago and to the new warehouse setting-up in Zaragoza - Spain, totalling 1.0 million euro.

The following table shows the impact of the above events and transactions on the income statement (including the related tax effects):

(euro/000)	Charge type	2017	2016	Var.
Other income	Income from business combination	-	2,838	(2,838)
		-	**2,838**	**(2,838)**
Overheads and administrative costs	Transaction costs from business combination	-	(2,824)	2,824
	Extension warehouse costs	-	(1,120)	1,120
	Employee termination incentives	(1,839)	(810)	(1,029)
Total SG&A		**(1,839)**	**(4,754)**	**2,915**
Operating Income (EBIT)		**(1,839)**	**(1,916)**	**77**
Profit before income taxes		**(1,839)**	**(1,916)**	**77**
Income tax expenses	Non-recurring events	478	1,411	(933)
Net income/(loss)		**(1,361)**	**(505)**	**(856)**
Of which attributable to non-controlling interests		-	-	-
Of which attributable to Group		**(1,361)**	**(505)**	**(856)**

8.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the statement of financial position item 'Non-current provisions and other liabilities' in the 'Notes to the consolidated financial statements'.
Similarly, the 'Directors' Report on Operations' also contains the Group's policies regarding the management of legal and tax-related disputes under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.'.

8.10 Derivatives analysis

Disclosures regarding operations relating to derivative instruments can be found under the chapter 'Disclosures on risks and financial instruments'.

8.11 Compensation for Group auditing services

The following table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during the 2017 financial year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

Description	Provider of serivice	Fees (euro/000)	
		2017	2016
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	EY (1)	337.1	335.7
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	EY (1)	48.2	35.3
Quarterly examination of accounts of one single company or group of companies during the year	EY (1)	55.3	42.9
Subtotal		**440.6**	**413.9**
Other services:			
Services other then auditing	EY	67.8	51.7
Subtotal		**67.8**	**51.7**
Total		**508.4**	**465.6**

(1) EY S.p.A. – Milan

9. Publication of the Draft Annual Report

The draft annual report and its publication were approved by the Esprinet Board of Directors during the meeting of 21 March 2018, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

As a consequence of the powers so granted, on 23 March the Draft Annual Report was updated in the information part, following the notification of a judgement that upheld the parent company's appeal relating to a tax litigation whose details are displayed in the section 'Development of disputes involving Esprinet S.p.A. and the Group' under 'Notes to the consolidated financial statements'.

Vimercate, 23 March 2018

Of behalf of the Board of Directors
The Chairman
Francesco Monti

Esprinet S.p.A. Separate Financial Statements 2017

CONTENTS of the Esprinet S.p.A. Financial Statements

[1] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Statement of financial position

The table below shows the Esprinet S.p.A. statement of financial position drawn up according to IFRS requirements[12]

(euro/000)	31/12/2017	related parties	31/12/2016	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	10,450		11,464	
Goodwill	10,626		10,626	
Intangible assets	913		1,252	
Investments in associates	-		-	
Investments in others	92,585		92,420	
Deferred income tax assets	2,134		1,975	
Derivative financial assets	377		377	
Receivables and other non-current assets	6,396	1,550	6,513	1,286
	123,481	**1,550**	**124,627**	**1,286**
Current assets				
Inventory	310,451		207,876	
Trade receivables	141,244	11	190,146	9
Income tax assets	2,891		4,543	
Other assets	215,361	193,015	216,952	194,372
Cash and cash equivalents	165,368		80,109	
	835,315	**193,026**	**699,626**	**194,381**
Non-current assets held for sale	-			
Total assets	**958,796**	**194,576**	**824,253**	**195,667**
EQUITY				
Share capital	7,861		7,861	
Reserves	287,208		280,645	
Net income for the period	10,610		12,738	
	305,679		**301,244**	
Total equity	**305,679**		**301,244**	
LIABILITIES				
Non-current liabilities				
Borrowings	18,163		2,252	
Derivative financial liabilities	-		-	
Deferred income tax liabilities	2,481		2,354	
Retirement benefit obligations	3,474		3,682	
Provisions and other liabilities	1,594		1,685	
	25,712		**9,973**	
Current liabilities				
Trade payables	465,112	-	381,221	-
Short-term financial liabilities	149,263		118,779	
Income tax liabilities	-		-	
Derivative financial liabilities	644		428	
Provisions and other liabilities	12,386	1,558	12,608	1,244
	627,405	**1,558**	**513,036**	**1,244**
Total liabilities	**653,117**	**1,558**	**523,009**	**1,244**
Total equity and liabilities	**958,796**	**1,558**	**824,253**	**1,244**

[12] Pursuant to CONSOB Resolution n.15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. statement of financial position items can be found in the statement of financial position in the next pages and commented on in the 'Notes to the Esprinet S.p.A. financial statements'.

Separate income statement

The Esprinet S.p.A. separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'[13]

(euro)	Note	2017	2016
Sales	33	**1,917,559,161**	**1,951,845,407**
Cost of sales		(1,819,846,389)	(1,848,573,683)
Gross profit	35	**97,712,772**	**103,271,724**
Sales and marketing costs	37	(30,181,258)	(30,203,753)
Overheads and administrative costs	38	(51,136,194)	(53,555,654)
Operating income (EBIT)		**16,395,320**	**19,512,317**
Finance costs - net	42	(1,879,980)	(1,909,383)
Other investments expenses/(incomes)		-	-
Profit before income taxes		**14,515,340**	**17,602,934**
Income tax expenses	45	(3,905,750)	(4,864,513)
Net income		**10,609,590**	**12,738,421**
- of which attributable to non-controlling interests		-	-
- of which attributable to Group		10,609,590	12,738,421

Statement of comprehensive income

(euro)	2017	2016
Net income	**10,609,590**	**12,738,421**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	(282,079)	(12,797)
- Taxes on changes in 'cash flow hedge' equity reserve	67,699	16,666
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	721	(135,927)
- Taxes on changes in 'TFR' equity reserve	(201)	29,651
Other comprehensive income	**(213,860)**	**(102,407)**
Total comprehensive income	**10,395,730**	**12,636,014**
- of which attributable to Group	10,395,730	12,636,014
- of which attributable to non-controlling interests	-	-

[13] Pursuant to the CONSOB Resolution n.15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. income statement items can be found in the separate income statement in the next pages and commented on in the 'Notes to the Esprinet S.p.A. financial statements'.

Statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity
Balance at 31 December 2015	**7,861**	**269,309**	**(5,145)**	**22,943**	**294,968**
Total comprehensive income/(loss)	**-**	**(102)**	**-**	**12,738**	**12,636**
Allocation of last year net income/(loss)	-	15,179	-	(15,179)	-
Dividend payment	-	-	-	(7,764)	**(7,764)**
Transactions with owners	-	15,179	-	**(22,943)**	**(7,764)**
Changes in 'stock grant' plan reserve	-	1,404	-	-	**1,404**
Balance at 31 December 2016	**7,861**	**285,790**	**(5,145)**	**12,738**	**301,244**
Total comprehensive income/(loss)	**-**	**(214)**	**-**	**10,610**	**10,396**
Allocation of last year net income/(loss)	-	5,751	-	(5,751)	-
Dividend payment	-	-	-	(6,987)	**(6,987)**
Transactions with owners	-	5,751	-	**(12,738)**	**(6,987)**
Changes in 'stock grant' plan reserve	-	1,026	-	-	**1,026**
Balance at 31 December 2017	**7,861**	**292,353**	**(5,145)**	**10,610**	**305,679**

Statement of cash flows[14]

(euro/000)	2017	2016
Cash flow provided by (used in) operating activities (D=A+B+C)	**55,146**	**(43,324)**
Cash flow generated from operations (A)	**20,177**	**23,645**
Operating income (EBIT)	16,396	19,512
Depreciation, amortisation and other fixed assets write-downs	3,163	2,709
Net changes in provisions for risks and charges	(91)	(60)
Net changes in retirement benefit obligations	(252)	172
Stock option/grant costs	961	1,312
Cash flow provided by (used in) changes in working capital (B)	**37,190**	**(60,049)**
Inventory	(102,575)	3,744
Trade receivables	48,902	(27,528)
Other current assets	9,270	(26,430)
Trade payables	84,021	(6,492)
Other current liabilities	(2,428)	(3,343)
Other cash flow provided by (used in) operating activities (C)	**(2,221)**	**(6,920)**
Interests paid, net	(746)	(434)
Foreign exchange (losses)/gains	191	(468)
Income taxes paid	(1,666)	(6,018)
Cash flow provided by (used in) investing activities (E)	**(2,347)**	**(11,429)**
Net investments in property, plant and equipment	(1,767)	(3,912)
Net investments in intangible assets	(43)	(945)
Changes in other non current assets and liabilities	(372)	151
EDSlanl establishment	-	(6,540)
Mosaico establishment	-	(100)
Nilox Deutschland establishment	(100)	-
Investment increase from 'stock grant' to subsidiaries	(65)	(92)
Investments in controlled subsidiaries	-	9
Cash flow provided by (used in) financing activities (F)	**32,460**	**(71,131)**
Medium/long term borrowing	165,000	-
Repayment/renegotiation of medium/long-term borrowings	(73,655)	(16,638)
Net change in financial liabilities	(46,360)	49,361
Borrowed due within 12 months granted	(6,000)	(96,500)
Net change in financial assets and derivative instruments	611	379
Dividend payments	(6,987)	(7,764)
Increase/(decrease) in 'cash flow edge' equity reserve	(214)	(61)
Increase in 'stock grant' plan reserve to subsidiaries	65	92
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**85,259**	**(125,884)**
Cash and cash equivalents at year-beginning	**80,109**	**205,993**
Net increase/(decrease) in cash and cash equivalents	**85,259**	**(125,884)**
Cash and cash equivalents at year-end	**165,368**	**80,109**

[14] Effects of relationships with related parties were omitted because deemed non-significant.

Statement of financial position (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	31/12/2017	related parties	31/12/2016	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	10,450		11,464	
Goodwill	10,626		10,626	
Intangible assets	913		1,252	
Investments in associates	-		-	
Investments in others	92,585		92,420	
Deferred income tax assets	2,134		1,975	
Derivative financial assets	377		377	
Receivables and other non-current assets	6,396	1,550	6,513	1,286
	123,481	**1,550**	**124,627**	**1,286**
Current assets				
Inventory	310,451		207,876	
Trade receivables	141,244	11	190,146	9
Income tax assets	2,891		4,543	
Other assets	215,361	193,015	216,952	194,372
Cash and cash equivalents	165,368		80,109	
	835,315	**193,026**	**699,626**	**194,381**
Non-current assets held for sale	-			
Total assets	**958,796**	**194,576**	**824,253**	**195,667**
EQUITY				
Share capital	7,861		7,861	
Reserves	287,208		280,645	
Net income for the period	10,610		12,738	
	305,679		**301,244**	
Total equity	**305,679**		**301,244**	
LIABILITIES				
Non-current liabilities				
Borrowings	18,163		2,252	
Derivative financial liabilities	-		-	
Deferred income tax liabilities	2,481		2,354	
Retirement benefit obligations	3,474		3,682	
Provisions and other liabilities	1,594		1,685	
	25,712		**9,973**	
Current liabilities				
Trade payables	465,112	-	381,221	-
Short-term financial liabilities	149,263		118,779	
Income tax liabilities	-		-	
Derivative financial liabilities	644		428	
Provisions and other liabilities	12,386	1,558	12,608	1,244
	627,405	**1,558**	**513,036**	**1,244**
Total liabilities	**653,117**	**1,558**	**523,009**	**1,244**
Total equity and liabilities	**958,796**	**1,558**	**824,253**	**1,244**

For further details regarding related parties please see the section 'Relationships with related parties' in the 'Notes to Esprinet S.p.A. financial statements'.

Separate income statement (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	2017	non-recurring	related parties*	2016	non-recurring	related parties*
Sales	1,917,559	-	62,532	1,951,845	-	50,520
Cost of sales	(1,819,846)	-	(3,767)	(1,848,573)	-	(2,585)
Gross profit	**97,713**	**-**		**103,272**	**-**	
Sales and marketing costs	(30,181)	-	(1335)	(30,204)	-	(1438)
Overheads and administrative costs	(51,136)	(235)	(1656)	(53,556)	(3,447)	(1722)
Operating income (EBIT)	**16,396**	**(235)**		**19,512**	**(3,447)**	
Finance costs - net	(1,880)	-	1,050	(1,909)	-	1,144
Other investments expenses/(incomes)	-	-	-	-	-	-
Profit before income tax	**14,516**	**(235)**		**17,603**	**(3,447)**	
Income tax expenses	(3,906)	65	-	(4,865)	1,064	-
Net income	**10,610**	**(170)**		**12,738**	**(2,383)**	
- of which attributable to non-controlling interests	-			-		
- of which attributable to Group	10,610	(170)		12,738	(2,383)	

* Emoluments to key managers excluded.

Notes to the Esprinet S.p.A. financial statements

1. General information

Esprinet S.p.A. (or the 'Company') distributes IT products (hardware, software and services) pitching itself at a customer base made up of resellers that in turn target both consumer and business users.

It is also the parent company with both direct and indirect shareholdings in companies operating in Italy, Spain and Portugal.

In Italy and in Iberian Peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza).
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.
The parent company Esprinet S.p.A. drafted the Esprinet Group consolidated financial statements as at 31 December 2017.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these Esprinet S.p.A. financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The Esprinet S.p.A financial statements (or 'separate financial statements' as defined by IFRS) as at 31 December 2017 have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as the regulations issued as per art. 9 of D. Lgs. n. 38/2005.

The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria are applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analysed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.

The figures presented in the separate and comprehensive income statements and in the statement of financial position are expressed in euro, whereas those in the statement of cash flows are expressed in thousands of euro.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.3 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income.

They include goodwill, when it is acquired for a consideration.
Intangibles and goodwill deriving from business combinations occurred until the end of 2009 are recorded at purchase cost, including incidentals and necessary costs to make them available for use.
For business combinations occurred from 1 January 2010, except some particular cases, goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred compared to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (any costs directly attributable to the combination, except costs of issuing debt or equity instruments, are expensed).
Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item 'Industrial and other patent rights' is amortized within three years.

Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Property, plant and equipment

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.
Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortised over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.

Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.
Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates, substantially unchanged compared to the previous year, applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	da 10% a 19%
Conditioning plants	da 13% a 14.3%
Telephone systems and equipment	20%
Communication and telesignal plants	25%
Industrial and commercial equipment	da 7.1% a 14%
Electronic office machines	20%
Furniture and fittings	11%
Other assets	da 10% a 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed. The relevant liability is entered under 'Financial liabilities'.

The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemised as operating leasing. The earnings (costs) emerging from operating leasing are entered straight-line in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred. In the case of goodwill, other assets with indefinite lives and investments in subsidiaries, associates and other companies, this test must be conducted at least annually.

In the case of goodwill, Esprinet S.p.A. carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater. Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life. CGUs have been identified within the Company's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

With reference to the investments in subsidiaries and in associated companies, in case of dividend distribution, the following should also be considered as 'impairment indicators':

- investment in subsidiary book value in the financial statement exceeding the consolidated carrying amount of the subsidiary net asset (possible connected goodwill included);
- the dividend exceeding the total comprehensive income of the subsidiary in the period to which the dividends refer.

Investments in subsidiaries and other companies

Investments in subsidiaries, associates and other companies are valued at acquisition or subscription cost.
Cost is reduced for long-term losses, where investments have endured losses and are not expected – in the immediate future at least – to realise profits that will be such to absorb the losses incurred; the original value is restored in later years, should the reasons for a given write-down cease to exist.
Positive balances arising at the time of acquisition between the acquisition cost and the quota of equity of the company invested in and belonging to the company at current values, is therefore included in the value charged to the investment.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item 'Income taxes'.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.). The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value. The amortization is carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item 'Finance income/(cost)' and the Shareholders' Equity item 'Other reserves' respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.
Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.
At each reporting date the Company assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realisable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Company concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.
The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to promote the brands being distributed and to develop the sales channels utilised. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.
Obsolete and surplus stock and stock characterised by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortised cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortised cost method).
The amount obtained using the amortised cost method, is then reduced to the realisable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.

Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. See also the comment under item 'Income taxes'.

Other current assets

Other current assets are stated at the lesser of the cost and the net realisable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Equity

Own shares

Own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Short-term financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.
Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.
The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when there is the probable existence of an obligation, be it actual, legal or implicit, due to past events and the amount of the obligation can be reliably estimated. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are actualised; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item 'Finance costs'.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.

In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed. Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.

Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.
Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial hypotheses linked to salary increases and the revision of financial-type hypotheses. This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction. They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.
Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.
The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that of the provisions.
For further details regarding trade payables please see 'Definitions' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.
Revenues are recognised at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.

Costs are recognised when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.
The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements. Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Company operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes' and is stated in the form of a counterparty in the 'Reserves'.

Income taxes

Current income taxes are calculated with an estimate of taxable income; the forecast payable is stated in the item 'Current income tax liabilities' but, if surplus accounts have been paid, the receivable is stated in the item 'Current income tax assets'. Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.
Deferred and advance income taxes are calculated using the 'liability method' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.

Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item 'Deferred income tax assets'; if it is negative, it is stated in the item 'Deferred income tax liabilities'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency).
The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Currency transactions and translation criteria

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement. Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates), the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging

instrument recognised directly in equity from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under 'Other significant information'.

2.4 Critical accounting estimates and definitions

2.4.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.
This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).

Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarised in the following categories:
- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

Esprinet S.p.A. further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.
As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.
In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier. More in particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash payment is required.

In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.

In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.
This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.4.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Short-term financial liabilities

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.
As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.4.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.
Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Esprinet S.p.A., should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the 'value in use' of the Cash Generating Units ('CGUs') to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Company's organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

'Fair value' of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in April 2017 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'.

Their conditions fully comply with International Accounting Standard 39 regarding 'hedge accounting'(formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) and as a consequence, the derivative contracts were subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity. Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs 'Share incentive plans' and 'Share capital'.
The cost of these plans has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.
Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the Group until the vesting date of the plans – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account.

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination. For revenue recognition purposes for services, the actual moment the service is rendered is considered.

Revenues adjustments and credit notes to be issued toward customers

Esprinet S.p.A. usually estimates amounts to be recognised to customers as discounts for targets achievement, in order to promote the sales development also through temporary promotions, for different kind of incentives.
The Company has developed a series of procedures and checks to minimise potential errors in evaluations and estimates of the credit notes to be issued.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Costs adjustments and credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Company, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Company has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Depreciation and amortisation of assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life.
Useful life is defined as the period in which the activities will be used by the Company.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes.
As a result, the actual economic life may differ from the estimated useful life.
The validity of the expected useful life in terms of its asset category is regularly checked by the Company. This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of receivables realization, the Company makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual realizable value of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.
Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Company's debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Group usually effects forecasts regarding the realisable value of obsolete, surplus or slow-moving stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.
The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.
The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Company makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
The estimate is the result of a complex process including the involvement of legal and tax consultants and which also includes personal opinions on the part of the Company's management. The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 19.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Income tax expenses

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.
Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability. Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.

The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.5 Recently issued accounting standards

Information regarding the new approved accounting principles starting from 1 January 2017, as well as the principles applicable starting from 1 January 2017, together with the specifications concerning the approach of the Group towards them and the effects on the Esprinet S.p.A. financial statements can be found in the 'Notes to the consolidated financial statements'.

2.6 Changes in accounting estimates and reclassifications

Changes in critical accounting estimates

Pursuant to IAS 8, no changes in the critical accounting estimates regarding previous periods, have been made in this financial statements.

Reclassifications in income statement

No reclassifications in income statement regarding previous periods, have been made in this financial statements.

3. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

(euro/000)	Plant and machinery	Ind. & comm. equipment & other assets	Assets under construction & advances	Total
Historical cost	9,380	21,807	2,115	**33,303**
Accumulated depreciation	(7,321)	(14,518)	-	**(21,839)**
Balance at 31 December 2016	**2,059**	**7,289**	**2,115**	**11,464**
Historical cost increase	406	1,600	109	**2,115**
Historical cost decrease	(137)	(454)	(1)	**(592)**
Historical cost reclassification	1,008	1,106	(2,114)	**-**
Write-down	-	-	-	**-**
Increase in accumulated depreciation	(812)	(2,301)	-	**(3,113)**
Decrease in accumulated depreciation	137	439	-	**576**
Total changes	**602**	**390**	**(2,006)**	**(1,014)**
Historical cost	10,657	24,059	109	34,826
Accumulated depreciation	(7,996)	(16,380)	-	(24,376)
Balance at 31 December 2017	**2,661**	**7,679**	**109**	**10,450**

The property, plants and equipments as at 31 December 2017 amount to 10.5 million euro, showing a decrease of 1.0 million euro compared with the value as at 31 December 2016.

As at 31 December 2017, the investments in 'plant and machinery' substantially refer to new assets acquisition due to enlargement of the new logistic hub in Cavenago.
Investments in 'Industrial & commercial equipment & other assets' refer to the purchase of electronic office machinery.

The following is the breakdown of the item 'Industrial and commercial equipment and other assets':

(euro/000)	31/12/2017	31/12/2016	Var.
Electronic machines	4,151	4,104	47
Furniture and fittings	1,808	1,915	(107)
Industrial and commercial equipment	839	515	324
Other assets	881	755	126
Total	**7,679**	**7,289**	**390**

The useful life related to the various asset categories remained unchanged compared to the previous year.

Please note that there are no temporarily unused tangible fixed assets intended for sale and that supply contracts signed within the financial year, but not recognised in the financial statements are insignificant.

2) Goodwill

Goodwill amounted to 10.6 million euro.
The following table summarises the values of the single goodwill items in terms of the business combinations from which they arose:

(euro/000)	31/12/2017	31/12/2016	Var.
Assotrade S.p.A.	5,500	5,500	-
Pisani S.p.A.	3,878	3,878	-
Esprilog S.r.l.	1,248	1,248	-
Total	**10,626**	**10,626**	**-**

The Assotrade S.p.A. goodwill arose from the Esprinet's combination of the Assotrade 'IT Distribution' business unit. The Pisani S.p.A. and the EspriLog S.r.l. goodwill items refer to the merger deficit arisen from the merger into Esprinet S.p.A. of Pisani S.p.A. and EspriLog S.r.l..

Disclosures regarding impairment tests of assets: goodwill

IAS 36 requires the testing of property, plant and equipment and intangible assets with indefinite useful life for impairment whenever there are indications that such an impairment may have occurred.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out at least annually and whenever 'triggering events' occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an 'individual asset' and may not be subjected to a separate impairment test being tested for impairment together with the group of activities to which it has been allocated.
For the purposes of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's 'CGU - Cash-Generating Units', or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.
In this case it was only possible to consider the company as a whole, since no smaller independent CGU-Cash Generating Units were identified where all or part of the goodwill items could be allocated.

The method of testing the recoverable amount of the above goodwill items and the valuation system used can be found in the same section of the Consolidated Financial Statements and in the subsequent section 'Investments in subsidiaries and other companies', to which refer.

The tests performed did not highlight any impairment. Consequently no write-downs appear in the financial statements as at 31 December 2013 and goodwill amounts have therefore not changed versus the previous year.
In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the Esprinet S.p.A.'s net asset recoverable amount below the respective carrying amount.
Consequently, also in compliance with joint Bank of Italy/Consob/Isvap document n. 4 of 3 March 2010, a sensitivity test was performed on the results of the test regarding the combined variation in the following basic assumptions:

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecasted EBITDA.

The variation range compared to the 'normal' case taken into account are as follows:

- 'g' equal to 0% and lower than -50%;

- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

Even in the 'worst case' scenario, when simultaneously with all the three variables at the lowest value of the above ranges, no write-down of the goodwill booked in the financial statement as at 31 December 2017 would be necessary.

3) Intangible assets

(euro/000)	Industrial and other patent rights	Assets under construction and advances	Total
Historical cost	5,672	757	**6,429**
Accumulated amortisation	(5,176)	-	**(5,176)**
Balance at 31 December 2016	**495**	**757**	**1,252**
Historical cost increase	242	6	**248**
Historical cost decrease	-	-	**-**
Historical cost reclassification	757	(757)	**-**
Write-down	-	-	**-**
Increase in accumulated amortisation	(587)	-	**(587)**
Decrease in accumulated amortisation	-	-	**-**
Totale changes	**412**	**(751)**	**(339)**
Historical cost	6,671	6	**6,677**
Accumulated amortisation	(5,763)	-	**(5,763)**
Balance at 31 December 2017	**907**	**6**	**913**

The item 'Industrial and other patent rights' includes the costs sustained for the long-term renewal and upgrade of IT operating system (software).
The increase in 'Industrial and other patent rights' refers to the software updates carried out during the year.

This item is amortised in three years.

5) Investments in subsidiaries and other companies

(euro/000)	31/12/2017	31/12/2016	Var.
Investments in others	92,585	92,420	165

The following information concerns the Company's investments in associates.
Data concerning equity and net income refer to the draft financial statements as at 31 December 2017 approved by the respective Boards of Directors.

(euro)	Headquarter	Net equity [(1)]	Profit/(loss)[(1)]	% possession	Cost	Value
Celly S.p.A.	Vimercate	4,653,532	325,871	80%	9,934,440	9,934,440
Mosaico S.r.l.	Vimercate	2,000,165	1,521,057	100%	100,000	100,000
EDSlan S.r.l.	Vimercate	9,125,327	(755,928)	100%	6,540,000	6,540,000
V-Valley S.r.l.	Vimercate	1,804,187	16,309	100%	20,000	20,000
Nilox Deutschland GmbH	Düsseldorf (Germany)	86,782	(13,218)	100%	100,000	100,000
Esprinet Iberica S.L.U.	Saragozza (Spain)	84,109,645	830,151	100%	75,840,571	75,840,571
Esprinet Portugal Lda	Porto (Portugal)	317,740	(74,615)	5%	50,000	50,000
Total		**102,097,378**	**1,849,627**		**92,585,011**	**92,585,011**

(1) Data from draft financial statements as at 31 December 2017 drawn up in compliance with the respective local accounting standards.

The following table shows the movement in investments in subsidiaries during the year:

(euro/000)	Balance at 31/12/2016	Increase	Decrease	Reversal	Balance at 31/12/2017
Celly S.p.A.	9,935		-	-	9,935
Mosaico S.r.l.	100	-	-	-	100
EDSlan S.r.l.	6,540	-	-	-	6,540
V-Valley S.r.l.	20	-	-	-	20
Nilox Deutschland GmbH	-	100	-	-	100
Esprinet Iberica S.L.U.	75,776	-	(65)	-	75,841
Esprinet Portugal Lda	50	-	-	-	50
Total	**92,420**	**100**	**(65)**	**-**	**92,585**

During 2017 the new legal entity Nilox Deutschland GmbH was established with operating office in Düsseldorf, in order to expand selling and distribution activities of Nilox products (brand owned by Esprinet S.p.A.) in Germany. Since Nilox Deutschland GmbH is newly-established and non-operating as at 31 December 2017 and is wholly controlled by one of the business units of Esprinet S.p.A. - the organisational unit focused on distribution of the own brand 'Nilox' - no specific impairment test was conducted on it.

The company V-Valley S.r.l. has the role of 'sales dealer', managing the sales operations in its own name and on behalf of its parent company. It therefore carries out an activity ancillary to that of the parent company and is fully subordinate to it, representing a company vehicle in which part of the 'value chain' of the parent company is merged (basically invoicing and credit management, including management of insurance related to the factoring programmes). No specific impairment test was conducted on the above-mentioned company, on the one hand because of its complete subordination to Esprinet, also evidenced by its inclusion in the same CGU subject to impairment testing, and on the other hand considering its non-material value (the company is booked for 20 thousand euro in the financial statements as per the initial capital paid in by the sole shareholder, Esprinet S.p.A).

In compliance with IAS 36, in order to verify whether there is any indication that its investments in subsidiaries may be impaired, the entity perform at least annually an impairment test by comparing the value in use and the carrying amount of these investments.

A) Valuation system

In the case of the above-mentioned investments, their value in use was calculated from the cash flows reasonably obtainable from operations, discounted to the date of the analysis.
The above-mentioned cash flows were primarily estimated on the basis of the Group's plans forecast approved by the Board of Directors. These plans were drawn up, on the basis of the budget of 2018

considered a 'pivotal' year, thanks to forecasting techniques useful for both a separate management of fixed and variable costs, and defining the revenues and product gross margin trend. This was done by 'benchmarking' trends in the sector and the end market in its entirety, as evaluated by reliable external sources, as well as assuming, for each investment, different trends according to the current and prospective competitive position.

Projections are thus based on forecasts normally covering a 5-year period and the 'value in use' is estimated using the Discounted Cash Flow (DCF) model which, in order to estimate the discounting of future cash flows, requires an appropriate discount rate reflecting the degree of risk of the same cash flows.
An 'asset side' approach was used which presupposes discounting unlevered cash flows generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT). The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.
In order to calculate the value in use of the investments in subsidiaries needed to assess their recoverable value versus their book value the respective net financial debt was deducted for each company at 31 December 2017.

To estimate the discount rate the WACC', or Weighted Average Cost of Capital, has been used. Its cost of the capital (Ke) has been calculated using a Capital Asset Pricing Model ('CAPM') approach.

The terminal value recorded at the end of the forecast period was calculated using the 'Perpetuity Method' (unlimited capitalisation model of the last year's cash flow).
The approach used presupposes that from the end of the 5th year on, the cash flow will grow at a constant rate of 'g' and that therefore the terminal value will be calculated as perpetual income through the capitalisation of the last cash flow of the plan at a rate corresponding to the discount-back rate used (WACC) corrected by a growth factor. This last factor is forecast at 1.4%.

As a precaution, with reference to Terminal Value, no working capital reductions/releases are foreseen in the 'basis' year but, consistently with the past, the achievement of a 'steady state' is assumed, characterized by an absence of incremental investments, also with reference to the working capital.
Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM-calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.

B) Basic assumptions/ critical variables

In addition to the basic assumptions already above explained, such as the analytical forecast horizon and the growth rate 'g', information referring to the definition method of the discounted rates applied to the most relevant impairment tests are reported in the following table.

	Celly S.p.A.	Mosaico S.r.l.	EDSlan S.r.l.	Esprinet Iberica S.L.U.
Discount rates:				
Equity Risk Premium	5.5%	5.5%	5.5%	5.5%
ß "*unlevered*" di industry	0.71	0.71	0.71	0.71
Target Financial Structure (D/D+E)	23.9%	23.9%	23.9%	23.9%
Target Financial Structure (E/D+E)	76.1%	76.1%	76.1%	76.1%
WACC *post-tax*	6.42%	6.42%	6.42%	6.03%
WACC *pre-tax*	8.37%	8.27%	8.24%	7.41%

C) Value adjustments and 'sensitivity analysis

The impairment test regarding the investments in Celly S.p.A., Mosaico S.r.l., EDSlan S.r.l. and Esprinet Iberica S.L.U. did not reveal any need for write-downs as at 31 December 2017.

In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the investments.
In that regard, for information purposes, pursuant to IAS 36, different sensitivity analysis of the test results were performed taking into account simultaneously the variation of the following basic assumptions.

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' decreased by -50% and equal to zero;
- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

With reference to the Esprinet Iberica, Celly and Mosaico investments we point out that, even in the 'worst case scenario', i.e. with all the three variables set in the most adverse extremes of the possible range fluctuation, no write-downs of the investment value subject to impairment test would be necessary

Referring to EDSlan the scenario where WACC equals to 7.42% and EBITDA is 10% lower, would lead to a write-down of 4.3 million euro, while the scenario where 'g' equals 0.7% (i.e. reducing it by -50%) would lead to an investment write-down of 1.5 million euro.

The abovementioned sensitivity analysis was performed as required by IAS 36 solely for purposes of information and the directors do not believe further write-downs will be necessary since the cash flow forecasts and basic assumptions used in the impairment test are considered reasonably representative of 'unique scenarios' where a certain symmetry between 'best' and 'worst' scenarios can be expected.

6) Deferred income tax assets

(euro/000)	31/12/2017	31/12/2016	Var.
Deferred income tax assets	2,134	1,975	159

The balance of this item is represented by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Company expects to recover in future operating years when tax when taxable earnings will be accounted.

(euro/000)	31/12/2017			31/12/2016		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Bad debt provision	4,116	24.00%	988	3,547	24.00%	851
Director's fees not paid	96	24.00%	23	1,109	24.00%	266
Inventory obsolescence provision	2,093	3.90%	82	1,450	3.90%	57
Inventory obsolescence provision	2,093	24.00%	502	1,450	24.00%	348
Agent suppl. indemnity provision	719	3.90%	28	747	3.90%	29
Agent suppl. indemnity provision	719	24.00%	173	747	24.00%	179
Other	1,386	24%-27,9%	338	1,003	24%-27,9%	244
Deferred income tax assets			**2,134**			**1,975**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the exchange losses valuation, on the actuarial valuation of the staff severance indemnity (TFR) and on the derivatives valuation.

The time-related allocation of this item is as follows:

(euro/000)		Whitin 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/2017	683	1,301	150	2,134
	31/12/2016	765	1,052	158	1,975

8) Derivative financial liabilities (non-current)

(euro/000)	31/12/2017	31/12/2016	Var.
Derivative financial assets	377	377	-

In october 2015, Esprinet S.p.A. and Celly's non-controlling shareholder mutually granted put/call options on the residual 20% of Celly's shares, currently owned by the minority shareholder and expiring between the 5th and 7th year after the acquisition by the Group occurred on 12 May 2014.
The amount recognised in the financial statements under 'Derivative financial assets' refers to discounted difference, calculated on the bases of the 5year-risk free interest rate prevailing at the year end, between the valuation of the said share in Celly S.p.A. at the potential exercise date as assessed by management and the valuation of this subsidiary shareholding at same date based on the contract that regulates the mutually granted options.

9) Receivables and other non-current assets

(euro/000)	31/12/2017	31/12/2016	Var.
Guarantee deposits receivables	4,526	4,221	305
Trade receivables	1,870	2,292	(422)
Receivables and other non-current assets	**6,396**	**6,513**	**(117)**

The trade receivables refer to the portion of credit toward the customer 'Revenue Guard Corps' (so called Guardia di Finanza - GdF) which expiring date is after one year and arose from a delivery of goods from Esprinet S.p.A. toward the GdF in 2011.

These receivables consist of an yearly payments plan until January 2022 against which the Holding Company obtained a loan from Intesa Sanpaolo in 2013 with instalments paid directly by the customer. Since the counterparties of the two transactions are different, it was deemed necessary to keep the receivables from the customer and the payables to the financial entity booked separately until full repayment of the loan.
The change compared with 31 December 2016 is due to the allocation to current receivables of the portion expiring within the next fiscal year.

Guarantee deposit receivables refer for 2.8 million euro to the deposit with the purchaser under the securitisation transaction conducted by the Company aimed at ensuring coverage of potential dilutions during this activity or in the months following the transaction closing. The remaining portion refers to guarantee deposits relating to utilities and existing lease agreements.

Current assets

10) Inventory

(euro/000)	31/12/2017	31/12/2016	Var.
Finished products and goods	312,544	209,326	103,218
Provision for obsolescence	(2,093)	(1,450)	(643)
Inventory	**310,451**	**207,876**	**102,575**

Inventory totalling 310.5 million euro shows an increase of +49.3% as a consequence of the increase in the turnover ratio compared with the previous year, as better shown in the section 'Operating net working capital' in the Directors' Report on Operations.

The 2.1 million euro allocated to Provision for obsolescence is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

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

(euro/000)	31/12/2017	31/12/2016	Var.
Provision for obsolescence: year-beginning	**1,450**	**1,597**	**(147)**
Uses	(278)	(1,171)	893
Accruals	921	1,024	(103)
Provision for obsolescence: year-end	**2,093**	**1,450**	**643**

11) Trade receivables

(euro/000)	31/12/2017	31/12/2016	Var.
Trade receivables - gross	145,625	194,041	(48,416)
Bad debt provison	(4,381)	(3,895)	(486)
Trade recevables - net	**141,244**	**190,146**	**(48,902)**

Trade receivables arise from normal sales dealings engaged in by the Company in the context of ordinary marketing activities. These operations are effected almost entirely with customers resident in Italy, are wholly in euro and are short-term.
Net trade receivables are adjusted by credit notes to be issued to customers for an amount equal to 20.5 million euro at the end of 2017 and 19.4 million euro at the end of 2016.

The decrease in gross trade receivables was strictly related to the increase in DSO ratio, also affected by a higher use of technical forms of receivables finance compared with 2016 (i.e. equal to approx. 169 million euro at the end of 2017 compared with 123 million euro in 2016).

For further information on this item trend and generally the Working Capital please refer to the developments in the paragraph 'Operating net working capital' in the Directors' Report on Operations.

The Trade receivables balance includes 2.7 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement (4.9 million euro in 2016). Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision. This provision is made up of allocations estimated on the basis of a valuation analysis of each single customer in terms of the relevant receivables overdue, or existing trade disputes and by also taking into account insurance covers, however (further information can be found under 'Disclosures on risks and financial instruments'). The table below illustrates the movements in the bad debt provision:

(euro/000)	31/12/2017	31/12/2016	Var.
Bad debt provision: year-beginning	**3,895**	**4,701**	**(806)**
Uses	(569)	(1,154)	585
Accruals	1,055	348	707
Bad debt provision: year-end	**4,381**	**3,895**	**486**

12) Income tax assets

(euro/000)	31/12/2017	31/12/2016	Var.
Income tax assets	2,891	4,543	(1,652)

The Income tax assets mainly result from the higher tax advances paid compared with the current taxes accrued in 2017. Besides, 1.2 million euro relates to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years 2004-2007 and 2004-2011.

13) Other assets

(euro/000)	31/12/2017	31/12/2016	Var.
Receivables from subsidiaries (A)	**193,002**	**194,372**	**(1,370)**
VAT receivables	7,056	3,890	3,166
Other tax assets	4,993	4,571	422
Other receivables from Tax authorities (C)	**12,049**	**8,461**	**3,588**
Receivables from factoring companies	1,202	1,176	26
Customer financial receivables	510	509	1
Receivables from insurance companies	233	1,682	(1,449)
Receivables from suppliers	4,541	8,114	(3,573)
Receivables from employees	-	2	(2)
Receivables from others	157	148	9
Other receivables (D)	**6,643**	**11,631**	**(4,988)**
Prepayments (E)	**3,667**	**2,488**	**1,179**
Other assets (F= A+B+C+D+E)	**215,361**	**216,952**	**(1,591)**

The following tables show Receivables from subsidiaries detailed by type and by single company. For further information regarding the source figures please refer to the section headed 'Relationships with related parties'.

(euro/000)	31/12/2017	31/12/2016	Var.
Celly S.p.A.	3,003	2,458	545
EDSlan S.r.l.	1,689	2,375	(686)
Mosaico S.r.l.	1,053	587	466
V-Valley S.r.l.	25,363	30,539	(5,176)
Celly Nordic OY	1	58	(57)
Esprinet Iberica S.L.U.	3,695	5,445	(1,750)
Esprinet Portugal Lda	39	43	(4)
Vinzeo Technologies SAU	40	-	40
V-Valley Iberian S.L.U.	619	-	619
Trade receivables (a)	**35,502**	**41,505**	**(6,003)**
Celly S.p.A.	-	1,031	(1,031)
EDSlan S.r.l.	-	336	(336)
Receivables as per national cons. tax regime (b)	**-**	**1,367**	**(1,367)**
Celly S.p.A.	5,000	5,000	-
EDSlan S.r.l.	15,000	10,000	5,000
Mosaico S.r.l.	25,000	10,000	15,000
Esprinet Iberica S.L.U.	101,500	115,000	(13,500)
Esprinet Portugal Lda	5,000	6,500	(1,500)
V-Valley Iberian S.L.U.	6,000	5,000	1,000
Financial receivables (c)	**157,500**	**151,500**	**6,000**
Total receivables from subsidiaries (a+b+c)	**193,002**	**194,372**	**(1,370)**

(euro/000)	31/12/2017	31/12/2016	Var.
Celly S.p.A.	8,003	8,488	(485)
EDSlan S.r.l.	16,689	12,712	3,977
Mosaico S.r.l.	26,053	10,587	15,466
V-Valley S.r.l.	25,363	30,539	(5,176)
Celly Nordic OY	1	58	(57)
Esprinet Iberica S.L.U.	105,195	120,445	(15,250)
Esprinet Portugal Lda	5,039	6,543	(1,504)
Vinzeo Technologies SAU	40	-	40
V-Valley Iberian S.L.U.	6,619	5,000	1,619
Total receivables from subsidiaries	**193,002**	**194,372**	**(1,370)**

Vat receivables refer to input VAT accrued by the Company at 31 December 2017 as well as to refund claims which cannot be offset against operating tax liabilities. The change compared with 31 December 2016 is due to higher purchases from suppliers than sales.

The 'Income tax assets' figure mainly refers to the financial receivables from the Tax Authorities, due to a partial payment of tax notices relating to indirect taxes on a provisional basis. The above led to tax disputes described in the section entitled 'Development of disputes involving Esprinet S.p.A. and the Group' in the notes to item '26) Provisions and other liabilities'.

Receivables from factoring companies include sums owed to the Company as a result of 'without recourse' factoring operations effected. At the draft date of this report was drafted, all the receivables payable had been paid.

Customer financial receivables refer to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer 'Guardia di finanza - GdF'. For further information please refer also to the section entitled 'Receivables and other non-current assets'.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid but which are reasonably expected to be collected within the end of next year. The significant reduction occurred during the year refers to the positive closing of a litigation with a credit insurance company.

Receivables from suppliers refer to credit notes received exceeding the amount owed at the end of the year for a mismatch between the timing of their quantification and the payment of suppliers.
This item also includes receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from hauliers for advance VAT payments and import custom duties.

Prepayments are costs the accrual date of which is deferred compared with that of the cash movement (mainly payables for leasing contracts, maintenance fees, service fees).

17) Cash and cash equivalents

(euro/000)	31/12/2017	31/12/2016	Var.
Bank and postal deposit	165,353	80,079	85,274
Cash	11	20	(9)
Cheques	4	10	(6)
Total cash and cash equivalents	**165,368**	**80,109**	**85,259**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. Of a partly temporary nature, the level of liquidity (originated in the normal short-term financial cycle of collections) dramatically fluctuates not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month. The market value of the cash and cash equivalents corresponds to their carrying amount.

The increase compared with 31 December 2016, as shown in the Statement of Cash Flows, is mainly due to flows arising from operating activities and the net balance of the loan granted and the short/long-term facilities repaid.

Equity

Items composing the shareholders' equity are explained in the following notes:

(euro/000)	31/12/2017	31/12/2016	Var.
Share Capital (A)	7,861	7,861	-
Reserves and profit carried over (B)	292,353	285,790	6,563
Own shares (C)	(5,145)	(5,145)	-
Total reserves (D=B+C)	287,208	280,645	6,563
Net income for the year (E)	10,610	12,738	(2,128)
Net equity (F=A+D+E)	305,679	301,244	4,435
Non-controlling interests (G)	-	-	-
Total equity (H=F+G)	305,679	301,244	4,435

19) Share capital

The Company's share capital, fully subscribed and paid-in as at 31 December 2017, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the 'Directors' Report on Operations'.
The value of these rights was reported in the separate income statement under costs relating to salaried staff with a balancing item reported in the statement of financial position under the 'Reserves' item.

20) Reserves

Reserves and profit carried over

This item increased by 6.6 million euro mainly as a consequence of the allocation of profit from previous years net of a dividend payment of 7.0 million euro (0.135 euro per share) during the year.

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of No. 646.889 Esprinet S.p.A. shares owned by the Company. The amount is unchanged compared with the previous year and results from 31,400 residual shares from the 2007 purchase and 615,489 shares from the 2015 purchase, both carried out in execution of the share incentive plans approved by the Shareholders' Meeting of the Company.

The following table shows the amount and the distributability of the reserves composing the equity as per Art. 2427, 7-bis of the Italian Civil Code and their past usage.

(euro/000)				Summary of the uses in the three previous years	
Type/description	Amount	Possible uses	Quota available	To cover losses	For other reason
Share capital	**7,861**	---	-		
Reserves as per OIC:					
Share premium reserve (*)	12,296	A,B,C	12,296		
Revaluation reserve	30	A,B,C	30		
Legal reserve	1,572	B	-		
Own shares on hand	5,145	---	-		
Merger surplus	5,369	A,B,C	5,369		
Extraordinary reserve	259,494	A,B,C	259,494		
Net profit from exchange operations reserve	36	---	-		
IFRS reserve	8,411	---	-		-
Total Reserves	**292,353**		**277,189**	-	-
Total share capital and reserves	**300,214**		**277,189**		
Non-distributable quota (**)			-		
Residual distributable quota			**277,189**		

(*) Pursuant to Art. 2431 of the Civil Code the entire amount of this reserve can be distributed solely provided that the legal reserve has reached the limit established by Article 2430 of the Civil Code, including through the transfer of the share premium reserve. This limit had been reached as at 31 December 2008.

(**) Pursuant to Article 2426, 5), this is the non-distributable quota allocated to cover long-term costs not yet amortised.

Key: A: share capital increase. B: cover of losses. C: distribution to shareholders.

The main changes in equity during 2017 can be found in the 'Statement of changes in equity'.

21) Net income

The year's profits amount to 10.6 million euro, down 2.1 million euro compared with 12.7 million in the previous year.

Non-current liabilities

22) Borrowings

(euro/000)	31/12/2017	31/12/2016	Var.
Borrowings	18,163	2,252	15,911

The borrowings value refers to the valuation at the amortized cost of the portion of the medium-long term loans falling due beyond the following year.

The value as at 31 December 2017 includes minor loans signed by the Company in March 2017 (16.3 million euro), as well as the portion not yet due of the loan granted in 2014 by the Parent Company, from a delivery of goods to the customer 'Revenue Guard Corps' (so called Guardia di Finanza – GdF), which led to the booking of an identical long-term receivable from GdF (1.8 million euro), as described under paragraph 9 'Receivables and other non-current assets'.
As at 31 December 2016, this account included the valuation at amortised cost of the portion of the loan falling due within next year, signed and granted in December 2013 and expiring by January 2022 referring to the delivery of goods to the customer 'Guardia di Finanza – GdF',whose residual principal amounts to 2.3 million euro in book value.

Further details can be found in the following paragraph 'Net financial indebtedness and financial liabilities analysis'.

24) Deferred income tax liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Deferred income tax liabilities	2,481	2,354	127

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

As shown in the next table, these differences mainly arise from the elimination of the tax amortisation of goodwill, the estimated foreign exchange gains and the adjustment of the staff severance provision ('TFR') to the actuarial valuation.

(euro/000)	31/12/2017			31/12/2016		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Goodwills' amortisation	8,430	24.00%	2,023	8,081	24.00%	1,939
Goodwills' amortisation	8,430	3.90%	329	8,081	3.90%	315
Estimated foreign exchange gains	379	24.00%	91	257	24.00%	62
Change TFR provision	159	24.00%	38	159	24.00%	38
Total deferred income tax liabilities			**2,481**			**2,354**

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/2017	129	-	2,352	2,481
	31/12/2016	100	-	2,255	2,355

25) Retirement benefit obligations

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

Please note that from 1 January 2007 important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	31/12/2017	31/12/2016	Var.
Balance at year-beginning	**3,682**	**3,587**	**95**
Service cost	-	-	-
Interest cost	45	70	(25)
Actuarial (gain)/loss	(1)	147	(148)
Effect of tax rate change on reversal	-	-	-
Pensions paid	(252)	(122)	(130)
Changes	**(208)**	**95**	(303)
Balance at year-end	**3,474**	**3,682**	**(208)**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Amounts booked under personnel costs	-	-	-
Amounts booked under financial costs	45	70	(25)
Total	**45**	**70**	**(25)**

Please note that the ‘service costs’ item no longer includes any costs since the Company, which has more than 50 employees as of 1 January 2017, transfers the staff severance indemnity quotas to third parties.
The decrease in ‘retirement benefit obligations’ is mainly due to utilisation (pensions paid) and actuarial gains.

The change in the 'actuarial gains or losses' compared with last year is mainly related to the experience adjustments that reflect the deviation of forward-looking assumptions used in the 31 December 2016 valuation and the actual development of the provision as at 31 December 2017 (members, payments occurred, benefit revaluation). the discount rate reflects the market returns, at the balance sheet date of a panel of primary company bonds with a maturity date connected with the employee average residual employment with Esprinet S.p.A. (more than 10 years)[15]

The method known as ‘Project Unit Credit Cost’ used to assess the Staff Severance Indemnity (TFR) as per the IAS 19 accounting standard is based on the following assumptions:

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel.
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

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

b) Economic-financial assumptions

	31/12/2017	31/12/2016
Cost of living increase	1.5%	1.5%
Discounting rate	1.3%	1.3%
Remuneration increase	n/a	n/a
Staff severance indemnity (TFR) - annual rate increase	2.6%	2.6%

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
As basic scenario the one above described was assumed and from that the most significant hypotheses (i.e. annual average discount rate, average cost of living increase and turn-over rate) were increased and decreased by half, a quarter and two percentage points respectively. The outputs so obtained are summarized as follows:

(euro)		Sensitivity Analisys *Esprinet S.p.A.*
Past Service Liability		
Annual discount rate	*+0.50%*	3,330,860
	-0.50%	3,627,368
		-
Annual inflation rate	*+0.25%*	3,519,966
	-0.25%	3,428,560
		-
Annual turnover rate	*+2.00%*	3,441,338
	-2.00%	3,518,118

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	Future Cash Flow
Year	*Esprinet S.p.A.*
0 - 1	267,782
1 - 2	249,244
2 - 3	240,641
3 - 4	230,731
4 - 5	211,263
5 - 6	201,246
6 - 7	197,520
7 - 8	164,631
8 - 9	183,284
9 - 10	236,773
Over 10	1,714,371

26) Non-current provisions and other liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Provisions for pensions and similar obligations	1,409	1,526	(117)
Other provisions	185	159	26
Non-current provisions and other liabilities	**1,594**	**1,685**	**(91)**

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

(euro/000)	31/12/2017	31/12/2016	Var.
Provisions for pensions: year - beginning	**1,526**	**1,409**	**117**
Uses	(155)	(40)	(115)
Accruals	38	157	(119)
Provisions for pensions: year - end	**1,409**	**1,526**	**(117)**

The amount entered under other provisions, is intended to cover risks relating to current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2017	31/12/2016	Var.
Other provisions: year-beginning	**159**	**336**	**(177)**
Uses	(62)	(293)	231
Accruals	88	116	(28)
Other provisions: year-end	**185**	**159**	**26**

The notes regarding developments on the main disputes involving the Company, for which the company effected the relevant risk assessments and consequently effected accruals to the provision for risks, where considered appropriate, can be found under 'Developments in legal and tax-related disputes' in the notes to the item 'Non-current provisions and other liabilities', in turn in the 'Notes to the consolidated financial statements'.

The Company's and the Group's policies regarding the management of legal and tax-related disputes can be found under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Directors' Report on Operations'.

Current liabilities

27) Trade payables

(euro/000)	31/12/2017	31/12/2016	Var.
Trade payables	548,806	459,658	89,148
Receivables - credit notes	(83,694)	(78,437)	(5,257)
Total trade payables	**465,112**	**381,221**	**83,891**

Trade payables increased by +22% compared with the previous year. For further information on this item trend and generally the Working Capital please refer to the developments in the paragraph 'Operating net working capital' in the Directors' Report on Operations.

The 'Receivables – credit notes' mainly refer to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections.

28) Short-term financial liabilities

(euro/000)	31/12/2017	31/12/2016	Var.
Bank loans and overdrafts	135,440	108,792	26,648
Other financing payables	13,823	9,987	3,836
Short - term financial liabilities	**149,263**	**118,779**	**30,484**

Bank loans and overdraft refer almost entirely to the valuation at the amortized cost of the portion of the medium-long term loans falling due within the following year.
As at 31 December 2017, these loans include a medium/long-term senior loan granted in February 2017 by a pool of banks, consisting of a 5-year amortised facility in the original amount of 145.0 million euro (130.5 million euro drawn as at 31 December 2017) and a 5-year revolving facility for 65.0 million euro (undrawn at 31 December 2017).
The above-mentioned loan was unsecured thus, as is common practice in similar transactions, is supported by a set of 4 financial covenants that entitle the lenders to demand early repayment in case of failure.
As at 31 December 2017, the whole outstanding amount of the amortised facility is posted under current liabilities as a consequence of the breach of the four above-mentioned covenants under the applicable accounting standards.

The amount also includes the portions, falling due within this year, of two other minor loans taken in March 2017 (for 3.6 million euro), and of the loan (for 0.4 million euro) taken by the parent company relating to a delivery of goods to the customer 'Guardia di finanza - GdF'.

Further details can be found in the following paragraph 5.1 'Net financial indebtedness and financial liabilities analysis'.

Other financing payables are mainly advances obtained from factoring companies and derive from the usual assignment of credits to the Company through recourse factoring and by outstanding payables received in the name and on behalf of clients transferred under the without-recourse factoring agreement. The debt increase compared with 31 December 2016 is due to higher volumes of receivables factored.

30) Derivative financial liabilities (current)

(euro/000)	31/12/2017	31/12/2016	Var.
Derivative financial liabilities	644	428	216

The amount refers to the 'fair value' of six 'IRS-Interest Rate Swap' contracts entered into by Esprinet S.p.A. in April 2017, to hedge the risk of interest rate fluctuations on a medium-long term facility signed with a pool of eight banks for 145.0 million euro in February 2017 (reduced to 130.5 million euro as effect of principal repayments under the amortisation plan as at 31 December 2017), the so-called Term Loan Facility.
These derivatives contracts were signed with six of the eight lending banks granting the 'hedged' loan, for the whole part of each respective share in the Term Loan Facility and under identical conditions among them. Thanks to these IRSs as at 31 December 2017, 105.6 million euro of the whole loan are totally hedged from the risk of interest rate change.

The fair value of these derivative contracts, amounting to 0.6 million euro, is entirely booked under current liabilities as a consequence of the breach of one covenant under the hedged Term Loan Facility.

Thus, the change compared with 31 December 2016 is due to both the derivative instruments signed, and to the termination of 8 IRSs entered into in December 2014 hedging the Term Loan Facility for an original notional amount of 65.0 million euro (reduced to 48.8 million euro at 31 December 2016 and to 40.6 million euro at 31 January 2017) which was repaid on 28 February 2017.
For further details regarding the transactions please refer to the sections entitled 'Loan and loans covenants' and 'Hedge accounting' under the paragraph 'Disclosure on risks and financial instruments'.

32) Provisions and other liabilities

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

(euro/000)	31/12/2017	31/12/2016	Var.
Payables to subsidiary and associated companies (A)	**1,558**	**1,244**	**314**
Social security liabilities (B)	**2,477**	**2,497**	**(20)**
Withholding tax liabilities	31	45	(14)
Other tax liabilities	1,077	1,286	(209)
Other payables to Tax authorities (C)	**1,108**	**1,331**	**(223)**
Payables to personnel	2,623	2,683	(60)
Payables to customers	3,452	2,812	640
Payables to others	742	1,646	(904)
Total other creditors (D)	**6,817**	**7,141**	**(324)**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	393	360	33
- Other deferred income	33	35	(2)
Accrued expenses and deferred income (E)	**426**	**395**	**31**
Provisions and other liabilities (F=A+B+C+D+E)	**12,386**	**12,608**	**(222)**

The breakdown of Payables to subsidiaries and associated companies by type and by single company is as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Celly S.p.A.	149	252	(103)
EDSlan S.r.l.	564	767	(203)
Mosaico S.r.l.	202	-	202
Esprinet Iberica S.L.U.	71	78	(7)
Trade payables (a)	**986**	**1,097**	**(111)**
EDSlan S.r.l.	532	-	532
V-Valley S.r.l.	36	147	(111)
Celly S.p.A.	4	-	4
Payables due to the national cons. tax regime (b)	**572**	**147**	**425**
Total payables to subsidiary and associated companies (a+b+c)	**1,558**	**1,244**	**314**

(euro/000)	31/12/2017	31/12/2016	Var.
Celly S.p.A.	153	252	(99)
EDSlan S.r.l.	1,096	767	329
Mosaico S.r.l	202	-	202
V-Valley S.r.l.	36	147	(111)
Esprinet Iberica S.L.U.	71	78	(7)
Total payables to subsidiary and associated companies	**1,558**	**1,244**	**314**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables, monetary incentives included.

Other tax liabilities are mainly taxes withheld by the Company from employees' income of December and from fees to consultants.

Payables to customers mainly refer to both accounting movements linked to the trade receivables securitisation transaction and credit notes not yet settled relating to current trading relationships.

Payables to personnel refer to deferred monthly payables (holidays not taken, year-end bonus, summer salary, monetary incentives included) accrued at the end of the year.

Payables to others mainly include payables amounting to 0.3 million euro to Directors for fees accrued and unpaid relating to the year (1.3 million in 2016), as well as payables of 0.2 million euro to the Company's agents' network relating to commissions due and payable.

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

4. Guarantees, commitments and potential risks

Commitments and potential risks

(euro/000)	31/12/2017	31/12/2016	Var.
Third-party assets on consignment to the Company	36,242	24,978	11,264
Bank guarantees issued in favour of subsidiaries	238,785	188,943	49,842
Bank guarantees issued in favour of other companies	6,307	11,302	(4,995)
Total guarantees issued	**281,334**	**225,224**	**56,110**

Third-party assets on consignment to the Group

It refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. warehouses.

Bank guarantees issued for the benefit of subsidiaries

The amount refers to letters of credit or comfort letters issued in favour of some banks and factor companies as guarantee for credit limits granted to Esprinet subsidiaries as well as guarantees to some suppliers. The change compared with the previous year mainly refers to the increase in guarantees on behalf of the subsidiaries Mosaico S.r.l. (35.0 million euro), Esprinet Iberica SLU (3.0 million euro) and Vinzeo Technologies S.A.U. (17.0 million euro). Instead, the guarantee amounting to 5.0 million euro on behalf of the subsidiary Celly S.p.A. was terminated during 2017.

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank and insurance suretyships issued to the Public Administration in order to participate in tenders for services or supplies. The change compared to the previous year refers mainly to the termination of the existing guarantee as well as to their decrease.

5. Notes to income statement items

In order to complete this section, please consider that other analysis on Esprinet S.p.A. economic results have been provided in the Directors' report on operations, after tables on Group results.

33) Sales

The following are some breakdowns of sales performance. Sales by product family and by customer type has been moved to Directors' report on operations.

Sales by products and services

(euro/million)	2017	%	2016	%		% Var.
Product sales	1,898.2	76.5%	1,936.1	79.4%	(37.9)	-2%
Services Sales	19.4	0.4%	15.7	0.3%	3.7	24%
Sales	**1,917.6**	**76.9%**	**1,951.8**	**79.7%**	**(34.2)**	**-2%**

Sales by geographical segment

(euro/million)	2017	%	2016	%	Var.	% Var.
Italy	1,866.3	58.0%	1,884.5	61.9%	(18.2)	-1.0%
Other EU countries	48.6	1.5%	49.1	1.6%	(0.5)	-1.0%
Extra EU countries	2.7	0.1%	18.2	0.6%	(15.6)	-85.4%
Group sales	**1,917.6**	**59.6%**	**1,951.8**	**64.2%**	**(34.2)**	**-1.8%**

Sales in other E.U. countries mainly refer to sales to the Spanish subsidiary Esprinet Iberica S.L.U; sales to extra E.U. countries refer mainly to sales to clients whose residence is in the Republic of San Marino.

35) Gross profit

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	1,917,559	100.00%	1,951,845	100.00%	(34,286)	-2%
Cost of sales	1,819,846	94.90%	1,848,573	94.71%	(28,727)	-2%
Gross profit	**97,713**	**5.10%**	**103,272**	**5.29%**	**(5,559)**	**-5%**

Gross profit equal to 97.7 million euro showed a decrease of -5% compared with 103.3 million euro of 31 December 2016 as a consequence of lower sales and a gross profit margin decreased from 5.29% to 5.10%.

As it is prevalent in the sectors where the Company operates, the cost of sales is adjusted downwards to take into account the premiums, premiums/rebates for having achieved targets, development provisions and co-marketing, 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.

Gross profit is affected by the difference between the amount of trade receivables sold without-recourse to factoring companies within the usual revolving programmes and the amounts collected. This is calculated as approx. 3.3 million euro for this fiscal year (3.3 million euro in 2016).

37-38) Operating costs

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Sales and marketing costs	30,181	1.57%	30,204	1.55%	(023)	*0%*
Overheads and administrative costs	51,136	2.67%	53,556	2.74%	(2,420)	*-5%*
Operating costs	**81,317**	**4.24%**	**83,760**	**4.29%**	**(2,443)**	***-3%***
- of which non recurring	235	0.01%	3,447	0.18%	(3,212)	*-61%*
'Recurring' operating costs	**81,082**	**4.23%**	**80,313**	**4.11%**	**769**	***1%***

2017 operating costs of 81.3 million euro decreased by -3%, with an operating costs margin down from 4.29% in 2016 to 4.24% in 2017.

During 2017, non-recurring costs were recognised for restructuring activities and for resources rationalisation. The above-mentioned activities involved 7 employees with a total amount of indemnities equal to 0.2 million euro.

The following table gives a detailed breakdown of operating costs and their performance in the two years compared:

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Sales & marketing personnel costs	25,358	*1.32%*	25,940	*1.33%*	(582)	*-2%*
Other sales & marketing costs	4,823	*0.25%*	4,264	*0.22%*	559	*13%*
Sales & marketing personnel costs	**30,181**	***1.57%***	**30,204**	***1.55%***	**(23)**	***0%***
Administr., IT, HR and general service personnel costs	14,481	*0.76%*	15,282	*0.78%*	(801)	*-5%*
Directors' compensation	2,979	*0.16%*	3,975	*0.20%*	(996)	*-25%*
Consulting services	3,445	*0.18%*	4,973	*0.25%*	(1,528)	*-31%*
Logistics services	13,997	*0.73%*	13,628	*0.70%*	369	*3%*
Amortisation, depreciation and provisions	3,661	*0.19%*	2,481	*0.13%*	1,180	*48%*
Other overheads and administrative costs	12,573	*0.66%*	13,217	*0.68%*	(644)	*-5%*
Overheads and administrative costs	**51,136**	***2.67%***	**53,556**	***2.74%***	**(2,420)**	***-5%***
Total SG&A	**81,317**	***4.24%***	**83,760**	***4.29%***	**(2,443)**	***-3%***

Sales and marketing costs mainly include the following:

- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry shops.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP area, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);

- postal, telephone and telecommunications costs;
- depreciation of property, plant and equipment, goodwill write-downs, amortisation of intangible fixed assets (excluding assets relating to logistic equipment and plants allocated by function to sales costs) and also provisions for risks and write-downs;
- overheads and administrative costs, including leasing of premises, utilities, bank charges and fees, insurance, data connection and telephone costs.

Reclassification by nature of some categories of costs

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

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	2017	%	2016	%		% Var.
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Depreciation of tangible assets	2,781	0.15%	2,406	0.12%	375	*16%*
Amortisation of intangible assets	382	0.02%	303	0.02%	79	*26%*
Amort . & depreciation	**3,163**	**0.16%**	**2,709**	**0.14%**	**454**	***17%***
Write-downs of fixed assets	-	0.00%	-	0.00%	-	*0%*
Amort. & depr., write-downs (A)	**3,163**	**0.16%**	**2,709**	**0.14%**	**454**	***17%***
Accruals for risks and charges (B)	126	0.01%	311	0.02%	(185)	*-59%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**3,289**	**0.17%**	**3,020**	**0.15%**	**269**	***9%***

(euro/000)	2017	2016	Var.
Depreciation of tangible assets increasing the accumulated deprec.	3,113	2,644	469
Debited to subsidiaries	(332)	(238)	(94)
Debited to disposal groups	-	-	-
Other	-	-	-
Depreciation of tangible assets	**2,781**	**2,406**	**375**
Amortisation of intangible assets increasing the accumulated deprec.	587	431	156
Debited to subsidiaries	(205)	(128)	(77)
Debited to disposal groups	-	-	-
Other	-	-	-
Amortisation of intangible assets	**382**	**303**	**79**

Both depreciations and amortisations of assets contains the adjustments showed in the second table, useful in marching the values to the corresponding tables of asset movements.

Group personnel cost

(euro/000)	2017	%	2016	%	Var.	*% Var.*
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Wages and salaries	23,916	1.25%	24,024	1.23%	(108)	*0%*
Social contributions	7,076	0.37%	7,171	0.37%	(95)	*-1%*
Pension obligations	1,807	0.09%	1,833	0.09%	(26)	*-1%*
Other personnel costs	769	0.04%	795	0.04%	(26)	*-3%*
Employee termination incentives	293	0.02%	511	0.03%	(218)	*-43%*
Share incentive plans	306	0.02%	385	0.02%	(79)	*-21%*
Total labour costs [1]	**34,167**	**1.78%**	**34,719**	**1.78%**	**(552)**	***-2%***

[1] Cost of temporary workers excluded.

In 2017, labour costs amounted to 34.2 million euro, down -3% compared with 2016, notwithstanding an increase of 1.6% in average headcount as a consequence of the cost cutting initiatives implemented.

Details of the Company's employees at 31 December 2017, broken down by qualification, can be found under 'Human Resources' in the 'Directors' Report on Operations'.

<u>Share incentive plans</u>

On 30 June 2015, free stock grants were allotted under the Long Term Incentive Plan approved by the Shareholders' Meeting of 30 April 2015.
Esprinet S.p.A. owned only 31.400 of the ordinary shares underlying the above-mentioned Plan, with a face value of 0.15 euro each. Therefore during 2015 it acquired the remaining amount relating to the 646,889 rights granted.
This plan was booked at the 'fair value' as at the grant date by adopting the Black-Scholes method, taking into account the expected volatility, the expected dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at that date.
The main information items used in reporting the value of the above-mentioned stock grant plan are summarized as follows:

	Plan 2015-2017
Allocation date	30/06/15
Vesting date	30/04/18
Expiry date	30/06/18
Total number of stock grant	1,150,000
Total number of stock grant allocated	646,889
Total number of stock grant allowed	535,134 [1]
Unit fair value (euro)	6.84
Total fair value (euro)	3,660,317
Risk free interest rate (BTP 3 years)	0.7% [2]
Implied volatility (260 days)	40.9% [2]
Duration (years)	3
Spot price [3]	7.20
"Dividend yield"	1.7%

[1] Decrease due to employment termination of some beneficiaries and to the estimated partial achievement of performance targets.
[2] Source: Bloomberg, 29 June 2015
[3] Official price of Esprinet S.p.A. shares at grant date.

Costs in the 2017 income statement relating to the above-mentioned plans with a contra entry in the 'Reserve' item in the statement of financial position, totalled 306 thousand euro with reference to employees (385 thousand euro in 2016) and 655 thousand euro with reference to directors (926 thousand euro in 2016).

Costs relating to operating leasing are detailed in the table below:

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Lease of buildings	7,908	0.41%	6,656	0.34%	1,252	*19%*
Lease of cars	1,104	0.06%	990	0.05%	114	*12%*
Lease of equipment	186	0.01%	193	0.01%	(7)	*-4%*
Lease of data connection lines	94	0.00%	63	0.00%	31	*49%*
Housing CED	148	0.01%	148	0.01%	-	*0%*
Leasing costs	**9,440**	**0.49%**	**8,050**	**0.41%**	**1,390**	***17%***

Commitments for future payments pertaining to leasing rentals and operating leasing are as follows:

(euro/000)	2018	2019	2020	2021	2022	Over	Total
Lease of buildings	7,179	7,993	7,882	7,661	4,362	10,938	46,015
Lease of cars	1,272	1,023	655	252	38	-	3,240
Lease of equipment	67	33	-	-	-	-	100
Lease of data connection lines	115	103	103	103	52	-	476
Housing CED	149	149	149	149	75		671
Leasing costs	**8,782**	**9,301**	**8,789**	**8,165**	**4,527**	**10,938**	**50,502**

42) <u>Finance costs – net</u>

(euro/000)	2017	%	2016	%	Var.	% Var.
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Interest expenses on borrowings	2,805	0.15%	1,770	0.09%	1,035	*58%*
Interest expenses to banks	249	0.01%	468	0.02%	(219)	*-47%*
Other interest expenses	7	0.00%	15	0.00%	(8)	*-62%*
Upfront fees amortisation	637	0.03%	478	0.02%	159	*33%*
IAS 19 expenses/losses	45	0.00%	70	0.00%	(25)	*-35%*
Derivatives ineffectiveness	167	0.01%	-	0.00%	167	*0%*
Total financial expenses (A)	**3,910**	**0.20%**	**2,801**	**0.14%**	**1,109**	***40%***
Interest income from banks	(41)	0.00%	(57)	0.00%	16	*-28%*
Interest income from others	(620)	-0.03%	(117)	-0.01%	(503)	*430%*
Interest incomes from intercompany	(1,048)	-0.05%	(1,142)	-0.06%	94	*-8%*
Derivatives ineffectiveness	(1)	0.00%	(8)	0.00%	7	*-91%*
Total financial income(B)	**(1,709)**	**-0.09%**	**(1,324)**	**-0.07%**	**(385)**	***29%***
Net financial exp. (C=A+B)	**2,201**	**0.11%**	**1,477**	**0.08%**	**724**	***49%***
Foreign exchange gains	(717)	-0.04%	(442)	-0.02%	(275)	*62%*
Foreign exchange losses	396	0.02%	873	0.04%	(477)	*-55%*
Net foreign exch. (profit)/losses (D)	**(321)**	**-0.02%**	**431**	**0.02%**	**(752)**	***-174%***
Net financial (income)/costs (E=C+D)	**1,880**	**0.10%**	**1,908**	**0.10%**	**(28)**	***-2%***

The negative balance of 1.9 million euro between financial income and charges is almost unchanged compared with the previous year.

This trend is due to higher net interest payable to banks for 0.8 million euro, higher derivative charges and upfront fees amortisation for 0.3 million euro, offset by both higher interest income from others for 0.5 million euro following recognition of interest receivables as a result of the favourable outcome of litigation with a credit insurance company and a positive foreign exchange management, up +0.8 million euro, from 0.4 million euro losses in 2016 to 0.3 million euro gains in 2017.

The higher cost of indebtedness is due to the increase in the average debt levels to banks, while the average mix of financing sources, having a considerably longer average duration compared with the previous year, shows more favourable interest rate conditions.

45) Income tax expenses

(euro/000)	2017	%	2016	%	Var.	*% Var.*
Sales	**1,917,559**		**1,951,845**		**(34,286)**	***-2%***
Current tax - IRES (Corporation income tax)	3,050	0.16%	3,379	0.17%	(329)	*-10%*
Current tax - IRAP (Regional tax on productive activities)	943	0.05%	1,026	0.05%	(83)	*-8%*
Rainboursement IRES	(122)	-0.01%	(66)	0.00%	(56)	*85%*
Current income taxes	**3,871**	**0.20%**	**4,339**	**0.22%**	**(468)**	***-11%***
Current tax - IRES (Corporation income tax)	46	0.00%	502	0.03%	(456)	*-91%*
Current tax - IRAP (Regional tax on productive activities)	(11)	0.00%	24	0.00%	(35)	*-146%*
Deferred income taxes	**35**	**0.00%**	**526**	**0.03%**	**(491)**	***-93%***
Current tax - IRES (Corporation income tax)	2,974	0.16%	3,815	0.20%	(841)	*-22%*
Current tax - IRAP (Regional tax on productive activities)	932	0.05%	1,050	0.05%	(118)	*-11%*
Total taxes	**3,906**	**0.20%**	**4,865**	**0.25%**	**(959)**	***-20%***

Income taxes, amounting to 3.9 million euro, dropped by -1.0 million euro compared with last year.

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	2017	2016
Profit before taxes [A]	**14,516**	**17,603**
Operating profit (EBIT)	**16,396**	**19,512**
(+) bad debt provision	1,055	348
(+) provision for risks and charges	126	273
Taxable amout for IRAP [B]	**17,577**	**20,133**
Theoretical taxation IRES [A*24.0%]	3,484	-
Theoretical taxation IRES [A*27.5%]	-	4,841
Theoretical taxation IRAP [B*3.9%]	686	785
Total theoretical taxation [C]	**4,170**	**5,626**
Theoretical tax rate [C/A]	*28.7%*	*32.0%*
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(361)	(1,059)
Other permanent differences	98	298
Total effective taxation [D]	**3,907**	**4,865**
Effective tax rate [D/A]	*26.9%*	*27.6%*

6. Other significant information

6.1 Emoluments paid to the board members, statutory auditors and key managers

Disclosure in accordance with CONSOB Resolution 11971 dated 14 May 1999 and in compliance with the following amendments introduced with resolution 15520 dated 27 July 2006, regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and 'Key Managers', payable to them in respect of the positions held by them in the company during the year can be found in the paragraph of the same name in the 'Notes to the consolidated financial statements'.

6.2 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, net financial indebtedness (or 'net financial position') is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: 'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004' and referred to by Consob itself.

(euro/000)	**31/12/2017**	**31/12/2016**
A. Bank deposits and cash on hand	165,364	80,099
B. Cheques	4	10
C. Trading securities	-	-
D. Liquidity (A+B+C)	165,368	80,109
Financial assets for derivatives		
Customer financial receivables	*510*	*509*
Financial receivables from factoring companies	*1,202*	*1,176*
Financial receivables from Group companies	*157,500*	*151,500*
E. Current financial receivables	159,212	153,185
F. Current bank debt	1,908	92,377
G. Current portion of non current debt	133,532	16,415
H. Other current financial debt and financial liability for derivatives	14,467	10,415
I. Current financial debt (F+G+H)	149,907	119,207
J. Net current financial indebtedness (I-E-D)	**(174,673)**	**(114,087)**
K. Non-current bank loans	18,163	2,252
L. Customers financial receivables	(1,870)	(2,292)
M. Non-current financial liabilities for derivatives	(377)	(377)
N. Non-current financial indebtedness (K+L+M)	**15,916**	**(417)**
O. Net financial indebtedness (J+N)	**(158,757)**	**(114,504)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	149,263	118,779
Current financial (assets)/liabilities for derivatives	644	428
Customers financial receivables	(510)	(509)
Financial receivables from factoring companies	(1,202)	(1,176)
Financial receivables/liabilities from/to Group companies	(157,500)	(151,500)
Cash and cash equivalents	(165,368)	(80,109)
Net current financial debt	**(174,673)**	**(114,087)**
Non-current financial (assets)/liabilities for derivatives	(377)	(377)
Customers financial receivables	(1,870)	(2,292)
Borrowings	18,163	2,252
Net financial debt	**(158,757)**	**(114,504)**

With reference to the same table, it should be underlined that the net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial debt'.

The Company's net financial debt, showing a surplus of 158.8 million euro, results from the balance between gross financial debt of 167.4 million euro, financial liabilities for derivatives of 0.3 million euro, financial receivables from factoring companies of 1.2 million euro, financial receivables from Group companies of 157.5 million euro, customers financial receivables of 2.4 million euro and cash and cash equivalents of 165.4 million euro.

The liquid assets 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 Company's distinctive financial cycle.
A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the without-recourse assignment of trade

receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The without-recourse sale of account receivables revolving programme focussing on the large-scale distribution sector in particular, continued during 2017 as part of the processes aimed at the structural optimisation of the management of working capital. In addition, in July 2015 a securitization programme of other trade receivables was started in Italy. 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 IAS 39. The impact of 'without-recourse' sale of trade receivables as at 31 December 2017 was equal to 169 million euro (approx. 123 million euro as at 31 December 2016).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year are illustrated below. It has to be noted that amounts can differ from the book value of loan principal since they represent the amortised cost calculated on the basis of the real interest rate.

(euro/000)	31/12/2017			31/12/2016			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Pool Loan 2017 (ag. Banca IMI)	129,469	-	129,469	-	-	-	129,469	-	129,469
Carige	2,437	7,548	9,985	-	-	-	2,437	7,548	9,985
BCC Carate	1,220	8,770	9,990	-	-	-	1,220	8,770	9,990
Intesa Sanpaolo (GdF loan)	406	1,845	2,251	386	2,252	2,638	20	(407)	(387)
Pool Loan 2014 (ag. Banca IMI)	-	-	-	48,539	-	48,539	(48,539)	-	(48,539)
Unicredit	-	-	-	10,000	-	10,000	(10,000)	-	(10,000)
Total loan	**133,532**	**18,163**	**151,695**	**58,925**	**2,252**	**61,177**	**74,607**	**15,911**	**90,518**

6.3 Loans and loan covenants

The book value of loan principal of the loans granted to the Company is as follows:

(euro/000)	31/12/2017	31/12/2016	Var.
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six monthly instalments by February 2022	130,500	-	130,500
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 9 yearly instalments by January 2022	2,292	2,696	(404)
Unsecured loan (agent: Carige) to Esprinet S.p.A. repayable in 1 six-monthly instalments by December 2021	10,000	-	10,000
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in 1 six-monthly instalments by March 2022	10,000	-	10,000
Unsecured pool loan (agent: Banca IMI) to Esprinet S.p.A. repayable in 1 six monthly instalments by July 2019	-	48,750	(48,750)
Unsecured loan (agent: Unicredit) to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	-	10,000	(10,000)
Total book value of loan principal	**152,792**	**61,446**	**91,346**

The weighted average rate used during 2017 on the above loans was approx. 1.7% (approx. 2.2% in the previous year).

The loan agreement with a book value of loan principal amounting to 130.5 million euro is a Term Loan Facility entered into by Esprinet S.p.A. with a pool of banks, received in February 2017 and maturing within February 2022. Such loan is subject to the compliance of 4 covenants, any breach of which allows the issuing institutes to demand immediate reimbursement. These covenants, which are subject to six-monthly checks against the audited consolidated financial statements starting from the financial statements as at 31 December 2017, are as follows:

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

where 'extended net financial indebtedness' is the net financial indebtedness as measured in the previous section entitled 'Net financial indebtedness' gross of financial receivables and of the impact of prepayments received from factoring companies as part of without recourse sales of receivables programmes or securitisations.

A Revolving Facility, entered into on the same date and having the same maturity as the Term Loan Facility and the maximum principal equal to 65 million euro, undrawn as at the date of these financial statements, is also subject to the same covenants. The purpose of the Revolving Facility and the Term Loan Facility is to re-finance the existing outstanding indebtedness and to further consolidate financial structure by lengthening the average maturity of the financial debt.

At 31 December 2017 according to management estimates (to be checked against the consolidated and audited financial statements), one covenant was not met. Accordingly, the loans were entirely classified under the 'current liabilities' following IFRSs standards.
With respect to the above, the Company already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment. In addition, it should be highlighted that on 28 February 2018 the Company repaid 14.5 million euro in principal as per the amortisation plan of the amortising facility, thus reducing the liability to 116.0 million euro.

Loan agreements also contain the usual 'negative pledge', 'pari passu' and similar clauses none of which had been breached at the time this report was drafted.

6.4 Cash flow analysis

(euro/000)	2017	2016
Net financial debt at start of the year	**(114,504)**	**(177,963)**
Cash flow provided by (used in) operating activities	55,146	(43,324)
Cash flow provided by (used in) investing activities	(2,347)	(11,429)
Cash flow provided by (used in) changes in net equity	(7,136)	(7,733)
Total cash flow	**45,663**	**(62,486)**
Unpaid interests	(1,410)	(973)
Net financial position at end of year	**(158,757)**	**(114,504)**
Short-term financial liabilities	149,262	118,779
Customers financial receivables	(510)	(509)
Current financial (assets)/liabilities for derivatives	644	428
Financial receivables from factoring companies	(1,202)	(1,176)
Financial (assets)/liab. From/to Group companies	(157,500)	(151,500)
Cash and cash equivalents	(165,368)	(80,109)
Net current financial debt	**(174,674)**	**(114,087)**
Borrowings	18,163	2,252
Non-current financial (assets)/liab. for derivatives	(377)	(377)
Customers financial receivables	(1,870)	(2,292)
Net financial debt at start of the year	**(158,758)**	**(114,504)**

As shown in the table, as a result of cash flow developments detailed in the cash flow statement, Esprinet S.p.A. books a cash surplus equal to 158.8 million euro compared with 114.5 million euro as at 31 December 2016.

6.5 Shareholdings

Here's following the Shareholding Schedule with data referring to the IFRS 'reporting package' at 31 December 2017 of the single entities where the Company owns shareholdings:

Subsidiaries:

N.	Name	Headquarters	Interest held	Group interest held
1	Celly S.p.A.	Vimercate (MB) - Italy	80,00%	80,00%
2	EDSlan S.r.l.	Vimercate (MB) - Italy	100,00%	100,00%
3	Mosaico S.r.l.	Vimercate (MB) - Italy	100,00%	100,00%
4	V-Valley S.r.l.	Vimercate (MB) - Italy	100,00%	100,00%
5	Nilox Deutschland GmbH	Düsseldorf - Germany	100,00%	100,00%
6	Esprinet Iberica S.L.U.	Zaragoza - Spain	100,00%	100,00%
7	Esprinet Portugal Lda	Porto - Portugal	5,00%	100,00%

N.	Name	Currency	Share capital	Net equity	Result for the period	Carrying amount
1	Celly S.p.A.	EUR	1,250,000	5,042,002	321,797	9,934,440
2	EDSlan S.r.l.	EUR	100,000	(756,468)	3,226,578	6,540,000
3	Mosaico S.r.l.	EUR	100,000	2,432,367	1,897,507	100,000
4	V-Valley S.r.l.	EUR	20,000	1,804,187	16,309	20,000
5	Nilox Deutschland GmbH	EUR	100,000	86,782	(13,218)	100,000
6	Esprinet Iberica S.L.U.	EUR	54,692,844	93,075,314	5,230,546	75,840,571
7	Esprinet Portugal Lda	EUR	400,000	317,740	(74,615)	50,000

Compared with 31 December 2016 Nilox Deutschland GmbH entered the consolidation area.

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

6.6 Summary of subsidiaries' main financial and economic figures

The following tables show key data from the direct subsidiaries' draft financial statements as at 31 December 2017, approved by the respective Boards of Directors. Please note that the financial statements have been drawn up in accordance with local accounting standards.

(euro/000)	Celly S.p.A.	EDSlan S.r.l.	Mosaico S.r.l.	Nilox Deutschland GmbH	V-Valley S.r.l.	Esprinet Iberica S.L.U.
Sales	27,896	57,332	54,685	-	94,709	653,852
Cost of sales	(16,474)	(50,732)	(49,689)	(5)	(93,729)	(627,138)
Gross profit	**11,422**	**6,599**	**4,996**	**(5)**	**980**	**26,714**
Sales and marketing costs	(8,144)	(4,185)	(1,406)	-	-	(6,171)
Overheads and administrative costs	(3,067)	(3,037)	(1,424)	(8)	(931)	(18,930)
Operating income (EBIT)	**211**	**(623)**	**2,166**	**(13)**	**49**	**1,613**
Finance costs - net	94	(294)	(41)	-	(5)	(529)
Other investments expenses / (incomes)	66	-	-	-	-	-
Profit before income taxes	**370**	**(916)**	**2,125**	**(13)**	**44**	**1,084**
Income tax expenses	(95)	161	(604)	-	(28)	(254)
Net profit before non-controlling in	**275**	**(756)**	**1,521**	**(13)**	**16**	**830**
Net income	**275**	**(756)**	**1,521**	**(13)**	**16**	**830**

(euro/000)	Celly S.p.A.	EDSlan S.r.l.	Mosaico S.r.l.	Nilox Deutschland GmbH	V-Valley S.r.l.	Esprinet Iberica S.L.U.
ASSETS						
Non-current assets						
Property, plant and equipment	168	246	42	-	-	3,467
Goodwill	-	-	5,142	-	-	46,848
Intangible assets	8	254	30	-	-	4
Investments in associates	-	-	-	-	-	-
Investments in others	6	-	-	-	-	77,466
Deferred income tax assets	548	245	140	-	68	4,682
Receivables and other non-current assets	10	10	-	-	-	320
	739	**755**	**5,354**	**-**	**68**	**132,789**
Current assets						
Inventory	5,787	8,609	584	-	-	67,495
Trade receivables	10,165	21,591	24,424	-	22,447	28,815
Income tax assets	18	60	-	-	6	0
Other assets	1,446	1,650	1,373	3	884	3,506
Cash and cash equivalents	815	3,197	10,746	92	4,038	47,867
	18,231	**35,107**	**37,127**	**95**	**27,375**	**147,684**
Non-current assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**18,970**	**35,862**	**42,481**	**95**	**27,443**	**280,473**
EQUITY						
Share capital	1,250	100	100	100	20	55,203
Reserves	3,078	9,781	379	-	1,768	28,076
Net income for the period	275	(756)	1,521	(13)	16	830
	4,603	**9,125**	**2,000**	**87**	**1,804**	**84,110**
Non-controlling interests						
Total equity	**4,603**	**9,125**	**2,000**	**87**	**1,804**	**84,110**
LIABILITIES						
Non-current liabilities						
Borrowings	-	-	-	-	-	-
Deferred income tax liabilities	17	15	11	-	-	820
Retirement benefit obligations	492	269	390	-	-	-
Provisions and other liabilities	522	31	4	-	-	458
	1,031	**315**	**405**	**-**	**-**	**1,278**
Current liabilities	-					
Trade payables	4,485	8,316	12,498	8	41	79,981
Short-term financial liabilities	5,013	15,659	25,300	-	130	101,752
Income tax liabilities	-	-	531	-	-	147
Provisions and other liabilities	3,837	2,447	1,747	-	25,468	13,205
	13,336	**26,422**	**40,076**	**8**	**25,639**	**195,085**
Total liabilities	**14,367**	**26,737**	**40,481**	**8**	**25,639**	**196,363**
Total equity and liabilities	**18,970**	**35,862**	**42,481**	**95**	**27,443**	**280,473**

6.7 Relationships with related entities

In next paragraphs balances of the statement of financial position and of the separate income statement deriving from operations with related parties (as defined by IAS 24), except for relationships with members of the key management that are detailed in the paragraph with the same name are summarised and explained.

6.7.1 Intercompany costs and revenues

Details of revenues and costs recorded by Esprinet S.p.A. in relation to the companies belonging to the Group are as follows:

(euro/000)	Type	2017		2016	
		Sales	Cost	Sales	Cost
Sales					
Edslan S.r.l.	Sale of goods	13,690	-	3,294	-
Mosaico S.r.l.	Sale of goods	2,174	-	463	-
Esprinet Iberica S.L.U.	Sale of goods	42,857	-	45,081	-
Vinzeo SAU	Sale of goods	1,929	-	-	-
Celly Nordic OY	Sale of goods	1	-	18	-
Celly S.p.A.	Sale of goods	1,866	-	1,651	-
Subtotal		**62,516**	**-**	**50,507**	**-**
Cost of Sales					
Edslan S.r.l.	Services costs	-	(18)	-	-
Edslan S.r.l.	Purchase of goods	-	1,916	-	1,595
Mosaico S.r.l.	Purchase of goods	-	1,139	-	-
V-Valley S.r.l.	Transport costs	-	-	-	(4)
Esprinet Iberica S.L.U.	Purchase of goods	-	448	-	256
Celly S.p.A.	Transport costs	-	(8)	-	(7)
Celly S.p.A.	Purchase of goods	-	290	-	745
Subtotal		**-**	**3,767**	**-**	**2,585**
Sales and marketing costs					
Edslan S.r.l.	Labour costs	-	(27)	-	-
Edslan S.r.l.	Transport costs	-	(17)	-	-
Edslan S.r.l.	Marketing costs	-	13	-	-
Mosaico S.r.l.	Transport costs	-	(11)	-	-
Mosaico S.r.l.	Marketing costs	-	37	-	-
V-Valley S.r.l.	Fees on sales	-	1,400	-	1,498
Esprinet Iberica S.L.U.	Labour costs	-	(55)	-	(18)
Esprinet Portugal Lda	Labour costs	-	(1)	-	-
Celly S.p.A.	Marketing costs	-	-	-	4
Celly S.p.A.	Labour costs	-	(4)	-	(37)
Subtotal		**-**	**1,335**	**-**	**1,447**
Overheads and administrative costs					
Edslan S.r.l.	Hardware and software support costs	-	(125)	-	(7)
Edslan S.r.l.	Administrative services	-	(896)	-	(167)
Mosaico S.r.l.	Administrative services	-	(102)	-	-
Mosaico S.r.l.	Hardware and software support costs	-	(3)	-	-
V-Valley S.r.l.	Hardware and software support costs	-	(25)	-	(35)
V-Valley S.r.l.	Administrative services	-	(84)	-	(81)
Esprinet Iberica S.L.U.	Hardware and software support costs	-	(953)	-	(868)
Esprinet Iberica S.L.U.	Administrative services	-	(114)	-	(53)
Vinzeo SAU	Hardware and software support costs	-	(21)	-	-
Vinzeo SAU	Administrative services	-	(34)	-	-
V-Valley Iberian S.L.U.	Administrative services	-	(1)	-	-
Esprinet Portugal Lda	Hardware and software support costs	-	(31)	-	(28)
Esprinet Portugal Lda	Administrative services	-	(56)	-	(54)
Celly S.p.A.	Hardware and software support costs	-	(114)	-	(89)
Celly S.p.A.	Administrative services	-	(707)	-	(755)
Subtotal		**-**	**(3,266)**	**-**	**(2,137)**
Finance costs - net					
Celly S.p.A.	Interests income	35	-	60	-
Edslan S.r.l.	Interests income	71	-	102	-
Esprinet Portugal Lda	Interests income	37	-	50	-
Mosaico S.r.l.	Interests income	141	-	8	-
V-Valley Iberian S.l.u.	Interests income	37	-	4	-
Esprinet Iberica S.L.U.	Interests income	727	-	918	-
Subtotal		**1,048**	**-**	**1,142**	**-**
Total		**63,564**	**1,837**	**51,649**	**1,895**

6.7.2 Relationships with subsidiaries

The following is a summary of the Esprinet S.p.A.'s relationships with its subsidiaries. Intercompany receivables and payables have been detailed in the 'Notes to the statement of financial position items'. Intercompany costs and revenues have been detailed in the previous paragraph.
Please note that the relationships between Esprinet S.p.A. and its subsidiaries have been conducted in accordance with market conditions.

Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:

- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/03;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.

National consolidated tax regime – Subgroup Italy

Esprinet S.p.A. and its subsidiary Celly S.p.a. have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR) 2015 for the 3-years period 2015-2017.
In 2016 V-Valley opted again for the 'National consolidated tax regime' for the 2016-2018 3-year period. During 2016, the subsidiary EDSlan S.r.l. joined the 'National consolidated tax regime' for the 2016-2018 period.
The economic ratios, as well as the responsibilities and mutual obligations, between the consolidating company and the aforementioned subsidiaries are defined in the 'Consolidation regulations governing Esprinet Group member companies'.
Tax liabilities are usually reported under the item 'Current income tax liabilities', net of advances and the withholding taxes paid and tax credits, in general. The current Corporate Income Tax (IRES) is also reported under 'Current income tax liabilities' calculated by using estimates of positive and negative taxable amounts of the subsidiary companies which have accepted the National consolidated tax regime, net of advances and withholding taxes paid and the accruing tax credits of the companies in question; the corresponding receivables of the consolidating company referring to Group member companies and regarding the current tax corresponding to the positive taxable amounts transferred in the framework of the National consolidated tax regime, represent the balancing item of the tax liabilities reported.
Payables for compensations due to subsidiaries with negative taxable amounts are reported under the item 'Payables to subsidiaries and associated companies'.

The deferred and prepaid Corporate Income Tax (IRES) is calculated on the temporary differences between the values of assets and liabilities determined in accordance with the requirements of the Italian civil code and the corresponding tax values referring exclusively to the single companies.
The current, deferred and pre-paid Regional Business Tax (IRAP) is determined exclusively in the case of single companies.

Celly S.p.A.

During the year Celly purchased goods from Esprinet S.p.A. totalling 1.9 million euro and sold products to Esprinet S.p.A. totalling 0.3 million euro.
Moreover, Celly paid to the parent Company 0.8 million euro for office rental, headquarters management expenses, personnel costs charge back, EDP consultancy, debiting of general expenses, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.
Finally, it paid Esprinet S.p.A. interest on the outstanding loan amounting to 35 thousand euro.

EDSLan S.r.l..

During the year EDSlan S.r.l. purchased goods from Esprinet S.p.A. totalling 13.7 million euro and sold products to Esprinet S.p.A. totalling 1.9 million euro. Moreover, EDSlan S.r.l. paid to the parent Company 1.1 million euro for personnel costs charge back, EDP consultancy, debiting of general expenses, IT costs and expenses for other administrative services.
Finally, it paid Esprinet S.p.A. interest on the outstanding loan amounting to 0.1 million.

Mosaico S.r.l.

During the year Mosaico S.r.l. purchased goods from Esprinet S.p.A. totalling 2.1 million euro and also sold products to Esprinet S.p.A. totalling 1.2 million euro.
Moreover, Mosaico S.r.l. paid to the parent Company 0.1 million euro for personnel costs charge back, EDP consultancy, debiting of general expenses, IT costs and expenses for other administrative services.
Finally, it paid Esprinet S.p.A. interest on the outstanding loan amounting to 0.2 million euro.

V-Valley S.r.l.

As a result of the contract for commission signed on 20 October 2010, V-Valley concluded purchase agreements with its own business name, but on behalf of Esprinet S.p.A..The total amount of the agreements signed was 93 million euro (100 million euro in 2016), maturing 1.4 million euro in commission on sales (1.5 million euro in 2016).
Moreover, on the basis of a 'service agreement' signed between Esprinet S.p.A. and V-Valley, the latter paid a fee of 0.1 million euro to the parent company in 2017 for the hiring of equipment, the debiting of general expenses, telephone charges, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.

In 2010 Esprinet S.p.A. gave V-Valley a warranty grant of 1 million euro (at Intesa San Paolo and still current in 2017), by which Esprinet S.p.A. stands guarantee in favour of the company's use of the same.
On behalf of V-Valley Esprinet S.p.A. gave i) in 2011 Aosta Factor a letter of credit amounting to 20 million euro (still outstanding in 2017), ii) in 2013 IFI Italia S.p.A. a letter of credit amounting to 18 million euro (still outstanding in 2017), and iii) a letter of credit to Creditech in 2016 amounting to 5 million euro, by which Esprinet acts as guarantor for the subsidiary's use of the same.

Esprinet Iberica S.L.U.

During the year Esprinet Iberica purchased goods from Esprinet S.p.A. totalling 43.8 million euro and also sold products to Esprinet S.p.A. totalling 0.5 million euro.

Esprinet Iberica also paid approx. 1.2 million euro according to a service agreement to lease equipment, for the use of data lines and administrative services, and loan interests of about 0.8 million euro.

Vinzeo Technologies S.A.U.

During the year Vinzeo purchased goods from the parent company totalling 1.9 million euro.

Vinzeo also paid approx. 55 thousand euro for the use of data lines and administrative services.

Esprinet Portugal Lda

In 2017 Esprinet Portugal paid approx. 0.1 million euro to the parent company, mainly for the recharge of EDP consultancy and administrative services as well as for interest income amounting to 37 thousand euro on the existing loan.

6.7.3 Relationships with 'other related parties'

Sales regard consumer electronics products sold at normal market conditions, mainly to key managers and close members of their family.

(euro/000)	Type	2017				2016			
		Sales	Cost	Receiv.	Payab	Sales	Cost	Receiv.	Payab
Sales									
Infoklix S.p.A.	Sales of goods	-	-	2	-	-	-	2	-
Key managers e familiari	Sales of goods	16	-	9	-	15	-	7	-
Subtotal		**16**	**-**	**11**	**-**	**15**	**-**	**9**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	1,467	2	449	-	1,455	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	3,380	8	1,038	-	2,296	-	12
Immobiliare Selene S.r.l.	Overheads	-	7	-	4	-	7	-	-
M.B. Immobiliare S.r.l.	Overheads	-	17	-	6	-	24	-	-
M.B. Immobiliare S.r.l.	Maintenance of third-party assets	-	9	-	9	-	-	-	-
M.B. Immobiliare S.r.l.	Maintenance and logistic fees	-	2	-	-	-	-	-	-
Immobiliare Selene S.r.l.	Deposits	-	-	717	-	-	-	717	-
M.B. Immobiliare S.r.l.	Deposits	-	-	833	-	-	-	567	-
Subtotal		**-**	**4,882**	**1,560**	**1,506**	**-**	**3,782**	**1,284**	**12**
Finance costs-net									
Immobiliare Selene S.r.l.	Interest on deposits	1	-	2	-	1	-	1	-
M.B. Immobiliare S.r.l.	Interest on deposits	1	-	1	-	1	-	1	-
Subtotal		**2**	**-**	**3**	**-**	**2**	**-**	**2**	**-**
Total		**18**	**4,882**	**1,574**	**1,506**	**17**	**3,782**	**1,295**	**12**

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.

As shown in the previous table, the total value of the aforementioned transactions is not material compared with the total volume of the Company's activities, however.

6.8 Non-recurring significant events and operations

During 2017, non-recurring costs were recognised for restructuring activities and for resources rationalisation. The above-mentioned activities involved 7 employees with a total amount of indemnities equal to 235 thousand euro.

In 2016 the following non-recurring items were identified:

- miscellaneous costs amounting to 1.9 million euro for consultancy, commissions and registration fees relating to business combinations both in Italy (EDSlan S.r.l. and Mosaico S.r.l.) and in Spain (Vinzeo Technologies S.A.U.);
- expenses incurred relating to the enlargement of the logistic hub in Cavenago totalling 1.0 million euro;
- key personnel termination indemnities in the Group companies (equal to 0.5 million euro).

The following table shows the impact of the above events and transactions on the income statement (including the related tax effects):

(euro/000)	Charge type	2017	2016	Var.
Overheads and administrative costs	Transaction costs from business combination	-	(1,969)	1,969
	Extension warehouse costs	-	(1,018)	1,018
	Employee termination incentives	(235)	(460)	225
Total SG&A		**(235)**	**(3,447)**	**3,212**
Operating income (EBIT)		**(235)**	**(3,447)**	**3,212**
Profit before income taxes		**(235)**	**(3,447)**	**3,212**
Income tax expenses	Changes in Spanish tax rate on initial losses	-	-	-
	Non-recurring events	65	1,064	(999)
Net income/(loss)		**(170)**	**(2,383)**	**2,213**
Of which attributable to non-controlling interests		-	-	-
Of which attributable to Group		**(170)**	**(2,383)**	**2,213**

6.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the statement of financial position item 'Non-current provisions and other liabilities' in the 'Notes to the consolidated financial statements'.
Similarly, the 'Directors' Report on Operations' also contains the Group's policies regarding the management of legal and tax-related disputes under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.'.

6.10 Disclosure on risks and financial instruments

6.10.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

Disclosure regarding financial risks able to influence the Esprinet S,p.A.'s asset structure, performance and cash flows can be found under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Directors' Report on Operations'.
Similarly, accounting principles regarding financial instruments used in preparing the Esprinet S.p.A. financial statements can be found in the section 'Accounting principles and valuation criteria'.

6.10.2 Financial instruments pursuant to IAS 39: classes of risk and fair value

The next table illustrates the relationship between the financial instruments items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting principle IAS 39:
For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the chapter 'Notes to the statement of financial position items'.

Assets	31/12/2017				31/12/2016			
(euro/000)	Carrying amount	Financial assets at FVTPL [1]	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL [1]	Loans and receiv.	Not IAS 39
Derivative financial assets	377	377			377	377		
Customer financial receivables	*1,870*		*1,870*		*2,292*		*2,292*	
Guarantee deposits	*4,526*		*2,844*	*1,682*	*4,221*		*3,027*	*1,194*
Receiv and other non-curr. Assets	6,396		4,714	1,682	6,513		5,319	1,194
Non-current assets	**6,773**	**377**	**4,714**	**1,682**	**6,890**	**377**	**5,319**	**1,194**
Trade receivables	141,244		141,244		190,146		190,146	
Receivables from subsidiaries	*193,002*		*193,002*		*194,372*		*194,372*	
Other tax receivables	*12,049*			*12,049*	*8,461*			*8,461*
Receivables from factors	*1,202*		*1,202*		*1,176*		*1,176*	
Customer financial receivables	*510*		*510*		*509*		*509*	
Receivables from insurances	*233*		*233*		*1,682*		*1,682*	
Receivables from suppliers	*4,541*			*4,541*	*8,114*			*8,114*
Receivables from employees	-				*2*		*2*	
Receivables from others	*157*		*157*		*148*		*148*	
Pre-payments	*3,667*			*3,667*	*2,488*			*2,488*
Other receivables	215,361		195,104	20,257	216,952		197,889	19,063
Cash and cash equivalents	165,368		165,368		80,109		80,109	
Current assets	**521,973**	**-**	**501,716**	**20,257**	**487,207**	**-**	**468,144**	**19,063**

Liabilities	31/12/2017				31/12/2016			
(euro/000)	Carrying amount	Financial liabilities at FVTPL [1]	Financial liabilities amortized cost	Not IAS 39	Carrying amount	Financial liabilities at FVTPL [1]	Financial liabilities amortized cost	Not IAS 39
Borrowings	18,163		18,163		2,252		2,252	
Provisions for pensions	*1,409*			*1,409*	*1,526*			*1,526*
Other provisions	*185*			*185*	*159*			*159*
Provis. and other non-curr. liab.	1,594		-	1,594	1,685		-	1,685
Non-current liabilities	**19,757**	**-**	**18,163**	**1,594**	**3,937**	**-**	**2,252**	**1,685**
Trade payables	465,112		465,112		381,221		381,221	
Short-term financial liabilities	149,263		149,263		118,779		118,779	
Derivative financial liabilities	644	644			428	428		
Payables to assoc. and subsid	*1,558*		*1,558*		*1,244*		*1,244*	
Social security liabilities	*2,477*		*2,477*		*2,497*		*2,497*	
Other tax liabilities	*1,108*			*1,108*	*1,331*			*1,331*
Payables to others	*6,817*		*6,817*		*7,141*		*7,141*	
Accrued expenses (insurance)	*393*		*393*		*360*		*360*	
Deferred income	*33*			*33*	*35*			*35*
Provisions and other liabilities	12,386		11,245	1,141	12,608		11,242	1,366
Current liabilites	**627,405**	**644**	**625,620**	**1,141**	**513,036**	**428**	**511,242**	**1,366**

[1] 'FVTPL': Fair Value Through Profit and Loss.

As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:
  - cash and cash equivalents and financial receivables (current and non-current)
  - receivables from insurance companies
  - intercompany receivables
  - trade receivables
  - receivables from others

- receivables from employees
- trade payables
- financial liabilities
- intercompany payables
- other debts (current and non-current)

- financial instruments measured at 'fair value' since initial recognition:
  - derivative financial assets
  - derivative financial liabilities

Qualitative disclosures regarding the different risk classes can be found under the same section in the 'Notes to the consolidated financial statements'.

The fair value measurement of financial assets and liabilities reported in the statement of financial statements as provided for by IAS 39 and governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in determining them, are as follows:

Assets	31/12/2017						31/12/2016					
		Fair value						Fair value				
(euro/000)	Carrying amount	Trade receiv	Financial receiv	Receiv. from insurers	Receiv. from Group	Rec. from employ	Carrying amount	Trade receiv	Financial receiv	Receiv. from insurers	Receiv. from Group	Rec. from employ
Derivative financial asset	377		377				377		377			
Customer financial receiv	1,870		2,028				2,292		2,489			
Guarantee deposits	2,844		2,852				3,027		3,000			
Other non-curr. assets	4,714		4,880		-		5,319		5,489		-	
Non-current assets	**5,091**	**-**	**5,257**	**-**	**-**	**-**	**5,696**	**-**	**5,866**	**-**	**-**	**-**
Trade receivables	141,244	141,244					190,146	190,146				
Receivables from subsid.	193,002				193,002		194,372				194,372	
Receivables from associat	-						-					
Receiv. from factors	1,202		1,202				1,176		1,176			
Customer financial receiv	510		510				509		509			
Receiv. from insurances	233			233			1,682			1,682		
Receiv. from employees	-						2					*2*
Receiv. From others	157					157	148					*148*
Other receivables	195,104		1,712	233	193,002	157	197,889		1,685	1,682	194,372	150
Cash and cash equival.	165,368		165,368				80,109		80,109			
Current assets	**501,716**	**141,244**	**167,080**	**233**	**193,002**	**157**	**468,144**	**190,146**	**81,794**	**1,682**	**194,372**	**150**

Liabilities	31/12/2017						31/12/2016					
		Fair value						Fair value				
(euro/000)	Carrying amount	Trade payables	Financial liabilities	Derivatial FVTPL	Other payab.	Payab. to Group	Carrying amount	Trade payables	Financial liabilities	Derivatial FVTPL	Other payab.	Payab. to Group
Borrowings	18,163		18,000				2,252		2,385			
Non-current liabilites	**18,163**	**-**	**18,000**	**-**	**-**	**-**	**2,252**	**-**	**2,385**	**-**	**-**	**-**
Trade payables	465,112	465,112					381,221	381,221				
Short-term financial liab.	149,263		149,750				118,779		118,756			
Financial derivatives	644			644			428			428		
Intercompany payables	1,558					1,558	1,244					1,244
Social security liabilities	2,477				2,477		2,497				2,497	
Payables to others	6,817				6,817		7,141				7,141	
Accrued exp. (insurance)	393				393		360				360	
Provis. and other liabil.	11,245				9,687	1,558	11,242				9,998	1,244
Current liabilities	**626,264**	**465,112**	**149,750**	**644**	**9,687**	**1,558**	**511,670**	**381,221**	**118,756**	**428**	**9,998**	**1,244**

The corresponding hierarchy level for each of the abovementioned fair value list is described below:

Assets	31/12/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Derivative financial assets	377	377	*level 3*	377	377	*level 3*
Customer financial receiv.	1,870	2,028	*level 2*	2,292	2,489	*level 2*
Guarantee deposits	2,844	2,852	*level 2*	3,027	3,000	*level 2*
Other non-curr. Assets	4,714	4,880		5,319	5,489	
Non-current assets	**5,091**	**5,257**		**5,696**	**5,866**	
Trade receivables	141,244	141,244	*level 2*	190,146	190,146	*level 2*
Receivables from subsid.	193,002	193,002	*level 2*	194,372	194,372	*level 2*
Receivables from associat	-	-	*level 2*	-	-	*level 2*
Receiv. from factors	1,202	1,202	*level 2*	1,176	1,176	*level 2*
Customer financial receiv.	510	510	*level 2*	509	509	*level 2*
Receiv. from insurances	233	233	*level 2*	1,682	1,682	*level 2*
Receiv. from employees	-	-	*level 2*	2	2	*level 2*
Receiv. From others	157	157	*level 2*	148	148	*level 2*
Other receivables	195,104	195,104		197,889	197,889	
Cash and cash equival.	165,368	165,368		80,109	80,109	
Current assets	**501,716**	**501,716**		**468,144**	**468,144**	

Liabilities	31/12/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	18,163	18,000	*level 2*	2,252	2,385	*level 2*
Non-current liabilites	**18,163**	**18,000**		**2,252**	**2,385**	
Trade payables	465,112	465,112	*level 2*	381,221	381,221	*level 2*
Short-term financial liab	149,263	149,750	*level 2*	118,779	118,756	*level 2*
Financial derivatives	644	644	*level 2*	428	428	*level 2*
Debts for invest. in subsidiaries	*1,558*	*1,558*	*level 2*	*1,244*	*1,244*	*level 2*
Social security liabilities	*2,477*	*2,477*	*level 2*	*2,497*	*2,497*	*level 2*
Payables to others	*6,817*	*6,817*	*level 2*	*7,141*	*7,141*	*level 2*
Accrued exp. (insurance)	*393*	*393*	*level 2*	*360*	*360*	*level 2*
Provis. and other liabil.	11,245	11,245		11,242	11,242	
Current liabilities	**626,264**	**626,751**		**511,670**	**511,647**	

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

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

The 'fair value' of 'Interest Rate Swap' (IRS) derivatives was estimated by discounting expected cash flows, according to the terms and the due dates of each derivative agreement and its underlying, and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).
The interest rates used were obtained from the 'Forward' and the 'Spot' Curve Euro at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.
The soundness of the measurement made, with reference to IRS - Interest Rate Swap, was confirmed by the comparison with the value provided by the issuer banks.

The derivatives financial asset comprises the difference between present value of business valuation of the 20% remaining share in Celly S.p.A. and the forward price evaluation due under the option contract entered with the minority shareholder.
The present value was calculated using the 2-year free-risk rate at 31 December 2017, as adjusted in order to take into account the remaining time until the first available exercise date of the option (falling on 12 May 2019).
The fair value so measured corresponds to a level 3 in the fair value hierarchy being based also on management estimates about future financial performance of the subsidiary.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the paragraph 'Derivatives analysis' for information relating to existing derivative instruments.

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under '42) Finance costs'.

Please note that general and administrative expenses include 1.1 million euro (0.3 million euro in 2016) relating to bad debt allowances on the basis of analyses of each single debtor's solvency.

6.10.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, and vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not detecting at this end).
As highlighted in the section 'Trade and other receivables' in the paragraph 'Summary of significant valuation criteria and accounting policies', in case of impairment by credit losses, the value of receivables is adjusted. This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
In the year ended 31 December 2017, and in the previous year, it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.

The following table illustrates the above-mentioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Final provision
2017 financial year	3,895	1,055	(569)	4,381
2016 financial year	4,701	348	(1,154)	3,895

Esprinet S.p.A. Group usually transfers financial assets.
These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.
During 2017, the securitisation plan structured by UniCredit Bank AG was continued, under which trade receivables are assigned without recourse on a revolving basis to a 'special purpose vehicle' under Law no. 130/99.
In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Group continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.
As at 31 December 2017 the with-recourse sold receivables which obtained advances under usual reserves amounted to 1.5 million euro (2.4 million euro at 31 December 2016); same kind of advances (under usual reserves) about effects amounted to 1.6 million euro (1.2 million euro at 31 December 2016).
The financial assets' gross book value is the Company's maximum exposure to credit risk.

The following tables show an analysis of the status of trade receivables and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2017	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	145,625	5,049	47,895	92,681
Bad debt provision	(4,381)	(4,381)	-	-
Net trade receivables	**141,244**	**668**	**47,895**	**92,681**

(euro/000)	31/12/2016	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	194,041	5,978	42,667	145,396
Bad debt provision	(3,895)	(3,895)	-	-
Net trade receivables	**190,146**	**2,083**	**42,667**	**145,396**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receiv. past due not impaired at 31/12/2017	47,895	1,109	239	138	46,409
Receiv. past due not impaired at 31/12/2016	42,667	814	385	87	41,381

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, Esprinet S.p.A. does not believe that the premise for allocating provisions for doubtful receivables for amounts not yet overdue exist.

There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.
The following instruments are usually used by Esprinet S.p.A. to limit its credit risk (the percentages refer to trade receivables at 31 December 2017):

- traditional credit insurance (covering approx. 90% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 60% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 10% of the receivables (the amount refers to receivables existing at the closing date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 4% of total gross amount of trade receivables;

No financial or non-financial assets were obtained by the Group during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). Nor did the Group hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.

No other financial assets regulated by IFRS 7 and IFRS 13 have been impaired in the current or in the previous year. The two following tables illustrate their status and the aging of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2017				31/12/2016			
	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Derivative financial assets	377			377	377			377
Customer financial receiv	*1,870*			*1,870*	*2,292*			*2,292*
Guarantee Deposits	*2,844*			*2,844*	*3,027*			*3,027*
Other non-current assets	4,714			4,714	5,319			5,319
Non-current assets	**5,091**	**-**	**-**	**5,091**	**5,696**	**-**	**-**	**5,696**
Receivables from subsid.	*193,002*		*556*	*192,446*	*194,372*		*350*	*194,022*
Receivables from factors	*1,202*		*13*	*1,189*	*1,176*		*(1)*	*1,177*
Customer financial receiv.	*510*			*510*	*509*			*509*
Receivables from insurances	*233*		*233*		*1,682*		*1,682*	
Receivables from employees	-				*2*			*2*
Receivables from others	*157*		*89*	*68*	*148*		*89*	*59*
Other receivables	195,104		891	194,213	197,889		2,120	195,769
Cash and cash equivalents	165,368		165,368		80,109		80,109	
Current assets	**360,472**	**-**	**166,259**	**194,213**	**277,998**	**-**	**82,229**	**195,769**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receivables from subsid.	556	157	8	586	(195)
Receivables from factoring companies	13	-	-	-	13
Receivables from insurance companies	233	52	23	118	40
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/2017	**891**	**298**	**31**	**704**	**(142)**
Receivables from subsid.	350	-	-	-	350
Receivables from factoring companies	(1)	-	-	-	(1)
Receivables from insurance companies	1,682	1,549	15	88	30
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/2016	**2,120**	**1,638**	**15**	**88**	**379**

Receivables from factoring companies relate wholly to 'without-recourse' factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.

The past due quota relates to sums due at the ending date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Company.
It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

6.10.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	Carrying amount 31/12/2017	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Financial liabilities	18,163	19,278	200	123	5,705	13,250	-
Non-current liabilities	**18,163**	**19,278**	**200**	**123**	**5,705**	**13,250**	**-**
Trade payables	465,112	515,614	469,503	4,391	9,301	21,481	10,938
Short-term financial liabilities	149,263	155,501	153,039	2,462	-	-	-
Derivative financial liabilities	644	647	647	-	-	-	-
Payables to assoc. and subsidiaries	1,558	1,558	1,558	-	-	-	-
Social security liabilities	2,477	2,477	2,477	-	-	-	-
Payables to others	6,817	6,817	6,817	-	-	-	-
Accrued expenses (insurance)	393	393	393	-	-	-	-
Provisions and other liabilities	11,245	11,245	11,245	-	-	-	-
Current liabilites	**626,264**	**683,007**	**634,434**	**6,853**	**9,301**	**21,481**	**10,938**

(euro/000)	Carrying amount 31/12/2016	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Financial liabilities	2,252	2,686	98	-	518	2,070	-
Non-current liabilities	**2,252**	**2,686**	**98**	**-**	**518**	**2,070**	**-**
Trade payables	381,221	427,928	385,855	4,633	8,892	24,187	4,361
Short-term financial liabilities	118,779	120,638	120,638	-	-	-	-
Derivative financial liabilities	428	444	444	-	-	-	-
Payables to assoc. and subsidiaries	1,244	1,244	1,244	-	-	-	-
Social security liabilities	2,497	2,497	2,497	-	-	-	-
Payables to others	7,141	7,141	7,141	-	-	-	-
Accrued expenses (insurance)	360	360	360	-	-	-	-
Provisions and other liabilities	11,242	11,242	11,242	-	-	-	-
Current liabilites	**511,670**	**560,252**	**518,179**	**4,633**	**8,892**	**24,187**	**4,361**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Group can be required to pay;
- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

The Company has a medium/long-term senior loan granted in February 2017 by a pool of banks, consisting of a 5-year amortised facility in the original amount of 145.0 million euro (130.5 million euro drawn as at 31 December 2017) and a 5-year revolving facility for 65.0 million euro (undrawn at 31 December 2017), that contain standard acceleration clauses in case of failure to meet certain financial covenants when checked against data from the consolidated and audited financial statements.

At 31 December 2017 according to available evidence and management estimates (still to be checked against the consolidated and audited financial statements), one covenant was not met. Accordingly, the loan was entirely classified under the 'current liabilities' and the relevant contractual cash flows were assumed to take place within 6 months after the balance sheet date.

With respect to the above, the Company already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment. In addition, it should be highlighted that on 28 February 2018 the Group repaid 14.5 million euro in principal as per the amortisation plan of the amortising facility, thus reducing the liability to 116.0 million euro.

Apart from above and from the breach as at 31 December 2016 of two covenants under the financing agreements, which were replaced in February 2017 by the loan outstanding at 31 December 2017, although this breach had no consequences, the Company has never been in a default situation in relation to principal, interest, amortisation schedule or repayment terms of the loans.
For further information please refer to the next paragraph 'Loans and loan covenants'.

The Company also has a loan due in January 2022, with a remaining notional value of 2.3 million euro, booked for the same amount by effect of the amortised cost accounting method, obtained in December 2013 according to the contractual payment terms from the Public Administration for the supply of personal computers to the same by the parent company.
The issuing bank was granted by the Company an irrevocable collection derogation for multi-year contribution's collection due from the Public Administration and equal, in both the amounting and due dates, to the reimbursement loan plan that, for the above mentioned reason, do not contains dealings for a possible shirk benefitting from the reimbursement terms.

Up to now Esprinet S.p.A. has not issued any instruments containing both a liability and an equity component.

6.10.5 Hedge accounting

Introduction

Esprinet S.p.A. signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.
The aim of these transactions hedging against interest rate risk is to fix the funding cost of medium/long-term floating-rate loans by entering into derivative contracts enabling receipt of a floating rate in return for payment of a fixed rate.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Company periodically carries out effectiveness tests.

Derivative instruments as at balance sheet date

At year end, Esprinet S.p.A has six IRS contracts with different notional amounts but identical conditions (hedging instruments), entered into on 7 April 2017 with six of the eight lending banks that, on 28 February 2017, granted the medium-term floating-rate loan with an original notional amount of 145 million euro (then reduced to 130.5 million euro as at 31 December 2017 due to the repayments pursuant to the amortisation plan), called the Term Loan Facility.
Each of the financing counterparties entered into a derivative contract in proportion to their respective share of the loan, which the derivative is intended to hedge through receipt of a floating interest rate in return for payment of a fixed interest rate, which are identical for each counterparty.
This hedge is effective from the second instalment, i.e. 31 August 2017, covering a notional amount of 105.6 million euro.

The main features of the six contracts are summarized below:

Trade date	7 April 2017
Effective date	31 August 2017
Termination date	28 February 2022
Notional amount	Total 105.6 million euro (subject to a sinking plan), unchanged as at 31 December 2017
Fixed rate	0.21%, act/360

Fixed and floating rates payment dates	Every 28 February and 31 August starting from 28 February 2018 up to 28 February 2022, subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Unicredit S.p.A., Banca Nazionale del Lavoro S.p.A., Caixabank S.A., Unione di Banche Italiane S.p.A., Banco BPM S.p.A., each for its own contract.

Instruments terminated during the year

During 2017, Esprinet S.p.A. settled the eight IRSs entered into in December 2014 with each of the eight lending banks that on 31 July 2014 granted the medium-term floating-rate loan of 65 million euro, called the Term Loan Facility. These IRSs were intended for hedging the Term Loan Facility entered into on 31 July 2014, by way of receipt of a floating rate in return for payment of a fixed rate. Their termination was the direct consequence of the settlement on 28 February 2017 of the above-mentioned loan (that in the meantime had reduced to 40.6 million euro). IRSs were settled at an aggregate amount of 0.3 million euro, substantially equal to their fair value at the termination date.

The main features of the eight IRSs terminated are summarized below:

Trade date	22 December 2014
Effective date	30 January 2015
Termination date	31 July 2019
Notional amount	Total 65.0 million euro (subject to a sinking plan); 40.6 million euro as at 28 February 2017
Fixed rate	From 0.33% to 0.37%, act/360
Fixed and floating rates payment dates	Every 31 January and 31 July starting from 31 July 2015 up to 31 July 2019, subject to adjustment in accordance with the modified business day convention
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Unione di Banche Italiane S.p.A., Banco Popolare – Società Cooperativa, Caixabank S.A., Cassa di Risparmio di Parma e Piacenza S.p.A., each for its own contract.

Information regarding derivative contracts existing during the year

At 31 December 2017, according to management estimates, one covenant relating to the Term Loan Facility of 130.5 million euro, whose cash flows are partially hedged by the six IRS contracts entered into in April 2017, was not met. Consequently, pursuant to the IFRS accounting standards, the liability representing the fair values of derivatives was entirely booked under current financial liabilities together with the amount of the hedged loan.

Indeed, with respect to each of the IRSs in place at 31 December 2017, the conditions set by the IAS 39 as regards 'hedge accounting' have been fully complied with since the signing or acquisition date: formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured. Thus, all IRSs are treated under the cash flow hedge accounting, which provides for recognition in the equity reserve of the respective fair value at the signing date (only for the effective portion) and thereafter changes in fair value due to movements of the interest rate curve, within the limits of the effective portion, and consequent recording in the comprehensive income statement.

In respect of the eight IRSs terminated in the period, hedge accounting provisions were also met till 27 February 2017, i.e. the date immediately before the hedged loan was settled, the latter being however replaced - in interest rate risk terms - by a new loan entered into against this settlement. Till that date changes in fair value were recognised in the equity reserve, while subsequent changes, equal to 7 thousand euro, were booked under 'finance costs - net' directly in the income statement till the derivative settlement date, as the hedging relationship no longer applied. As at 27 February 2017, 320 thousand euro relating to the changes in fair value of the above-mentioned settled derivatives were recorded under the 'cash flow hedge' reserve in equity; this reserve is gradually reversed to the income statement following the maturities of the settled loan since the relevant interest rate risk is still outstanding, even if shifted to the new loan. In particular, this rate risk - relating to the interest flows after 27 February 2017 - was hedged by the previous IRSs till that date (and will be reversed to income statement over time according to the periods originally covered) and is now hedged by the outstanding IRSs from the inception date.

The tables below illustrate the following information regarding derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 31 December 2017 and 2016 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 31 December 2017 and 2016 representing the 'fair value' of the contracts if hedging is 'highly 'effective';
- the ineffective portion recognised or reversed in the income statement under 'Finance costs' from inception with reference to the instalments still outstanding at the same date;
- the change in fair value from the inception date to the financial statement closing date.

(euro/000)	Year	Notional amount		Fair Value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnings (4)
		within 1 year	beyond 1 year				
Interest rate risk management							
- cash flow hedge IRS 2017 pursuant to IAS 39	2017	105,643	-	644	174	(113)	(357)
- cash flow hedge IRS 2014 pursuant to IAS 39	2017	-	-	-	-	-	(96)
- cash flow hedge IRS 2014 pursuant to IAS 39	2016	48,750	-	428	114	(75)	(239)

(1) Amount of the (assets)/liabilities recorded in the statement of financial position resulting from derivatives measured at fair value using cash flow hedge accounting technique.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
(3) Deferred income taxes related to the fair value of the derivative contracts using the cash flow hedge accounting technique.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity using the cash flow hedge accounting technique.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve during the first half are so detailed:

(euro/000)	Year	Change in fair value of derivatives	Transfer to P&L (1)	Taxes effect trasfer to P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- Equity reserve on derivatives 2017	2017	(644)	174	(42)	-	155	(357)
- Equity reserve on derivatives 2014	2017	(16)	204	(49)	-	4	143
- Equity reserve on derivatives 2014	2016	(204)	225	(67)	-	50	4

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

The following are the periods when the cash flows relating to the hedged items are expected to occur and when they are expected to affect the Income Statement:

(euro/000)			Total	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/2017	Cash flows	4,725	4,725	-	-	-	-
		Impact on P&L	4,184	4,184	-	-	-	-
	31/12/2016	Cash flows	1,907	1,907	-	-	-	-
		Impact on P&L	1,474	1,474	-	-	-	-

Finally, the derivative instrument changes referring to the fair value variations recorded in the Income Statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1]	Rates past due	Variation FV rates not past due	FV 31/12/c.y.[2]
Derivatives 2014	2017	320	(313)	(7)	-
Derivatives 2014	2016	n.a.	n.a.	n.a.	n.a.
Total		**320**	**(313)**	**(7)**	**-**

(1) Previous year, that for the 2017 fiscal year refers to 28 February 2017, when the hedging relationship no longer applied due to repayment of the underlying loan.
(2) Current year

6.10.6 Sensitivity analyses

Since Esprinet S.p.A. is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations').
A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period.

For these purposes, the 2017 market interest rate trend was taken into account together with the Group's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/-100 basis points was simulated. The following tables show the results of the simulation (net of tax effects); each item includes both the current and non current portion:

Scenario 1: +100 basis points

	31/12/2017		31/12/2016	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Derivative financial assets	(4)	(4)	(6)	(6)
Financial assets	1,136	1,136	758	758
Cash and cash equivalents	302	302	284	284
Borrowings [(1)]	(849)	(849)	(693)	(693)
Derivative financial liabilities	1,285	-	445	-
Total	**1,870**	**585**	**788**	**343**

Scenario 2: -100 basis points

	31/12/2017		31/12/2016	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Derivative financial assets	4	4	7	7
Financial assets	(55)	(55)	-	-
Cash and cash equivalents	(31)	(31)	(41)	(41)
Borrowings [(1)]	309	309	170	170
Derivative financial liabilities	(1,318)	-	(447)	-
Total	**(1,091)**	**227**	**(311)**	**136**

[(1)] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

6.11 Compensation for Esprinet S.p.A. auditing services

The following table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during this fiscal year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

Description	**Provider of service**	**Fees (euro/000)**	
		2017	**2016**
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	EY S.p.A.	154.6	153.9
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	EY S.p.A.	23.0	11.8
Quarterly examination of accounts of one single company or group of companies during the year	EY S.p.A.	28.3	27.9
Subtotal		**205.9**	**193.6**
Other services:			
Services other than audit	EY S.p.A.	61.0	45.0
Subtotal		**61.0**	**45.0**
Total		**266.9**	**238.6**

7. Publication of the Draft Annual Report

The draft annual report and its publication were approved by the Esprinet Board of Directors during the meeting of 21 March 2018, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

As a consequence of the powers so granted, on 23 March the Draft Annual Report was updated in the information part, following the notification of a judgement that upheld the parent company's appeal relating to a tax litigation whose details are displayed in the section 'Development of disputes involving Esprinet S.p.A. and the Group' under 'Notes to the consolidated financial statements'.

Vimercate, 23 March 2018

Of behalf of the Board of Directors
The Chairman
Francesco Monti

Statement on the 'Consolidated financial statements' pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the consolidated financial statements relating to the year 2016 were:

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

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2017 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the consolidated financial statements as at 31 December 2017:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Company's accounts, books and records;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The Directors' Report on Operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks to which they are exposed.

Vimercate, 23 March 2018

Chief Executive Officer of Esprinet S.p.A.	Executive charged with drafting the Esprinet S.p.A. financial reports
(Ing. Alessandro Cattani)	(Pietro Aglianò)

Statement on the 'separate financial statements' pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the consolidated financial statements relating to the year 2016 were:

- appropriate to the features of the Company
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the separate financial statements at 31 December 2017 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the separate financial statements as at 31 December 2017:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Company's accounts, books and records;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

3.2 The Directors' Report on Operations includes a reliable operating and financial review of the Company as well as a description of the main risks to which it is exposed.

Vimercate, 23 March 2018

Chief Executive Officer of Esprinet S.p.A.	Executive charged with drafting the Esprinet S.p.A. financial reports
(Ing. Alessandro Cattani)	(Pietro Aglianò)

Esprinet S.p.A.

Via Energy Park 20 – 20871 Vimercate (MB)

"REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ARTICLE 2429(3) OF THE ITALIAN CIVIL CODE – FINANCIAL STATEMENTS AS AT 31-12-2017"

Dear Shareholders,

By means of this Report, drawn up in accordance with Article 153 of Legislative Decree No. 58/1998 ("TUF"), also taking into account the applicable Consob Recommendations and the Code of Conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Bookkeepers, the Board of Statutory Auditors of Esprinet S.p.A. (hereinafter also referred to as the "Company") reports to you on its supervisory activity and the outcome thereof.

The Board of Statutory Auditors currently in office was appointed for a three-year term by the Shareholders' Meeting of 30 April 2015 in accordance with the provisions of the Articles of Association, which incorporate regulations for listed companies concerning the election of its Chairman and an alternate auditor from the minority list and in compliance with the requirement for a gender balance in corporate bodies (Law No 120 of 12 July 2011).

It should be recalled that, with the approval of the Financial Statements for the year ended 31 December 2017, the Shareholders' Meeting will be called to pass resolutions on, *inter alia,* the appointment of the new Board of Statutory Auditors and the new Board of Directors for the three-year period 2018-2020, and we invite you to make the necessary decisions, taking into account the relevant legislative and regulatory provisions.

1. Supervision performed and information received.

During the financial year ended 31 December 2017, the Board of Statutory Auditors performed the supervisory activities provided for by law, the code of conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Bookkeepers, Consob Recommendations on company audits and activities of the Board of Auditors (in particular, communication No. DAC/RM 97001574 of 20 February 1997 and communication no. DEM 1025564 of 6 April 2001, later supplemented by communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006) and guidelines laid down in the Corporate Governance Code.

To this end, during the year the Board of Auditors:

- held twelve board meetings, attended by all members in office;
- attended, as a rule collectively, the fourteen meetings held by the Board of Directors;
- attended, as a rule collectively, the four meetings held by the Control and Risk Committee and the Corporate Governance Committee;
- attended the Shareholders' Meeting;
- frequently exchanged information and held regular meetings with the Audit Company for the purposes of timely exchange of data and information relevant for the performance of their duties;
- frequently exchanged information and held regular meetings with the head of the internal audit department;
- met the Board of Statutory Auditors of the subsidiary Celly S.p.a. to discuss administration and control systems and the general trend of company business;
- met the corporate bodies and auditors of the Spanish subsidiary Esprinet Iberica S.L.U. (hereinafter referred to for brevity also as Esprinet Iberica) and its subsidiary Vinzeo Technologies S.A.U. (hereinafter referred to for brevity also as Vinzeo);
- regularly met the Supervisory Body appointed under Legislative Decree No. 231/2001;

During Board meetings, the Directors reported to the Board on the activity carried out by the Company and on the most significant economic, financial and equity transactions carried out by the company and its subsidiaries and associates and on the transactions in which they held an interest on their own account or that of third parties.

During meetings and contacts with the audit firm, no censurable facts emerged against the Directors.

With regard to Board activities, during 2017:

- no reports were received under Article 2408 of the Italian Civil Code.
- no complaints were received.

2. Main economic, financial and equity transactions and events Transactions with related parties

With regard to the main economic, financial and equity transactions carried out by the Company and the Group during 2017 and, more generally, the most significant events, the Board of Statutory Auditors reports as follows:

- on 28 February 2017, Esprinet S.p.A. entered into an unsecured loan agreement with a pool of Italian and Spanish banks under which a total of €210.0 million was to amortized, divided between a Term Loan Facility of €145.0 million and a Revolving Facility of €65.0 million. The loan is for five years and is supported by a financial covenant structure typical for similar transactions. As noted in the report on operations as at 31 December 2017, the company estimated that only 3 of the 4 covenants stipulated had been fulfilled, as a result of which the entire outstanding amount of the "amortising" line - and the liability comprising the fair value of the "IRS-Interest Rate Swap" contracts entered into for the purposes of hedging interest rate risk on the loan - was recognised among current financial payables.
  In relation to the above, the Group has commenced negotiations with the pool of banks in order to obtain a waiver vis-a-vis its right to early repayment. As explained by the directors - on the date of preparation of the draft financial statements - the pool banks unanimously agreed to accept the above requests and to initiate the credit process in order to obtain the approval of the relevant decision-making bodies.

- On 11 July 2017, the company Nilox Deutschland GmbH was incorporated, with operational headquarters in Düsseldorf, with the aim of expanding the distribution and marketing of the Nilox branded products owned by Esprinet S.p.A. into the German market.

- On 30 November 2017, the contractual deadlines established for quantification of the deferred consideration for the purchase made by the Esprinet Group one year earlier, through the two subsidiaries Mosaico S.r.l. and V-Valley Iberian S.L.U., the "VAD-Value Added Distribution" business units of the Itway Group, expired. This deferred consideration was definitively quantified at €5.2 million, compared with an initial estimate of €5.8 million as it is dependent on the achievement of agreed economic and financial targets; the goodwill initially recognised was subsequently adjusted to €10.2 million. This deferred price was paid in full on 31 December 2017.

<u>Opinion of the Board of Statutory Auditors</u>

In general, the Board considers that the law, the By-Laws and the principles of proper administration have been respected

The Board did not find or receive any news from the audit firm or the internal audit manager of any atypical and/or unusual transactions as defined in Consob communication of 6 April 2001 and Consob Communication No DEM/6064293 of 28 July 2006, conducted with third parties, related parties or within the group. Neither did any significant non-recurring events or transactions occur during the year, as defined by Consob Resolution No 15519 of 27 July 2006 and by Consob Communication No DEM/6064293 of 28 July 2006.

Regarding transactions with related parties, the Board of Statutory Auditors monitored compliance of the procedure adopted by the Company with principles laid down by Consob.

This procedure, which can be consulted on the Company's website, provides for the exemption from the procedure of resolutions regarding the remuneration of directors and other executives with strategic responsibilities under certain conditions.

In the light of the specific nature of the Group's business, the inclusion of transactions that "fall within the ordinary course of business and related financial activities (identified on the basis of criteria identified in the Regulation and Consob Communication No 1007868 of 24 September 2010 and that are (...) concluded under conditions equivalent to market or standard conditions" under "Ordinary transactions with related parties" assumes particular importance.

The Directors gave an account in the Report on Operations and in the explanatory Notes of ordinary and less significant transactions carried out with related parties, indicating the nature and extent of those transactions. These indications are appropriate, given their size.

For its part, the Board of Statutory Auditors did not find any infringements of legal provisions or the By-Laws, or transactions executed by Directors that are manifestly imprudent or risky, in potential conflict of interest, contrary to resolutions adopted by the Shareholders' Meeting or that could in any case compromise the integrity of the company's assets.

Esprinet exercised management and coordination activities with regard to all subsidiaries resident in Italy. Intragroup transactions are set out in detail in the notes to the financial statements.

3. Organisational structure, internal control and risk management system and administrative and accounting system.

The Board of Statutory Auditors verified compliance with principles of sound administration together with the adequacy of the organisational structure by acknowledging the fitness of the accounting and administrative system for the purpose of correctly representing management facts.

The internal control system is defined as a set of rules, procedures and organisational structures able to allow the Company to be managed soundly and correctly and consistently with the established goals, through an adequate identification, measurement, management and monitoring of the main risks.

The internal audit manager, who does not perform operational functions, frequently reports to the Control and Risk committee, to which he submits the annual work programme and reports periodically on activity being carried out. In its capacity as internal control committee established under Article 19 of Legislative Decree 39/2010, the Board maintains constant dialogue with the Department manager, verifying the effectiveness of his work.

After examining the activity carried out by this department, no significant problems emerged in the definition and effective application of the internal control and risk management system that could significantly compromise the achievement of an acceptable overall risk profile.

With regard to activities relating to the internal control system, the Board reported the constant monitoring and improvement of internal procedures, also supported by the audit company's findings. The Board was involved in a constant exchange of information with the Control and Risk Committee and also attended the Committee’s meetings.

With reference to the internal control system, Esprinet, adopting ERM methodology, is gradually identifying the main areas of corporate risk, monitoring such areas and implementing actions to improve them.

The management report provides information on the risks to which the Company is exposed, including for the purposes of Article 19(1)(b) of Legislative Decree 39/2010.

The Company adopted the organisation and management model for the prevention of crimes laid down in Legislative Decree 231/2001 - concerning the administrative responsibilities of companies for crimes committed by their employees and collaborators, published on the corporate intranet.

During the financial year, the Board was in constant contact with the supervisory body, whose Chair regularly attended meetings of the Board of Statutory Auditors. It emerged from the meetings and exchange of information that the Body did not receive any notifications and found no anomalies justifying a proposal to impose penalties.

The Board also noted that the Supervisory Board had consistently been involved in updating the organisational model adopted by the Company, also taking into account developments in the relevant legislation.

The Italian Supervisory Body also performs a linking and monitoring function with the Spanish subsidiaries with regard to the relevant material.

With particular reference to the administrative area, in the Report on Corporate governance and the ownership structure, the Board of Directors set out in detail the main features of existing risk management and internal control systems with regard to the financial information process, in accordance with the provisions of Article 123-bis of the TUF.

The Company has also fulfilled the provisions introduced by Law 262/2005; the Board verified that all legal requirements had been met by the executive in charge.

<u>Independent Auditors</u>

The company is subject to auditing by the auditing firm EY S.p.a. .

a) *Surveillance and control activities carried out by the Board of Statutory Auditors in relation to tasks assigned to it in its capacity as the "Internal Control and Audit Committee"*

The Board of Statutory Auditors, identified as the "Internal Control and Audit Committee" [the"**ICAC**"], as mentioned above, acknowledged the profound evolution that auditing activities have undergone, due to the Reform of the statutory annual and consolidated audit of the company' financial statements, as a result of the transposition into law (through Legislative Decree No. 135/2016) of Regulation (EU) No. 537/2014 and Directive 2014/56/EU, whose amendments mainly relate to:

- a new audit report, both in form and content;

- the substantial amendment of the Report for the Internal Control and Audit Committee;
- an opinion on whether the management report complies with the law and a statement regarding any significant errors (with effect from the year ended 31 December 2017).

In relation to the new and other duties imposed on the Board in its capacity as the ICAC, independent assessments were therefore carried out on organisational measures designed to fully implement the new regulatory provisions.
With particular reference to the scope of Public Interest Entities["**PIEs**"], such as Esprinet S.p.a., the regulatory changes involved a strengthening of the interaction between auditors and the ICAC, placing particular emphasis on maintaining the requirement of independence, including through constant monitoring of the activities carried out by the auditor, distinguishing between auditing services (*Audit Services*) and other services (*Non-Audit Services*) and, within these, the services permitted, from those services considered by Article 5 of the above Regulation, which expressly stipulates that any task assigned to the Auditor, which can be classed as *Non-Audit Services*, must be subject in advance to assessments and the expression of an opinion by the ICAC. During 2017, the Board of Statutory Auditors, with particular regard to the adequacy of services other than the audit to the audited entity, in accordance with Article 5 of the EU Regulation, constantly verified and monitored the independence of the Auditor, issuing specific opinions for any task assigned which can be classed as *Non-Audit Services*.
With reference, however, to the audit activity, the Board, during the numerous meetings held with the auditor EY:

(i) obtained information on the checks carried out on the proper keeping of the Company's accounts and the correct recording of management events in the accounting records;

(ii) received from the independent auditors, pursuant to Article 11 of Regulation (EU) No. 537/2014, the Additional Report for the Internal Control and Audit Committee, in which:

a) no significant shortcomings were identified in the internal control system for financial reporting and/or the accounting system;

b) no fraud or suspected fraud was identified;

c) no significant issues in terms of non-compliance were identified;

d) no significant difficulties were encountered in providing the information necessary for the audit;

(iii) it received from the company, pursuant to Article 6(2)(a) of Regulation (EU) No 537/2014, and pursuant to paragraph 17 of ISA Italia 260, confirmation of its independence, and referred to the table set out in the Financial Statements of Esprinet S.p.a. for details of the total fees charged to the company.

The Board of Statutory Auditors also examined the reports prepared by the independent auditor EY and issued on 12 April 2018, whose activities complement the general framework of control functions established by the legislation with reference to the financial reporting process.
As mentioned above, as a result of the changes made to the Audit Reform, the form and content of the text of the Audit Report was thoroughly revised, both in terms of certifications and information, especially with regard to the *so-called* Key Aspects of the audit, i.e. those aspects considered even more significant in the context of the audit of the annual and consolidated financial statements.
With regard to opinions and certifications, in the Report on the audit of the financial statements, the Independent Auditors:

- issued an opinion stating that the annual and consolidated financial statements of Esprinet S.p.a. give a true and fair view of the assets and financial position of the Bank and the Group at 31 December 2017, of the income statement and cash flows for the year then ended.
- issued an opinion as to the consistency between the Management Reports accompanying the annual and the consolidated financial statements as at 31 December 2017 and certain specific information contained in the "Report on Corporate Governance and Ownership Structure" indicated in Article 123-*bis*, paragraph 4, of the TUF, which is the responsibility of the Bank's directors, and that they had been drawn up in accordance with the law;

– declared, with reference to any significant errors in the Management Reports, based on its knowledge and understanding of the company and the context of the audit activity, that it had nothing to report.

With reference, however, to the identification of Key Aspects, the Board of Statutory Auditors observed that they relate solely to:

(i) the valuation of goodwill;
(ii) the recognition of revenues, net of adjustments for allowances and discounts and the recognition of allowances from suppliers.

b) Supervision of the independence of the statutory auditor

The Board of Statutory Auditors examined the Report on the Independence of the independent auditor, issued pursuant to Article 6(2)(a) of Regulation (EU) No. 537/2014, and pursuant to paragraph 17 of ISA Italia 260, issued on 12 April 2018, and found that there were no situations that compromising its independence or reasons for incompatibility, pursuant to Articles 10 and 17 of Legislative Decree No. 39/2010 and Articles 4 and 5 of Regulation (EU) No. 537/2014.

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulations (Resolution No. 11971 of 14 May 1999 as subsequently amended and supplemented) sets out the fees for 2017 for auditing services and other services provided by the independent auditors and companies belonging to its network.

		Fees (in 000s of €)	
Description	**Service provider**	**2017**	**2016**
Audit:			
Audit of the annual accounts of a single company and issue of a professional opinion	EY Spa	154.6	153.9
Audit of consolidated annual accounts of a group of companies, and issue of professional opinions	EY Spa	23	11.8
Audit of interim accounts of a single company or group of companies	EY Spa	28.3	27.9
Subtotal		**205.9**	**193.6**
Other services			
Services other than auditing	EY Spa	61	45

Subtotal	**61**	**45**
Total	**266.9**	**238.6**

As mentioned, in relation to the assignment of tasks other than auditing (*Non Audit Services*), the Board of Statutory Auditors has constantly carried out its own independent assessments of the potential risks to the independence of the independent auditor and of the safeguards applied pursuant to Article 22b of Directive 2006/43/EC.

In 2017, these assignments amounted to €25,000 for support in preparing the sustainability financial statements and €36,000 for the limited review of the company's sustainability reports (NFS or Non-Financial Statements).

With reference to the above, with regard to the tasks assigned to EY and its network by Esprinet S.p.a. and Group companies, the Board of Statutory Auditors does not believe that there are any critical issues in terms of the independence of the Auditor.

In the light of the above, the Board considers that the internal audit system is well organised to perform its duties and pursues objectives in line with results that are deemed appropriate.

4. Performance of the financial year, economic and financial situation.

The 2017 financial year closed with a consolidated profit of €26.3 million, down by 2% compared with 31.12.2016 (€26.9 million). Net profit for the year amounted to €10.6 million, down 16.5 % compared with 31.12.2016 (€12.7 million).

The consolidated shareholders' equity at 31.12.2017 amounted to euro 338.2 million compared to euro 318 million at 31.12.2016 with an increase of euro 20.2 million.

Our examination of the Financial Statements, delivered to the Board in accordance with the law together with all the relevant annexes, was conducted in accordance with the code of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Bookkeepers, by the National Companies and the Stock Exchange Committee and in accordance with rules set out in Legislative Decree No. 58/1998.

The Board of Statutory Auditors, also on the basis of information obtained from the Audit Firm, notes:

- overall legal compliance of the format and contents of the financial statements and correct adoption of the accounting principles in force.

- compliance of the financial statements with facts and information that the Board is aware of as a result of attending meetings of corporate bodies and exercising its supervisory duties as well as its powers of inspection and control.
- completeness of the Financial Statement file in accordance with the rules applicable to this case.

The Report on Operations was drawn up in accordance with the law and contains all the information necessary for a complete, clear and truthful representation of the company's performance.

The Board considers that the Board of Directors has also fully provided in the Report on Operations and in the Notes to the Financial Statements information required:

- by joint Banca d'Italia, Consob and ISVAP document No 2 of 06.02.2009, i.e. disclosures regarding business continuity, financial risks, impairment tests and uncertainties in the use of estimates.
- by joint Banca d'Italia, Consob and ISVAP document No 4 of 03.03.2010, i.e. disclosures regarding impairment tests, contractual clauses of financial liabilities and fair value hierarchies. None of the other types of disclosure laid down in the above document apply, i.e. reduction in the value of financial instruments classified as "available for sale" and debt restructuring.
- by Consob communication no 0003907 of 19.01.2015 regarding the most important points in financial reports.

Furthermore, the Report on Operations also contains environmental and staff information pursuant to Article 2428 of the Italian Civil Code and the Notes to the Financial Statements also contain the information laid down in Article 149-*duodecies* of the Issuers' Regulation on remuneration paid to the audit firm.

The Notes to the Financial Statements refer to the Notes to the Consolidated Financial Statements, which disclose the remuneration paid to executives with strategic responsibilities and the remuneration paid to directors in Group Companies, which are also disclosed in the report on the remuneration policy under Article 123-*ter* of Legislative Decree No. 58/1998.

The Company also prepared the consolidated financial statements.

5. Corporate governance

Detailed information regarding the means of implementing the principles of corporate governance approved by Borsa Italiana (contained in the relevant corporate Governance Code, hereinafter referred to for brevity as the "Borsa Italiana Code") was provided by the Directors in the Annual report on corporate governance and ownership structure approved on 21 March 2018 and attached to the balance sheet.

This Report met the provisions of Article 123-*bis* TUF. The audit firm confirmed in its report that the Report on operations and disclosures pursuant to Article 123-*bis*(c), (d), (f), (l), (m) and (2)(b)of Legislative Decree 58/98 submitted in the Report on Corporate Governance and Ownership Structure was consistent with the financial statements for the year and the consolidated financial statements.

The Board monitored the implementation of the corporate governance rules provided for in the Borsa Italiana Code that the company states it complies with through public disclosure.

The Board of Directors' Report on the Policy of Remuneration to executive directors and executives with strategic responsibility was prepared in accordance with Article 123-*ter* of Legislative Decree 58/1998: this report was submitted for the approval of the ordinary Shareholders' Meeting called to approve the Financial Statements for the year ended 31.12.2017.

The composition of the Board of Directors is consistent with legal provisions on gender proportions.

6. Consolidated statement of a non-financial nature

We supervised compliance with the provisions of Legislative Decree No. 254 of 30 December 2016 concerning the consolidated non-financial statement of Esprinet S.p.A. and its subsidiaries (hereinafter NFS).

The Board of Statutory Auditors finds that the Company, in its capacity as parent company, has prepared, following the issue of Legislative Decree No. 254 of 30 December 2016, (the "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards the disclosure of non-financial information and information on diversity by certain large companies and groups - the "Decree"), the Group's 2017 Consolidated Non-Financial Statement as required pursuant to Articles 3 and 4 of the Decree and the "Global Reporting Initiative

Sustainability Reporting Standards" (hereinafter the GRI Standards), defined in 2016 by the GRI – Global Reporting Initiative – and identified by the directors as a reporting standard.
The Board of Statutory Auditors supervised compliance with the provisions of the Decree and preparation of the NFS, ensuring that the NFS allows an understanding of the company's activity, its performance, results and impact, and reports on important environmental, social, personnel issues, respect for human rights, the fight against active and passive corruption, taking into account the company's activities and characteristics, in accordance with Article 3 of the aforementioned Legislative Decree.
The Board of Statutory Auditors also acknowledged that, pursuant to Article 3, paragraph 10, EY S.p.A., the entity responsible for auditing the Group's financial statements, issued the relevant Report on the consolidated non-financial statement on 12 April 2018 attesting to the conformity of the information provided in that document with Articles 3 and 4 of Legislative Decree No. 254/2016 and the GRI standards.

7. Concluding remarks on supervision activity performed and the financial statements.
Through direct audits and information obtained from the audit firm and the executive in charge of preparing the Company's financial report, the Board of Statutory Auditors established compliance with legal rules regarding the drawing up and presentation of the consolidated financial statements of the Esprinet Group, Esprinet S.p.A.'s financial statements and the associated Board of Directors Report. Furthermore, during the supervisory activity performed, no facts emerged requiring reporting to the control bodies or mention in this report.
In its reports issued pursuant to Articles 14 and 16 of Legislative Decree No 39 of 27 January 2010, the audit firm issued an unreserved opinion on the 2017 financial statements and consolidated financial statements. The financial statements and the consolidated financial statements are accompanied by the statements of the Executive in charge and the Chief Executive Officer provided for in Article 154-bis TUF.
On the basis of activity carried out during the financial year, the Board of Statutory Auditors found no impediment to approving the Financial Statements at 31 December 2017 and the associated motions for resolutions put forward by the Board of Directors.
Vimercate, 12 April 2018

The Board of Statutory Auditors

The Chair (Dr Giorgio Razzoli)

Acting auditor (Dr Patrizia Paleologo Oriundi)

Acting auditor (Dr Bettina Solimando)

Esprinet S.p.A.

Consolidated financial statements as at December 31, 2017

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Esprinet S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Esprinet Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Key Audit Matters	Audit Responses
Valuation of goodwill	
The balance of goodwill at December 31, 2017 amounted to 90,6 million, and was allocated to the Group's Cash Generating Unit (CGU) "CGU1 – B2B Distribution of Information Technology and Consumer Electronics (Italy)", "CGU2 – B2C distribution of phone accessories (Italy)" and "CGU3 – B2B Distribution of Information Technology and Consumer Electronics (Iberian Peninsula)". The processes and methodologies to valuate and determine the recoverable amount of each CGU are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the future cash flow forecasts in the period covered by the Group business plan, the assessment of the normalized cash flows used to estimate the terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill we determined that this area represents a key audit matter. The disclosures related to the valuation of goodwill are included in note "2 – Goodwill".	Our audit procedures in response to this key audit matter included, among others: i) assessment of the process and key controls implemented by the Group in connection with the valuation of goodwill; ii) validation of the CGUs perimeter and of the allocation of the carrying amounts of assets and liabilities to each CGU; iii) assessment of the future cash flow forecasts; iv) assessment of the consistency of the future cash flow forecasts assigned to each CGU against the 2018-2022 Group business plan approved by the Board of Directors; v) assessment of the accuracy of cash flow projections as compared to historical results; vi) assessment of the long term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes to the financial statements regarding the valuation of goodwill.
Revenue recognition, net of rebates and discounts and accounting of rebates from suppliers	
The Group recognizes rebates and discounts to its customers that are in line with industry's practices; such adjustments, including the estimate of the year-end component, are accounted for as a reduction in revenues and account receivables.	Our audit procedures in response to this key audit matter included, among others: i) assessment of the process and key controls implemented by the Company in connection with the estimate of rebates and discounts;

In addition, the Group executed agreements with its suppliers to reduce the risk of inventory obsolescence, based on which it benefits from discounts, rebates and right of return such products to the suppliers; these adjustments, including the estimate of the year-end component, are accounted for as a reduction in costs and account payables.

Considering the significance of the estimation process, the number and diversity of contractual terms executed with clients and suppliers, and the complexity of the calculation, we determined that this area represents a key audit matter.

The disclosures related to the estimation of rebates and discounts are included in note "2.7.3 – Critical accounting estimates and assumptions – Revenues adjustments and credit notes to be issued toward customers and Costs adjustments and credit notes due from vendors".

ii) test of such key controls related to the validation of contractual terms and information related to sales and purchases;
iii) test of detail on the data extracted by the information systems and test of the calculation performed;
iv) substantive testing on a sample of transactions;
v) comparison of prior year estimate against actual results and analysis of variances;
vi) comparison of the current year estimate against subsequent accrual results;
vii) analysis of the credit notes issued and received after the year-end date.

Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes to the financial statements regarding revenues and costs recognition.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Esprinet S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Esprinet S.p.A., in the general meeting held on April 27, 2010, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2010 to December 31, 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Esprinet S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Esprinet as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Esprinet Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Esprinet Group as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Esprinet S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, April 12, 2018

EY S.p.A.
Signed by: Massimo Meloni, Partner

This report has been translated into the English language solely for the convenience of international readers.

Esprinet S.p.A.

Financial statements as at December 31, 2017

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Esprinet S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Esprinet S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the separate income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matters	Audit Responses
Valuation of goodwill and investments	
The balance of goodwill and investments at December 31, 2017 amounted to Euro 10,6 million and Euro 92,6 million, respectively, and the goodwill was allocated to the Group's Cash Generating Unit (CGU) "CGU1 – B2B Distribution of Information Technology and Consumer Electronics (Italy)". The most significant investments relate to Esprinet Iberica S.L.U, for Euro 75,8 million, Celly S.p.A., for Euro 9,9 million, and EDSLan S.r.l., for Euro 6,5 million. The processes and methodologies to valuate and determine the recoverable amount of each CGU and investment are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the future cash flow forecasts in the period covered by the Group business plan, the assessment of the normalized cash flows used to estimate the terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill and investments, we determined that this area represents a key audit matter. The disclosures related to the valuation of goodwill and investments are included in note "2 – Goodwill" and in note "5 – Investments in associates".	Our audit procedures in response to this key audit matter included, among others: i) assessment of the process and key controls implemented by the Company in connection with the valuation of goodwill and investments; ii) assessment of the future cash flow forecasts; iii) assessment of the consistency of the future cash flow forecasts assigned to the CGU and to the investments against the 2018-2022 business plan approved by the Board of Directors; iv) assessment of the accuracy of cash flow projections as compared to historical results; v) assessment of the long term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes to the financial statements regarding the valuation of goodwill and investments.
Revenue recognition, net of rebates and discounts and accounting of rebates from suppliers	
The Company recognizes rebates and discounts to its customers that are in line with industry's practices; such adjustments, including the estimate of the year-end component, are accounted for as a reduction in revenues and account receivables.	Our audit procedures in response to this key audit matter included, among others: i) assessment of the process and key controls implemented by the Company in connection with the estimate of rebates and discounts;

In addition, the Company executed agreements with its suppliers to reduce the risk of inventory obsolescence, based on which it benefits from discounts, rebates and right of return such products to the suppliers; these adjustments, including the estimate of the year-end component, are accounted for as a reduction in costs and account payables.

Considering the significance of the estimation process, the number and diversity of contractual terms executed with clients and suppliers, and the complexity of the calculation, we determined that this area represents a key audit matter.

The disclosures related to the estimation of rebates and discounts are included in note "2.4.3 – Critical accounting estimates and assumptions – Revenues adjustments and credit notes to be issued toward customers and Costs adjustments and credit notes due from vendors".

ii) test of such key controls related to the validation of contractual terms and information related to sales and purchases;
iii) test of detail on the data extracted by the information systems and test of the calculation performed;
iv) substantive testing on a sample of transactions;
v) comparison of prior year estimate against actual results and analysis of variances;
vi) comparison of the current year estimate against subsequent accrual results;
vii) analysis of the credit notes issued and received after the year-end date.

Lastly, we reviewed the adequacy of the disclosures made in the explanatory notes to the financial statements regarding revenues and costs recognition.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Esprinet S.p.A., in the general meeting held on April 27, 2010, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2010 to December 31, 2018.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Esprinet S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Esprinet S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Esprinet S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Esprinet S.p.A. as at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 12, 2018

EY S.p.A.
Signed by: Massimo Meloni, partner

This report has been translated into the English language solely for the convenience of international readers.