Press release in accordance with Consob Regulation no. 11971/99

Esprinet: interim management statement as at 31 December 2018 approved

Results as at 31 December 2018:

Consolidated sales: € 3,571.2 million (+11% vs € 3,217.2 million as at 31 December 2017)
Gross profit: € 162.2 million (-3% vs € 167.8 million in 2017)
Operating income (EBIT): € 23.2 million (-32% vs € 34.3 million in 2017)
Recurring operating income (EBIT): € 40.5 million (+12% vs € 36.2 million in 2017)
Net income: € 12.9 million (-51% vs € 26.3 million in 2017)

Net financial position as at 31 December 2018 positive by € 240.8 million
(vs Net financial position as at 31 December 2017 positive by € 123.1 million)

2018 fourth quarter:

Consolidated sales: € 1,261.4 million (+16% vs € 1,089.6 million of the fourth quarter 2017)
Gross profit: € 51.0 million (-2% vs € 52.3 million of the fourth quarter 2017)
Operating income (EBIT): € 8.2 million (-59% vs € 19.7 million)
Recurring operating income (EBIT): € 24.3 million (+21% vs € 20.2 million in 2017)
Net income: € 4.6 million (-74% vs € 17.4 million of the fourth quarter 2017)

Vimercate (Monza Brianza), 13 February 2019 – The Board of Directors of Esprinet S.p.A. (Italian Stock Exchange: PRT) met today under the chairmanship of Maurizio Rota to examine and approve the Group's Interim Management Statement as at 31 December 2018, prepared in accordance with IFRS standards.

In Italy, the market increased +10.8% during 2018 and +14.6% in the fourth quarter (source: management elaboration on Context data[1]).
Every product category grew double digit but PC (desktop and notebook), which grew +2% (+6% in the fourth quarter), printing (printers and consumables) which grew +3% both in full year and in the fourth quarter 2018, and the accessories which were up +1% in 2018 and down -9% in the fourth quarter. The trigger was the mobile phone segment again (+26% in 2018 and +25% in the fourth quarter).
In such an environment Esprinet grew its market share in the Italian market +1 point since the beginning of the year thanks to the good performance of all business sectors with the only exception of 'printing' and 'datacenter' lines which grew in line with the market.
The growth of the Italian market was boosted mainly by the retailers' customer segment (+15% while business resellers grew by +8%).
In the third quarter the two segments grew +19% and +11% respectively.
Esprinet overperformed the market in both customer segments during 2018 and namely in the 'retail' segment where it grew its share by 2.3 points. During the fourth quarter it increased its market share in the 'retailer' segment by +4.9 points losing -0.7 points in the 'business' one.

The Spanish market grew +9% in 2018 whereas the Esprinet share was flat against 2017 while gaining 1.3 points of share in the fourth quarter.
During 2018 all the main product categories grew 'mid-single digit' with the exemptions of PC (-2%) and mobile phones (a brilliant +32%). In the fourth quarter all the categories grew but accessories (-5%) and PC (-3%). The 'datacenter' line grew +9% and mobile phones confirmed their remarkable growth trend (+30%).
The 'business' segment grew +5% during 2018 and +7% in the fourth quarter.

[1] The categorization of customers as 'professional/business' and 'consumer/retail' used in this section is the Context one and, as such, is not completely homogeneous with the categorization used internally by the Group.

The Esprinet share in this segment was basically down by -0.1 points during 2018 and -0.2 points during the fourth quarter.
Much more vital was the performance of the retailers' segment (+15% for the full year and +16% in the fourth quarter), while Esprinet, despite a significant growth, lost -0.7 points of share for the full year but grew by +2.4 points in the fourth quarter.

During the year, net of the extraordinary charges related to the voluntary winding-up of the main supplier of the 'Sport Technology' product line, the Esprinet Group experienced a reduction of the fixed operating costs as a result of the optimization processes put in place mainly during the second half of 2017.
The Group reduced the percentage of variable sales, marketing and logistic costs thanks to the optimization activities performed during 2018.
As per the gross profit, net of the extraordinary charges mentioned above, the margin was down by 0.43% in the full year and 0.16% in fourth quarter, slowly stabilizing.
In 2019 the market conditions still look challenging but the Group has been implementing, both in Italy and Spain, a number of activities aimed at structurally recovering gross margins on the main combinations of 'product-customer'.
The Spanish market looks rather strong whilst the Italian market took of on a softer tone due to an uncertain macroeconomic backdrop and the challenges posed to many companies by the introduction, by the Government, of the 'electronic invoicing'.

A) Esprinet Group's financial highlights

In 2018, the Esprinet Group recorded positive performance in terms of sales growth (+11%) and in recurring operating profitability (+12%).
This fiscal year was however negatively impacted by non-recurring items related to the winding-up of the main supplier of the 'Sport Technology' line and by the negative gross profit recorded in November and December on these product lines (please refer to 'Significant events occurring in the period' - winding up of the supplier of the 'Sport Technology' line, related extraordinary charges and dispute').
This business area is currently under restructuring to ensure a return to a positive contribution to the Group results starting from the current fiscal year.

As at 31 December 2018, the Group net financial position includes € 101.5 million referring to a five-year senior loan granted to Esprinet S.p.A. by a pool of banks in February 2017.
As at 31 December 2018 according to the Group preliminary quarterly results, 1 out of 4 covenants supporting the loan expiring in February 2022 is expected to be unmet.
Thus, 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 interest rate risk - was booked under current financial liabilities (please refer to 'Significant events occurring in the period - Breach of financial covenants on Facility Agreements').

The Group's main earnings, financial and net assets position as at 31 December 2018, as well as the detail of non-recurring items at the same date, are as follows:

(euro/000)	12 months 2018	%	12 months 2017	%	Var.	Var. %	12 months 2018 Recurring	%	12 months 2017 Recurring	%	Var.	Var. %
Sales	**3,571,223**	**100.00%**	**3,217,172**	**100.00%**	**354,051**	***11%***	**3,571,223**	**100.00%**	**3,217,172**	**100.00%**	**354,051**	***11%***
Cost of sales	(3,409,041)	-95.46%	(3,049,409)	-94.79%	(359,632)	*12%*	(3,400,491)	-95.22%	(3,049,409)	-94.79%	(351,082)	*12%*
Gross profit	**162,182**	**4.54%**	**167,763**	**5.21%**	**(5,581)**	***-3%***	**170,732**	**4.78%**	**167,763**	**5.21%**	**2,969**	***2%***
Sales and marketing costs	(52,796)	-1.48%	(53,800)	-1.67%	1,004	*-2%*	(52,796)	-1.48%	(53,800)	-1.67%	1,004	*-2%*
Overheads and administrative costs	(86,167)	-2.41%	(79,616)	-2.47%	(6,551)	*8%*	(77,454)	-2.17%	(77,777)	-2.42%	323	*0%*
Operating income (EBIT)	**23,219**	**0.65%**	**34,347**	**1.07%**	**(11,128)**	***-32%***	**40,482**	**1.13%**	**36,186**	**1.12%**	**4,296**	***12%***
Finance costs - net	(4,772)	-0.13%	(749)	-0.02%	(4,023)	*537%*	(4,772)	-0.13%	(749)	-0.02%	(4,023)	*537%*
Other investments expenses / (incomes)	-	0.00%	36	0.00%	(36)	*-100%*	-	0.00%	36	0.00%	(36)	*-100%*
Profit before income taxes	**18,447**	**0.52%**	**33,634**	**1.05%**	**(15,187)**	***-45%***	**35,710**	**1.00%**	**35,473**	**1.10%**	**237**	***1%***
Income tax expenses	(5,551)	-0.16%	(7,355)	-0.23%	1,804	*-25%*	(10,028)	-0.28%	(7,833)	-0.24%	(2,195)	*28%*
Net income	**12,896**	**0.36%**	**26,279**	**0.82%**	**(13,383)**	***-51%***	**25,682**	**0.72%**	**27,640**	**0.86%**	**(1,958)**	***-7%***
Earnings per share - basic (euro)	(0.25)	0.00%	(0.51)		0.26	*-51%*	(0.50)	0.00%	(0.53)	0.00%	0.03	*-6%*

(euro/000)	Q4 2018	%	Q4 2017	%	Var.	Var. %	Q4 2018 Recurring	%	Q4 2017 Recurring	%	Var.	Var. %
Sales	**1,261,422**	**100.00%**	**1,089,575**	**100.00%**	**171,847**	***16%***	**1,261,422**	**100.00%**	**1,089,575**	**100.00%**	**171,847**	***16%***
Cost of sales	(1,210,374)	-95.95%	(1,037,242)	-95.20%	(173,132)	*17%*	(1,202,923)	-95.36%	(1,037,242)	-95.20%	(165,681)	*16%*
Gross profit	**51,048**	**4.05%**	**52,333**	**4.80%**	**(1,285)**	***-2%***	**58,499**	**4.64%**	**52,333**	**4.80%**	**6,166**	***12%***
Sales and marketing costs	(13,558)	-1.07%	(12,604)	-1.16%	(954)	*8%*	(13,558)	-1.07%	(12,604)	-1.16%	(954)	*8%*
Overheads and administrative costs	(29,325)	-2.32%	(20,029)	-1.84%	(9,296)	*46%*	(20,612)	-1.63%	(19,559)	-1.80%	(1,053)	*5%*
Operating income (EBIT)	**8,165**	**0.65%**	**19,700**	**1.81%**	**(11,535)**	***-59%***	**24,329**	**1.93%**	**20,170**	**1.85%**	**4,159**	***21%***
Finance costs - net	(1,124)	-0.09%	2,267	0.21%	(3,391)	*-150%*	(1,124)	-0.09%	2,267	0.21%	(3,391)	*-150%*
Profit before income taxes	**7,041**	**0.56%**	**21,967**	**2.02%**	**(14,926)**	***-68%***	**23,205**	**1.84%**	**22,437**	**2.06%**	**768**	***3%***
Income tax expenses	(2,483)	-0.20%	(4,612)	-0.42%	2,129	*-46%*	(6,696)	-0.53%	(4,734)	-0.43%	(1,962)	*41%*
Net income	**4,558**	**0.36%**	**17,355**	**1.59%**	**(12,797)**	***-74%***	**16,509**	**1.31%**	**17,703**	**1.62%**	**(1,194)**	***-7%***
Earnings per share - basic (euro)	(0.09)	0.00%	(0.33)		0.24	*-73%*	(0.32)	0.00%	(0.34)	0.00%	0.02	*-6%*

(euro/000)	Non -recurring Charge Type	12 months 2018	12 months 2017	Var.	Q4 2018	Q4 2017	Var.
Gross Profit		**(8,550)**	**-**	**(8,550)**	**(7,451)**	**-**	**(7,451)**
Overheads and administrative costs	Value adjustments on receivables from suppliers	(8,713)	-	(8,713)	(8,713)	-	(8,713)
Overheads and administrative costs	Employee termination incentives	-	(1,839)	1,839	-	(470)	470
Total SG&A	**Total SG&A**	**(8,713)**	**(1,839)**	**(6,874)**	**(8,713)**	**(470)**	**(8,243)**
Operating Income (EBIT)	**Operating Income (EBIT)**	**(17,263)**	**(1,839)**	**(15,424)**	**(16,164)**	**(470)**	**(15,694)**
Profit before income taxes	**Profit before income taxes**	**(17,263)**	**(1,839)**	**(15,424)**	**(16,164)**	**(470)**	**(15,694)**
Income tax expenses	Non -recurring events impact	4,477	478	3,999	4,213	122	4,091
Net income/(loss)	**Net income/(loss)**	**(12,786)**	**(1,361)**	**(11,425)**	**(11,951)**	**(348)**	**(11,603)**

- **Consolidated sales**, equal to € 3,571.2 million, showed an increase of +11% (€ 354.1 million) compared with € 3,217.2 million as of 31 December 2017. In the fourth quarter, consolidated sales increased by +16% compared with the same period of the previous year (from € 1,089.6 million to € 1,261.4 million);

- **Consolidated gross profit**, equal to € 162.2 million, showed a decrease of -3% (+2% if excluding non-recurring cost items) equal to € -5.6 million compared with 2017 as a consequence of a worsening in the gross profit margin from 5.21% to 4.54% (4.78% if excluding non-recurring cost items) not completely offset by the sales growth. The non-recurring negative items, equal to € 8.6 million are both from a steep and unexpected fall in end-user prices on some product families of 'Nilox Sport' line which, also as consequence of the lack of price protection provided by the supplier, led to experience a severe impact on gross profit, as well as from estimate charges for the Group relating to return of products under warranties and to dispute on mutual contractual rights. In the fourth quarter, consolidated gross profit margin showed a decrease of -2% but, net of above-mentioned non-recurring charges of € 7.5 million in the last quarter 2018, it showed a significant improvement (+12%);

- **Operating income (EBIT)** as at 31 December 2018, equal to € 23.2 million, showed a reduction of -32% compared with 31 December 2017, with an EBIT margin down to 0.65% from 1.07%, due to a reduction in the gross profit margin and to non-current negative items, equal to € 17.3 million, which are attributable to impacts on gross margin for € 8.6 million and to adjustments with respect to receivables from the supplier of the 'Sport Technology' line in voluntary liquidation for € 8.7 million (advances on purchasing, repurchase of products under contractual warranty agreements, price repositioning). The fourth quarter EBIT, equal to € 8.2 million, decreased by -59% (€ -11.5 million), with an EBIT margin down from 1.81% to 0.65%.

- Excluding the above-mentioned non-recurring costs, **recurring EBIT** showed an increase of 12% compared with the corresponding period of previous year, with a stable EBIT margin (1.13% in 2018 against 1.12% in 2017). In the fourth quarter **recurring EBIT** increased by +21% with an EBIT margin up to 1.93% from 1.85% in the fourth quarter 2017;

- **Consolidated profit before income taxes** equal to € 18.5 million, showed a reduction of -45% compared with 31 December 2017 (+1% excluding non-recurring cost items); this change is more remarkable than the EBIT decrease mainly due to a negative change in foreign exchange management with, conversely, an improvement in net interest payable to banks. In the fourth quarter, profit before income taxes decreased by -68% (€ -14.9 million) at € 7.0 million (or +3% excluding non-recurring cost items);

- **Consolidated net income** was equal to € 12.9 million, showing a decrease of -51% (-7% excluding non-recurring costs) compared with 31 December 2017. In the fourth quarter 2018, consolidated net income amounted to € 4.6 million compared with € 17.4 million of the same period of 2017, showing a drop of -74% (-7% if excluding the above-mentioned non-recurring cost items);

- **Earnings per ordinary share** as at 31 December 2018, equal to € 0.25, showed a decrease of -51% compared with € 0.51 of 31 December 2017 (-7% if excluding non-recurring cost items). In the fourth quarter basic earnings per ordinary share was € 0.09 compared with € 0.33 of the corresponding quarter in 2017 (-73% reduced to -7% excluding non-recurring cost items).

(euro/000)	**31/12/2018**	**%**	**31/12/2017**	**%**	**Var.**	***Var. %***
Fixed assets	120,056	119.07%	122,403	56.90%	(2,347)	*-2%*
Operating net working capital	10,538	10.45%	104,175	48.42%	(93,637)	*-90%*
Other current assets/liabilities	(15,494)	-15.37%	2,958	1.38%	(18,452)	*-624%*
Other non-current assets/liabilities	(14,276)	-14.16%	(14,406)	-6.70%	130	*-1%*
Total uses	**100,825**	**100.00%**	**215,130**	**100.00%**	**(114,306)**	***-53%***
Short-term financial liabilities	138,301	137.17%	155,960	72.50%	(17,659)	*-11%*
Current financial (assets)/liabilities for derivatives	611	0.61%	663	0.31%	(52)	*-8%*
Financial receivables from factoring companies	(232)	-0.23%	(1,534)	-0.71%	1,302	*-85%*
Current debts for investments in subsidiaries	1,311	1.30%	-	0.00%	1,311	*N.S.*
Other current financial receivables	(10,881)	-10.79%	(510)	-0.24%	(10,371)	*2035%*
Cash and cash equivalents	(381,308)	-378.19%	(296,969)	-138.04%	(84,339)	*28%*
Net current financial debt	(252,198)	-250.14%	(142,390)	-66.19%	(109,808)	*77%*
Borrowings	12,804	12.70%	19,927	9.26%	(7,123)	*-36%*
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.61%	(1,311)	*-100%*
Non-current financial (assets)/liab. for derivatives	(1)	0.00%	(36)	-0.02%	35	*-97%*
Other non - current financial receivables	(1,420)	-1.41%	(1,870)	-0.87%	450	*-24%*
Net financial debt (A)	(240,815)	-238.85%	(123,058)	-57.20%	(117,757)	*96%*
Net equity (B)	341,639	338.85%	338,188	157.20%	3,451	*1%*
Total sources of funds (C=A+B)	**100,825**	**100.00%**	**215,130**	**100.00%**	**(114,306)**	***-53%***

- **Operating net working capital** as at 31 December 2018 was equal to € 10.5 million compared with € 104.2 million as at 31 December 2017;

- **Net financial position** as at 31 December 2018, is positive by € 240.8 million, compared with a cash surplus equal to € 123.1 million at 31 December 2017.

  Increase of spot net cash surplus was due to the development of consolidated net working capital as at 31 December 2018, which in turn was influenced by seasonal technical events - often not related to the average level of working capital - and by the level of utilisation of both 'without – recourse' factoring programmes and of the receivables securitization programmes.
  Since these programmes result in the risks and benefits being transferred fully to the assignees, the assigned receivables are removed from the total assets in accordance with IFRS 9 accounting principle.
  The overall impact of the revolving programmes of cash advances, including 'confirming' transactions in Spain, on consolidated net financial debt at 31 December 2018 was approx. € 597 million (approx. € 424 million as at 31 December 2017);

As at 31 December 2018, the Group net financial position includes € 101.5 million referring to a five-year senior loan granted to Esprinet S.p.A. by a pool of banks in February 2017.
As at 31 December 2018 according to the Group preliminary quarterly results, 1 out of 4 covenants supporting the loan expiring in February 2022 is expected to be unmet.
Thus, 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 interest rate risk - was booked under current financial liabilities;

- **Consolidated net equity** as at 31 December 2018 equal to € 341.6 million, showed an increase of € 3.5 million compared with € 338.2 million as at 31 December 2017.

B) <u>Financial highlights by geographical area</u>

B.1) Subgroup Italy

The main earnings, financial and net assets position of the Italian subgroup (Esprinet, V-Valley and Celly Group) as at 31 December 2018, as well as the detail of non-recurring items at the same date, are as follows:

(euro/000)	12 months 2018	%	12 months 2017	%	Var.	Var. %	12 months 2018 Recurring	%	12 months 2017 Recurring	%	Var.	Var. %
Sales to third parties	2,236,865		1,991,524		245,341	*12%*	2,236,865		1,991,524		245,341	*12%*
Intercompany sales	57,103		46,050		11,053	*24%*	57,103		46,050		11,053	*24%*
Sales	**2,293,968**		**2,037,574**		**256,394**	***13%***	**2,293,968**		**2,037,574**		**256,394**	***13%***
Cost of sales	(2,182,064)	-95.12%	(1,916,908)	-94.08%	(265,156)	*14%*	(2,175,431)	-94.83%	(1,916,908)	-94.08%	(258,523)	*13%*
Gross profit	**111,904**	**4.88%**	**120,666**	**5.92%**	**(8,762)**	***-7%***	**118,537**	**5.17%**	**120,666**	**5.92%**	**(2,129)**	***-2%***
Sales and marketing costs	(41,233)	-1.80%	(42,871)	-2.10%	1,638	*-4%*	(41,233)	-1.80%	(42,871)	-2.10%	1,638	*-4%*
Overheads and administrative costs	(66,788)	-2.91%	(58,985)	-2.89%	(7,803)	*13%*	(58,075)	-2.53%	(58,365)	-2.86%	290	*0%*
Operating income (EBIT)	**3,883**	**0.17%**	**18,810**	**0.92%**	**(14,927)**	***-79%***	**19,229**	**0.84%**	**19,430**	**0.95%**	**(201)**	***-1%***

(euro/000)	Q4 2018	%	Q4 2017	%	Var.	Var. %	Q4 2018 Recurring	%	Q4 2017 Recurring	%	Var.	Var. %
Sales to third parties	753,123		645,596		107,527	*17%*	753,123		645,596		107,527	*17%*
Intercompany sales	18,288		12,790		5,498	*43%*	18,288		12,790		5,498	*43%*
Sales	**771,411**		**658,386**		**113,025**	***17%***	**771,411**		**658,386**		**113,025**	***17%***
Cost of sales	(740,826)	-96.04%	(623,485)	-94.70%	(117,341)	*19%*	(735,292)	-95.32%	(623,485)	-94.70%	(111,807)	*18%*
Gross profit	**30,585**	**3.96%**	**34,901**	**5.30%**	**(4,316)**	***-12%***	**36,119**	**4.68%**	**34,901**	**5.30%**	**1,218**	***3%***
Sales and marketing costs	(10,557)	-1.37%	(10,052)	-1.53%	(505)	*5%*	(10,557)	-1.37%	(10,052)	-1.53%	(505)	*5%*
Overheads and administrative costs	(24,237)	-3.14%	(15,182)	-2.31%	(9,055)	*60%*	(15,524)	-2.01%	(15,026)	-2.28%	(498)	*3%*
Operating income (EBIT)	**(4,209)**	**-0.55%**	**9,667**	**1.47%**	**(13,876)**	***-144%***	**10,038**	**1.30%**	**9,823**	**1.49%**	**215**	***2%***

(euro/000)	Non -recurring Charge Type	12 months 2018	12 months 2017	Var.	Q4 2018	Q4 2017	Var.
Gross Profit		**(6,633)**	**-**	**(6,633)**	**(5,534)**	**-**	**(5,534)**
Overheads and administrative costs	Value adjustments on receivables from suppliers	(8,713)	-	(8,713)	(8,713)	-	(8,713)
Overheads and administrative costs	Employee termination incentives	-	(620)	620	-	(156)	156
Total SG&A	**Total SG&A**	**(8,713)**	**(620)**	**(8,093)**	**(8,713)**	**(156)**	**(8,557)**
Operating Income (EBIT)	**Operating Income (EBIT)**	**(15,346)**	**(620)**	**(14,726)**	**(14,247)**	**(156)**	**(14,091)**

- **Sales**, equal to € 2,294.0 million, showed an increase of +13% compared with € 2,037.6 million as of 31 December 2017. In the fourth quarter, sales showed an increase of +17% compared with the fourth quarter of 2017;

- **Gross profit**, equal to € 111.9 million as at 31 December 2018, showed a decrease of -7% compared with € 120.7 million of 2017 (-2% if excluding the non-recurring cost items relating to 'Sport Technology' line), with an EBIT margin down from 5.92% to 4.88% (5.17% net of non-recurring cost items). In the fourth quarter 2018, gross profit, equal to € 30.6 million, decreased by -12% compared with the same period of 2017 (+3%

if excluding the non-recurring cost items), with an EBIT margin down from 5.30% to 3.96% (4.68% net of non-recurring cost items);

- **Operating income (EBIT),** equal to € 3.9 million, showed a decrease of -79% compared to 2017, with an EBIT margin decreased from 0.92% to 0.17%. Excluding non-recurring cost items, recurring EBIT showed a decrease of -1%, with an EBIT margin down to 0.84% from 0.95%. In the fourth quarter 2018, that was impacted by € 14.3 million of non-recurring costs, the EBIT amounted to € -4.2 million compared with € 9.7 million of 2017 (with an EBIT margin of -0.55% compared with 1.47% of 2017). The recurring EBIT, net of non-recurring items, showed an increase of +2%, with an EBIT margin at 1.30%, compared with 1.49% of the same period of 2017.

(euro/000)	31/12/2018	%	31/12/2017	%	Var.	*Var. %*
Fixed assets	115,445	74.61%	117,075	64.89%	(1,630)	*-1%*
Operating net working capital	48,441	31.31%	55,494	30.76%	(7,053)	*-13%*
Other current assets/liabilities	43	0.03%	17,699	9.81%	(17,656)	*-100%*
Other non-current assets/liabilities	(9,194)	-5.94%	(9,857)	-5.46%	663	*-7%*
Total uses	**154,735**	**100.00%**	**180,411**	**100.00%**	**(25,676)**	***-14%***
Short-term financial liabilities	136,259	88.06%	150,364	83.35%	(14,105)	*-9%*
Current financial (assets)/liabilities for derivatives	612	0.40%	644	0.36%	(32)	*-5%*
Financial receivables from factoring companies	(232)	-0.15%	(1,534)	-0.85%	1,302	*-85%*
Financial (assets)/liab. from/to Group companies	(104,500)	-67.53%	(112,500)	-62.36%	8,000	*-7%*
Other financial receivables	(10,880)	-7.03%	(510)	-0.28%	(10,370)	*2035%*
Cash and cash equivalents	(180,219)	-116.47%	(184,912)	-102.49%	4,693	*-3%*
Net current financial debt	(157,649)	-101.88%	(148,448)	-82.28%	(9,201)	*6%*
Borrowings	12,804	8.27%	18,163	10.07%	(5,359)	*-30%*
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.73%	(1,311)	*-100%*
Non-current financial (assets)/liab. for derivatives	-	0.00%	-	0.00%	-	*N.S.*
Other financial receivables	(1,420)	-0.92%	(1,870)	-1.04%	450	*-24%*
Net Financial debt (A)	(146,265)	-94.53%	(130,844)	-72.53%	(15,421)	*12%*
Net equity (B)	301,000	194.53%	311,255	172.53%	(10,255)	*-3%*
Total sources of funds (C=A+B)	**154,735**	**100.00%**	**180,411**	**100.00%**	**(25,676)**	***-14%***

- **Operating net working capital** as at 31 December 2018 was equal to € 48.4 million compared with € 55.5 million as at 31 December 2017;

- **Net financial position** as at 31 December 2018 was positive by € 146.3 million, compared with a cash surplus equal to € 130.8 million at 31 December 2017. The impact of both 'without-recourse' sale and securitization programmes of trade receivables as at 31 December 2018 was approx. € 320 million (approx. € 184 million as 31 December 2017).

B.2) Subgroup Iberica

The main earnings, financial and asset results for the Iberian Subgroup (Esprinet Iberica, Esprinet Portugal, Vinzeo Technologies and V-Valley Iberian) as 31 December 2018, as well as the detail of non-recurring items at the same date, are hereby summarised:

(euro/000)	12 months 2018	%	12 months 2017	%	Var.	Var. %	12 months 2018 Recurring	%	12 months 2017 Recurring	%	Var.	Var. %
Sales to third parties	1,334,358		1,225,648		108,710	*9%*	1,334,358		1,225,648		108,710	*9%*
Intercompany sales	-		-		-	*0%*	-		-		-	*0%*
Sales	**1,334,358**		**1,225,648**		**108,710**	***9%***	**1,334,358**		**1,225,648**		**108,710**	***9%***
Cost of sales	(1,283,897)	-96.22%	(1,178,439)	-96.15%	(105,458)	*9%*	(1,281,980)	-96.07%	(1,178,439)	-96.15%	(103,541)	*9%*
Gross profit	**50,461**	**3.78%**	**47,209**	**3.85%**	**3,252**	***7%***	**52,378**	**3.93%**	**47,209**	**3.85%**	**5,169**	***11%***
Sales and marketing costs	(11,563)	-0.87%	(10,872)	-0.89%	(691)	*6%*	(11,563)	-0.87%	(10,872)	-0.89%	(691)	*6%*
Overheads and administrative costs	(19,397)	-1.45%	(20,699)	-1.69%	1,302	*-6%*	(19,397)	-1.45%	(19,480)	-1.59%	83	*0%*
Operating income (EBIT)	**19,501**	**1.46%**	**15,638**	**1.28%**	**3,863**	***25%***	**21,418**	**1.61%**	**16,857**	**1.38%**	**4,561**	***27%***

(euro/000)	Q4 2018	%	Q4 2017	%	Var.	Var. %	Q4 2018 Recurring	%	Q4 2017 Recurring	%	Var.	Var. %
Sales to third parties	508,299		443,980		64,319	*14%*	508,299		443,980		64,319	*14%*
Intercompany sales	-		-		-	*0%*	-		-		-	*0%*
Sales	**508,299**		**443,980**		**64,319**	***14%***	**508,299**		**443,980**		**64,319**	***14%***
Cost of sales	(487,614)	-95.93%	(426,564)	-96.08%	(61,050)	*14%*	(485,697)	-95.55%	(426,564)	-96.08%	(59,133)	*14%*
Gross profit	**20,685**	**4.07%**	**17,416**	**3.92%**	**3,269**	***19%***	**22,602**	**4.45%**	**17,416**	**3.92%**	**5,186**	***30%***
Sales and marketing costs	(3,001)	-0.59%	(2,550)	-0.57%	(451)	*18%*	(3,001)	-0.59%	(2,550)	-0.57%	(451)	*18%*
Overheads and administrative costs	(5,094)	-1.00%	(4,851)	-1.09%	(243)	*5%*	(5,094)	-1.00%	(4,537)	-1.02%	(557)	*12%*
Operating income (EBIT)	**12,590**	**2.48%**	**10,015**	**2.26%**	**2,575**	***26%***	**14,507**	**2.85%**	**10,329**	**2.33%**	**4,178**	***40%***

(euro/000)	Non -recurring Charge Type	12 months 2018	12 months 2017	Var.	Q4 2018	Q4 2017	Var.
Gross Profit		**(1,917)**	**-**	**(1,917)**	**(1,917)**	**-**	**(1,917)**
Overheads and administrative costs	Employee termination incentives	-	(1,219)	1,219	-	(314)	314
Total SG&A	**Total SG&A**	**-**	**(1,219)**	**1,219**	**-**	**(314)**	**314**
Operating Income (EBIT)	**Operating Income (EBIT)**	**(1,917)**	**(1,219)**	**(698)**	**(1,917)**	**(314)**	**(1,603)**

- **Sales** were equal to € 1,334.4 million, showing an increase of +9% compared with € 1,225.6 million as of 31 December 2017. In the fourth quarter, sales recorded an increase of +14% (equal to € 64.3 million) compared with the same period of the previous year;

- **Gross profit** as at 31 December 2018 totalled € 50.5 million, showing an increase of +7% (+11% if excluding non-recurring cost items) compared with € 47.2 million of the same period of 2017 and with a gross profit margin down from 3.85% to 3.78% (3.93% if excluding non-recurring cost items). In the fourth quarter, gross profit increased by +19% (+30% if excluding non-recurring cost items) compared with the same period of the previous year, showing an EBIT margin increased from 3.92% to 4.07% (4.45% if excluding non-recurring cost items);

- **Operating income (EBIT)** equal to € 19.5 million, showed an increase of € 3.9 million (+25%) compared with the value posted as at 31 December 2017, with an EBIT margin up to 1.46% from 1.28%. In the fourth quarter of 2018, EBIT was equal to € 12.6 million showing an increase of +26% compared with € 10.0 million in the fourth quarter of 2017, with an EBIT margin increased from 2.26% to 2.48%. Excluding non-recurring cost effects, these trends are even more stressed, in fact recurring EBIT of the year showed an increase of +27% with an EBIT margin up to 1.61% from 1.38%, while recurring EBIT for the fourth quarter showed an increase of +40%, with an EBIT margin at 2.85% compared with 2.33% of the same period of 2017.

(euro/000)	31/12/2018	%	31/12/2017	%	Var.	Var. %
Fixed assets	79,127	373.39%	80,051	72.87%	(924)	*-1%*
Operating net working capital	(37,317)	-176.09%	49,102	44.69%	(86,419)	*-176%*
Other current assets/liabilities	(15,537)	-73.32%	(14,742)	-13.42%	(795)	*5%*
Other non-current assets/liabilities	(5,082)	-23.98%	(4,549)	-4.14%	(533)	*12%*
Total uses	**21,191**	**100.00%**	**109,862**	**100.00%**	**(88,671)**	***-81%***
Short-term financial liabilities	2,042	9.64%	5,596	5.09%	(3,554)	*-64%*
Current financial (assets)/liabilities for derivatives	(1)	0.00%	19	0.02%	(20)	*-105%*
Financial (assets)/liab. from/to Group companies	104,500	493.12%	112,500	102.40%	(8,000)	*-7%*
Cash and cash equivalents	(201,089)	-948.92%	(112,057)	-102.00%	(89,032)	*79%*
Net current financial debt	(94,549)	-446.16%	6,058	5.51%	(100,607)	*-1661%*
Borrowings	-	0.00%	1,764	1.61%	(1,764)	*-100%*
Non-current financial (assets)/liab. for derivatives	(1)	0.00%	(36)	-0.03%	35	*-97%*
Net Financial debt (A)	(94,550)	-446.17%	7,786	7.09%	(102,336)	*-1314%*
Net equity (B)	115,741	546.17%	102,076	92.91%	13,665	*13%*
Total sources of funds (C=A+B)	**21,191**	**100.00%**	**109,862**	**100.00%**	**(88,671)**	***-81%***

- **Operating net working capital** as at 31 December 2018 was equal to € -37.3 million compared with € 49.1 million as at 31 December 2017;

- **Net financial position** as at 31 December 2018, was positive by € 94.5 million, compared with a negative financial position of € -7.8 million as at 31 December 2017. The impact of both 'without-recourse' sale and receivable financing programmes was approx. € 277 million (approx. € 240 million as at 31 December 2017).

C) Separate income statement by legal entity

Please find below the separate income statement showing the contribution of the individual group companies regarded as significant:[2]

	12 months 2018													
(euro/000)	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	Elim. and other	Total		
Sales to third parties	2,211,965	-	24,900	-	-	2,236,865	719,269	29,741	12,504	572,844	-	1,334,358	-	3,571,223
Intersegment sales	55,594	-	2,243	-	(734)	57,103	21,741	1	756	3,342	(25,841)	-	(57,103)	-
Sales	**2,267,559**	**-**	**27,143**	**-**	**(734)**	**2,293,968**	**741,010**	**29,742**	**13,260**	**576,186**	**(25,841)**	**1,334,358**	**(57,103)**	**3,571,223**
Cost of sales	(2,167,061)	-	(15,767)	-	764	(2,182,064)	(715,186)	(29,178)	(12,083)	(553,192)	25,743	(1,283,897)	56,920	(3,409,041)
Gross profit	**100,498**	**-**	**11,376**	**-**	**30**	**111,904**	**25,824**	**564**	**1,177**	**22,994**	**(98)**	**50,461**	**(183)**	**162,182**
Gross Profit %	*4.43%*	*0.00%*	*41.91%*	*0.00%*	*-4.09%*	*4.88%*	*3.48%*	*1.90%*	*8.88%*	*3.99%*		*3.78%*		*4.54%*
Sales and marketing costs	(34,361)	-	(6,872)	-	-	(41,233)	(5,532)	(340)	(1,596)	(4,157)	62	(11,563)	-	(52,796)
Overheads and admin. costs	(63,585)	-	(3,202)	-	(1)	(66,788)	(12,698)	(753)	(228)	(5,753)	35	(19,397)	18	(86,167)
Operating income (Ebit)	**2,552**	**-**	**1,302**	**-**	**29**	**3,883**	**7,594**	**(529)**	**(647)**	**13,084**	**(1)**	**19,501**	**(165)**	**23,219**
EBIT %	*0.11%*	*0.00%*	*4.80%*	*0.00%*	*-3.95%*	*0.17%*	*1.02%*	*-1.78%*	*-4.88%*	*2.27%*		*1.46%*		*0.65%*
Finance costs - net														(4,772)
Share of profits of associates														-
Profit before income tax														**18,447**
Income tax expenses														(5,551)
Net income														**12,896**
- of which attributable to non-controlling interests														96
- of which attributable to Group														12,800

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

(euro/000)	12 months 2017													
	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	1,854,572	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

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

D) Reclassified income statement

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

(euro/000)	12 months 2018	%	12 months 2018 reclassified	%	Var.	Var. %
Sales	**3,571,223**	**100.00%**	**3,571,223**	**100.00%**	**-**	***0%***
Cost of sales	(3,409,041)	-95.46%	(3,404,172)	-95.32%	(4,869)	*0%*
Gross Profit	**162,182**	**4.54%**	**167,051**	**4.68%**	**(4,869)**	***-3%***
Sales and marketing costs	(52,796)	-1.48%	(52,796)	-1.48%	-	*0%*
Overheads and administrative costs	(86,167)	-2.41%	(86,167)	-2.41%	-	*0%*
Operating income (EBIT)	**23,219**	**0.65%**	**28,088**	**0.79%**	**(4,869)**	***-17%***
Finance costs - net	(4,772)	-0.13%	(9,641)	-0.27%	4,869	*-51%*
Profit before income taxes	**18,447**	**0.52%**	**18,447**	**0.52%**	**-**	***0%***
Income tax expenses	(5,551)	-0.16%	(5,551)	-0.16%	-	*0%*
Net income	**12,896**	**0.36%**	**12,896**	**0.36%**	**-**	***0%***

(euro/000)	Q4 2018	%	Q4 2018 reclassified	%	Var.	Var. %
Sales	**1,261,422**	**100.00%**	**1,261,422**	**100.00%**	**-**	***0%***
Cost of sales	(1,210,374)	-95.95%	(1,208,882)	-95.83%	(1,492)	*0%*
Gross Profit	**51,048**	**4.05%**	**52,540**	**4.17%**	**(1,492)**	***-3%***
Sales and marketing costs	(13,558)	-1.07%	(13,558)	-1.07%	-	*0%*
Overheads and administrative costs	(29,325)	-2.32%	(29,325)	-2.32%	-	*0%*
Operating income (EBIT)	**8,165**	**0.65%**	**9,657**	**0.77%**	**(1,492)**	***-15%***
Finance costs - net	(1,124)	-0.09%	(2,616)	-0.21%	1,492	*-57%*
Profit before income taxes	**7,041**	**0.56%**	**7,041**	**0.56%**	**-**	***0%***
Income tax expenses	(2,483)	-0.20%	(2,483)	-0.20%	-	*0%*
Net income	**4,558**	**0.36%**	**4,558**	**0.36%**	**-**	***0%***

E) Significant events occurring in the period

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

Grant of waiver and renegotiation of covenant of the 5-year senior loan

On 30 April 2018, Esprinet S.p.A. reached an agreement with the pool of lending banks to get a waiver in relation to a breached covenant, checked against the consolidated financial statements as at 31 December 2017, supporting the five-year senior loan granted to Esprinet S.p.A. in February 2017.
Later, on 2 May 2018 an agreement was reached to renegotiate the structure of these covenants, that now provide for higher thresholds till 2021.

Esprinet S.p.A. Annual Shareholders Meeting

On 4 May 2018, Esprinet Shareholders' Meeting approved the separate financial statements for the fiscal year ended at 31 December 2017 and the distribution of a dividend of € 0.135 per ordinary share, corresponding to a pay-out ratio of 27%.[3]
The dividend payment was scheduled from 16 May 2018, with issue of coupon no.13 on 14 May 2018 and record date on 15 May 2018.

Following the expiry of previous term of office, the Shareholder's Meeting appointed the new Board of Directors and the Board of Statutory Auditors which will remain in office until approval of the financial statements for the 2020 fiscal year.
The new Board is made up as follows: Maurizio Rota (Chairman), Alessandro Cattani, Valerio Casari, Marco Monti, Tommaso Stefanelli, Matteo Stefanelli, Mario Massari, Renata Maria Ricotti, Cristina Galbusera, Chiara Mauri, Emanuela Prandelli and Ariela Caglio.
The new Board of Statutory Auditors is made up as follows: Bettina Solimando (Chairman), Patrizia Paleologo Oriundi (standing statutory auditor), Franco Aldo Abbate (standing statutory auditor), Antonella Koenig (alternate statutory auditor) and Mario Conti (alternate statutory auditor).

The Annual Shareholders' Meeting has also:
- approved the first section of the Report on Remuneration under Art.123-ter, paragraph 6 of the Legislative Decree 58/1998;
- resolved to authorize the acquisition and disposal of own shares, within 18 months from the resolution date, up to 2,620,217 ordinary shares (5% of the Company's share capital), simultaneously revoking the former authorization resolved by the Shareholder's Meeting on 4 May 2017 with respect to the unused portion;
- approved 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 grant') to beneficiaries designated by the Board of Directors, up to a maximum of 1,150,000 Company's shares.
- authorized the Company to update the financial conditions of the statutory auditors engagement granted to EY S.p.A. within the measure of (i) 32,110 euro for the financial years 2017 and 2018 each, for recurring additional activities concerning the consolidated financial statements and of (ii) 22,500 euro only for the financial year 2017 for activities relating to the first-time adoption of the new accounting standard IFRS 15.

Granting of shares to beneficiaries pursuant to the 2015-2017 Long Term Incentive Plan

On 12 June 2018, following the presentation and approval of the Group consolidated financial statements as at 31 December 2017 at the AGM of 4 May 2018, and taking into account also the successful achievement of targets set for the fiscal years 2015-2017, the free stock grants of Esprinet. S.p.A. ordinary shares referring to the Long Term Incentive Plan approved by the AGM of 30 April 2015 became exercisable. Consequently, 535,134 rights were granted to the members of the Company's Board of Directors and Company executives, using shares already owned by Esprinet S.p.A..

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

20% of the shares granted to the beneficiaries is subject to a lock-up period of one year from the grant date.
As a consequence of this transaction, own shares on hand decreased to 111,755, equal to 0.21% of the share capital.

Share buy-back program

Pursuant to the Esprinet AGM resolution of 4 May 2018, the Company purchased a total of 1,038,245 ordinary shares of Esprinet S.p.A. (corresponding to 1.98% of total share capital) along the period between 14 June 2018 and 11 October 2018, with an average purchase price of euro 3.78 per share, net of fees.
Taking into account the above-mentioned purchases, Esprinet S.p.A. owned n. 1,150,000 own shares (equal to 2.19% of share capital) as at 31 December 2018.

New 2018-2020 Long term incentive plan: grant of free share rights

On 25 June 2018, pursuant to the AGM resolution of 4 May 2018 concerning the new Long Term Incentive Plan in favour of Board Members of Esprinet S.p.A. and Group executives, 1,150,000 rights (equal to the number of rights resolved by the AGM) were freely granted.
The exercise of the stock plan is conditional upon the achievement of some financial targets for the period 2018-20 and the beneficiary being still employed by the Group at the date of presentation of the 2020 Consolidated Financial Statement.

Closing and de-registering of the subsidiary Celly Swiss SAGL in liquidation

On 16 July 2018, the competent office of the commercial register of Canton Ticino announced the closing and de-registering of the company Celly Swiss SAGL, wholly controlled by Celly S.p.A. which had been in liquidation from 30 June 2018.

Renewal of an agreement for securitization of trade receivables for a maximum amount of 100.0 million euro

On 18 July 2018, Esprinet S.p.A. and its wholly owned subsidiary V-Valley S.r.l. renewed a securitization transaction involving the transfer of their trade receivables started in July 2015 as originators.
The transaction, which has been structured by UniCredit Bank AG as arranger, involves the assignment on a 'non recourse' revolving basis of trade receivables to a 'special purpose vehicle' under L. n. 130/99 named Vatec S.r.l., over an additional period 3 years.
The total amount of the program was increased to 100.0 million euro from the original 80.0 million euro.
The purchase of trade receivables by Vatec S.r.l. is being funded through the issue of different classes of notes: class A notes (senior), subscribed by a conduit sponsored by UniCredit Group, class B notes (mezzanine) and class C notes (junior) subscribed by specialised investors.
This transaction complements the unsecured senior loan of 181.0 million euro maturing in February 2022, consisting of an amortising Term Loan facility for 116 million euro and a revolving facility for 65,0 million euro - whose covenant structure was reviewed in May by setting higher thresholds, thus allowing the Group to extend considerably the average duration of its financial indebtedness.

Merger by incorporation of EDSlan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A..

On 24 October 2018, in order to complete the process aimed at maximising synergies from the acquisition transactions carried out in 2016, through the subsidiaries EDSlan S.r.l. and Mosaico S.r.l., of distribution activities in the market segments of networking, cabling, VoIP and UCC-Unified Communication as regards EDSlan S.r.l., and of ICT Security, Enterprise Software, Virtualisation and OpenSource/Linux solutions as regards Mosaico S.r.l., the deed of merger by incorporation of the subsidiaries EDslan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A. was signed (deed of merger approved on 14 May 2018).

This process began with the signing of two different business lease agreements by Esprinet S.p.A., on 26 January 2018 with EDSlan S.r.l. and on 26 March 2018 with Mosaico S.r.l., respectively, under which the parent company replaced them in all legal relationships existing with customers and suppliers, except for receivables and payables outstanding at the signing date of these business lease agreements, that were held by the subsidiaries until the merger date.

Since this is a 'simplified' merger by incorporation of wholly-owned companies, the resolution was adopted by the Board of Directors, by means of a public deed, not by the Shareholders' Meeting.

The merger is effective from 1 November 2018 under a legal point of view, while accounting and tax effects were backdated to 1 January 2018.

Upon completion of the merger, Esprinet S.p.A. thus took over all the legal relationships of EDSlan S.r.l. and Mosaico S.r.l., taking on all relevant rights and obligations in place prior to the merger.

Merger by incorporation of Tape S.L.U. into V-Valley Iberian S.L.U.

On 30 November 2018, the deed of merger by incorporation of TAPE S.L.U into V-Valley Iberian S.L.U. was signed. Both the companies were entirely owned by Esprinet Iberica S.L.U. that, relating to TAPE S.L.U., had acquired the property from the wholly owned subsidiary Vinzeo Technologies S.A.U. in April 2018.

The merger is effective from that date under a legal point of view, while accounting and tax effects were backdated to 1 January 2018.

Upon completion of the merger, V-Valley Iberian S.L.U. thus took over all the legal relationships of TAPE S.L.U., taking on all relevant rights and obligations in place prior to the merger.

Winding up of the supplier of the 'Sport Technology' line, related extraordinary charges and dispute

On 18 December 2018, the historical supplier of the 'Sport Technology' product line initiated the process of voluntary winding-up of the business, about which Esprinet S.p.A. was informed only at the beginning of January 2019.

Such entity has been supplying product to Esprinet for the last 15 years and since 2008 was managing, on behalf of the Esprinet Group and under an exclusive agreement, the production (research & development of products, scouting, selection and quality control), the import and the after-sale support process (maintenance, repair, reverse logistics handling, etc.) of a number of "Sport technology" products.

Esprinet has 12.5 million euro receivables with this supplier for down-payments mainly related to imports of products from China as well as for credit notes (repurchase of products under contractual warranty agreements, stock and price protections against changes in market prices, etc.).

Beside the winding up process, that led the management to estimate a 8.7 million euro of possible loss in the receivables value, during the fourth quarter the market experienced a steep and unexpected fall in end-user prices on some product families of 'Sport Technology' line which, combined with the lack of price protection provided by the supplier as well as with the lack of delivery of the products of the new collection, resulted in a negative impact on gross profit for 8.6 million euro.

In the light of the information known at the moment the total impact of the above-mentioned extraordinary items is approx. 17.3 million euro.

On 6 February 2019, the above-mentioned importer, acting through its Liquidator, and its shareholders, served a writ of summons to start a legal action against Esprinet, for damage compensation amounting to 55 million euro, alleging an unlawful conduct in trade relationships between Esprinet and said importer that allegedly led the latter into distress.

With resolution dated 13 February 2019, the Board of Directors of Esprinet resolved to file an appearance and defend by rejecting all claims and requesting compensation of legal expenses from the plaintiff.

The Company - supported by its legal advisories – reaffirms the full fairness and compliance to laws and articles of association of its conduct and trusts that the court will soon confirm it by establishing the lack of foundation and spuriousness of the legal action taken against Esprinet.

Breach of financial covenants on Facility Agreements

The Group financing structure includes among others 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 cash facility with an original amount of 145.0 million euro and a 5-year revolving cash facility for 65.0 million euro.

The amortised cash line was drawn for 101.5 million euro at 31 December 2018, while the 'revolving' one was unused.

The above-mentioned 'unsecured' loan, expiring in February 2022, 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 2018, even if the compliance of the above-mentioned covenants has to be checked against the consolidated and audited financial statements, according to Group quarterly results, the covenant consisting in the ratio between financial indebtedness and EBITDA is expected to be unmet if a literal

interpretation of the contract should prevail over a substantial interpretation when choosing the EBITDA structure to be used (EBITDA 'as reported' instead of 'recurring' EBITDA which reflects better the ability of the Group to bear its leverage level).
Thus, pursuant to the accounting standards in force, the entire outstanding amount of the amortised facility, together with the liability from the 'fair value' of 'IRS-Interest Rate Swap' contracts signed to hedge the interest rate risk, was booked under current financial liabilities.

Developments in tax disputes

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, with a total amount of 21.6 million euro, plus penalties and interest, with respect to transactions occurred between 2010 and 2013. Since some customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.
The main events occurred since 1 January 2018 till the date of this interim report are as follows:
- On 10 January 2018 the Provincial Tax Commission issued an unfavourable first instance decision for the year 2011 in relation to a tax dispute where the Company paid tax advances amounting to 1.9 million euro. The appeal hearing was held on 12 February 2019 before the Regional Tax Commission;
- On 19 March 2018 the Regional Tax Commission issued a favourable appeal judgement for the year 2010. The amounts paid pending judgement are equal to 2.6 million, net of the portion for which the Company already received the refund;
- On 18 May 2018, the hearing relating to the year 2012 was held before the Provincial Tax Commission, with a favourable judgement at first instance issued on 9 October 2018;
- On 31 July 2018 the Company was served a notice relating to an assessment for the year 2013, against which an appeal was lodged, that was heard before the Provincial Tax Commission on 29 January 2019;
- On 20 December 2018, the Company was served a further notice relating to an assessment again referring to 2013 tax year, against which the Company filed a tax settlement proposal pursuant to art.6 paragraph 2 of the D.Lgs. 218/1997.

Some Italian subsidiaries of Esprinet S.p.A. have ongoing court and out-of-court disputes with Tax Authorities, relating to the amount of register tax to be paid on some extraordinary transactions effected in prior years.
The main events occurred from the 1 January 2018 till the date of this financial report are as follows:
- On 12 January 2018, Celly S.p.A. paid additional 4 thousand euro for registration fees, claimed on the transfer deed of the business unit Rosso Garibaldi, in lieu of its counterparty that went bankrupt;
- On 15 May 2018, Mosaico S.r.l. appealed against a correction and settlement notice of higher registration fees, equal to 48 thousand euro, relating to the 2016 acquisition agreement of a business unit from Itway S.p.A.. On 4 September 2018, the Tax Authority put forward a mediation proposal, accepted by the selling company Itway S.p.A., thus settling the dispute;
- On 19 June 2018, the hearing relating to the correction and settlement notice of higher registration fees, equal to 182 thousand euro, relating to the 2016 acquisition agreement of a business unit from EDSlan S.p.A. (now I-Trading S.r.l.) was held in the Provincial Tax Commission. On 18 September 2018 the Commission issued a favourable judgement upholding the company's appeal.

On 25 May 2018, tax assessment notices relating to direct and indirect taxes against V-Valley S.r.l. for the tax period 2011 of 74 thousand euro (plus penalties and interest) were settled with legal conciliation.

On 20 July 2018 the Regional Tax Commission upheld the appeal filed by the Tax Authority against the first instance judgement issued in favour of Monclick S.r.l. with reference to tax year 2012 (when this company was still part of the Esprinet Group) in relation to direct tax claims amounting to 82 thousand euro, plus penalties and interest.
The Company is preparing an appeal before the Supreme Court.

With respect to the audits carried out by the Tax Authority for the year 2014, Celly S.p.A. settled the tax dispute by accepting the tax audit report.
On 14 December 2018, Celly S.p.A. was served two tax assessment notices relating to the same tax audit, one for the year 2015 (only for notification expenses) and one for 2016. Celly S.p.A. settled this dispute by fulling accepting the tax assessed.

F) Subsequent events

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

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

The officer charged with the drawing up of the accounting documents of the Company, Pietro Aglianò, declares that, in compliance with the provisions of paragraph 2 of art. 154-bis of Legislative Decree n. 58/98, the financial data shown in this press release corresponds to the findings resulting from accounting documents, books and accounting records.

Annexes: Summary of the Group consolidated earnings and financial results for the period ended as at 31 December 2018.

For further information:

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Esprinet (based in Vimercate Italy; Borsa Italiana: PRT), is the holding of a Group engaged in the "B2B" distribution of technology products at the top of the market in Italy and Spain. The 2017 turnover of € 3.2 billion places Esprinet among the top 50 Italian industrial groups and the top 10 distributors worldwide. Thanks to a business model based on the coexistence of different sales channels tailored to the specific characteristics of 36.000 reseller clients, Esprinet markets about 700 brands and over 57,000 products available in 130,000 square meters of managed warehouses. Through the V-Valley division, Esprinet is able to distribute value-added products, services and IT solutions. The Group's activities also cover Portugal, and the production and sales of the named brands "Celly" (smartphones accessories) and "Nilox" (outdoor technology).

Summary of main Group's result

(euro/000)	12 months							Q4					
	notes	2018	%	2017	notes	%	*% var. 18/17*	2018	%	2017	notes	%	*% var. 18/17*
Profit & Loss													
Sales		3,571,223	100.0%	3,217,172		100.0%	11%	1,261,422	100.0%	1,089,575		100.0%	16%
Gross profit		162,182	4.5%	167,763		5.2%	-3%	51,048	4.0%	52,333		4.8%	-2%
EBITDA	(1)	28,062	0.8%	39,475	(1)	1.2%	-29%	9,383	0.7%	21,231		1.9%	-56%
Operating income (EBIT)		23,219	0.7%	34,347		1.1%	-32%	8,165	0.6%	19,700		1.8%	-59%
Profit before income tax		18,447	0.5%	33,634		1.0%	-45%	7,041	0.6%	21,967		2.0%	-68%
Net income		12,896	0.4%	26,279		0.8%	-51%	4,558	0.4%	17,355		1.6%	-74%
Financial data													
Cash flow	(2)	17,585		31,033	(2)								
Gross investments		3,064		3,845									
Net working capital	(3)	(4,956)		107,133	(3)								
Operating net working capital	(4)	10,538		104,175	(4)								
Fixed assets	(5)	120,056		122,403	(5)								
Net capital employed	(6)	100,823		215,128	(6)								
Net equity		341,639		338,188									
Tangible net equity	(7)	250,319		246,522	(7)								
Net financial debt	(8)	(240,815)		(123,058)	(8)								
Main indicators													
Net financial debt / Net equity		(0.7)		(0.4)									
Net financial debt / Tangible net equity		(1.0)		(0.5)									
EBIT / Finance costs - net		4.9		45.9									
EBITDA / Finance costs - net		5.9		52.7									
Net financial debt/ EBITDA		(8.6)		(3.1)									
Operational data													
N. of employees at end-period		1,263		1,247									
Avarage number of employees	(9)	1,256		1,288	(9)								
Earnings per share (euro)													
- Basic		0.25		0.51			-51%	0.09		0.33			-73%
- Diluted		0.25		0.50			-50%	0.09		0.33			-73%

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

The earning and financial results of 2018 and of the relative period of comparison have been measured by applying the International Financial Reporting Standards ('IFRSs'), adopted by the EU in force in the reference period. In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some 'alternative performance indicators', although not defined by the IFRSs, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the Management for measuring and controlling the Group's profitability, performance, capital structure and financial position.
As required by CESR (Committee of European Securities Regulators) recommendation no. CESR/05 178b and by guidelines issued by ESMA (European Securities and Market Authority) under Article 16, the basis of calculation is provided in the end notes of the table.

Consolidated statement of financial position

(euro/000)	31/12/2018	related parties	31/12/2017	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	13,327		14,634	
Goodwill	90,595		90,595	
Intangible assets	724		1,070	
Investments in associates	-		-	
Deferred income tax assets	13,440		11,262	
Derivative financial assets	1		36	
Receivables and other non-current assets	3,390	1,554	6,712	1,553
	121,477	**1,554**	**124,309**	**1,553**
Current assets				
Inventory	493,541		481,551	
Trade receivables	383,906	-	313,073	11
Income tax assets	3,448		3,116	
Other assets	29,564	1,310	27,778	10
Cash and cash equivalents	381,308		296,969	
	1,291,768	**1,310**	**1,122,487**	**21**
Disposal groups assets	-		-	
Total assets	**1,413,245**	**2,864**	**1,246,796**	**1,574**
EQUITY				
Share capital	7,861		7,861	
Reserves	319,835		303,046	
Group net income	12,799		26,235	
Group net equity	**340,495**		**337,142**	
Non-controlling interests	1,144		1,046	
Total equity	**341,639**		**338,188**	
LIABILITIES				
Non-current liabilities				
Borrowings	12,804		19,927	
Derivative financial liabilities	-		-	
Deferred income tax liabilities	8,102		7,088	
Retirement benefit obligations	4,397		4,814	
Debts for investments in subsidiaries	-		1,311	
Provisions and other liabilities	1,777		2,504	
	27,080		**35,644**	
Current liabilities				
Trade payables	866,909	-	690,449	-
Short-term financial liabilities	138,301		155,960	
Income tax liabilities	1,588		693	
Derivative financial liabilities	612		663	
Debts for investments in subsidiaries	1,311		-	
Provisions and other liabilities	35,805	1,567	25,199	1,510
	1,044,526	**1,567**	**872,964**	**1,510**
Disposal groups liabilities	-		-	
Total liabilities	**1,071,606**	**1,567**	**908,608**	**1,510**
Total equity and liabilities	**1,413,245**	**1,567**	**1,246,796**	**1,510**

Consolidated separate income statement

(euro/000)	12 months 2018	non-recurring	related parties*	12 months 2017	non-recurring	related parties*
Sales	**3,571,223**	**-**	11	**3,217,172**	**-**	16
Cost of sales	(3,409,041)	(8,550)	-	(3,049,409)	-	-
Gross profit	**162,182**	**(8,550)**		**167,763**	**-**	
Sales and marketing costs	(52,796)	-	-	(53,800)	-	-
Overheads and administrative costs	(86,167)	(8,713)	(4,889)	(79,616)	(1,839)	(4,882)
Operating income (EBIT)	**23,219**	**(17,263)**		**34,347**	**(1,839)**	
Finance costs - net	(4,772)	-	4	(749)	-	2
Other investments expenses / (incomes)	-	-		36	-	
Profit before income taxes	**18,447**	**(17,263)**		**33,634**	**(1,839)**	
Income tax expenses	(5,551)	4,477	-	(7,355)	478	-
Net income	**12,896**	**(12,786)**		**26,279**	**(1,361)**	
- of which attributable to non-controlling interests	96			45		
- of which attributable to Group	12,800	(12,786)		26,234	(1,361)	
Earnings per share - basic (euro)	0.25			0.51		
Earnings per share - diluted (euro)	0.25			0.50		

(euro/000)	Q4 2018	non-recurring	related parties	Q4 2017	non-recurring	related parties
Sales	**1,261,422**	**-**	4	**1,089,575**	**-**	9
Cost of sales	(1,210,374)	(7,451)	-	(1,037,242)	-	-
Gross profit	**51,048**	**(7,451)**		**52,333**	**-**	
Other income	-	-		-	-	
Sales and marketing costs	(13,558)	-	-	(12,604)	-	-
Overheads and administrative costs	(29,325)	(8,713)	(1,214)	(20,029)	(470)	(1,236)
Operating income (EBIT)	**8,165**	**(16,164)**		**19,700**	**(470)**	
Finance costs - net	(1,124)	-	-	2,267	-	-
Other investments expenses / (incomes)	-	-		-	-	
Profit before income taxes	**7,041**	**(16,164)**		**21,967**	**(470)**	
Income tax expenses	(2,483)	4,213	-	(4,612)	122	-
Net income	**4,558**	**(11,951)**		**17,355**	**(348)**	
- of which attributable to non-controlling interests	(57)			87		
- of which attributable to Group	4,615	(11,951)		17,268	(348)	
Earnings per share - basic (euro)	0.09			0.33		
Earnings per share - diluted (euro)	0.09			0.33		

Consolidated statement of comprehensive income

(euro/000)	12 months 2018	12 months 2017	Q4 2018	Q4 2017
Net income	**12,896**	**26,279**	**4,558**	**17,355**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	78	(194)	(88)	73
- Taxes on changes in 'cash flow hedge' equity reserve	(23)	68	21	(35)
- Changes in translation adjustment reserve	5	(1)	(1)	(3)
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	171	45	11	(68)
- Taxes on changes in 'TFR' equity reserve	(37)	(10)	(2)	15
Other comprehensive income	**194**	**(92)**	**(59)**	**(18)**
Total comprehensive income	**13,090**	**26,187**	**4,499**	**17,337**
- of which attributable to Group	12,989	26,141	4,561	17,252
- of which attributable to non-controlling interests	101	46	(62)	85

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 2016	**7,861**	**288,371**	**(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)**
Currently active Share plans	-	1,026	-	-	**1,026**	-	**1,026**
Other variations	-	4	-	-	**4**	1	**3**
Balance at 31 December 2017	**7,861**	**309,192**	**(5,145)**	**26,280**	**338,188**	**1,046**	**337,142**
Balance at 31 December 2017	**7,861**	**309,192**	**(5,145)**	**26,280**	**338,188**	**1,046**	**337,142**
Total comprehensive income/(loss)	**-**	**194**	**-**	**12,895**	**13,089**	**101**	**12,988**
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	**-**	-	**-**
Dividend payment	-	-	-	(6,987)	**(6,987)**	-	**(6,987)**
Purchases of own shares	-	-	(3,929)	-	**(3,929)**	-	**(3,929)**
Transactions with owners	**-**	**19,293**	**(3,929)**	**(26,280)**	**(10,916)**	**-**	**(10,916)**
Grant of share under share plans	-	(3,814)	4,274	-	**460**	-	**460**
Equity plans in progress	-	645	-	-	**645**	-	**645**
FTA New accounting standards IFRS	-	133	-	-	**133**	-	**133**
Other variations	-	40	-	-	40	(3)	**43**
Balance at 31 December 2018	**7,861**	**325,683**	**(4,800)**	**12,895**	**341,639**	**1,144**	**340,495**

Consolidated net financial position

(euro/000)	31/12/2018	31/12/2017	Var.
Short-term financial liabilities	138,301	155,960	(17,659)
Current debts for investments in subsidiaries	1,311	-	1,311
Current financial (assets)/liabilities for derivatives	611	663	(52)
Financial receivables from factoring companies	(232)	(1,534)	1,302
Other financial receivables	(10,881)	(510)	(10,371)
Cash and cash equivalents	(381,308)	(296,969)	(84,339)
Net current financial debt	**(252,198)**	**(142,390)**	**(109,808)**
Borrowings	12,804	19,927	(7,123)
Non - current debts for investments in subsidiaries	-	1,311	(1,311)
Non-current financial (assets)/liabilities for derivatives	(1)	(36)	35
Other financial receivables	(1,420)	(1,870)	450
Net financial debt	**(240,815)**	**(123,058)**	**(117,757)**

Consolidated statement of cash flow

(euro/000)	12 months 2018	12 months 2017
Cash flow provided by (used in) operating activities (D=A+B+C)	**129,613**	**25,994**
Cash flow generated from operations (A)	**28,002**	**39,225**
Operating income (EBIT)	23,219	34,347
Depreciation, amortisation and other fixed assets write-downs	4,691	4,754
Net changes in provisions for risks and charges	(727)	(516)
Net changes in retirement benefit obligations	(285)	(386)
Stock option/grant costs	1,104	1,026
Cash flow provided by (used in) changes in working capital (B)	**109,821**	**(7,922)**
Inventory	(11,990)	(152,665)
Trade receivables	(70,833)	75,599
Other current assets	6,697	2,328
Trade payables	176,472	75,074
Other current liabilities	9,475	(8,258)
Other cash flow provided by (used in) operating activities (C)	**(8,207)**	**(5,309)**
Interests paid, net	(2,340)	(2,272)
Foreign exchange (losses)/gains	(974)	393
Net results from associated companies	-	75
Income taxes paid	(4,893)	(3,505)
Cash flow provided by (used in) investing activities (E)	**(4,050)**	**(2,263)**
Net investments in property, plant and equipment	(2,797)	(3,425)
Net investments in intangible assets	(241)	(280)
Changes in other non current assets and liabilities	2,916	848
Itway business combination	-	594
Own shares acquisition	(3,928)	-
Cash flow provided by (used in) financing activities (F)	**(41,224)**	**(12,695)**
Medium/long term borrowing	-	165,000
Repayment/renegotiation of medium/long-term borrowings	(38,912)	(112,162)
Net change in financial liabilities	12,728	(59,224)
Net change in financial assets and derivative instruments	(8,650)	5,562
Deferred price Itway acquisition	-	(4,718)
Dividend payments	(6,987)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	74	(214)
Changes in third parties net equity	94	48
Other movements	429	-
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**84,339**	**11,036**
Cash and cash equivalents at year-beginning	**296,969**	**285,933**
Net increase/(decrease) in cash and cash equivalents	**84,339**	**11,036**
Cash and cash equivalents at year-end	**381,308**	**296,969**