Esprinet Group

Half-year Financial Report as at 30 June 2017

<u>**Approved by the Board of Directors on 15 September 2017**</u>

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Monza e Brianza Companies' Register and Tax Number: 05091320159 R.E.A. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 30/06/2017: Euro 7,860,651

www.esprinet.com - info@esprinet.com

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 Nomination Committee
(SC): Strategy Committee
(CSC): Competitiveness and Sustainability Committee

Board of Statutory Auditor:

(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.

Waiver of obligation to provide information on extraordinary transactions

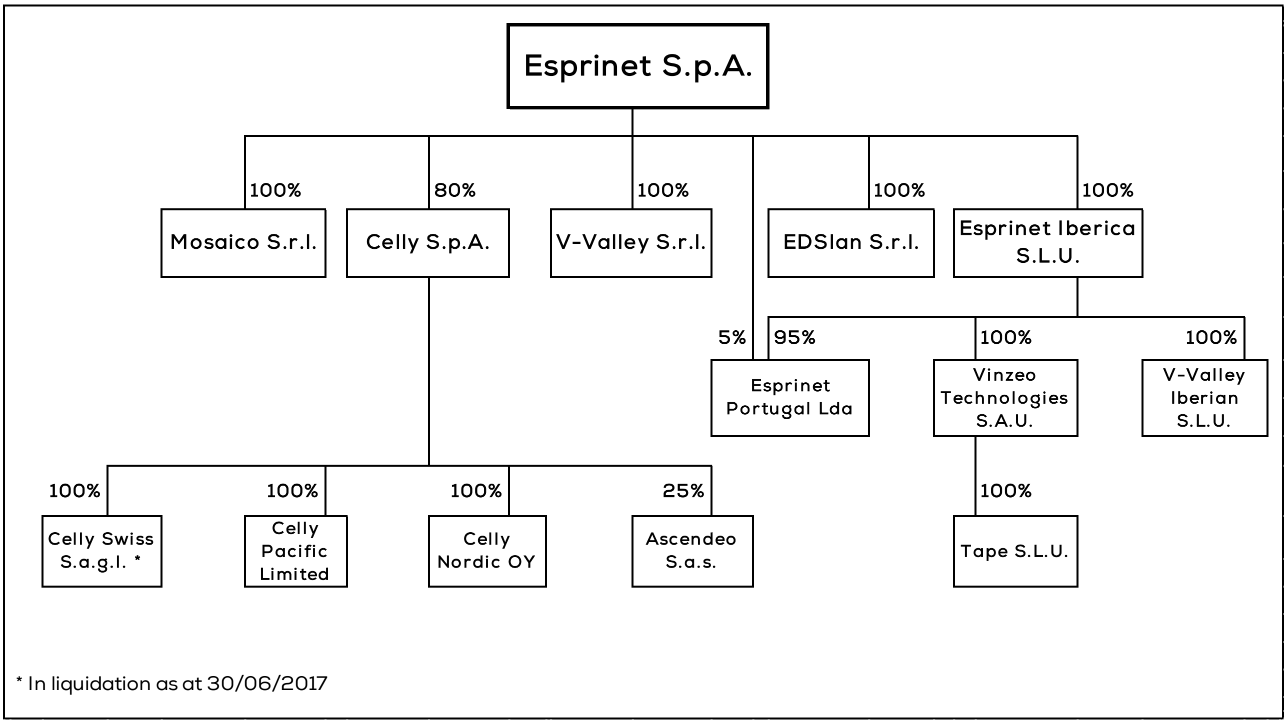
Pursuant to Art. 70, paragraph 8, and Art. 71, paragraph 1-bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to make use of the right to waive the obligation to publish the information documents stipulated for significant transactions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

CONTENTS

Activities and structure of the Esprinet Group

1. General information about the Esprinet Group

The chart below illustrates the structure of the Esprinet Group as at 30 June 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 from the parent company of micro-electronic components and 'high-value' product distribution activities and the acquisitions, mergers and disposals carried out between 2005 and 2016.

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. and Mosaico S.r.l., the last two of which were consolidated from 9 April and 1 December 2016 respectively.

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 Swiss-law company (in liquidation as at 30 June 2017);

all of which are operating in the same segment as the holding company, as well as Celly's 25% share in Ascendeo SAS, a French-law 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.

2. Target Market Trend

Europe

In the first half, the distribution industry generated revenues of around 30.6 billion euro, up slightly (+5%) compared with 29.3 billion euro in the first half 2015, as measured by a research firm, Context (July 2017), with reference to a panel of distributors representative of the general trend. Particularly, the second quarter, up +1% compared to the same period of 2016, shows a growth rate lower than the one recorded in the first quarter (+8%).
As the biggest market in Europe, the UK accounted for the largest share of the results, up 6%; as the second largest in Europe, the German distribution market also contributed positively.
The table below summarises the distribution trend in the first two quarters, and in the first half of the current year compared with the same periods of the previous year:

Country	Q1-17 vs Q1-16	Q2-17 vs Q2-16	1H 2017 vs 1H 2016
Total	***8%***	***1%***	***5%***
Portugal	*19%*	*18%*	*18%*
Baltics	*8%*	*23%*	*15%*
Norway	*16%*	*12%*	*14%*
Spain	*13%*	*6%*	*10%*
Finland	*10%*	*7%*	*9%*
Switzerland	*12%*	*5%*	*9%*
Austria	*9%*	*3%*	*6%*
UK & Ireland	*13%*	*-1%*	*6%*
Germany	*7%*	*4%*	*6%*
France	*4%*	*6%*	*5%*
Poland	*6%*	*-2%*	*2%*
Belgium	*9%*	*-5%*	*2%*
Sweden	*3%*	*0%*	*2%*
Rest of W Europe	*8%*	*-6%*	*1%*
Italy	*3%*	*-5%*	*-1%*
Czech Republic	*-1%*	*-4%*	*-3%*
Denmark	*-1%*	*-6%*	*-4%*
Slovakia	*-6%*	*-12%*	*-9%*

Font: Context, July 2017

Italy

IT, electronics consumption and distribution industry

In the first half of 2017, the end user expenditure for Information Technology ("IT"), consumer electronics, Communication Technology (including TLC) and household appliances as measured by GFK data (July 2017), recorded a decrease of -1% to 7.25 billion euro from 7.36 billion euro.
Phone devices (+4%), small household appliances (+3) came out as the best performers. Information technology (-9%) and consumer electronics (-6%) performed negatively.

In the first half of 2017 the Italian distribution market (source: Context July 2016) decreased by -1% compared with 2016, showing a slowdown from the +3% of the first quarter to -5% of the second one compared with the same periods of previous year.
Desktops (-16% y-o-y), tablets (-21%) and some segments of the category 'volume' software, contributed to the slowdown. Notebooks (-2% y-o-y) and, within the consumables category, toners (-4%) also decreased.
Once again Smartphones were the category with the highest volume growth in terms of distributors revenues (+7), followed by the category 'volume' storage with SSDs. Within the category 'Display' the positive trend of the TV segment can be highlighted, which grew both in the corporate and consumer channels, achieving a significant +42% for large format TVs.
With reference to the main technological brands, Apple, Huawei and HP recorded the most significant growth, while Lenovo, Asus and EMC showed the worst performance.
Based on Context data, in the first half of 2017 Esprinet Italy confirms its leadership in the Italian distributors market, with a substantially stable market share.

Spain

IT, electronics consumption and distribution industry

In the first half of 2017, the end user expenditure for Information Technology ("IT"), consumer electronics, Communication Technology (including TLC) and household appliances based on GFK data (July 2017), recorded an increase of +2% to 4.57 billion euro from 4.47 billion euro. In all main product categories revenues increased, mainly in major household appliances (+10%), phone devices (+2%) and IT (+1%), while consumer electronics recorded a negative performance (-7%).

In the first half of 2017 the Spanish distribution market (source: Context July 2016) increased more than the European Panel, showing a +10% for the first 6 months of the year, which is overall in line with the Panel trend taken into account the slowdown recorded in Spain between the first quarter (+13% compared with the same periods of previous year) and the second quarter (+6%).
Smartphones (+48%) are still the driving force of the market, followed by notebooks (+5%) and security software (+37%). Just as in Italy, the segment 'volume' software (-45% in the subcategory 'licences') and consumables (-7%) showed a sharp slowdown. the category mobile computing still makes up the largest share of the distributors revenues but is losing ground, as is the case with the software category, for the benefit of phone devices, which now ranks third as revenue source for distributors. Apple, HP and Huawei show the highest rate of growth in revenues among distributed brands, while Asus, Toshiba and Acer record the worst results.

In the first half 2017, Esprinet is leader in the Spanish market, based on Context data, however with -3 percentage points compared with the same period of 2016.

Group's results for the period

1. Summary of the Group's economic and financial results for the period

(euro/000)	6 months							Q2					
	notes	2017	%	2016	notes	%	*% var. 17/16*	2017	%	2016	notes	%	*% var. 17/16*
Profit & Loss													
Sales		1,436,842	100.0%	1,244,975		100.0%	15%	691,428	100.0%	629,551		100.0%	10%
Gross profit		79,759	5.6%	70,762		5.7%	13%	40,224	5.8%	37,091		5.9%	8%
EBITDA	(1)	12,335	0.9%	16,458		1.3%	-25%	6,417	0.9%	9,264		1.5%	-31%
Operating income (EBIT)		9,830	0.7%	14,311		1.1%	-31%	5,078	0.7%	8,075		1.3%	-37%
Profit before income tax		7,947	0.6%	13,211		1.1%	-40%	4,185	0.6%	7,268		1.2%	-42%
Net income		6,267	0.4%	10,358		0.8%	-39%	3,474	0.5%	6,113		1.0%	-43%
Financial data													
Cash flow	(2)	8,554		12,194									
Gross investments		2,127		3,190									
Net working capital	(3)	350,977		102,322	(4)								
Operating net working capital	(5)	354,846		102,046	(4)								
Fixed assets	(6)	124,996		124,516	(4)								
Net capital employed	(7)	461,146		212,535	(4)								
Net equity		317,898		317,957	(4)								
Tangible net equity	(8)	225,330		225,299	(4)								
Net financial debt	(9)	143,248		(105,424)	(4)								
Main indicators													
Net financial debt / Net equity		0.5		(0.3)									
Net financial debt / Tangible net equity		0.6		(0.5)									
EBIT / Finance costs - net		5.3		13.0									
EBITDA / Finance costs - net		6.6		14.9									
Net financial debt/ EBITDA		11.6		(2.4)	(4)								
Operational data													
N. of employees at end-period		1,320		1,131									
Avarage number of employees	(10)	1,324		1,074									
Earnings per share (euro)													
- Basic		0.12		0.20			-40%	0.07		0.12			-42%
- Diluted		0.12		0.20			-40%	0.07		0.12			-42%

(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) Figures as at 31 December 2016.
(5) Sum of trade receivables, inventory and trade payables.
(6) Equal to non-current assets net of non-current derivative financial assets.
(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 net equity less goodwill and intangible assets.
(9) Sum of financial debts, cash and cash equivalents, assets/liabilities for financial derivatives and financial receivables from factoring.
(10) Calculated as the average between opening and closing balance of consolidated companies.

The economic and financial results in the first half 2017 and those of the relative period of comparison have been drawn up according to International Financial Standards ('IFRS'), endorsed by the European Union and in force during the period.
In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some 'alternative performance indicators', although not defined by the IFRSs, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the

Management for measuring and controlling the Group's profitability, performance, capital structure and financial position.
As required by the ESMA/2015/1415 Guidelines issued by ESMA (European Securities and Market Authority) under Article 16 of the ESMA Regulation, updating the previous recommendation CESR/05-178b of the CESR (Committee of European Securities Regulators) and adopted by Consob with Communication no. 0092543 of 12/03/2015, the basis of calculation adopted is defined below the table.

2. Review of economic and financial results of the period

A) Esprinet Group financial highlights

The Group's main economic, financial and asset results as at 30 June 2017 are hereby summarised:

(euro/000)	H1 2017	%	H1 2016	%	Var.	Var. %
Sales	**1,436,842**	**100.00%**	**1,244,975**	**100.00%**	**191,867**	***15%***
Cost of sales	(1,357,083)	-94.45%	(1,174,213)	-94.32%	(182,870)	*16%*
Gross profit	**79,759**	**5.55%**	**70,762**	**5.68%**	**8,997**	***13%***
Other income	-	0.00%	2,677	0.22%	(2,677)	*-100%*
Sales and marketing costs	(28,485)	-1.98%	(22,864)	-1.84%	(5,621)	*25%*
Overheads and administrative costs	(41,444)	-2.88%	(36,264)	-2.91%	(5,180)	*14%*
Operating income (EBIT)	**9,830**	**0.68%**	**14,311**	**1.15%**	**(4,481)**	***-31%***
Finance costs - net	(1,867)	-0.13%	(1,101)	-0.09%	(766)	*70%*
Other investments expenses / (incomes)	(16)	0.00%	1	0.00%	(17)	*-1700%*
Profit before income taxes	**7,947**	**0.55%**	**13,211**	**1.06%**	**(5,264)**	***-40%***
Income tax expenses	(1,680)	-0.12%	(2,853)	-0.23%	1,173	*-41%*
Net income	**6,267**	**0.44%**	**10,358**	**0.83%**	**(4,091)**	***-39%***
Earnings per share - basic (euro)	0.12		0.20		(0.08)	-40%

(euro/000)	Q2 2017	%	Q2 2016	%	Var.	Var. %
Sales	**691,428**	**100.00%**	**629,551**	**100.00%**	**61,877**	***10%***
Cost of sales	(651,204)	-94.18%	(592,460)	-94.11%	(58,744)	*10%*
Gross profit	**40,224**	**5.82%**	**37,091**	**5.89%**	**3,133**	***8%***
Other income	-	0.00%	2,677	0.43%	(2,677)	*-100%*
Sales and marketing costs	(14,109)	-2.04%	(12,597)	-2.00%	(1,512)	*12%*
Overheads and administrative costs	(21,037)	-3.04%	(19,096)	-3.03%	(1,941)	*10%*
Operating income (EBIT)	**5,078**	**0.73%**	**8,075**	**1.28%**	**(2,997)**	***-37%***
Finance costs - net	(879)	-0.13%	(808)	-0.13%	(71)	*9%*
Other investments expenses / (incomes)	(14)	0.00%	1	0.00%	(15)	*-1500%*
Profit before income taxes	**4,185**	**0.61%**	**7,268**	**1.15%**	**(3,083)**	***-42%***
Income tax expenses	(711)	-0.10%	(1,155)	-0.18%	444	*-38%*
Net income	**3,474**	**0.50%**	**6,113**	**0.97%**	**(2,639)**	***-43%***
Earnings per share - basic (euro)	0.07		0.12		(0.05)	-42%

Consolidated sales, which came in at 1,436.8 million euro, were up 15% (191.9 million euro) compared with 1,245.0 million euro of the first half 2016. In the second quarter, consolidated sales increased by +10% compared with the same period of the previous year (from 629.6 million euro to 691.4 million euro). With the same consolidation scope, estimated consolidated sales would have been 1,204 million euro, down by -3% compared with the same period of 2016 (-8% in the second quarter).

The consolidated gross profit totalled 79.8 million euro, up +13% (9.0 million euro) compared with 2016 as a consequence of higher sales, only partially offset by a decrease in the gross profit margin. In the second quarter the gross profit, equal to 40.2 million euro, increased by +8% compared with same period of previous year. With the same consolidation scope, estimated consolidated gross profit would have been 69.9 million euro, down by 1% compared with the same period of 2015 (-2% in the second quarter).

In 2016 other income, amounting to 2.7 million euro, refers entirely to the gain realized from the newly established company, EDSlan S.r.l., for the acquisition of business unit relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors from the former EDSlan S.p.A..

Operating income (EBIT) of the first half 2017, 9.8 million euro, fell by -31% compared with the first half of 2016 (14.3 million euro), with an EBIT margin down to 0.68% from 1.15%, mainly as a consequence of higher impact of operating costs (4.87% in 2017 compared with 4.75% in 2016) as a result of a broader consolidation scope. In the second quarter, consolidated EBIT equal to 5.1 million euro, decreased by -37% (-3.0 million euro) compared with the second quarter 2016, with an EBIT margin down from 1.28% to 0.73%. With the same consolidation scope, EBIT of the first half 2017 would have been 7.1 million euro (-50%).

Consolidated Profit before income taxes, equal to 8.0 million euro, decreased by -40% compared with the first half 2016, thus showing a sharper drop than EBIT due to an increase in the financial charges as a consequence of the higher level of medium/long term indebtedness due to new loan taken out by the Parent Company on 28 February 2017 as well as to the outstanding loans in Vinzeo Technologies S.A.U. which was acquired on 1 July 2016. In the second quarter, profit before income taxes decreased by -42% (-3.1 million euro) reaching the value of 4.2 million euro.

Consolidated net income was 6.3 million euro, down by -40% (-4.1 million euro) compared with the first half 2016. In the second quarter 2017, consolidated net income amounted to 3.5 million euro compared with 6.1 million euro of the second quarter 2016 (-43%).

Basic earnings per ordinary share as at 30 June 2017, equal to 0.12 euro, showed a reduction of -40% compared to the value of first half 2016 (0.20 euro). In the second quarter basic earnings per ordinary share was 0.07 euro compared with 0.12 euro of the corresponding quarter in 2016 (-42%).

(euro/000)	30/06/2017	%	31/12/2016	%	Var.	Var. %
Fixed assets	124,996	27.11%	124,516	58.59%	480	0%
Operating net working capital	354,846	76.95%	102,046	48.01%	252,800	248%
Other current assets/liabilities	(3,869)	-0.84%	276	0.13%	(4,145)	-1502%
Other non-current assets/liabilities	(14,827)	-3.22%	(14,305)	-6.73%	(522)	4%
Total uses	**461,146**	**100.00%**	**212,533**	**100.00%**	**248,613**	**117%**
Short-term financial liabilities	71,968	15.61%	151,885	71.46%	(79,917)	-53%
Current financial (assets)/liabilities for derivatives	281	0.06%	483	0.23%	(202)	-42%
Financial receivables from factoring companies	(8,850)	-1.92%	(1,492)	-0.70%	(7,358)	493%
Other current financial receivables	(462)	-0.10%	(5,596)	-2.63%	5,134	-92%
Cash and cash equivalents	(78,332)	-16.99%	(285,933)	-134.54%	207,601	-73%
Net current financial debt	(15,395)	-3.34%	(140,653)	-66.18%	125,258	-89%
Borrowings	151,380	32.83%	28,833	13.57%	122,547	425%
Debts for investments in subsidiaries	9,006	1.95%	8,660	4.07%	346	4%
Non-current financial (assets)/liab. for derivatives	127	0.03%	28	0.01%	99	354%
Other non - current financial receivables	(1,870)	-0.41%	(2,292)	-1.08%	422	-18%
Net financial debt (A)	143,248	31.06%	(105,424)	-49.60%	248,672	-236%
Net equity (B)	317,898	68.94%	317,957	149.60%	(59)	0%
Total sources of funds (C=A+B)	**461,146**	**100.00%**	**212,533**	**100.00%**	**248,613**	**117%**

Operating net working capital as at 30 June 2017 was equal to 354.8 million euro compared with 102.0 million euro as at 31 December 2016. With the same consolidation scope, the operating net working capital would have been 287.2 million euro, compared with 236.0 million euro as at 30 June 2016.

Consolidated net financial position as at 30 June 2017, was negative by 143.2 million euro, compared with a cash surplus of 105.4 million euro as at 31 December 2016. With the same consolidation scope, the consolidated net financial position would have been negative by 43.9 million euro, compared with 12.9 million euro as at 30 June 2016.
The worsening of the spot net financial position was mainly due to the increase of consolidated net working capital as at 30 June 2017 which in turn was 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 programmes referring to the trade receivables and by the corresponding securitization programme.

These programmes are 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 was approx. 232 million euro as at 30 June 2017 (around 400 million euro as at 31 December 2016).

Consolidated net equity as at 30 June 2017 was 317.9 million euro, in line with 318.0 million euro at 31 December 2016.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main economic, financial and asset results for Subgroup Italy (Esprinet, V-Valley, EDSlan[1], Mosaico[2] and Celly Group) as at 30 June 2017 are summarised below:

(euro/000)	H1 2017	%	H1 2016	%	Var.	Var. %
Sales to third parties	930,415		927,466		2,949	*0%*
Intercompany sales	23,771		24,207		(436)	*-2%*
Sales	**954,186**		**951,673**		**2,513**	***0%***
Cost of sales	(894,763)	-93.77%	(893,303)	-93.62%	(1,460)	*0%*
Gross profit	**59,423**	**6.23%**	**58,370**	**6.13%**	**1,053**	***2%***
Other income	-	0.00%	2,677	0.28%	(2,677)	*-100%*
Sales and marketing costs	(22,750)	-2.38%	(19,657)	-2.07%	(3,093)	*16%*
Overheads and administrative costs	(30,522)	-3.20%	(29,755)	-3.13%	(767)	*3%*
Operating income (EBIT)	**6,151**	**0.64%**	**11,635**	**1.22%**	**(5,484)**	***-47%***

(euro/000)	Q2 2017	%	Q2 2016	%	Var.	Var. %
Sales to third parties	436,020		465,153		(29,133)	*-6%*
Intercompany sales	11,306		13,341		(2,035)	*-15%*
Sales	**447,326**		**478,494**		**(31,168)**	***-7%***
Cost of sales	(417,581)	-93.35%	(447,714)	-93.57%	30,133	*-7%*
Gross profit	**29,745**	**6.65%**	**30,780**	**6.43%**	**(1,035)**	***-3%***
Other income	-	0.00%	2,677	0.56%	(2,677)	*-100%*
Sales and marketing costs	(11,099)	-2.48%	(10,950)	-2.29%	(149)	*1%*
Overheads and administrative costs	(15,508)	-3.47%	(15,814)	-3.30%	306	*-2%*
Operating income (EBIT)	**3,138**	**0.70%**	**6,693**	**1.40%**	**(3,555)**	***-53%***

Sales totalled 954.2 million euro, substantially in line with 951.7 million euro of the first half 2016. In the second quarter 2017, sales showed a decrease of -7% compared with the second quarter of 2016. Net of contribution of Mosaico S.r.l., consolidated since December 2016, sales would have been 931.7 million euro, down -2% in the first half (-7% in the second quarter).

Gross profit margin, equal to 59.4 million euro, showed a growth of 2% compared with 58.4 million euro of the first half 2016, with a gross profit ratio up from 6.13% to 6.23%. In the second quarter 2017, Gross profit, equal to 29.7 million euro, showed a decrease of -3% compared with the second quarter 2016. Net of values from Mosaico S.r.l. acquisition completed after the first quarter 2016 estimated Gross Profit would have been equal to 57,4 million euro in the first half 2017 (-2% compared with the first half 2016 and -1% in the second quarter).

In 2016, other income, amounting to 2.7 million euro, refers 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 communications sectors, from the original EDSlan S.p.A..

[1] Company operating since 9 April 2016.

[2] Company operating since 1 December 2016.

Operating income (EBIT) equal to 6.2 million euro, showed a decrease of -47% compared with the same period of 2016 with an EBIT margin decreased from 1.22% to 0.64% as consequence of higher operating costs. EBIT in the second quarter 2017 showed a decrease of -53% reaching 3.1 million euro compared with 6.7 million euro of 2016 with an EBIT margin of 0.70% compared with 1.40% of the same period of 2016. Net of Mosaico S.r.l. business combination completed in December 2016, estimated EBIT for the first half 2017 would have been equal to 5.3 million euro (-55%), 2.2 million euro in the second quarter (-67% compared with the second quarter 2016).

(euro/000)	30/06/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	119,539	33.28%	119,337	54.32%	202	*0%*
Operating net working capital	242,468	67.51%	94,709	43.11%	147,759	*156%*
Other current assets/liabilities	7,672	2.14%	16,261	7.40%	(8,589)	*-53%*
Other non-current assets/liabilities	(10,518)	-2.93%	(10,612)	-4.83%	94	*-1%*
Total uses	**359,161**	**100.00%**	**219,695**	**100.00%**	**139,466**	***63%***
Short-term financial liabilities	55,621	15.49%	122,466	55.74%	(66,845)	*-55%*
Current financial (assets)/liabilities for derivatives	241	0.07%	428	0.19%	(187)	*-44%*
Financial receivables from factoring companies	(8,850)	-2.46%	(1,492)	-0.68%	(7,358)	*493%*
Financial (assets)/liab. from/to Group companies	(111,500)	-31.04%	(126,500)	-57.58%	15,000	*-12%*
Other financial receivables	(462)	-0.13%	(509)	-0.23%	47	*-9%*
Cash and cash equivalents	(18,325)	-5.10%	(88,651)	-40.35%	70,326	*-79%*
Net current financial debt	(83,275)	-23.19%	(94,258)	-42.90%	10,983	*-12%*
Borrowings	136,539	38.02%	5,849	2.66%	130,690	*2234%*
Debts for investments in subsidiaries	7,909	2.20%	7,901	3.60%	7	*0%*
Non-current financial (assets)/liab. for derivatives	146	0.04%	-	0.00%	146	*N.S.*
Other financial receivables	(1,870)	-0.52%	(2,292)	-1.04%	422	*-18%*
Net Financial debt (A)	59,449	16.55%	(82,800)	-37.69%	142,248	*-172%*
Net equity (B)	299,712	83.45%	302,495	137.69%	(2,783)	*-1%*
Total sources of funds (C=A+B)	**359,161**	**100.00%**	**219,695**	**100.00%**	**139,465**	***63%***

Operating net working capital as at 30 June 2017 was 242.5 million euro, compared with 94.7 million euro as at 31 December 2016. With the same consolidation scope, the operating net working capital would have been 226.2 million euro, compared with 169.8 million euro as at 30 June 2016.

Net financial position as at 30 June 2017, was negative by 59.5 million euro, compared to a cash surplus of 89.3 million euro as at 31 December 2016. With the same consolidation scope, net financial position would have been negative by 19.7 million euro compared with a cash surplus of 20.3 mission euro at 30 June 2016 The impact of both 'without-recourse' sale and securization program of trade receivables as at 30 June 2017 was around 94 million euro (around 133 million euro as at 31 December 2016).

B.2) Subgroup Iberica

The main economic, financial and asset results for the Subgroup Iberica (Esprinet Iberica, Esprinet Portugal, Tape[3], Vinzeo Technologies[4] and V-Valley Iberian[5]) as 30 June 2017 are summarised below:

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

(euro/000)	H1 2017	%	H1 2016	%	Var.	Var. %
Sales to third parties	506,427		317,509		188,918	*60%*
Intercompany sales	-		-		-	*100%*
Sales	**506,427**		**317,509**		188,918	***60%***
Cost of sales	(486,080)	-95.98%	(304,827)	-96.01%	(181,253)	*59%*
Gross profit	**20,347**	**4.02%**	**12,682**	**3.99%**	**7,665**	***60%***
Sales and marketing costs	(5,690)	-1.12%	(3,190)	-1.00%	(2,500)	*78%*
Overheads and administrative costs	(10,974)	-2.17%	(6,530)	-2.06%	(4,444)	*68%*
Operating income (EBIT)	**3,683**	**0.73%**	**2,962**	**0.93%**	**721**	***24%***

(euro/000)	Q2 2017	%	Q2 2016	%	Var.	Var. %
Sales to third parties	255,408		164,398		91,010	*55%*
Intercompany sales	-		-		-	*100%*
Sales	**255,408**		**164,398**		**91,010**	***55%***
Cost of sales	(244,928)	-95.90%	(157,828)	-96.00%	(87,100)	*55%*
Gross profit	**10,480**	**4.10%**	**6,570**	**4.00%**	**3,910**	***60%***
Sales and marketing costs	(2,976)	-1.17%	(1,639)	-1.00%	(1,337)	*82%*
Overheads and administrative costs	(5,565)	-2.18%	(3,290)	-2.00%	(2,275)	*69%*
Operating income (EBIT)	**1,939**	**0.76%**	**1,641**	**1.00%**	**298**	***18%***

Sales was 506.4 million euro, showing an increase of 60% compared with 317.5 million euro of the first half 2016. Net of impact of Vinzeo Technologies S.A.U. and V-Valley S.L.U. acquisitions completed during the second half 2016, the variation would have been -7% with sales at 295.4 million euro. In the second quarter sales increased by +55% (91.0 million euro) compared with the same period of 2016 (-11% net of the above-mentioned acquisitions).

Gross profit as at 30 June 2017 totalled 20.4 million euro, up by 60% compared with 12.7 million euro in the same period of 2016, with the gross profit margin increased from 3.99% to 4.02%. Net of impact of Vinzeo Technologies S.A.U. and V-Valley S.L.U. acquisitions consolidated during the second half 2016, gross profit margin would have been 12,5 million euro, with a decrease of -2%, but with higher gross profit ratio (4,2%). In the second quarter gross profit increased by +60% compared with the same period of the previous year, with EBIT margin increased from 4.00% to 4.10% In the second quarter 2017, net of the above-mentioned business combinations, estimated gross profit would have been equal to 6,1 million euro (-8%).

Operating income (EBIT) equal 3.7 million euro increased by 0.7 million euro compared to the first half 2016, with an EBIT margin decreased to 0.73% from 0.93%. Net of values from Vinzeo Technologies S.A.U. and V-Valley S.L.U. acquisitions consolidated during the second half 2016, EBIT would have been equal to 1.9 million euro (-36%). In the second quarter 2017, operating income (EBIT) amounts to 1.9 million euro (0.9 million net of the above-mentioned acquisitions) compared with 1.6 million euro of the second quarter 2016 with an EBIT margin decreased from 1.00% to 0.76% (0.6% net of acquisitions).

(euro/000)	30/06/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	80,189	45.29%	79,866	117.72%	323	*0%*
Operating net working capital	112,701	63.66%	7,656	11.28%	105,045	*1372%*
Other current assets/liabilities	(11,542)	-6.52%	(15,986)	-23.56%	4,444	*-28%*
Other non-current assets/liabilities	(4,309)	-2.43%	(3,693)	-5.44%	(616)	*17%*
Total uses	**177,039**	**100.00%**	**67,843**	**100.00%**	**109,196**	***161%***
Short-term financial liabilities	16,347	9.23%	29,419	43.36%	(13,072)	*-44%*
Current financial (assets)/liabilities for derivatives	40	0.02%	55	0.08%	(15)	*-27%*
Financial (assets)/liab. from/to Group companies	111,500	62.98%	126,500	186.46%	(15,000)	*-12%*
Other financial receivables	(0)	0.00%	(5,087)	-7.50%	5,087	*-100%*
Cash and cash equivalents	(60,007)	-33.89%	(197,282)	-290.79%	137,275	*-70%*
Net current financial debt	67,880	38.34%	(46,395)	-68.39%	114,275	*-246%*
Borrowings	14,841	8.38%	22,984	33.88%	(8,143)	*-35%*
Debts for investments in subsidiaries	1,097	0.62%	759	1.12%	338	*44%*
Non-current financial (assets)/liab. for derivatives	(19)	-0.01%	28	0.04%	(47)	*-168%*
Net Financial debt (A)	83,799	47.33%	(22,624)	-33.35%	106,422	*-470%*
Net equity (B)	93,240	52.67%	90,467	133.35%	2,773	*3%*
Total sources of funds (C=A+B)	**177,039**	**100.00%**	**67,843**	**100.00%**	**109,195**	***161%***

Operating net working capital as at 30 June 2017 was equal to 112.7 million euro compared with 7.7 million euro as at 31 December 2016. With the same consolidation scope, the operating net working capital would have been 61.0 million euro, compared with 66.6 million euro as at 30 June 2016.

Net financial position as at 30 June 2017, was negative by 83.3 million euro, compared with a cash surplus of 22.6 million euro as at 31 December 2016. With the same consolidation scope, the consolidated net financial position would have been negative by 24.2 million euro, compared with 33.3 million euro as at 30 June 2016. The impact of 'without-recourse' sale of both trade receivables and advancing cash-in of credits was around 138 million euro (around 268 million euro as at 31 December 2016).

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:[6]

[6] V-Valley S.r.l. is not shown separately, as it is simply a "commission sales agent" of Esprinet S.p.A., while Tape S.L.U. is not shown, as it is not significant.

(euro/000)	H1 2017													
	Italy						Iberian Peninsula							
	E.Spa + V-Valley	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberian	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total	Elim. and other	Group
Sales to third parties	866,154	23,500	12,483	28,278	-	930,415	281,200	12,840	3,687	208,700	-	506,427	-	1,436,842
Intersegment sales	32,406	839	338	860	(10,672)	23,771	9,247	10	-	1,681	(10,939)	-	(23,771)	-
Sales	**898,560**	**24,339**	**12,821**	**29,138**	**(10,672)**	**954,186**	**290,447**	**12,850**	**3,687**	**210,381**	**(10,939)**	**506,427**	**(23,771)**	**1,436,842**
Cost of sales	(849,967)	(22,353)	(7,413)	(25,700)	10,670	(894,763)	(278,303)	(12,516)	(3,313)	(202,886)	10,939	(486,080)	23,760	(1,357,083)
Gross profit	**48,593**	**1,986**	**5,408**	**3,438**	**(2)**	**59,423**	**12,144**	**334**	**374**	**7,495**	**-**	**20,347**	**(11)**	**79,759**
Gross Profit %	*5.4%*	*8.2%*	*42.2%*	*11.8%*	*0.0%*	*6.2%*	*4.2%*	*2.6%*	*10.1%*	*3.6%*		*4.0%*		*5.6%*
Other incomes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and marketing costs	(15,123)	(671)	(4,631)	(2,331)	6	(22,750)	(3,211)	(170)	(524)	(1,786)	2	(5,690)	(45)	(28,485)
Overheads and admin. costs	(26,470)	(439)	(1,588)	(2,027)	2	(30,522)	(6,895)	(298)	(145)	(3,635)	(2)	(10,974)	52	(41,444)
Operating income (Ebit)	**7,000**	**876**	**(811)**	**(920)**	**6**	**6,151**	**2,038**	**(134)**	**(295)**	**2,074**	**-**	**3,683**	**(4)**	**9,830**
EBIT %	*0.8%*	*3.6%*	*-6.3%*	*-3.2%*	*-0.1%*	*0.6%*	*0.7%*	*-1.0%*	*-8.0%*	*1.0%*		*0.7%*		*0.7%*
Finance costs - net														(1,867)
Share of profits of associates														(16)
Profit before income tax														**7,947**
Income tax expenses														(1,680)
Net income														**6,267**
- of which attributable to non-controlling interests														(113)
- of which attributable to Group														6,380

(euro/000)	H1 2016										
	Italy					Iberian Peninsula					
	E.Spa + V-Valley	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberica	Esprinet Portugal	Elim. and other	Total	Elim. and other	Group
Sales to third parties	901,124	11,944	14,398	-	927,466	309,464	8,045	-	317,509	-	1,244,975
Intersegment sales	24,784	764	319	(1,660)	24,207	6,486	7	(6,493)	-	(24,207)	-
Sales	**925,908**	**12,708**	**14,717**	**(1,660)**	**951,673**	**315,950**	**8,052**	**(6,493)**	**317,509**	**(24,207)**	**1,244,975**
Cost of sales	(875,715)	(6,760)	(12,545)	1,717	(893,303)	(303,396)	(7,923)	6,493	(304,827)	23,917	(1,174,213)
Gross profit	**50,193**	**5,948**	**2,172**	**57**	**58,370**	**12,554**	**129**	**-**	**12,682**	**(290)**	**70,762**
Gross Profit %	*5.4%*	*46.8%*	*14.8%*	*-3.4%*	*6.1%*	*4.0%*	*1.6%*		*4.0%*		*5.7%*
Other incomes	-	-	2,677	-	2,677	-	-	-	-	-	2,677
Sales and marketing costs	(14,674)	(3,634)	(1,354)	5	(19,657)	(3,015)	(175)	-	(3,190)	(17)	(22,864)
Overheads and admin. costs	(26,985)	(1,770)	(1,001)	1	(29,755)	(6,290)	(240)	-	(6,530)	21	(36,264)
Operating income (Ebit)	**8,534**	**544**	**2,494**	**63**	**11,635**	**3,249**	**(286)**	**-**	**2,962**	**(286)**	**14,311**
EBIT %	*0.9%*	*4.3%*	*16.9%*	*-3.8%*	*1.2%*	*1.0%*	*-3.6%*		*0.9%*		*1.1%*
Finance costs - net											(1,101)
Share of profits of associates											1
Profit before income tax											**13,211**
Income tax expenses											(2,853)
Net income											**10,358**
- of which attributable to non-controlling interests											89
- of which attributable to Group											10,269

* 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. Sales by product family and customer type

(euro/million)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Dealers	396.9	27.6%	356.5	0.3	11.3%	189.5	27.4%	178.0	28.3%	6.5%
GDO/GDS	367.1	25.5%	292.7	0.2	25.4%	182.5	26.4%	149.3	23.7%	22.2%
Vars	335.7	23.4%	239.6	0.2	40.1%	157.5	22.8%	125.6	19.9%	25.4%
Office/Consumables dealers	146.1	10.2%	181.2	0.1	-19.4%	68.1	9.8%	89.0	14.1%	-23.5%
Shop on-line	137.6	9.6%	111.3	0.1	23.6%	67.8	9.8%	60.3	9.6%	12.4%
Sub-distributors	53.4	3.7%	63.7	0.1	-16.2%	26.0	3.8%	27.4	4.4%	-5.1%
Group Sales	**1,436.8**	**100%**	**1,245.0**	**100%**	***15%***	**691.4**	**100%**	**629.6**	**100%**	***10%***

(euro/million)	H1 2017	%	H1 2016	%	% Var.	Q2 2016	%	Q2 2015	%	% Var.
TLC	313.6	21.8%	194.0	15.6%	*62%*	157.9	22.8%	91.9	14.6%	*72%*
PCs - notebooks	299.1	20.8%	271.4	21.8%	*10%*	146.9	21.2%	137.1	21.8%	*7%*
PCs - tablets	130.4	9.1%	90.7	7.3%	*44%*	60.7	8.8%	51.7	8.2%	*17%*
Consumer electronics	125.4	8.7%	118.8	9.5%	*6%*	54.3	7.9%	60.5	9.6%	*-10%*
PCs - desktops and monitors	109.7	7.6%	137.3	11.0%	*-20%*	51.7	7.5%	66.8	10.6%	*-23%*
Consumables	109.0	7.6%	116.8	9.4%	*-7%*	50.8	7.3%	59.5	9.5%	*-15%*
Software	78.9	5.5%	58.4	4.7%	*35%*	40.2	5.8%	29.0	4.6%	*39%*
Storage	60.3	4.2%	58.3	4.7%	*3%*	27.7	4.0%	27.8	4.4%	*0%*
Peripherical devices	56.3	3.9%	60.7	4.9%	*-7%*	26.6	3.8%	30.2	4.8%	*-12%*
Networking	55.0	3.8%	41.8	3.4%	*32%*	29.2	4.2%	27.4	4.4%	*7%*
Servers	27.1	1.9%	27.0	2.2%	*0%*	11.9	1.7%	13.4	2.1%	*-11%*
Services	12.7	0.9%	12.4	1.0%	*2%*	6.3	0.9%	5.9	0.9%	*8%*
Other	59.3	4.1%	57.4	4.6%	*3%*	27.2	3.9%	28.4	4.5%	*-4%*
Group sales	**1,436.8**	**78%**	**1,245.0**	**84%**	***15%***	**691.4**	**77%**	**629.6**	**85%**	***10%***

The analyses by customer type highlighted an improvement compared with the first half of 2016, mainly in large business customer channel ("VAR - Value Added Resellers" +40%), "GDO/GDS" channel, (+25%); small and medium business channel ("dealer") and "Shop on-line" channel are also improving (+11% and +24% respectively). 'Office/consumables dealers' channel and "Sub-distribution" channel showed instead a decrease of -19% and -16% respectively. The second quarter showed similar trends.

The breakdown of sales by product highlighted a significant increase in 'TLC' (+62%), 'PC-tablet' (+44%), 'Software' (+35%) and 'Networking' (+32%) categories. Positive results were also achieved by "PC-notebook" (+10%), "Consumer Electronics" (+6%), "Storage" (+3%) and "Services" (+2%), in contrast with the negative performance of "PC- desktop and monitor" (-20%), "Consumables" (-7%) and "Printer and Multifunction" (-7%).

Even considering just the second quarter, a positive trend can be noticed, driven by "TLC" (+72%) and "Software" (+39%) categories, with positive results also in "PC-tablet" (+17%), "PC-notebook" (+7%), "Networking" (+7%) and "Services" (+8%) categories. However, negative results were recorded by "PC-desktop and monitor" (-23%), "Consumables" (-15%), "Printer and Multifunction" (-12%), "Server" (-11%) and "Consumer Electronics" (-10%).

Significant events occurring in the period

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 any subsequent decisions to the next Shareholders' Meeting.

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%.[7]

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

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 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.

Relationships with related parties

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

During the period, relationships with related parties consisted essentially in the sale of products and services under market conditions between Group's entities and companies where the key management personnel or shareholders of Esprinet S.p.A. play important roles.
Relationships with key managers consisted in the compensation awarded for services rendered by the same.
Achieved sales are related to the sales of consumer electronic products to business and private customers at market condition.
Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.

As shown in the table above, however, the total value of the aforementioned transactions is not material compared with the total volume of the Company's activities.

Balances of the statement of financial position and of income statements deriving from operations with related parties are summarised in the 'Notes to income statement'.
It should be noted that, in the first half of this year, there were no transactions of 'greater importance' as defined by the 'Procedure for the discipline of Transactions with Related Parties', approved by the

Board of Directors of Esprinet S.p.A. in compliance with Consob resolution no. 17221 of 12 March 2010, as amended, which came into force on 1 January 2011.

Main risks and uncertainties

Esprinet Group activities are exposed to risk factors that may influence its economic and financial situation.
The Group identifies assesses and manages risks in compliance with internationally recognised models and techniques such as the 'Enterprise Risk Management - Integrated Framework (CoSo 2).
The identification of key risks has enabled their classification in the following categories:

- strategic risks;
- operational risks;
- compliance risks;
- financial risks.

A brief description of the main risks follows for each category identified, along with the response actions implemented or planned to keep risk levels within acceptable thresholds for the Group.

Strategic risks: criticality in the ability to plan and implement strategies in a systematic and co-ordinated fashion, inadequate response to unfavourable macro-economic scenarios, inadequate response to changes in customers' and suppliers' needs, inadequate management of the analysis/reaction process to price dynamics (deflationary events).
Protection against strategic risks is usually linked to the quality of strategic planning processes and to the generation of new ideas and/or the validation of existing management models, to the frequency and effectiveness of business reviews and to the availability of competitive analysis methods and tools.

Operating risks: interruption of logistic and storage services, dependency on IT and 'web' systems as well as from key vendors, inefficient management of stocks and warehouse turnover.
Operational risks are typically defended against by a mixture of rules and procedures aimed at guaranteeing adequate prevention from risky events, as well as by insurance tools and business continuity and disaster recovery plans aimed at minimizing any possible financial impact of the risky events.

Compliance risks: violation of laws, rules and regulations, including tax ones, which govern the Group operations (please see under 'Non-current provisions and other liabilities' paragraph in the 'Notes to the condensed half-yearly consolidated financial statements' in this report).
These risks are mainly guarded against by an external structure made up of professionals who also guarantee that internal administrative resources are updated on new laws and regulations of any possible interest to the Group.

Financial risks: credit risk and liquidity risk. Credit risk management strategies are as follows:

- in the case of cash and cash equivalents and financial derivatives, by the choice of leading national and international banks;
- in the case of trade receivables, within the limits of the ceiling negotiated and with the aim of optimizing the balance of costs and benefits, by the transfer of the risk to leading insurance and/or factoring firms, as well as the application of special checking procedures regarding the assignment and periodical revision of lines of credit to customers, and the requirement of collateral in the case of customers whose ratings are insufficient to guarantee operations.

Liquidity risk management hinges on cash-flow planning and also on the maintenance of consistent amounts of unused lines of credit in Italy and in Spain of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources including that for financing working capital.

Other significant information

1. Research and development activities

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

2. Number and value of own shares

At the closing date of this financial report, Esprinet S.p.A. held 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. Atypical and/or unusual operations

No atypical and/or unusual events or operations according to the definition as per Consob Communication No. DEM 6064293 of 28 July 2006 occurred during the period.

4. Share incentive plans

Within the scope of share incentive policies aimed at strengthening the loyalty of executives deemed essential for the purpose of achieving the Group's operating targets, on 30 April 2015 Esprinet Shareholders' Meeting approved a 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. The plan will apply for the 3-year period 2015-17 with the purpose of granting a maximum of 1,150,000 rights to free grant of Esprinet. S.p.A. ordinary shares.
646,889 of the abovementioned 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.

Further information can be found in the 'Notes to the Condensed Half-yearly Consolidated Financial Statement' – paragraph 'Group Personnel costs'.

5. Business combination

No mergers were carried out during the first half of 2017.

In 2016, 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;
- Business unit acquisitions by the newly established Mosaico S.r.l. and V-Valley Iberian S.L.U. on 30 November 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.

6. Net equity and result reconciliation between Group and parent company

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

(euro/000)	Net income/(loss)		Equity	
	30/06/17	30/06/16	30/06/17	31/12/16
Esprinet S.p.A. separate financial statements	**4,296**	**5,537**	**299,123**	**301,244**
Consolidation adjustments:				
Net equity and result for the year of consolidated companies, net of minority interests	1,961	4,875	109,918	107,819
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(92,467)	(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	2	(153)	(304)	(305)
Option on 40% Celly shares	8	98	(4,434)	(4,442)
Other movements	-	-	867	867
Consolidated net equity	**6,267**	**10,358**	**317,897**	**317,957**

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

The European wholesale distribution market (source: Context, July 2017) grew by +5% to 30.6 billion euro compared to the first half of 2016. The second quarter grew (+1%) sequentially less than the first one (+8%).
The largest contributor to growth was the U.K., the #1 market in Europe in terms of dimensions, thanks to a growth pace in line with Germany (+6%).

In the first six months of 2017, the 'retailers cluster' in the Italian market of IT, TLC and Consumer Electronics (source: GFK, July 2017) decreased by -1% to 7.25 billion euro from 7.36 billion euro. In the same period the Italian wholesale distribution market was down by -0.6% compared to 2016, sequentially worsening from the first quarter (+3%) to the second one (-5%) with a very negative trend.
Considering the product categories, mobile phones (+8%) and display (+13%) were the best ones while 'mobile computing' (notebook and tablet) and 'desktop computing' were the worst (respectively -6% and -14%).
According to GFK, in the first half of 2017 the end-user technology spending in Spain grew by +2% to € 4.57 billion to € 4.47 billion while the wholesale distribution market grew by +9.5%, despite a net slowdown quarter by quarter (+6% of the second one compared to +13% of the first one).
Consumables (-3%) and networking (-17%) were the worst product categories while mobile phones (+38%) and software (+5%) proved to be the fastest growing ones.

Especially in the countries where the Group is active, the technology wholesale distribution market has been under an abnormal competitive pressure, mainly in retailers and large corporate resellers channels, hitting both sales volumes and gross profits primarily of 'PC-based' as well as peripherals products.
Such a situation is mainly due to the extremely aggressive attempt of certain large broadliners to gain market share, coupled with the crisis of many 'off-line retailers' mainly due to the on-going flat end-user demand and the competition, in Italy alone, of some TLC carriers acting as hardware distributors (mainly in mobile phones). On top of all, the persisting price war of the consumable segment negatively impacted both sales and margin.
On top of the above mentioned conjunctural elements the Group experienced corporate-specific issues in the execution of the integration of EDSLan (networking) and the performance below expectation of Celly (mobile phone accessories). Conversely, it is worth noting the very positive results of the 'cybersecurity' business acquired in November 2016 (Itway).

This situation, deemed to be mainly conjunctural, has generated a significant slowdown of both sales and gross profit margins against the 2017 budget, despite a more positive sales mix.
Such a trend, only partially counterbalanced by a higher discipline on operating expenses, drives a reduction of 2017 financial targets. The Group is now expecting sales to 3.2/3.3 billion euro and EBIT between 34-36 million euro for the fiscal year 2017.

In light of the new competitive landscape the Group began a reassessment of the 2018 plan assumptions so to be able to define timing and actions to be put in place to achieve the goals currently set for 2018.

Vimercate, 15 September 2017

Of behalf of the Board of Directors
The Chairman
Francesco Monti

Consolidated statement of financial position

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

(euro/000)	Notes	30/06/2017	related parties*	31/12/2016	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	15,179		15,284	
Goodwill	2	91,189		91,189	
Intangible assets	3	1,378		1,469	
Investments in associates	5	23		39	
Deferred income tax assets	6	12,121		11,931	
Derivative financial assets	8	35		38	
Receivables and other non-current assets	9	6,976	1,550	6,896	1,286
		126,901	**1,550**	**126,846**	**1,286**
Current assets					
Inventory	10	438,436		328,886	
Trade receivables	11	308,084	9	388,672	9
Income tax assets	12	5,859		6,175	
Other assets	13	32,262	-	32,091	-
Cash and cash equivalents	17	78,332		285,933	
		862,973	**9**	**1,041,757**	**9**
Disposal groups assets	48	-		-	
Total assets		**989,874**	**1,559**	**1,168,603**	**1,295**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	302,768		282,430	
Group net income	21	6,380		26,667	
Group net equity		**317,009**		**316,958**	
Non-controlling interests		889		999	
Total equity		**317,898**		**317,957**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	151,380		28,833	
Derivative financial liabilities	23	162		66	
Deferred income tax liabilities	24	7,157		6,100	
Retirement benefit obligations	25	4,865		5,185	
Debts for investments in subsidiaries	49	3,933		3,942	
Provisions and other liabilities	26	2,805		3,020	
		170,302		**47,146**	
Current liabilities					
Trade payables	27	391,674	-	615,512	12
Short-term financial liabilities	28	71,968		151,885	
Income tax liabilities	29	717		740	
Derivative financial liabilities	30	281		483	
Debts for investments in subsidiaries	51	5,073		4,718	
Provisions and other liabilities	32	31,961	854	30,162	-
		501,674	**854**	**803,500**	**12**
Disposal groups liabilities	34	-		-	
Total liabilities		**671,976**	**854**	**850,646**	**12**
Total equity and liabilities		**989,874**	**854**	**1,168,603**	**12**

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

Consolidated income statement

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

(euro/000)	Notes	H1 2017	non - recurring	related parties*	H1 2016	non - recurring	related parties*
Sales	33	1,436,842	-	18	1,244,975	-	4
Cost of sales		(1,357,083)	-	-	(1,174,213)	-	-
Gross profit	35	79,759	-		70,762	-	
Other income	50	-	-		2,677	2,677	
Sales and marketing costs	37	(28,485)	-	-	(22,864)	-	-
Overheads and administrative costs	38	(41,444)	(1,133)	(2,425)	(36,264)	(1,255)	(1,893)
Operating income (EBIT)		9,830	(1,133)		14,311	1,422	
Finance costs - net	42	(1,867)	-	-	(1,101)	-	2
Other investments expenses/(incomes)	43	(16)	-		1	-	
Profit before income tax		7,947	(1,133)		13,211	1,422	
Income tax expenses	45	(1,680)	144	-	(2,853)	(258)	-
Net income		6,267	(989)		10,358	1,164	
- of which attributable to non-controlling interests		(113)			89		
- of which attributable to Group		6,380	(989)		10,269	1,164	
Earnings per share - basic (euro)	46	0.12			0.20		
Earnings per share - diluted (euro)	46	0.12			0.20		

(euro/000)	Notes	Q2 2017	non - recurring	related parties*	Q2 2016	non - recurring	related parties*
Sales	33	691,428	-	18	629,551	-	3
Cost of sales		(651,204)	-	-	(592,460)	-	-
Gross profit	35	40,224	-		37,091	-	
Other income	50	-	-		2,677	2,677	
Sales and marketing costs	37	(14,109)	-	-	(12,597)	-	-
Overheads and administrative costs	38	(21,037)	(640)	(1,217)	(19,096)	(1,255)	(955)
Operating income (EBIT)		5,078	(640)		8,075	1,422	
Finance costs - net	42	(879)	-	-	(808)	-	2
Other investments expenses/(incomes)	43	(14)	-		1	-	
Profit before income tax		4,185	(640)		7,268	1,422	
Income tax expenses	45	(711)	15	-	(1,155)	(258)	-
Net income		3,474	(625)		6,113	1,164	
- of which attributable to non-controlling interests		(38)	-		50	-	
- of which attributable to Group		3,512	(625)		6,062	1,164	
Earnings per share - basic (euro)	46	0.07			0.12		
Earnings per share - diluted (euro)	46	0.07			0.12		

(*) Excluding fees paid to executives with strategic responsibilities, for which please refer to the specific paragraph in the "Interim Directors' Report on Operations".

Consolidated statement of comprehensive income

(euro/000)	H1 2017	H1 2016	Q2 2017	Q2 2016
Net income	**6,267**	**10,358**	**3,474**	**6,113**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	(247)	(120)	(293)	(7)
- Taxes on changes in 'cash flow hedge' equity reserve	71	33	79	2
- Changes in translation adjustment reserve	2	2	(1)	(1)
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	136	(245)	82	(45)
- Taxes on changes in 'TFR' equity reserve	(30)	47	(18)	(8)
Other comprehensive income	**(68)**	**(283)**	**(151)**	**(59)**
Total comprehensive income	**6,199**	**10,075**	**3,323**	**6,054**
- of which attributable to Group	6,310	9,990	3,359	6,007
- of which attributable to non-controlling interests	(111)	85	(36)	47

Consolidated statement of changes in net 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)	**-**	**(283)**	**-**	**10,358**	**10,075**	**85**	**9,990**
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	-	771	-	-	771	-	771
Other variations	-	(8)	-	-	(8)	(2)	(6)
Balance at 30 June 2016	**7,861**	**287,605**	**(5,145)**	**10,358**	**300,679**	**880**	**299,799**
Balance at 31 December 2016	**7,861**	**288,371**	**(5,145)**	**26,870**	**317,957**	**999**	**316,958**
Total comprehensive income/(loss)	**-**	**(68)**	**-**	**6,267**	**6,199**	**(111)**	**6,310**
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	-	725	-	-	725	-	725
Other variations	-	4	-	-	4	1	3
Balance at 30 June 2017	**7,861**	**308,915**	**(5,145)**	**6,267**	**317,898**	**889**	**317,009**

Consolidated statement of cash flows[8]

(euro/000)	H1 2017	H1 2016
Cash flow provided by (used in) operating activities (D=A+B+C)	**(237,333)**	**(170,628)**
Cash flow generated from operations (A)	**12,422**	**14,150**
Operating income (EBIT)	9,830	14,311
Income from business combinations	-	(2,677)
Depreciation, amortisation and other fixed assets write-downs	2,287	1,836
Net changes in provisions for risks and charges	(215)	(36)
Net changes in retirement benefit obligations	(205)	(55)
Stock option/grant costs	725	771
Cash flow provided by (used in) changes in working capital (B)	**(248,871)**	**(183,151)**
Inventory	(109,550)	(22,902)
Trade receivables	80,588	20,598
Other current assets	2,370	(1,400)
Trade payables	(223,793)	(176,913)
Other current liabilities	1,514	(2,534)
Other cash flow provided by (used in) operating activities (C)	**(884)**	**(1,626)**
Interests paid, net	(700)	(378)
Foreign exchange (losses)/gains	217	130
Net results from associated companies	0	9
Income taxes paid	(401)	(1,387)
Cash flow provided by (used in) investing activities (E)	**(2,668)**	**(19,760)**
Net investments in property, plant and equipment	(1,849)	(3,034)
Net investments in intangible assets	(242)	(117)
Changes in other non current assets and liabilities	(577)	456
EDSlan business combination	-	(17,065)
Cash flow provided by (used in) financing activities (F)	**32,400**	**25,436**
Medium/long term borrowing	165,000	-
Repayment/renegotiation of medium/long-term borrowings	(73,383)	(9,387)
Net change in financial liabilities	(50,381)	44,110
Net change in financial assets and derivative instruments	(1,906)	(1,523)
Deferred price Celly acquisition	(12)	-
Deferred price Vinzeo acquisition	355	-
Dividend payments	(6,987)	(7,764)
Increase/(decrease) in 'cash flow edge' equity reserve	(176)	(87)
Changes in third parties net equity	(110)	87
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(207,601)**	**(164,951)**
Cash and cash equivalents at year-beginning	**285,933**	**280,089**
Net increase/(decrease) in cash and cash equivalents	**(207,601)**	**(164,951)**
Cash and cash equivalents at year-end	**78,332**	**115,138**

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

Notes to the condensed half-yearly consolidated financial statements

1. Contents and format of the consolidated financial statements

1.1 Regulations, accounting principles and valuation criteria

The Esprinet Group consolidated half-yearly financial report as at 30 June 2017 was drawn up in accordance with Article 154-ter (Financial Reports), paragraph 2, of Legislative Decree No. 58/6064293 (T.U.F. – Finance Consolidation Act) as well as Consob Communication No. DEM/28 of 2006 July 114 (disclosure requirements of Italian listed companies pursuant to Article 5, paragraph 58, Legislative Decree No. 1998/98) and includes:

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

The condensed half-yearly consolidated financial statements have been drawn up in compliance with IFRS - International Financial Reporting Standards -, using the same accounting principles used in the Consolidated Financial Statements as at 31 December 2016 and with special reference to the provisions of IAS 34 'Interim Financial Reporting' – pursuant to which they have been drafted in condensed form.
They do not include all the supplementary information required in the annual financial statements, therefore, they should be read together with the consolidated financial statements of the Esprinet Group as at 31 December 2016.

The condensed half-yearly consolidated financial statements at 30 June 2017 were subject to a limited review by EY S.p.A..

1.2 Consolidation scope

The consolidated financial statements derive from the interim accounts of the parent company Esprinet S.p.A. and its direct and/or indirect subsidiaries or associated companies, approved by their respective Boards of Directors.[9]
Wherever necessary, the interim accounts of subsidiaries have been suitably adjusted to ensure consistency with the accounting principles used by the parent company.

The table below lists companies included in the consolidation scope as at 30 June 2017 all consolidated on a line-by-line basis except for Ascendeo SAS, which is accounted for using the equity method.

[9] Limited to companies under direct control.

Company name	Head Office	Share capital (euro) *	Group interest	Shareholder	Interest held
Controllante:					
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%
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)	1,000,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spain)	3,000	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%
Associated company					
Ascendeo SAS	La Courneuve (France)	37,000	20.00%	Celly S.p.A.	25.00%

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

Compared with 31 December 2016, no variation within the consolidation scope occurred.
As compared with 30 June 2016, the companies Mosaico S.r.l., Vinzeo Technologies S.A.U., Tape S.L.U. and V-Valley Iberian S.L.U. entered the consolidation scope.
It should be highlighted that on 28 April 2016, Esprinet S.p.A. sold its shares (equal to 9.52% of the total share capital) in the associated company Assocloud S.r.l..

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

1.3 Principal assumptions, estimates and rounding

Within the scope of preparing these condensed Half-yearly Consolidated Financial Statements, several estimates and assumptions have been made on the values of revenue, costs, assets and liabilities in the financial statements and on the information relating to potential assets and liabilities at the date of the interim financial statements. These have been applied uniformly to all the financial years presented in this document, unless otherwise indicated.

If these estimates and assumptions, which are based on the best valuation by the management, should differ from actual circumstances in the future, they will be suitably amended during the period in which those circumstances arise.

A detailed description of the assumptions and estimates adopted can be found in the Notes to the Consolidated Financial Statements of the Esprinet Group as at 31 December 2016, to which reference is made.

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

1.4 Restatements of previous published financial statements

No reclassification or changes in the critical accounting principles pursuant to IAS 8 occurred in these half-yearly financial statements requiring restatement of the previous year financial statements.

1.5 New or revised accounting standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the half-yearly condensed consolidated financial statements as at 30 June 2017 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016, since no new standards, amendments and interpretations approved by IASB (International Accounting Standard Board) and IFRIC (Financial Reporting Interpretation Committee) published in the Official Journal of the European Union came into force from 1 January 2017.
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 but not yet in force and/or adopted.

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.
The Group is evaluating the adoption and the consequent impact of this new standard. At the moment, no significant impacts or early application is expected.

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 using the full retrospective method. During 2017 the Group continued to evaluate the impact resulting from the adoption of this new standard.
The IFRS 15 implementation plan will require the analysis of existing contracts under the five-step model in order to identify any effects on equity and income. Based on preliminary analysis carried out on contract types, since the Group operates in the B2B distribution of IT and Consumer Electronics products with limited supply of internally-produced services, this is deemed to have no significant impact.

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.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – The amendments, published in September 2014, have the aim of clarifying the accounting treatment, both in the case of loss of control over a subsidiary (disciplined by IFRS 10), and in the cases of downstream transactions disciplined by IAS 28, depending on whether the subject matter of the transaction is (or not) a business, as defined by IFRS 3. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that adopts the amendments early must apply them prospectively.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses – 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. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

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. These amendments are effective for annual periods beginning on or after 1 January 2017.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions – 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.

2 Segment information

2.1 Introduction

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

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group);

b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

c) for which financial information is separately available.

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

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

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

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

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

2.2 Income statement by operating segments

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

Income statement and other significant information by operating segments

(euro/000)	H1 2017			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	930,415	506,427	-	1,436,842
Intersegment sales	23,771	-	(23,771)	-
Sales	**954,186**	**506,427**	**(23,771)**	**1,436,842**
Cost of sales	(894,763)	(486,080)	23,760	(1,357,083)
Gross profit	**59,423**	**20,347**	**(11)**	**79,759**
Gross Profit %	*6.23%*	*4.02%*		*5.55%*
Other income	-	-	-	-
Sales and marketing costs	(22,750)	(5,690)	(45)	(28,485)
Overheads and admin. costs	(30,522)	(10,974)	52	(41,444)
Operating income (Ebit)	**6,151**	**3,683**	**(4)**	**9,830**
EBIT %	*0.64%*	*0.73%*		*0.68%*
Finance costs - net				(1,867)
Share of profits of associates				(16)
Profit before income tax				**7,947**
Income tax expenses				(1,680)
Net income				**6,267**
- of which attributable to non-controlling interests				(113)
- of which attributable to Group				6,380
Depreciation and amortisation	**1,746**	**344**	198	**2,287**
Other non-cash items	**2,163**	**66**	-	**2,229**
Investments	**1,663**	**464**	-	**2,127**
Total assets	**823,225**	**357,447**	(190,798)	**989,874**

(euro/000)	H1 2016			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	927,466	317,509	-	1,244,975
Intersegment sales	24,207	-	(24,207)	-
Sales	**951,673**	**317,509**	**(24,207)**	**1,244,975**
Cost of sales	(893,303)	(304,827)	23,917	(1,174,213)
Gross profit	**58,370**	**12,682**	**(290)**	**70,762**
Gross profit %	*6.1%*	*4.0%*		*5.7%*
Other income	2,677	-	-	2,677
Sales and marketing costs	(19,657)	(3,190)	(17)	(22,864)
Overheads and admin. costs	(29,755)	(6,530)	21	(36,264)
Operating income (Ebit)	**11,635**	**2,962**	**(286)**	**14,311**
EBIT %	*1.2%*	*0.9%*		*1.1%*
Finance costs - net				(1,101)
Share of profits of associates				1
Profit before income tax				**13,211**
Income tax expenses				(2,853)
Net income				**10,358**
- of which attributable to non-controlling interests				89
- of which attributable to Group				10,269
Depreciation and amortisation	**1,461**	**226**	149	**1,836**
Other non-cash items	**2,095**	**110**	-	**2,205**
Investments	**2,082**	**1,108**	-	**3,190**
Total assets	**750,530**	**299,662**	(210,746)	**839,446**

(euro/000)	Q2 2017			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	436,020	255,408		691,428
Intersegment sales	11,306	-	(11,306)	-
Sales	**447,326**	**255,408**	**(11,306)**	**691,428**
Cost of sales	(417,581)	(244,928)	11,305	(651,204)
Gross profit	**29,745**	**10,480**	**(1)**	**40,224**
Gross Profit %	*6.65%*	*4.10%*		*5.82%*
Other income	-	-	-	-
Sales and marketing costs	(11,099)	(2,976)	(34)	(14,109)
Overheads and admin. costs	(15,508)	(5,565)	36	(21,037)
Operating income (Ebit)	**3,138**	**1,939**	**1**	**5,078**
EBIT %	*0.70%*	*0.76%*		*0.73%*
Finance costs - net				(879)
Share of profits of associates				(14)
Profit before income tax				**4,185**
Income tax expenses				(711)
Net income				**3,474**
- of which attributable to non-controlling interests				(38)
- of which attributable to Group				3,512
Depreciation and amortisation	890	**169**	105	**1,164**
Other non-cash items	1,106	**31**	-	**1,137**
Investments	921	**378**	-	**1,299**
Total assets	**823,225**	**357,447**	(190,798)	**989,874**

(euro/000)	Q2 2016			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	465,153	164,398		629,551
Intersegment sales	13,341	-	(13,341)	-
Sales	**478,494**	**164,398**	**(13,341)**	**629,551**
Cost of sales	(447,714)	(157,828)	13,082	(592,460)
Gross profit	**30,780**	**6,570**	**(259)**	**37,091**
Gross profit %	*6.4%*	*4.0%*		*5.9%*
Other income	2,677	-	-	2,677
Sales and marketing costs	(10,950)	(1,639)	(8)	(12,597)
Overheads and admin. costs	(15,814)	(3,290)	8	(19,096)
Operating income (Ebit)	**6,693**	**1,641**	**(259)**	**8,075**
EBIT %	*1.4%*	*1.0%*		*1.3%*
Finance costs - net				(808)
Share of profits of associates				1
Profit before income tax				**7,268**
Income tax expenses				(1,155)
Net income				**6,113**
- of which attributable to non-controlling interests				50
- of which attributable to Group				6,063
Depreciation and amortisation	750	**113**	88	**951**
Other non-cash items	1,161	**49**	-	**1,210**
Investments	1,370	**888**	-	**2,258**
Total assets	**750,530**	**299,662**	(210,746)	**839,446**

Statement of financial position by operating segments

(euro/000)	30/06/2017			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	11,849	3,330	-	15,179
Goodwill	22,891	67,259	1,039	91,189
Intangible assets	1,346	32	-	1,378
Investments in associates	23	-	-	23
Investments in others	75,872	-	(75,872)	-
Deferred income tax assets	2,837	9,183	101	12,121
Derivative financial assets	-	35	-	35
Receivables and other non-current assets	6,591	385	-	6,976
	121,409	**80,224**	**(74,732)**	**126,901**
Current assets				
Inventory	292,485	146,274	(323)	438,436
Trade receivables	240,227	67,857	-	308,084
Income tax assets	4,363	1,496	-	5,859
Other assets	146,416	1,589	(115,743)	32,262
Cash and cash equivalents	18,325	60,007	-	78,332
	701,816	**277,223**	**(116,066)**	**862,973**
Disposal groups assets	-	-	-	-
Total assets	**823,225**	**357,447**	**(190,798)**	**989,874**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	287,220	35,849	(20,301)	302,768
Group net income	3,704	2,685	(9)	6,380
Group net equity	**298,785**	**93,227**	**(75,003)**	**317,009**
Non-controlling interests	927	13	(51)	889
Total equity	**299,712**	**93,240**	**(75,054)**	**317,898**
LIABILITIES				
Non-current liabilities				
Borrowings	136,539	14,841	-	151,380
Derivative financial liabilities	146	16	-	162
Deferred income tax liabilities	3,462	3,695	-	7,157
Retirement benefit obligations	4,865	-	-	4,865
Debts for investments in subsidiaries	3,933	-	-	3,933
Provisions and other liabilities	2,191	614	-	2,805
	151,136	**19,166**	**-**	**170,302**
Current liabilities				
Trade payables	290,244	101,430	-	391,674
Short-term financial liabilities	55,621	127,847	(111,500)	71,968
Income tax liabilities	228	489	-	717
Derivative financial liabilities	241	40	-	281
Debts for investments in subsidiaries	3,976	1,097	-	5,073
Provisions and other liabilities	22,067	14,138	(4,244)	31,961
	372,377	**245,041**	**(115,744)**	**501,674**
Disposal groups liabilities	-	-	-	-
Total liabilities	**523,513**	**264,207**	**(115,744)**	**671,976**
Total equity and liabilities	**823,225**	**357,447**	**(190,798)**	**989,874**

(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
Debiti per acquisto partecipazioni correnti	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. Notes to statement of financial position items

Non-current assets

1) Tangible assets

Changes occurred during the period in the item Property, plant and equipment are as follows:

(euro/000)	Plant and machinery	Ind. & Comm. Equipment & other assets	Assets under construction & advances	Total
Historical cost	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	296	1.319	271	**1.886**
Historical cost decrease	(282)	(707)	(1)	**(990)**
Historical cost reclassification	1.010	1.251	(2.261)	**-**
Increase in accumulated depreciation	(567)	(1.387)	-	**(1.954)**
Decrease in accumulated depreciation	279	674	-	**953**
Total changes	**736**	**1.150**	**(1.991)**	**(105)**
Historical cost	14.851	30.228	450	45.528
Accumulated depreciation	(10.449)	(19.900)	-	(30.349)
Balance at 30 June 2016	**4.402**	**10.328**	**450**	**15.179**

Investments as at 30 June 30 in "plant and machinery" amount to 0.3 million euro and refer to the purchase of new assets by the parent company Esprinet S.p.A. for the expansion of the new logistics hub of Cavenago.

Investments in 'Industrial & commercial equipment & other assets' refer to 1.0 million euro for the purchase of electronic office machinery and office furniture by the parent company Esprinet S.p.A., and to 0.1 million euro for the purchase of new equipment and office machinery by the Spanish subsidiaries.

Investments in "Assets under construction", totalling 0.3 million euro, mainly refer to work done by Esprinet Iberica and not yet terminated at 30 June 2017 for outfitting a new Cash & Carry in Barcelona, whose official opening is planned for September 2017, besides costs incurred for building a company canteen for Zaragoza logistics hub.

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.

2) Goodwill

Goodwill amounts to 91.2 million euro with no changes compared to 31 December 2016.

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

(euro/000)	30/06/2017	31/12/2016	Var.		
Esprinet S.p.A.	18.738	18.738	-	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4.153	4.153	-	CGU 2	B2C phone accessories (Italy)
Esprinet Iberica S.l.u.	68.298	68.298	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**91.189**	**91.189**	**-**		

The annual impairment test, required by IAS 36, was carried out in reference to the financial statements as at 31 December 2016 and no impairment loss emerged with reference to the above-mentioned CGUs existing at that date.

IAS 36 also requires the goodwill impairment test to be effected more frequently whenever 'triggering events' occur (i.e. indications of loss of value). However, as no such indicators appeared in the period between the annual impairment test in March 2017 and the date of this Half-yearly Financial Report, no other impairment tests were conducted as at June 30 2017.

In the light of above, the goodwill values booked as at 31 December 2016 and still outstanding in this half-yearly report are confirmed.

Further information regarding 'Goodwill' and the impairment test methods used can be found in the notes to the consolidated financial statements as at 31 December 2016.

3) <u>Intangible assets</u>

Changes occurred during the period in the item 'Intangible assets' are as follows:

(euro/000)	Cost and expansion	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advances	Altre Immob. Immateriali	Total
Historical cost	3	10.197	30	757	-	**10.987**
Accumulated depreciation	(3)	(9.494)	(21)	-	-	**(9.518)**
Balance at 31 December 2015	**-**	**703**	**10**	**757**	**-**	**1.469**
Historical cost increase	-	217	-	-	25	**242**
Reclassification	-	757	-	(757)	-	**-**
Increase in accumulated depreciation	-	(333)	-	-	-	**(333)**
Total changes	**-**	**641**	**-**	**(757)**	**25**	**(91)**
Historical cost	3	11.171	30	-	25	**11.229**
Accumulated depreciation	(3)	(9.827)	(21)	-	-	**(9.851)**
Balance at 30 June 2016	**-**	**1.344**	**10**	**-**	**25**	**1.378**

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' refers to the costs incurred by the parent company Esprinet S.p.A. for the purchase and upgrade of software.
This item is amortised in three years.

6) Deferred income tax assets

(euro/000)	30/06/2017	31/12/2016	Var.
Deferred income tax assets	12,121	11,931	190

The balance of this item is represented by prepaid tax assets due to tax losses carried forward (mainly referring to the Spanish subsidiary) and from taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years following the creation of taxable profits.

9) Receivables and other non-current assets

(euro/000)	30/06/2017	31/12/2016	Var.
Guarantee deposits receivables	5,105	4,604	501
Trade receivables	1,870	2,292	(422)
Other receivables	1	-	1
Receivables and other non-current assets	**6,976**	**6,896**	**80**

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.

Guarantee deposit receivables refer for 3.2 million euro (equal amount at 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 with effect in June 2018 at the latest. The remaining portion refers to guarantee deposits relating to utilities for existing lease agreements.

Current assets

10) Inventory

The movement in the inventory and in the corresponding provision for obsolescence during the period was as follows:

(euro/000)	30/06/2017	31/12/2016	Var.
Finished products and goods	445,006	336,741	108,265
Provision for obsolescence	(6,570)	(7,855)	1,285
Inventory	**438,436**	**328,886**	**109,550**

Inventory totalled 438.4 million euro, up 109.6 million euro compared with 31 December 2016 existing stock.

The 6.6 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 inventory.

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

(euro/000)	30/06/2017	31/12/2016	Var.
Provision for absolescence: year-beginning	**7,855**	**2,556**	**5,299**
Uses	(1,733)	(2,624)	891
Accruals	448	2,054	(1,606)
Subtotal	**(1,285)**	**(570)**	**(715)**
Acquisition in business combination	-	5,869	(5,869)
Total Variation	**(1,285)**	**5,299**	**(6,584)**
Provision for absolescence: period-end	**6,570**	**7,855**	**(1,285)**

11) Trade receivables

(euro/000)	30/06/2017	31/12/2016	Var.
Trade receivables - gross	315,729	395,849	(80,120)
Bad debt provision	(7,645)	(7,177)	(468)
Trade receivables - net	**308,084**	**388,672**	**(80,588)**

Trade receivables arise from normal sales transactions engaged in by the Group in the context of ordinary marketing activities. The balance includes 10.2 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement.

These transactions are entered into almost with customers resident in the two countries where the Group operates, i.e. Italy and Spain, are almost all in euro and are short-term.

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

(euro/000)	30/06/2017	31/12/2016	Var.
Bad debt provision: year-beginning	**7.177**	**5.765**	**1.412**
Uses	(267)	(1.628)	1.361
Accruals	735	1.460	(725)
Subtotal	**468**	**(168)**	**636**
Business combination acquisition	-	1.580	(1.580)
Total variation	**468**	**1.412**	**(944)**
Bad debt provision: period-end	**7.645**	**7.177**	**468**

12) Income tax assets

(euro/000)	30/06/2017	31/12/2016	Var.
Income tax assets	5,859	6,175	(316)

The Income tax assets refer for 2.2 million euro to the advance payments of IRES and IRAP on 2016 income, for 1.2 million euro to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years 2004-2007 and 2007-2011 with reference to Esprinet S.p.A., as well as to 2.3 million euro referring to the credit balance on tax at 30 June 2017, 1.5 million euro of which are related to the subsidiary Vinzeo Technologies S.A.U..

13) Other assets

(euro/000)	30/06/2017	31/12/2016	Var.
Receivables from associates companies (A)	**-**	**6**	**(6)**
Witholding tax assets	137	882	(745)
VAT receivables	1,077	5,359	(4,282)
Other tax assets	5,024	4,580	444
Other receivables from Tax authorities (B)	**6,238**	**10,821**	**(4,583)**
Receivables from factoring companies	8,850	1,492	7,358
Customer financial receivables	462	509	(47)
Banks financial receivables	-	5,087	(5,087)
Receivables from insurance companies	1,744	1,881	(137)
Receivables from suppliers	9,174	9,241	(67)
Receivables from employees	-	2	(2)
Receivables from others	616	196	420
Other receivables (C)	**20,846**	**18,408**	**2,438**
Prepayments (D)	**5,178**	**2,856**	**2,322**
Other assets (E= A+B+C+D)	**32,262**	**32,091**	**171**

'VAT receivables' refer to VAT receivables accrued by the subsidiaries V-Valley S.r.l., Vinzeo Technologies S.A.U. and Tape S.L.U., as well as refund claims of Esprinet S.p.A. which are not allowed to be offset.

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 relating to the parent company (6.3 million euro) and to the subsidiary V-Valley (2.6 million euro), refer to the residual amount still unpaid of the receivables sold without recourse at the end of June 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 at 31 December 2016.

Customer financial receivables refer for 0.5 million euro to the short portion of receivables collectable within the subsequent year at 30 June 2017, 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".

The financial receivables toward banks at 31 December 2016 (nil as at 30 June 2017) referred to term deposits made by Vinzeo Technologies S.A.U., in order to better manage the temporary cash surplus; these deposits, maturing in April 2017, were closed during the fist half of 2017.

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.

Receivables from suppliers refer to advance payments demanded by suppliers before purchase orders are executed. They also refer to receivables from forwarding agents for advance VAT and customs duties pertaining to imports as well as credit notes received from various suppliers exceeding the amount owed at the end of the period due to a mismatch between the time when they are quantified and the suppliers are paid.

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

17) Cash and cash equivalents

(euro/000)	30/06/2017	31/12/2016	Var.
Bank and postal deposit	78,300	285,889	(207,589)
Cash	31	34	(3)
Cheques	1	10	(9)
Total cash and cash equivalents	**78,332**	**285,933**	**(207,601)**

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. The change compared with 31 December 2016 relates to the increase in operating net working capital.
The cash and cash equivalent balance as at 30 June 2016 was equal to 115.1 million euro.

The market value of the cash and cash equivalents corresponds to their carrying amount.

Net equity

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

(euro/000)	30/06/2017	31/12/2016	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	307,913	287,575	20,338
Own shares (C)	(5,145)	(5,145)	-
Total reserves (D=B+C)	**302,768**	**282,430**	**20,338**
Net income for the year (E)	**6,380**	**26,667**	**(20,287)**
Net equity (F=A+D+E)	**317,009**	**316,958**	**51**
Non-controlling interests (G)	889	999	(110)
Total equity (H=F+G)	**317,898**	**317,957**	**(59)**

19) Share capital

The Company's share capital, fully subscribed and paid-in as at 31 December 2016, is 7,860,651 euro and comprises 52,404,340 shares with no face value.

20) Reserves

Reserves and profit carried over

The 'Reserve and profit carried over' balance increased by 20.3 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) effected in the period.

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 change relates to the 1,150,000 shares granted in May 2015 as per the 2012-2014 'Share Incentive Plan' approved on 9 May 2012 by Esprinet Shareholders' Meeting, as well as to the purchase of 615,489 shares as set in the resolution of Esprinet Shareholders' Meeting of 30 April 2015.

21) Net income

Consolidated net profits pertaining to the first half of 2017 amount to 6.2 million euro, down by 10.3 million euro of the same period of the previous year.

Non-current liabilities

22) Borrowings

(euro/000)	30/06/2017	31/12/2016	Var.
Borrowings	151,380	28,833	122,547

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.
As described in the section entitled 'Net financial indebtedness', these loans mainly refer (for 115.7 million euro) to the Term Loan Facility subscribed by Esprinet SpA with a pool of banks on 28 February 2017.

In addition, 14.8 million euro refers to agreements in place in the subsidiary Vinzeo Technologies S.A.U., 18.8 million euro relates to two minor loans signed by Esprinet S.p.A. in March 2017, another 1.8 million euro refers to 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 0.3 million euro relates to medium/long-term loans acquired in the context of the business combination carried out by newly established company EDSlan S.r.l. in April 2016.

Thus, the change is due to the three 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 repayment, in accordance with the sinking plan.

23) Derivative financial liabilities (non-current)

(euro/000)	30/06/2017	31/12/2016	Var.
Derivative financial liabilities	162	66	96

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 change is almost entirely due to the 6 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, called the Term Loan Facility. 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.

For further details regarding the derivative instruments in place please refer to the section headed 'Hedging derivatives analysis'.

24) Deferred income tax liabilities

(euro/000)	30/06/2017	31/12/2016	Var.
Deferred income tax liabilities	7,157	6,100	1,057

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

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

25) Retirement benefit obligations

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

The entire provision amount is attributable to the Italian companies, since a similar system does not exist in Spain.

Changes occurred during the half-year are shown in the table below:

(euro/000)	30/06/2017	31/12/2016	Var.
Balance at year-beginning	**5,185**	**4,044**	**1,141**
Acquisition from business combinations	-	1,039	(1,039)
Service cost	83	105	(22)
Interest cost	33	86	(53)
Actuarial (gain)/loss	(147)	151	(298)
Pensions paid	(289)	(240)	(49)
Changes	**(320)**	**1,141**	**(1,461)**
Balance at year-end	**4,865**	**5,185**	**(320)**

The provision change, showing a 0.3 million euro decrease, is strongly influenced by the payment of employment termination benefits as well as by the 'actuarial gains/losses' arising from the valuation at 30 June 2017 compared with the one at 31 December 2016. The latter change strongly refers to the increase of the discount rate in the actuarial calculation in the first half 2017 compared with 2016.

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

(euro/000)	30/06/2017	31/12/2016	Var.
Amounts booked under personnel costs	83	105	(22)
Amounts booked under financial costs	33	86	(53)
Total	**116**	**191**	**(75)**

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

	30/06/2017	31/12/2016
Cost of living increase	1.50%	1.50%
Discounting rate[2]	1.67%	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.

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

(euro/000)	30/06/2017	31/12/2016	Var.
Debts for investments in subsidiaries	3,933	3,942	(9)

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 two-year risk-free rate prevailing at the reporting date.

26) Non-current provisions and other liabilities

(euro/000)	30/06/2017	31/12/2016	Var.
Long-term liabilities for cash incentives	307	215	92
Provisions for pensions and similar obligations	1,942	2,325	(383)
Other provisions	556	480	76
Non-current provisions and other liabilities	**2,805**	**3,020**	**(215)**

The item 'Provisions for pensions and similar obligations' includes the supplementary customer indemnity provision payable to agents based on current regulations governing the subject. The changes in the period were as follows:

(euro/000)	30/06/2017	31/12/2016	Var.
Provisions for pensions: year-beginning	**2,325**	**1,904**	**421**
Uses	(435)	(176)	(259)
Accruals	52	293	(241)
Subtotal	**(383)**	**117**	**(500)**
Business combination acquisition	-	304	(304)
Total variation	**(383)**	**421**	**(804)**
Provisions for pensions: period-end	**1,942**	**2,325**	**(383)**

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

(euro/000)	30/06/2017	31/12/2016	Var.
Provisions for pensions: year-beginning	**480**	**560**	**(80)**
Uses	(209)	(388)	179
Accruals	166	308	(142)
Reclassifications	119	-	119
Subtotal	**76**	**(80)**	**156**
Business combination acquisition	-	-	-
Total variation	**76**	**(80)**	**156**
Other provisions: period-end	**556**	**480**	**76**

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

In the first half of 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, recognising the ensuing allocations to the provision for risks.
The following list summarises the development of the main current legal disputes with any relevant period update.

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 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, presented 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.
Nevertheless, and on the basis of its advisors' opinions, the Company still confirms the correctness of its actions and on 15 February 2017 filed an appeal against Provincial Tax Commission ruling.

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.

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 have arisen resulting in a disallowance of costs.
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.

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.
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.

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 around 180 thousand euro, plus penalties and interest.
The company is evaluating the better defensive strategy, together with the counterparty jointly committed.

Current liabilities

27) Trade payables

(euro/000)	30/06/2017	31/12/2016	Var.
Trade payables - gross	476,178	700,201	(224,023)
Credit notes to be received	(84,504)	(84,689)	185
Trade payables	**391,674**	**615,512**	**(223,838)**

Credit notes to be received mainly relate to rebates referring to the achievement of commercial targets, to discounts for sales promotions, to contractual protections of inventory and to discounts for marketing activities.

28) Short-term financial liabilities

(euro/000)	30/06/2017	31/12/2016	Var.
Bank loans and overdrafts	57,389	141,852	(84,463)
Other financing payables	14,579	10,033	4,546
Short - term financial liabilities	**71,968**	**151,885**	**(79,917)**

Bank loans and overdrafts mainly consist of the amortised cost of the current portion of the outstanding medium/long-term loans (46.7 million euro vs 78.4 million euro at 31 December 2016), whose details are reported in the paragraph 'Net financial indebtedness'. The balance also comprises the temporary overdraft on current accounts while loans falling due within 12 months (1.0 million euro) and the advances 'with recourse' on invoices and trade bills (0.4 million euro) are almost nil.

Thus, the change compared with 31 December 2016 is due to the early repayment of the Term Loan Facility signed in July 2014 (48.5 million euro as at 31 December 2016) since it was replaced by the new Term Loan Facility with principal of 145.0 million euro entered into in February 2017 (28.3 million euro portion falling due within 12 months as at 30 June 2017). Therefore this loan made it possible not to use short-term financing such as loans repayable within 12 months (13.0 million euro as at 31 December 2016) and advances 'with recourse' on invoices and trade bills (47.8 million euro as at 31 December 2016), and to do without, and thus to repay, a 10.0 million euro loan granted to Esprinet S.p.A. by Unicredit S.p.A. that would have been repaid in a single payment in July 2019.

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 outstanding payables received in the name and on behalf of clients under the without-recourse factoring agreement.

29) Income tax liabilities

(euro/000)	30/06/2017	31/12/2016	Var.
Income tax liabilities	717	740	(23)

Income tax liabilities, referring to Esprinet Iberica S.L.U. for 0.5 million euro and to Mosaico S.r.l. for 0.2 million euro, reflect the excess amount of current income taxes for the first half 2017 over the advances paid.

30) Derivative financial liabilities (current)

(euro/000)	30/06/2017	31/12/2016	Var.
Derivative financial liabilities	281	483	(202)

This item refers to the fair value of IRS contracts entered into by Esprinet S.p.A. and Vinzeo Technologies S.A.U. to hedge the risk of interest rate fluctuations on various medium/long-term floating-rate loans.

The major change (241 thousand euro) is due to the fair value of 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, called the Term Loan Facility. 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 to both the derivative instruments signed, and to the termination of 8 IRSs entered into by Esprinet S.p.A. 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. As at 31 December 2016 the fair value of the above-mentioned instruments, equal to 428 thousand euro, was entirely booked under current liabilities as a consequence of two covenants under the Term Loan Facility not being satisfied. Finally, the change compared with 31 December 2016 is linked to the fluctuation in fair value of outstanding derivative instruments in Vinzeo Technologies S.A.U. as a consequence of the movement in the interest rate curve.

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

32) Provisions and other liabilities

(euro/000)	30/06/2017	31/12/2016	Var.
Social security liabilities (A)	**3,851**	**4,379**	**(528)**
Associates companies liabilities (B)	**5**	**5**	**-**
VAT payables	14,941	10,873	4,068
Withholding tax liabilities	352	328	24
Other tax liabilities	1,185	1,700	(515)
Other payables to Tax authorities (C)	**16,478**	**12,901**	**3,577**
Payables to personnel	6,219	5,538	681
Payables to customers	3,534	4,773	(1,239)
Payables to others	1,410	2,147	(737)
Total other creditors (D)	**11,163**	**12,458**	**(1,295)**
Accrued expenses and deferred income (E)	**464**	**419**	**45**
Provisions and other liabilities (F=A+B+C+D+E)	**31,961**	**30,162**	**1,799**

Social security liabilities mainly refer to payables to welfare institutions linked to wages and salaries paid in June and to social contributions accrued on deferred compensation, including monetary incentives.

VAT payables refer to the amount matured during the month of June.

Other tax liabilities are mainly taxes withheld on wages and salaries paid to employees during the month of June.

Payables to personnel refer to June salaries as well as to deferred monthly payables (holidays not taken, year-end bonus, monetary incentives included) accruing at the end of the first half 2017.

Payables to customers mainly refer to credit notes not yet paid relating to current trading relationships.

Payables to others include payables amounting to 1.0 million euro to Directors relating to first half emoluments accrued (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.

51) Debts for investments in subsidiaries (current)

(euro/000)	30/06/2017	31/12/2016	Var.
Debts for investments in subsidiaries	5,073	4,718	355

The amount refers to the estimated discounted value of the deferred consideration that the Group will pay to the Itway group for the VAD business units acquisition. It is equal to the net difference between the purchase price adjustment from the seller with respect to the financial position of the contribution, and the estimated earn-outs owed to the seller in proportion to profitability results in the twelve months following the transaction date, which took place on 30 November 2016.

4. Notes to income statement items

Sales and costs analysis of the period, having previously stated both the Group financial results and the sales by product family and customer type in the 'Interim Directors' Report on Operations', are reported as follows:

33) Sales

Sales by geographical segment.

(euro/million)	H1 2017	%	H1 2016	%	Var.	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Italy	921.9	64.2%	912.8	73.3%	9.1	1.0%	431.8	62.5%	457.9	72.7%	-5.7%
Spain	491.4	34.2%	308.7	24.8%	182.7	59.2%	247.9	35.9%	160.4	25.5%	54.6%
Other EU countries	19.7	1.4%	13.0	1.0%	6.7	51.5%	9.9	1.4%	5.8	0.9%	70.7%
Extra EU countries	3.8	0.3%	10.5	0.8%	(6.7)	-63.8%	1.8	0.3%	5.5	0.9%	-67.3%
Group sales	**1,436.8**	**100.0%**	**1,245.0**	**100.0%**	**191.8**	**15.4%**	**691.4**	**100.0%**	**629.6**	**100.0%**	**9.8%**

Sales in other EU countries mainly refer to sales made by the Spanish subsidiary to customers resident in Portugal (12.9 million euro). 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 the Republic of San Marino, Switzerland, Turkey and Andorra.

Sales by products and services.

(euro/million)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Product sales	921.1	64.1%	919.9	73.9%	0%	431.0	62.3%	461.4	73.3%	-7%
Services sales	9.3	0.6%	7.6	0.6%	*22%*	5.0	0.7%	3.8	0.6%	*32%*
Sales - Subgroup Italy	**930.4**	**64.8%**	**927.5**	**74.5%**	***0%***	**436.0**	**63.1%**	**465.2**	**73.9%**	***-6%***
Product sales	505.9	35.2%	317.2	25.5%	*59%*	255.5	37.0%	164.3	26.1%	*56%*
Services sales	0.5	0.0%	0.3	0.0%	*67%*	(0.1)	0.0%	0.1	0.0%	*-200%*
Sales - Subgroup Spain	**506.4**	**35.2%**	**317.5**	**25.5%**	***59%***	**255.4**	**36.9%**	**164.4**	**26.1%**	***55%***
Group sales	**1,436.8**	**100.0%**	**1,245.0**	**100.0%**	***15%***	**691.4**	**100.0%**	**629.6**	**100.0%**	***10%***

The sales analysis by product family and customer type is presented under the relative paragraph in the 'Interim Directors Report on Operation' to which reference is made for further details.

35) Gross profit

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	1,436,842	100.00%	1,244,975	100.00%	15%	691,428	100.00%	629,551	100.00%	10%
Cost of sales	1,357,083	94.45%	1,174,213	94.32%	16%	651,204	94.18%	592,460	94.11%	10%
Gross profit	**79,759**	**5.55%**	**70,762**	**5.68%**	**13%**	**40,224**	**5.82%**	**37,091**	**5.89%**	**8%**

The consolidated gross profit totalled 79.8 million euro, up 13% (9.0 million euro) compared with 2016 as a consequence of higher sales, only partially offset by a decrease in the gross profit margin. In the second quarter the gross profit, equal to 40.2 million euro, increased by +8% compared with same period of previous year. With the same consolidation scope, estimated consolidated gross profit of the first half would have been equal to 69.8 million euro, down by -1% compared with the same period of the previous year.

50) Other income

(euro/000)	H1 2017	%	H1 2016	%	% Var.
Sales	1,436,842		1,244,975		15%
Other income	-	0.00%	2,677	0.22%	

Other income, displayed only in 2016, amounts to 2.7 million euro and refers entirely to the gain realised 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 communications sectors, from the original EDSlan S.p.A..

37-38) Operating costs

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	**1,436,842**		**1,244,975**		*15%*	**691,428**		**629,551**		*10%*
Sales and marketing costs	28,485	1.98%	22,864	1.84%	25%	14,109	2.04%	12,597	2.00%	12%
Overheads and administrative costs	41,444	2.88%	36,264	2.91%	14%	21,037	3.04%	19,096	3.03%	10%
Operating costs	**69,929**	**4.87%**	**59,128**	**4.75%**	**18%**	**35,146**	**5.08%**	**31,693**	**5.03%**	**11%**
- of which non recurring	1,133	0.08%	1,255	0.10%	-10%	1,626	0.24%	1,255	0.20%	30%
'Recurring' operating costs	**68,796**	**4.79%**	**57,873**	**4.65%**	**19%**	**33,520**	**4.85%**	**30,438**	**4.83%**	**10%**

In the first half 2017, operating costs, amounting to 69.9 million euro, increased by 10.8 million euro compared with the same period of 2016, with an operating costs margin up from 4.75% to 4.87% in 2017.

The change in operating costs remain unchanged also net of the amounts from the non-recurring items referring to consultancy, commissions and registration fees relating to business combinations for the first half 2016, and referring to personnel termination indemnities due to the business reorganisation of the acquired companies for the first half 2017.

Reclassification by nature of some categories of operating costs

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

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	1,436,842		1,244,975		15%	691,428		629,551		10%
Depreciation of tangible assets	1,954	0.14%	1,590	0.13%	23%	995	0.14%	819	0.13%	21%
Amortisation of intangible assets	333	0.02%	246	0.02%	35%	169	0.02%	133	0.02%	28%
Amort . & depreciation	2,287	0.16%	1,836	0.15%	25%	1,164	0.17%	952	0.15%	22%
Write-downs of fixed assets	-	0.00%	-	0.00%	0%	-	0.00%	-	0.00%	0%
Amort. & depr., write-downs (A)	2,287	0.16%	1,836	0.15%	25%	1,164	0.17%	952	0.15%	22%
Accruals for risks and charges (B)	218	0.02%	311	0.02%	-30%	175	0.03%	237	0.04%	-26%
Amort. & depr., write-downs, accruals for risks (C=A+B)	2,505	0.17%	2,147	0.17%	17%	1,339	0.19%	1,189	0.19%	13%

Labour costs and number of employees

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

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	1.436.847		1.244.975		15%	691.433		629.551		10%
Wages and salaries	22.950	1,60%	19.172	1,54%	20%	11.307	1,64%	10.157	1,61%	11%
Social contributions	6.745	0,47%	5.513	0,44%	22%	3.269	0,47%	2.917	0,46%	12%
Pension obligations	1.190	0,08%	1.053	0,08%	13%	591	0,09%	547	0,09%	8%
Other personnel costs	527	0,04%	482	0,04%	9%	282	0,04%	256	0,04%	10%
Employee termination incentives	1.182	0,08%	11	0,00%	10645%	693	0,10%	10	0,00%	6830%
Share incentive plans	262	0,02%	308	0,02%	-15%	131	0,02%	154	0,02%	-15%
Total labour costs [1]	32.856	2,29%	26.539	2,13%	24%	16.273	2,35%	14.041	2,23%	16%

[1] Cost of temporary workers excluded.

During the first half the labour costs amounted to 32.9 million euro, up by +24% (+16.6 million euro) compared with the same period of previous year, as a consequence of the increase in the average headcount of the Group (+23%) due to the business combinations occurred in 2016.

The employees number of the Group - split by qualification - is shown in the table below:

Increase	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	17	672	2	**691**	
EDSlan S.r.l.	2	63	4	**69**	
Celly S.p.A.	1	50	-	**51**	
Mosaico S.r.l.	1	29	-	**30**	
Celly Nordic OY	-	1	-	**1**	
Celly Pacific LTD	-	3	-	**3**	
V-Valley S.r.l.	-	-	-	**-**	
Celly Swiss SAGL	-	-	-	**-**	
Subgroup Italy	**21**	**818**	**6**	**845**	**842**
Esprinet Iberica S.L.U.	-	241	45	**286**	
Vinzeo Technologies S.A.U.	-	141	24	**165**	
V-Valley Iberian S.L.U.	-	15	-	**15**	
Esprinet Portugal Lda	-	8	-	**8**	
Tape S.L.U.	-	1	-	**1**	
Subgroup Spain	**-**	**406**	**69**	**475**	**482**
Group as at 30 June 2017	**21**	**1,224**	**75**	**1,320**	**1,324**
Group as at 31 December 2016	**24**	**1,211**	**92**	**1,327**	**1,172**
Var 30/06/2017 - 31/12/2016	(3)	13	(17)	(7)	152
Var %	-13%	1%	-18%	-1%	13%
Group as at 30 June 2016	**24**	**1,048**	**59**	**1,131**	**1,074**
Var 30/06/2017 - 30/06/2016	(3)	176	16	189	250
Var %	-13%	17%	27%	17%	23%

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

Share incentive plans

In the first half of 2016 costs were booked referring to the Long Term Incentive Plan, approved on 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 it had to acquire the remaining amount relating to the 646,889 rights granted.
The stock grant plan was booked at 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 stock grant plan are summarized as follows:

	Plan 1	Plan
Allocation date	14/05/12	30/06/15
Vesting date	30/04/15	30/04/18
Expiry date	30/06/15	30/06/18
Total number of stock grant	1,150,000	1,150,000
Total number of stock grant allocated	1,150,000	646,889
Total number of stock grant granted	1,150,000	646,889
Wages and salaries	2.38	6.84
Social contributions	2,737,897	4,424,721
Risk-free interest rate (BTP 3 years)	1.1% (1)	0.7%
Implied volatility (260 days)	47.4% (1)	40.9%
Duration (years)	3	3
Spot price (3)	2.64	7.20
Dividend yield	3.4%	1.7%

(2) Source: Bloomberg, 29 June 2015.
(3) Official price of Esprinet S.p.A. shares at grant date.

Costs in the income statement relating to the above-mentioned plan totalled 262 thousand euro with reference to the employees (308 thousand euro in the first half of 2016) and 463 thousand euro with reference to members of the Board of Directors (463 thousand euro in the first half of 2016).

42) Finance costs – net

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	**1,436,842**		**1,244,975**		***15%***	**691,428**		**629,551**		***10%***
Interest expenses on borrowings	1,678	0.1%	1,008	0.08%	*66%*	980	0.14%	506	0.08%	*94%*
Interest expenses to banks	207	0.0%	109	0.01%	*90%*	31	0.00%	58	0.01%	*-47%*
Other interest expenses	5	0.0%	15	0.00%	*-67%*	4	0.00%	12	0.00%	*-67%*
Upfront fees amortisation	291	0.0%	193	0.02%	*51%*	174	0.03%	95	0.02%	*83%*
Financial charges for actualization	3	0.0%	-	0.00%	*NA*	-	0.00%	-	0.00%	*NA*
IAS 19 expenses/losses	32	0.0%	41	0.00%	*-22%*	16	0.00%	21	0.00%	*-24%*
Expenses from business combination	18	0.0%	-	0.00%	*NA*	8	0.00%	-	0.00%	*NA*
Derivatives ineffectiveness	73	0.0%	-	0.00%	*NA*	60	0.01%	-	0.00%	*NA*
Total financial expenses (A)	**2,307**	**0.2%**	**1,366**	**0.11%**	***69%***	**1,273**	**0.18%**	**692**	**0.11%**	***84%***
Interest income from banks	(54)	0.0%	(60)	0.00%	*-11%*	(16)	0.00%	(25)	0.00%	*-35%*
Interest income from others	(116)	0.0%	(62)	0.00%	*87%*	(88)	-0.01%	(28)	0.00%	*>100%*
Interest income on business combination	(9)	0.0%	-	0.00%	*NA*	(7)	0.00%	-	0.00%	*NA*
Derivatives ineffectiveness	3	0.0%	(132)	-0.01%	*<-100%*	10	0.00%	(86)	-0.01%	*<-100%*
Total financial income(B)	**(176)**	**0.0%**	**(254)**	**-0.02%**	***-31%***	**(102)**	**-0.01%**	**(138)**	**-0.02%**	***-27%***
Net financial exp. (C=A+B)	**2,130**	**0.1%**	**1,112**	**0.09%**	***92%***	**1,172**	**0.17%**	**554**	**0.09%**	***>100%***
Foreign exchange gains	(1,001)	-0.1%	(599)	-0.05%	*67%*	(739)	-0.11%	(171)	-0.03%	*>100%*
Foreign exchange losses	738	0.1%	588	0.05%	*26%*	446	0.06%	425	0.07%	*5%*
Net foreign exch. (profit)/losses (D)	**(263)**	**0.0%**	**(11)**	**0.00%**	*>100%*	**(293)**	**-0.04%**	**254**	**0.04%**	*<-100%*
Net financial (income)/costs (E=C+D)	**1,867**	**0.1%**	**1,101**	**0.09%**	*70%*	**879**	**0.13%**	**808**	**0.13%**	*9%*

The negative balance of 1.9 million euro between financial income and expenses shows a worsening equal to 0.8 million euro compared with the same period of previous year.
This trend is mainly due to higher net interest payable to banks of 0.8 million euro and to the negative change of 0.2 million euro from the derivative instruments management.

The higher cost of indebtedness is mainly due to the increase in the average debt levels to banks, whereby the average mix of financing sources shows more favourable interest rate conditions, even though with a longer average duration compared with the previous year.
The increase in the average level of indebtedness is mostly due to the financing of the extraordinary transactions finalised in the second half of the year (acquisition of both Vinzeo Technologies and the business unit 'VAD-Value Added Distributor' from Itway) whereas with the same consolidation scope the indebtedness would have been almost in line with the one of the first half of 2016.

However, in the first half of 2017 the foreign exchange management shows an improvement of 0.3 million euro compared with the same period of the previous year due to the positive trend in the euro-dollar fluctuation.

45) Income tax expenses

(euro/000)	H1 2017	%	H1 2016	%	% Var.	Q2 2017	%	Q2 2016	%	% Var.
Sales	1,436,842		1,244,975		*15%*	691,428		629,551		*10%*
Current and deferred taxes	1,680	0.12%	2,853	0.23%	*-41%*	711	0.10%	1,155	0.18%	*-38%*
Profit before taxes	7,947		13,211			4,185		7,268		
Tax rate	21%		22%			17%		16%		

Income tax expenses, equal to 1.7 million euro, decreased by -41% compared with the same period of 2016 mainly due to both a lower taxable income and a reduction in the reference theoretical tax rates.

46) Net income and earnings per share

(euro/000)	H1 2017	H1 2016	Var.	% Var.	Q2 2017	Q2 2016	Var.	% Var.
Net income	6,267	10,358	(4,091)	*-39%*	3,474	6,113	(2,639)	*-43%*
Weighed average no. of shares in circulation: basic	51,757,451	51,757,451			51,757,451	51,757,451		
Weighed average no. of shares in circulation: diluted	52,188,036	51,999,812			52,229,247	52,020,553		
Earnings per share in euro - basic	0.12	0.20	(0.08)	*-40%*	0.07	0.12	-0.05	*-42%*
Earnings per share in euro - diluted	0.12	0.20	(0.08)	*-40%*	0.07	0.12	-0.05	*-42%*

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, resulting in the free assignment of 646,889 rights to receive Esprinet S.p.A. ordinary shares, were used in the calculation of the 'diluted' profit per share.

5. Other significant information

5.1 Cash flow analysis

As can be seen in the table below and illustrated in the consolidated statement of cash flows, as at 30 June 2017 the Esprinet Group posted a 143.6 million euro financial indebtedness, versus a 12.9 million euro financial indebtedness as at 30 June 2016.

(euro/000)	H1 2017	H1 2016
Net financial debt at start of the year	**(105,424)**	**(185,913)**
Cash flow provided by (used in) operating activities	(237,333)	(170,628)
Cash flow provided by (used in) investing activities	(2,668)	(19,760)
Cash flow provided by (used in) changes in net equity	(7,273)	(7,764)
Total cash flow	**(247,274)**	**(198,152)**
Unpaid interests	(1,398)	(693)
Net financial position at end of year	**143,248**	**12,931**
Short-term financial liabilities	71,968	72,783
Customers financial receivables	(462)	(452)
Current financial (assets)/liabilities for derivatives	281	246
Financial receivables from factoring companies	(8,850)	(4,838)
Cash and cash equivalents	(78,332)	(115,138)
Net current financial debt	**(15,395)**	**(47,399)**
Borrowings	151,380	57,216
Debts for investments in subsidiaries	9,006	5,091
Non-current financial (assets)/liab. for derivatives	127	315
Customers financial receivables	(1,870)	(2,292)
Net financial debt at start of the year	**143,248**	**12,931**

5.2 Net financial indebtedness

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, the net financial indebtedness (or 'net financial position') is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators Recommendation of 10 February 2005: 'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004' and referred to by Consob.
With reference to the same table, it should be underlined that net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial debt' used hereafter.

(euro/000)	30/06/2017	31/12/2016	30/06/2016
A. Bank deposits and cash on hand	78,331	285,923	115,125
B. Cheques	1	10	13
C. Trading securities	-	-	-
D. Liquidity (A+B+C)	78,332	285,933	115,138
Financial assets for derivatives	-	-	-
Customer financial receivables	*462*	*5,596*	*452*
Financial receivables from factoring companies	*8,850*	*1,492*	*4,838*
E. Current financial receivables	9,312	7,088	5,290
F. Current bank debt	10,681	63,438	43,303
G. Current portion of non current debt	46,708	78,414	18,547
H. Other current financial debt and financial liability for derivatives	14,859	10,516	11,180
I. Current financial debt (F+G+H)	72,248	152,368	73,030
J. Net current financial indebtedness (I-E-D)	**(15,396)**	**(140,653)**	**(47,398)**
K. Non-current bank loans	151,380	28,833	57,216
L. Other financial receivables	(1,870)	(2,292)	(2,292)
M. Other financial debt & non-current financial liabilities for derivatives	4,062	3,968	57,531
N. Non-current financial indebtedness (K+L+M)	**153,572**	**30,509**	**112,455**
O. Net financial indebtedness (J+N)	**138,176**	**(110,144)**	**65,057**
Breakdown of net financial indebtedness:			
Short-term financial liabilities	71,968	151,885	72,783
Current debts for investments in subsidiaries	5,072	4,719	-
Current financial (assets)/liabilities for derivatives	281	483	246
Other financial receivables	(462)	(5,596)	(452)
Financial receivables from factoring companies	(8,850)	(1,492)	(4,838)
Cash and cash equivalents	(78,332)	(285,933)	-
Net current financial debt	**(10,323)**	**(135,934)**	**67,739**
Non-current financial (assets)/liabilities for derivatives	127	28	-
Customers financial receivables	(1,870)	(2,292)	(2,292)
Non - current debts for investments in subsidiaries	3,934	3,940	5,091
Borrowings	151,380	28,833	57,216
Net financial debt	**143,248**	**(105,425)**	**127,754**

The Group's net financial position, negative in the amount of 143.2 million euro, corresponds to a net balance of gross financial debts of 223.3 million euro, 'Financial receivables from factoring companies' totalling 8.9 million euro, 'Other financial receivables' (Customers) for 2.3 million euro, 'Debts for investments' in subsidiaries of 9.0 million euro, 'Cash and cash equivalents' of 78.3 million euro and 'Current financial liabilities for derivatives' of 0.4 million euro.

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

The without-recourse sale of receivables revolving programme focusing on selected customer segments, specially in GDO, continued during the first half of 2017 in both Italy and Spain as part of the processes aimed at the structural optimisation of the management of working capital. In addition, a securitisation programme of further trade receivables, that started in Italy in July 2015, continued during the first half. 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 30 June 2017 is approx. 232 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, broken down by 'Subgroup Italy' and 'Subgroup Spain', are illustrated below. Please note that amounts may differ from the book value of loan principal since they represent the amortised cost calculated on the basis of the effective interest rate.

(euro/000)	30/06/2017			31/12/2016			Var.		
	Curr.	Non - curr.	Tot.	Curr.	Non - curr.	Tot.	Curr.	Non - curr.	Tot.
Pool loan (IMI Bank)	28.340	115.658	143.998	-	-	-	28.340	115.658	143.998
Carige	1.213	8.787	10.000	-	-	-	1.213	8.787	10.000
BCC Carate	-	10.000	10.000	-	-	-	-	10.000	10.000
Intesa Sanpaolo (GdF loan)	404	1.837	2.241	386	2.252	2.638	18	(415)	(397)
Unicredit	254	129	383	10.252	256	10.508	(9.998)	(127)	(10.125)
Intesa Sanpaolo	254	128	382	1.252	3.256	4.508	(998)	(3.128)	(4.126)
BPM	254	-	254	337	85	422	(83)	(85)	(168)
Pool loan 2014 (agent: IMI Bank)	-	-	-	48.539	-	48.539	(48.539)	-	(48.539)
Total Subgroup Italy	**30.719**	**136.539**	**167.258**	**60.766**	**5.849**	**66.615**	**(30.047)**	**130.690**	**100.643**
Banco Santander	5.685	4.607	10.292	5.996	7.295	13.291	(311)	(2.688)	(2.999)
Banco Sabadell	3.384	3.510	6.894	3.275	5.250	8.525	109	(1.740)	(1.631)
La Caixa	2.247	1.125	3.372	4.580	2.248	6.828	(2.333)	(1.123)	(3.456)
Banco Popular	1.432	2.205	3.637	1.066	2.922	3.988	366	(717)	(351)
Targobank	992	1.514	2.506	984	2.014	2.998	8	(500)	(492)
Bankinter	500	1.500	2.000	-	2.000	2.000	500	(500)	-
Kutxabank	1.499	-	1.499	1.498	750	2.248	1	(750)	(749)
Deutsche Bank	250	380	630	249	505	754	1	(125)	(124)
Total Subgroup Iberica	**15.989**	**14.841**	**30.830**	**17.648**	**22.984**	**40.632**	**(1.659)**	**(8.143)**	**(9.802)**
Total Group	**46.708**	**151.380**	**198.088**	**78.414**	**28.833**	**107.247**	**(31.706)**	**122.547**	**90.841**

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

(euro/000)	30/06/2017	31/12/2016	Var.
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by February 2022	145,000	-	145,000
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: Unicredit) to EDSlan S.r.l. repayable in monthly instalments by December 2018	383	508	(125)
Unsecured pool loan (agent: Intesa) to EDSlan S.r.l. repayable in monthly instalments by December 2018	382	508	(126)
Unsecured pool loan (agent: BPM) to EDSlan S.r.l. repayable in quarterly instalments by March 2018	254	422	(168)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2017	1,250	2,500	(1,250)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	3,750	5,000	(1,250)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2018	1,500	2,000	(500)
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	769	1,525	(756)
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	2,625	3,500	(875)
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	3,375	4,500	(1,125)
Unsecured pool loan (agent: Banco Popular) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	3,645	4,000	(355)
Unsecured pool loan (agent: Targobank) to Vinzeo S.A.U. repayable in six monthly instalments by October 2019	2,509	3,000	(491)
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: Kutxabank) to Vinzeo S.A.U. repayable in six-monthly instalments by January 2018	1,500	2,250	(750)
Unsecured pool loan (agent: Deutche Bank) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	630	755	(125)
Total book value of	**199,164**	**107,547**	**91,617**

5.3 Loan covenants

The loan agreement with a book value of loan principal amounting to 145.0 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 July 2022. Such loan is subject to the compliance of 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) 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.

Thus, as at 30 June 2017 such covenants were not checked.

The subsidiary Vinzeo Technologies S.A.U. has other medium/long-term loan agreements subject to covenants. These covenants, which are subject to checks against the audited annual consolidated financial statements and were largely met as at 31 December 2016, are listed below:

i) ratio of net financial position to equity, with respect to loans granted by Banco Santander and by Kutxabank for a residual principal amounting to 10.3 million euro and to 1.5 million euro respectively at 30 June 2017.
ii) ratio 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.

5.4 Relationships with related entities

The details of the number and type of operations with related parties, the total value of which however is insignificant in relation to the overall volume of the Group's business operations, can be found under 'Relationships with related parties'.

5.5 Non-recurring significant events and operations

During the first half of 2017, restructuring activities in Spanish subsidiaries, referring to a total of 61 employees, were displayed as non-recurring costs. The total amount of indemnities is equal to 1.1 million euro.

In the same period of 2016 the following non-recurring items were identified:
- 2.7 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 1.3 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).

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	H1 2017	H1 2016	Var.
Other income	Income from business combinatios	-	2,677	(2,677)
	Other Income	**-**	**2,677**	**(2,677)**
Overheads and administrative costs	Transaction costs from business combination	-	(1,255)	1,255
Overheads and administrative costs	Employee termination incentives	(1,133)	-	(1,133)
Total SG&A		**(1,133)**	**(1,255)**	**122**
Operating income (EBIT)		**(1,133)**	**1,422**	**(2,555)**
Profit before income taxes		**(1,133)**	**1,422**	**(2,555)**
Income tax expenses	Non -recurring events impact	144	-	144
Profit for the period		**(989)**	**1,422**	**(2,411)**
Non- controlling interest		-	-	-
Net income / (loss)		**(989)**	**1,422**	**(2,411)**

5.6 Seasonal nature of business

The table below shows the impact of sales per calendar quarter in the years 2016 and 2015:

	2016			2015		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	20.2%	23.2%	14.6%	22.9%	24.2%	19.3%
Sales Q2	20.7%	23.4%	15.7%	23.0%	23.5%	21.6%
Sales H1	**40.9%**	**46.6%**	**30.3%**	**45.9%**	**47.7%**	**40.9%**
Sales Q3	22.4%	20.0%	27.0%	21.1%	20.5%	23.0%
Sales Q4	36.7%	33.4%	42.7%	33.0%	31.8%	36.0%
Sales H2	**59.1%**	**53.4%**	**69.7%**	**54.1%**	**52.3%**	**59.1%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The IT and electronic markets both in Italy and in Spain are traditionally characterised by seasonal sales which involve an increase in demand in the fourth quarter of the calendar year, essentially in terms of purchases concentrated in the pre-Christmas and the so-called 'back-to-school' seasons to consumers and by the spending dynamics of budgets dedicated to IT investments which are statistically concentrated around the months of November and December.

The seasonal nature of IT and electronics sales has an influence both on the business volumes of the distribution industry and on the sales volumes of the Esprinet Group.
The winter trend provides a contrast to the drop in demand in the summer months, in August, in particular. As a result of the increasing reluctance to suspend work during the summer months, this last trend also appears to be re-dimensioning, particularly in the business sector.

In addition to the above, operating results are also seasonal, but even more so than those of sales since the absolute profit margin levels track the seasonal nature of sales, while overheads tend to be more regular during the year.
The seasonal nature of sales described above also has an influence on the portion of borrowings that is closely linked to working capital needs, which peak in the last part of each calendar year.

The level of net borrowings fluctuates dramatically not only throughout the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.
For this reason, the figure resulting at the end of the period, or at the end of each month, is not particularly representative of the average net financial indebtedness customarily observable during the same period.

The circumstances described above give rise to higher financial and commercial risk levels for the Group compared with businesses, which are less subject to seasonal fluctuations.

5.7 Financial instruments pursuant to 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	30/06/2017				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
Customer financial receivables	*1,870*		*1,870*		*2,292*		*2,292*	
Guarantee deposits	*5,105*		*3,179*	*1,926*	*4,604*		*3,027*	*1,577*
Other receivables	*1*			*1*	-			-
Rec.and other non-curr. Assets	6,976		5,049	1,927	6,896		5,319	1,577
Non-current assets	**6,976**	**-**	**5,049**	**1,927**	**6,896**	**-**	**5,319**	**1,577**
Trade receivables	308,084		308,084		388,672		388,672	
Consortium membership fees	-		-		*6*		*6*	
Crediti verso soc. factoring	*8,850*		*8,850*		*1,492*		*1,492*	
Customer financial receivables	*462*		*462*		*509*		*509*	
Bank financialas receivables	-		-		*5,087*		*5,087*	
Other tax receivables	*6,238*			*6,238*	*10,821*			*10,821*
Receivables from suppliers	*9,174*			*9,174*	*9,241*			*9,241*
Receivables from insurances	*1,744*		*1,744*		*1,881*		*1,881*	
Receivables from employees	-		-		*2*		*2*	
Receivables from others	*616*		*616*		*196*		*196*	
Accruals and prepaid expenses	*5,178*			*5,178*	*2,856*			*2,856*
Other receivables	32,262		11,672	20,590	32,091		9,173	22,918
Cash and cash equivalents	78,332		78,332		280,089		280,089	
Current assets	**418,678**	**-**	**398,088**	**20,590**	**700,852**	**-**	**677,934**	**22,918**

Liabilities	30/06/2017				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	151,380		151,380		28,833		28,833	
Derivative financial liabilities	162	162			66	66		
Debts for investments in subsidia	3,933	3,933			3,942	3,942		
Provisions of pensions	*1,942*			*1,942*	*2,325*			*2,325*
Other provisions	*556*			*556*	*480*			*480*
Cash incentive liabilities	*307*		*307*		*215*		*215*	
Prov. and other non-curr. Liab.	2,805		307	2,498	3,020		215	2,805
Non-current liabilities	**158,280**	**4,095**	**151,687**	**2,498**	**35,861**	**4,008**	**29,048**	**2,805**
Trade receivables	391,674		391,674		615,512		615,512	
Financial liabilities	71,968		71,968		151,885		151,885	
Pass. fin. per strumenti derivati	281	281			483	483		
Debts for investments in subsidia	5,073		5,073		4,718		4,718	
Associates liabilities	*5*		*5*		*5*		*5*	
Social security liabilities	*3,851*		*3,851*		*4,379*		*4,379*	
Other tax receivables	*16,478*			*16,478*	*12,901*			*12,901*
Payables to others	*11,163*		*11,163*		*12,458*		*12,458*	
Accrued expenses (insurance)	*363*		*363*		*360*		*360*	
Deferred income	*101*			*101*	*59*			*59*
Provisions and other liabilities	31,961		15,382	16,579	30,162		17,202	12,960
Current liabilities	**500,957**	**281**	**484,097**	**16,579**	**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'.
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	**30/06/2017**						**31/12/2016**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From other	Receiv. From insurers	Receiv. From employees	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From other	Receiv. From insurers	Receiv. From employees
Customer financial	*1.870*		*1.984*				*2.292*		*2.489*			
Guarantee deposit	*3.179*		*3.188*				*3.027*		*3.027*			
Other non current	5.049		5.172				5.319		5.516			
Non-current assets	**5.049**	**-**	**5.172**	**-**	**-**	**-**	**5.319**	**-**	**5.516**	**-**	**-**	**-**
Trade receivables	308.084	308.084					388.672	388.672				
Receiv. Form	-					-	*6*					*6*
Receiv. From factors	*8.850*		*8.850*				*1.492*		*1.492*			
Customer financial	*462*		*462*				*509*		*509*			
Crediti finanziari vs	-		-				*5.087*		*5.087*			
Receiv. From	*1.744*				*1.744*		*1.881*				*1.881*	
Receiv. From	-					-	*2*					*2*
Receiv. From others	*616*			*616*			*196*			*196*		
Other receivables	11.672		9.312	616	1.744	-	9.173		7.088	196	1.881	8
Cash and cash equival.	78.332		78.332				285.933		285.933			
Current assets	**398.088**	**308.084**	**87.644**	**616**	**1.744**	**-**	**683.778**	**388.672**	**293.021**	**196**	**1.881**	**8**

Liabilities	**30/06/2017**					**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	151.380		150.379			28.833		28.461		
Pass. fin. per derivati	162			162		66			66	
Debts for investments in	3.933		3.934			3.942		3.940		
Cash incentive liab.	*307*				*307*	*215*				*215*
Payables to other	307				307	215				215
Non-current liabilities	**155.782**	**-**	**154.313**	**162**	**307**	**33.056**	**-**	**32.401**	**66**	**215**
Trade payables	391.674	391.674				615.512	615.512			
Short-term financial liab.	71.968		71.968			151.885		151.603		
Financial derivarives	281			281		483			483	
Debts for investments in	5.073				-	4.718				-
Associates liabilities	*5*				*5*	*5*				*5*
Social security liabilities	*3.851*				*3.851*	*4.379*				*4.379*
Payables to other	*11.163*				*11.163*	*12.458*				*12.458*
Accrued expenses	*363*				*363*	*360*				*360*
Provision and other liab.	15.382				15.382	17.202				17.202
Current liabilities	**484.378**	**391.674**	**71.968**	**281**	**15.382**	**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	30/06/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Customer financial receivables	*1,870*	*1,984*	*level 2*	*2,292*	*2,489*	*level 2*
Guarantee deposits	*3,179*	*3,188*	*level 2*	*3,027*	*3,027*	*level 2*
Other non current assets	5,049	5,172		5,319	5,516	
Non - current assets	**5,049**	**5,172**		**5,319**	**5,516**	
Trade receivables	308,084	308,084	*level 2*	388,672	388,672	*level 2*
Receiv. From associates	*-*	*-*	*level 2*	*6*	*6*	*level 2*
Receiv. From factors	*8,850*	*8,850*	*level 2*	*1,492*	*1,492*	*level 2*
Customer financial receivables	*462*	*462*	*level 2*	*509*	*509*	*level 2*
Bank financials receivables	*-*	*-*	*level 2*	*5,087*	*5,087*	*level 2*
Receiv. From insurances	*1,744*	*1,744*	*level 2*	*1,881*	*1,881*	*level 2*
Receiv. From employees	*-*	*-*	*level 2*	*2*	*2*	*level 2*
Receiv. From others	*616*	*616*	*level 2*	*196*	*196*	*level 2*
Other receivables	11,672	11,672		9,173	9,173	
Cash and cash equival.	78,332	78,332		285,933	285,933	
Current assets	**398,088**	**398,088**		**683,778**	**683,778**	

Liabilities	30/06/2017			31/12/2016		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	151,380	150,379	*level 2*	28,833	28,461	*level 2*
Financial derivatives	162	162	*level 2*	66	66	*level 2*
Debts for investments in subs.	3,933	3,934	*level 3*	3,942	3,940	*level 3*
Cash incentive liab.	*307*	*307*	*level 2*	*215*	*215*	*level 2*
Provision and other liab.	307	307		215	215	
Non-current liabilities	**155,782**	**154,782**		**33,056**	**32,682**	
Trade payables	391,674	391,674	*level 2*	615,512	615,512	*level 2*
Short-term financial liab.	71,968	71,968	*level 2*	151,885	151,603	*level 2*
Financial derivatives	281	281	*level 2*	483	483	*level 2*
Debts for investments in subs.	5,073	5,073	*level 3*	4,718	4,718	*level 3*
Associated liabilities	*5*	5	*level 2*	*5*	*5*	*level 2*
Social security liabilities	*3,851*	3,851	*level 2*	*4,379*	*4,379*	*level 2*
Payables to others	*11,163*	11,163	*level 2*	*12,458*	*12,458*	*level 2*
Accrued expenses	*464*	464	*level 2*	*360*	*360*	*level 2*
Provision and other liab.	15,483	15,483		17,202	17,202	
Current liabilities	**484,479**	**484,479**		**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 curves at 30 June (or at 31 December with respect to the comparative figures), as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2. The soundness of the measurement made with regard to Interest Rate Swaps was confirmed by the comparison with the value provided by the issuer banks.

Non-current debt for investments in subsidiaries shows the present value of the enterprise value of the residual 20% share in Celly S.p.A., measured using the risk-free rate as at the financial statement date (30 June and 31 December respectively). 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 present value of the share of income that the management estimated to be realisable in the first 12 months by the companies that acquired the 'VAD' business unit from the Itway group that will be due to the latter, calculated as above. At the date this report was drafted, this debt, based on the available information and management forecasts, represents a 100% achievement of targets set by the earn-out clause.

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 'Goodwill' section in the notes to the consolidated financial statement as at 31 December 2016.

5.8 Hedging derivatives analysis

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 a derivative contract 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 standards regarding 'hedge accounting'.

Derivative instruments as at 30 June 2017

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

IRS contracts entered into by Esprinet S.p.A. have different notional amounts but identical conditions (hedging instruments) and were all 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, 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 signed by Esprinet S.p.A. are summarized below:

Signing 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 30 June 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 payers	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 seven contracts signed by Vinzeo Technologies S.A.U. are summarized below:

Signing date	Between June 2014 and January 2016
Termination date	Between June 2017 and December 2019
Notional amount	Total 30.5 million euro (subject to a sinking plan); 14.5 million euro as at 30 June 2017
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.

In the first half of 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 settlement was the direct consequence of the termination of the above-mentioned loan on 28 February 2017. 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 signed by the Esprinet S.p.A. are summarized below:

Signing 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
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.

In June 2017 one of the IRSs entered into by Vinzeo Technologies S.A.U., with a notional amount of 2.3 million euro, was also settled, as a consequence of relative hedged loan having expired.

With respect to each of the IRSs in place at 30 June 2017, the conditions set by the International Accounting Standard 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.

Hedge accounting provisions were also met with respect to the eight IRSs, signed by Esprinet S.p.A. and terminated in the period, till 27 February 2017, i.e. the date before the hedged loan was settled. 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 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.

The tables below illustrate the following information regarding derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 30 June 2017 and at 31 December 2016 divided into portions maturing within or beyond a 12-month period;
- the amount recognised in the statement of financial position as at 30 June 2017 and 31 December 2016 representing the fair value of the contracts at the date of the 'highly 'effective hedge termination;
- the ineffective portion recognised or reversed in the income statement under 'Finance costs' from inception with reference to the instalments still outstanding at the same date;
- the change in the fair value from the inception date to the financial statement closing date;

	Notional amount		Fair Value (1)	Income Statement (2)	Taxes on FV contracts (3)	Change in Equity reserve (4)
	Within 1 year	Beyond 1 year				
Interest rate risk management						
- Esprinet cash flow hedge on derivatives 2017	11,738	93,905	388	-	(93)	(295)
- Esprinet cash flow hedge on derivatives 2014	-	-	-	-	-	(168)
- Vinzeo cash flow hedge on derivatives 2017	9,743	4,771	56	24	(14)	(18)

31/12/2016	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						
- Esprinet cash flow hedge on derivatives 2014	48,750	-	428	114	(75)	(239)
- Vinzeo cash flow hedge on derivatives	14,442	7,891	121	85	30	(66)

(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 related derivatives measured at fair value during the half-year are as follows:

	H1 2017					
(euro/'000)	Change in fair value of derivatives	Trasfert to P&L (1)	Tax effect on trasf. to PL	Ineffective portion of (gain)/loss to PL	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet equity reserve on derivatives 2017	(388)	-	-	-	93	(295)
- Esprinet equity reserve on derivatives 2014	(27)	120	(29)	-	7	71
- Vinzeo equity reserve on derivatives	4	60	(15)	-	(1)	48
Total	**(411)**	**180**	**(44)**	**-**	**99**	**(176)**

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

	H1 2016					
(euro/'000)	Change in fair value of derivatives	Trasfert to P&L (1)	Tax effect on trasf. to PL	Ineffective portion of (gain)/loss to PL	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet equity reserve on derivatives 2014	(240)	120	(33)	-	66	(87)
- Vinzeo equity reserve on derivatives	-	-	-	-	-	-
Total	**(240)**	**120**	**(33)**	**-**	**66**	**(87)**

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

5.9 Non-hedging derivatives analysis

Within the business combination of Vinzeo Technologies S.A.U., occurred on 1 July 2016, 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 the 3-month Euribor exceeds a set maximum threshold.
These instruments are intended to cover all short-term facilities against fluctuating interest rates by means of cash flow hedging strategy.
Since the derivatives are long-term (both maturing in July 2020), and intended to hedge against fluctuating interest rates with respect to debts with various terms that are undetermined and depend on their usage, they do not satisfy conditions for hedge accounting. Thus all fair value changes, together with any cash inflows from the counterparties, are booked directly in the income statement.
The derivative instrument changes relating to the fair value variations recorded in the income statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1, 2]	Income	Variation FV	FV 30/06/c.y. [2, 3]
Interest Rate Cap	H1 2017	(38)	-	3	(35)
Interest Rate Cap	H1 2016	n.a.	n.a.	n.a.	n.a.
Total		**(38)**	**-**	**3**	**(35)**

(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.

5.10 Subsequent events

Relevant events occurred after period end are briefly described below:

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 this financial report approval 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..

5.11 Relationships with related parties

Group operations with related parties, as defined by IAS 24, cited in turn by Consob Communication No. DEM/6064293 of 28 July 2006, were affected in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were sold under the same conditions as those usually applied to employees.
Operations between the Esprinet S.p.A. parent company and subsidiaries included in the consolidation area have been eliminated from the half-year consolidated financial statements and therefore do not figure in this section.

It has also to be noted that, in the first half of this year, there were no operations of 'greater importance' as defined by the 'Procedure for the discipline of Transactions with Related Parties', approved by the Board of Directors of Esprinet S.p.A. in compliance with Consob resolution n. 17221 of 12 March 2010 and subsequent amendments thereto, entered into force on 1 January 2011.

Relationships with 'other related parties'

(euro/000)	Type	H1 2017 Sales	H1 2017 Costs	H1 2017 Receiv.	H1 2017 Payab.	H1 2016 Sales	H1 2016 Costs	H1 2016 Receiv.	H1 2016 Payab.
Sales									
Infoklix S.p.A.	Sales of goods	-	-	2	-	-	-	2	-
Key managers and parents	Sales of goods	18	-	7	-	4	-	4	-
Subtotal		**18**	**-**	**9**	**-**	**4**	**-**	**6**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	728	717		-	728	717	
Immobiliare Selene S.r.l.	Overheads	-	6	-	2	-	7	-	
M.B. Immobiliare S.r.l.	Lease - premises	-	1.680	833	850	-	1.148	567	
Subtotal	Overheads	-	11	-	2	-	10	-	
Subtotal		**-**	**2.425**	**1.550**	**854**	**-**	**1.893**	**1.284**	**-**
Finance costs - net									
Immobiliare Selene S.r.l.	Interes on guar. deposits	-	-	-	-	1	-	1	-
M.B. Immobiliare S.r.l.	Interes on guar. deposits	-	-	-	-	1	-	1	-
Subtotal		**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
Total		**18**	**2.425**	**1.559**	**854**	**6**	**1.893**	**1.292**	**-**

* Gross values.

The aforementioned table details operations occurred between Group companies and:
- companies where Esprinet S.p.A. directors and shareholders play important roles;
- key managers and their close members of the family.

Sales regard consumer electronics products sold at 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.
As shown in the table above, however, the total value of the aforementioned transactions is not material compared with the total volume of the Company's activities.

Emoluments to board members and key managers

Information regarding emoluments both of Esprinet S.p.A. Board of Directors and Statutory Auditors, and of the Group key managers are described as follows.

The amounts below presented include all employee benefits on accrual basis, non-monetary benefits and the emoluments received as board members of the Group entities.

(euro/000)	H1 2017 Emolument	H1 2017 Fringe benefit	H1 2017 Total	H1 2016 Emolument	H1 2016 Fringe benefit	H1 2016 Total
Board of Directors	2,224	7	2,231	2,230	7	2,237
Other key managers	-	-	-	-	-	-
Subtotal	**2,224**	**7**	**2,231**	**2,230**	**7**	**2,237**
Board of Statutory Auditors	65	-	65	65	-	65
Total	**2,289**	**7**	**2,296**	**2,295**	**7**	**2,302**

As defined by accounting standard IAS 24 and quoted by Consob Resolution 17221 of 12 March 2010, 'key managers are those persons having authority and responsibility for planning, directing and controlling the activities of the entity preparing the financial statements, including any director (whether executive or otherwise) of that entity'.

The Board of Directors, the Board of Statutory Auditors and the Group CFO are deemed to be key managers in the Esprinet Group.
In the light of CFO role within the Board of Directors of Esprinet S.p.A., his compensation is included in the item 'Board of Directors'.

Relationships with associated companies

The relationships with the associated company are shown in the table below.

(euro/'000)	Type	Sales	Costs	Receiv.	Payab.
Ascendeo SAS	Services costs	-	6	-	5
H1 2016		**-**	**6**	**-**	**5**
Ascendeo SAS	Services costs	-	-	-	5
H1 2017		**-**	**-**	**-**	**5**

The above-mentioned values refer to payables for services provided by Celly S.p.A. to Ascendeo SAS.

Vimercate, 15 September 2017

Of behalf of the Board of Directors
The Chairman

Francesco Monti

Statement on the 'Condensed consolidated half-year statements' pursuant to Article 154-bis D.Lgs 58/98

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare:

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

of the administrative and accounting procedures used in drawing up the condensed half-year statements relating to the period between 1 January 2017 – 30 June 2017.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the condensed consolidated half-year statements at 30 June 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 condensed consolidated half-year statements as at 30 June 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 Interim Directors' Report on Operations contains a reliable analysis of the significant events that affected the Group during the first six months of the year and their impact on the condensed consolidated half-year statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The Interim Directors' Report on Operations also includes reliable information regarding significant operations with related parties.

Vimercate, 15 September 2017

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

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Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Esprinet S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statements, the statement of comprehensive income, the statement of changes in net equity and cash flows and the related explanatory notes of Esprinet S.p.A. and its subsidiaries (the "Esprinet Group") as of 30 June 2017. The Directors of Esprinet S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Esprinet Group as of June 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, September 19, 2017

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

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