Esprinet Group

Half-year Financial Report as at 30 June 2018

Approved by the Board of Directors on 11 September 2018

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159 R.E.A. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 30/06/2018: Euro 7,860,651

www.esprinet.com - info@esprinet.com

Company Officers

Board of Directors:

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

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

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

Board of Statutory Auditors:

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

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

Independent Auditor:

(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

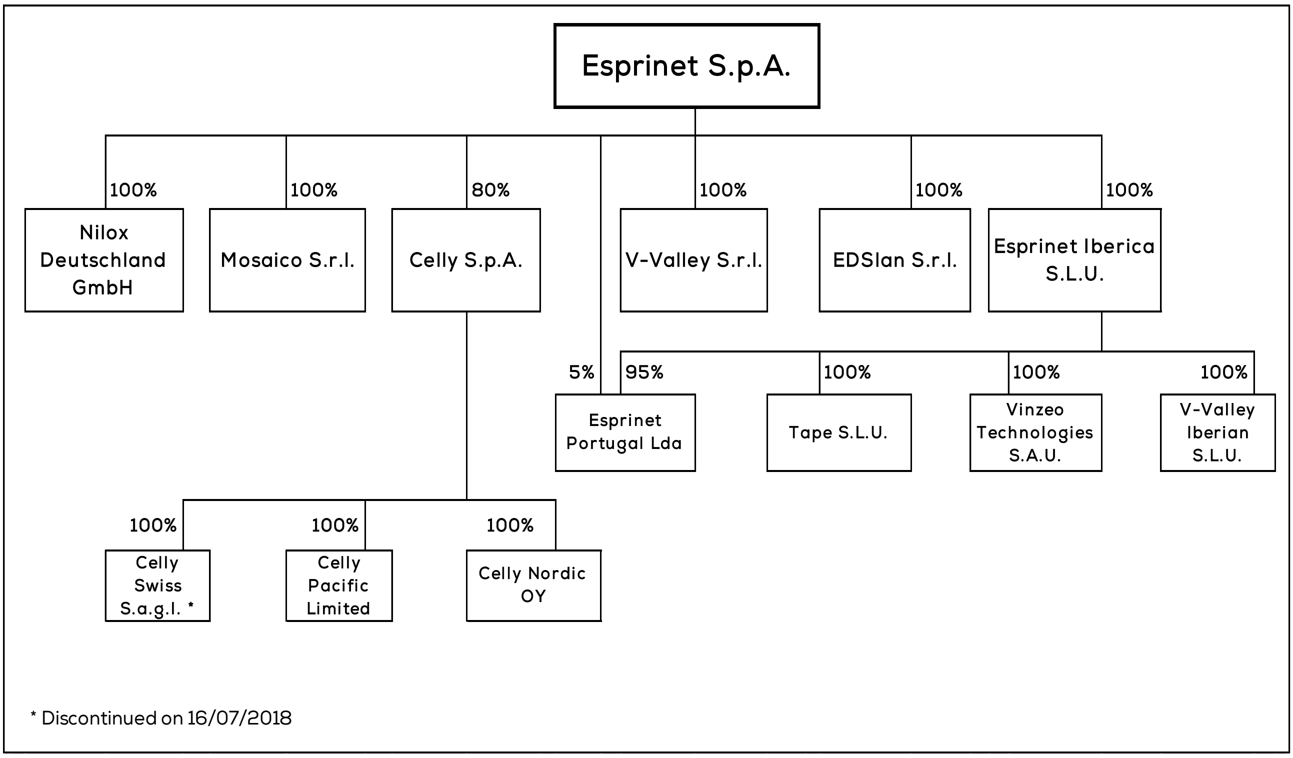
Pursuant to Art. 70, paragraph 8, and Art. 71, paragraph 1-bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to make use of the right to waive the obligation to publish the information documents stipulated for significant transactions 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 2018:



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

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
At period end, 'Subgroup Italy' included parent company Esprinet S.p.A. and its direct subsidiaries, V-Valley S.r.l., Celly S.p.A., EDSlan S.r.l., Mosaico S.r.l. and Nilox Deutschland Gmbh (which was established on 11 July 2017 and started operating during the first half 2018).

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 (non operating from May 2017);
- Celly Pacific LTD, a Chinese-law company;
- Celly Swiss SAGL, a Helvetic-law company (discontinued on 16 July 2018);

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

At the same date, Subgroup Iberica is made up of the Spanish-law and Portuguese-law subsidiaries operating in the Iberian Peninsula, i.e. Esprinet Iberica S.L.U. as well as its subsidiaries, Esprinet Portugal Lda, Vinzeo Technologies S.A.U., V-Valley Iberian S.L.U. and Tape S.L.U.. The latter, originally wholly owned by Vinzeo Technologies S.A.U., was acquired by Esprinet Iberica S.L.U. in April 2018.

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 33.1 billion euro, up (+5%) compared with 31.5 billion euro in the first half 2017, 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 +5.5% compared with the same period of 2017, shows a growth rate higher than the one recorded in the first quarter (+4.6%).
The Italian and Iberian market accounted for the largest share of the results. Also the step change recorded by the Scandinavian Peninsula should be noted. The UK, the largest market in the Panel, shows very positive results (+6.9% during the first 6 months) with a substantially similar trend in both quarters.

The table below summarises the distribution trend in the first two quarters as well as in the first half:

Country	Q1-18 vs Q1-17	Q2-18 vs Q2-17	1H 2018 vs 1H 2017
Total	***4.6%***	***5.5%***	***5.0%***
Germany	3.3%	0.4%	1.9%
UK & Ireland	6.7%	7.0%	6.9%
France	5.7%	4.5%	5.1%
Italy	**6.5%**	**10.3%**	**8.3%**
Spain	**6.3%**	**7.8%**	**7.0%**
Poland	-0.5%	0.0%	-0.2%
Switzerland	12.7%	13.3%	13.0%
Sweden	-0.8%	4.6%	1.9%
Austria	0.9%	6.0%	3.4%
Belgium	-2.2%	9.0%	2.9%
Czech Republic	10.2%	4.1%	7.1%
Denmark	0.3%	5.5%	2.8%
Portugal	3.7%	11.8%	7.6%
Norway	5.6%	10.8%	8.2%
Finland	1.1%	6.4%	3.7%
Baltics	15.0%	5.4%	10.0%
Slovakia	0.3%	18.2%	8.5%

Source: Context, July 2018

Italy

IT, electronics consumption and distribution industry

In the first half of 2018, sales to individuals of Information Technology ('IT'), consumer electronics, phone devices and household appliances as measured by GFK data (July 2018), were substantially stable (-0.1%) compared with the same period of 2017, equal to 7.2 billion euro.
With respect to the product categories, phone devices (+9%) and photography (+2%) were the only showing positive performance. Information technology (-6%), consumer electronics (-7%) major household appliance (-3%) and consumables (-4%) performed negatively.

In the first half of 2018 the Italian distribution market (source: Context July 2018) increased by +8% compared with the same period of 2017, showing an increase from the +6.5% of the first quarter to +10.3% of the second one, both compared with the same periods of previous year.
Smartphones (+30%), servers (+32%), monitors (+15%), headphones and earbuds (+121%) contributed to this improvement. Notebooks (-1%) and tablets (-4%) decreased year-on-year. Notebooks, with 451 million euro sales, remain the second best selling category for distributors, overtaken by smartphones, which rose to 546 million euro.
With reference to the main technological brands, Apple, Huawei and Dell recorded the most significant growth, while Asus, Cisco and TP-Link showed the worst performance.
Based on Context data, in the first half of 2018 Esprinet Italy confirms its leadership in the Italian distributors market, with a market share increased by +2 percentage points.

Spain

IT, electronics consumption and distribution industry

In the first half of 2018, sales to individuals of Information Technology ('IT'), consumer electronics, phone devices and household appliances, as measured by GFK data (July 2018), grew by +4.5% from 4.54 billion euro to 4.75 billion euro. All the main product categories increased sales, in particular phone devices (+11%), major and small household appliances (+2% and +5% respectively), consumer electronics (+6%) and consumables (+4%).

In the first half of 2018 the Spanish distribution market (source: Context July 2018) increased more than the European Panel, showing a +7% 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 (+6% compared with the same periods of previous year) and the second quarter (+8%).
Smartphones (+39%, or almost +100 million euro) are still the driving force of the market, followed by notebooks (+3%) and security software (+208%). Hard disks (-22%) and consumables (-5%) showed a sharp slowdown. Smartphones and notebooks were respectively in the first and second position in distributors' revenues. Apple, HP and Huawei showed the highest rate of growth in revenues among distributed brands, while Asus, Acer and the Enterprise division of HP recorded the worst results.

In the first half of 2018, Esprinet is leader in the Spanish market, as per management estimates based on Context data, down -1 percentage point compared with the same period of 2017.

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	2018	%	2017 *	notes	%	% var. 18/17	2018	%	2017 *	notes	%	% var. 18/17
Profit & Loss													
Sales		1,538,159	100.0%	1,436,842		100.0%	7%	756,885	100.0%	691,428		100.0%	9%
Gross profit		76,952	5.0%	79,759		5.6%	-4%	38,000	5.0%	40,224		5.8%	-6%
EBITDA	(1)	13,351	0.9%	12,335	(1)	0.9%	8%	6,780	0.9%	6,417		0.9%	6%
Operating income (EBIT)		10,937	0.7%	9,830		0.7%	11%	5,586	0.7%	5,078		0.7%	10%
Profit before income tax		8,534	0.6%	7,947		0.6%	7%	3,891	0.5%	4,185		0.6%	-7%
Net income		6,191	0.4%	6,267		0.4%	-1%	2,778	0.4%	3,474		0.5%	-20%
Financial data													
Cash flow	(2)	8,519		8,554	(2)								
Gross investments		1,272		2,127									
Net working capital	(3)	257,620		107,133	(3)								
Operating net working capital	(4)	269,296		104,175	(4)								
Fixed assets	(5)	118,721		122,403	(5)								
Net capital employed	(6)	361,869		215,128	(6)								
Net equity		337,291		338,188									
Tangible net equity	(7)	245,823		246,522	(7)								
Net financial debt	(8)	24,578		(123,058)	(8)								
Main indicators													
Net financial debt / Net equity		0.1		(0.4)									
Net financial debt / Tangible net equity		0.1		(0.5)									
EBIT / Finance costs - net		4.6		5.3									
EBITDA / Finance costs - net		5.6		6.6									
Net financial debt/ EBITDA		1.8		(3.1)									
Operational data													
N. of employees at end-period		1,250		1,320									
Avarage number of employees	(9)	1,250		1,324	(9)								
Earnings per share (euro)													
- Basic		0.12		0.12			0%	0.05		0.07			-29%
- Diluted		0.12		0.12			0%	0.05		0.07			-29%

(*) Financial data indicators are calculated on 31 December 2017 figures.

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

The economic and financial results in the first half 2018 and those of the relative period of comparison have been drawn up according to International Financial Standards ('IFRSs'), 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's financial highlights

The Group's main economic, financial and asset results as at 30 June 2018 are hereby summarised:

(euro/000)	H1 2018	%	H1 2017	%	Var.	Var. %
Sales	**1,538,159**	**100.00%**	**1,436,842**	**100.00%**	**101,317**	***7%***
Cost of sales	(1,461,207)	-95.00%	(1,357,083)	-94.45%	(104,124)	*8%*
Gross profit	**76,952**	**5.00%**	**79,759**	**5.55%**	**(2,807)**	***-4%***
Sales and marketing costs	(26,804)	-1.74%	(28,485)	-1.98%	1,681	*-6%*
Overheads and administrative costs	(39,211)	-2.55%	(41,444)	-2.88%	2,233	*-5%*
Operating income (EBIT)	**10,937**	**0.71%**	**9,830**	**0.68%**	**1,107**	***11%***
Finance costs - net	(2,403)	-0.16%	(1,867)	-0.13%	(536)	*29%*
Other investments expenses / (incomes)	-	0.00%	(16)	0.00%	16	*-100%*
Profit before income taxes	**8,534**	**0.55%**	**7,947**	**0.55%**	**587**	***7%***
Income tax expenses	(2,343)	-0.15%	(1,680)	-0.12%	(663)	*39%*
Net income	**6,191**	**0.40%**	**6,267**	**0.44%**	**(76)**	***-1%***
Earnings per share - basic (euro)	0.12		0.12		0.00	*0%*

(euro/000)	Q2 2018	%	Q2 2017	%	Var.	Var. %
Sales	**756,885**	**100.00%**	**691,428**	**100.00%**	**65,457**	***9%***
Cost of sales	(718,885)	-94.98%	(651,204)	-94.18%	(67,681)	*10%*
Gross profit	**38,000**	**5.02%**	**40,224**	**5.82%**	**(2,224)**	***-6%***
Sales and marketing costs	(13,414)	-1.77%	(14,109)	-2.04%	695	*-5%*
Overheads and administrative costs	(19,000)	-2.51%	(21,037)	-3.04%	2,037	*-10%*
Operating income (EBIT)	**5,586**	**0.74%**	**5,078**	**0.73%**	**508**	***10%***
Finance costs - net	(1,695)	-0.22%	(879)	-0.13%	(816)	*93%*
Other investments expenses / (incomes)	-	0.00%	(14)	0.00%	14	*-100%*
Profit before income taxes	**3,891**	**0.51%**	**4,185**	**0.61%**	**(294)**	***-7%***
Income tax expenses	(1,113)	-0.15%	(711)	-0.10%	(402)	*57%*
Net income	**2,778**	**0.37%**	**3,474**	**0.50%**	**(696)**	***-20%***
Earnings per share - basic (euro)	0.05		0.07		(0.02)	*-29%*

Consolidated sales, equal to 1,538.2 million euro, showed an increase of +7% (101.3 million euro) compared with 1,436.8 million euro of the first half 2017. In the second quarter, consolidated sales increased by +9% compared with the same period of the previous year (from 691.4 million euro to 756.9 million euro).

Consolidated gross profit, equal to 77.0 million euro, showed a decrease of -4% (-2.8 million euro) compared with the same period of 2017 as a consequence of a worsening in the gross profit margin. In the second quarter, Gross profit, equal to 38.0 million euro, decreased by -6% compared with the same period of previous year.

Consolidated operating income (EBIT) of the first half 2018, equal to 10.9 million euro, showed an increase of +11% compared with the first half 2017 (9.8 million euro), with an EBIT margin up to 0.71% from 0.68%, due to an improvement in operating costs margin (-4.29% in 2018 vs -4.87% in 2017). In the second quarter, consolidated EBIT, equal to 5.6 million euro, increased by 10% (0.5 million euro) compared with the second quarter 2017, with an EBIT margin up from 0.73% to 0.74%.

Consolidated profit before income taxes, equal to 8.5 million euro, increased by +7% compared with the first half 2017, thus showing a positive change though to a lesser extent than EBIT, due to both higher financial charges and particularly to a negative change in foreign exchange management with, conversely, an improvement in net interest payable to banks. In the second quarter profit before income taxes showed an opposite trend, down -7% (-0.3 million euro), as the foreign exchange management recorded a concentration of negative change in the two-month period April-May corresponding to the dramatic drop of the euro exchange rate vs US Dollar.

Consolidated net income was equal to 6.2 million euro, showing a decrease of -1% (-0.1 million euro) compared with the first half 2017. In the second quarter 2018, consolidated net income amounted to 2.8 million euro compared with 3.5 million euro of the same period 2017 (-20%).

Basic earnings per ordinary share as at 30 June 2018, is equal to 0.12 euro, in line with the value of first half 2017. In the second quarter basic earnings per ordinary share was 0.05 euro compared with 0.07 euro of the corresponding quarter in 2017 (-29%).

(euro/000)	30/06/2018	%	31/12/2017	%	Var.	*Var. %*
Fixed assets	118,721	32.81%	122,403	56.90%	(3,682)	*-3%*
Operating net working capital	269,296	74.42%	104,175	48.42%	165,121	*159%*
Other current assets/liabilities	(11,676)	-3.23%	2,958	1.38%	(14,634)	*-495%*
Other non-current assets/liabilities	(14,472)	-4.00%	(14,406)	-6.70%	(66)	*0%*
Total uses	**361,869**	**100.00%**	**215,130**	**100.00%**	**146,739**	***68%***
Short-term financial liabilities	49,455	13.67%	155,960	72.50%	(106,505)	*-68%*
Current financial (assets)/liabilities for derivatives	420	0.12%	663	0.31%	(243)	*-37%*
Financial receivables from factoring companies	(769)	-0.21%	(1,534)	-0.71%	765	*-50%*
Current debts for investments in subsidiaries	1,309	0.36%	-	0.00%	1,309	*N.S.*
Other current financial receivables	(3,622)	-1.00%	(510)	-0.24%	(3,112)	*611%*
Cash and cash equivalents	(123,563)	-34.15%	(296,969)	-138.04%	173,406	*-58%*
Net current financial debt	(76,770)	-21.21%	(142,390)	-66.19%	65,620	*-46%*
Borrowings	102,518	28.33%	19,927	9.26%	82,591	*414%*
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.61%	(1,311)	*-100%*
Non-current financial (assets)/liab. for derivatives	241	0.07%	(36)	-0.02%	277	*-769%*
Other non - current financial receivables	(1,411)	-0.39%	(1,870)	-0.87%	459	*-25%*
Net financial debt (A)	24,578	6.79%	(123,058)	-57.20%	147,636	*-120%*
Net equity (B)	337,291	93.21%	338,188	157.20%	(897)	*0%*
Total sources of funds (C=A+B)	**361,869**	**100.00%**	**215,130**	**100.00%**	**146,739**	***68%***

Operating net working capital as at 30 June 2018 was equal to 269.3 million euro compared with 104.2 million euro as at 31 December 2017.

Consolidated net financial position as at 30 June 2018, was negative by 24.6 million euro, compared with a cash surplus of 123.1 million euro as at 31 December 2017. The worsening of the spot net financial position as at period end was mainly due to the performance of consolidated net working capital as at 30 June 2018 which in turn was influenced by technical events often not related to the average level of working capital and by the level of utilisation both 'without – recourse' factoring programs referring to the trade receivables and of the corresponding securization programme.

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

Taking into account other technical forms of cash advances other than 'without-recourse' assignment, but showing the same effects – such as 'confirming' used in Spain –, the overall impact on financial debt at 30 June 2018 was approx. 302 million euro (approx. 424 million euro as at 31 December 2017).

Consolidated net equity as at 30 June 2018 equal to 337.3 million euro, showed a decrease of -0.9 million euro compared with 338.2 million euro as at 31 December 2017.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main earnings, financial and net assets position for the Italian subgroup (Esprinet, V-Valley, EDSlan, Mosaico, Nilox Deutschland and Celly Group) as at 30 June 2018 are hereby summarised:

(euro/000)	H1 2018	%	H1 2017	%	Var.	Var. %
Sales to third parties	1,007,641		930,415		77,226	8%
Intercompany sales	26,133		23,771		2,362	10%
Sales	**1,033,774**		**954,186**		**79,588**	**8%**
Cost of sales	(977,026)	-94.51%	(894,763)	-93.77%	(82,263)	9%
Gross profit	**56,748**	**5.49%**	**59,423**	**6.23%**	**(2,675)**	**-5%**
Sales and marketing costs	(20,873)	-2.02%	(22,750)	-2.38%	1,877	-8%
Overheads and administrative costs	(29,470)	-2.85%	(30,522)	-3.20%	1,052	-3%
Operating income (EBIT)	**6,405**	**0.62%**	**6,151**	**0.64%**	**254**	**4%**

(euro/000)	Q2 2018	%	Q2 2017	%	Var.	Var. %
Sales to third parties	484,578		436,020		48,558	11%
Intercompany sales	13,667		11,306		2,361	21%
Sales	**498,245**		**447,326**		**50,919**	**11%**
Cost of sales	(470,228)	-94.38%	(417,581)	-93.35%	(52,647)	13%
Gross profit	**28,017**	**5.62%**	**29,745**	**6.65%**	**(1,728)**	**-6%**
Sales and marketing costs	(10,503)	-2.11%	(11,099)	-2.48%	596	-5%
Overheads and administrative costs	(14,136)	-2.84%	(15,508)	-3.47%	1,372	-9%
Operating income (EBIT)	**3,378**	**0.68%**	**3,138**	**0.70%**	**240**	**8%**

Sales were equal to 1,033.8 million euro, showing an increase of +8% compared with 954.2 million euro of the first half 2017. In the second quarter 2018, sales showed an increase of +11% compared with the second quarter of 2017.

Gross profit, equal to 56.8 million euro, showed a worsening of -5% compared with 59.4 million euro of the first half 2017, with a gross profit margin down from 6.23% to 5.49%. In the second quarter 2018, gross profit, equal to 28.0 million euro, decreased by -6% compared with the second quarter 2017

Operating income (EBIT), equal to 6.4 million euro, increased by +4% compared with the same period of 2017, thanks to operating cost cuts (-2.9 million euro), while the EBIT margin remained nearly stable. In the second quarter 2018, EBIT showed an increase of +8% reaching 3.4 million euro compared with 3.1 million euro of 2017 with an EBIT margin of 0.68% compared with 0.70% of the same period of 2017.

(euro/000)	30/06/2018	%	31/12/2017	%	Var.	*Var. %*
Fixed assets	113,487	38.30%	117,075	64.89%	(3,588)	*-3%*
Operating net working capital	188,805	63.72%	55,494	30.76%	133,311	*240%*
Other current assets/liabilities	3,659	1.23%	17,699	9.81%	(14,040)	*-79%*
Other non-current assets/liabilities	(9,643)	-3.25%	(9,857)	-5.46%	214	*-2%*
Total uses	**296,308**	**100.00%**	**180,411**	**100.00%**	**115,897**	***64%***
Short-term financial liabilities	45,745	15.44%	150,364	83.35%	(104,619)	*-70%*
Current financial (assets)/liabilities for derivatives	419	0.14%	644	0.36%	(225)	*-35%*
Financial receivables from factoring companies	(769)	-0.26%	(1,534)	-0.85%	765	*-50%*
Financial (assets)/liab. from/to Group companies	(102,500)	-34.59%	(112,500)	-62.36%	10,000	*-9%*
Other financial receivables	(3,622)	-1.22%	(510)	-0.28%	(3,112)	*611%*
Cash and cash equivalents	(52,129)	-17.59%	(184,912)	-102.49%	132,783	*-72%*
Net current financial debt	(111,547)	-37.65%	(148,448)	-82.28%	36,901	*-25%*
Borrowings	101,633	34.30%	18,163	10.07%	83,470	*460%*
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.73%	(1,311)	*-100%*
Non-current financial (assets)/liab. for derivatives	253	0.09%	-	0.00%	253	*N.S.*
Other financial receivables	(1,411)	-0.48%	(1,870)	-1.04%	459	*-25%*
Net Financial debt (A)	(11,072)	-3.74%	(130,844)	-72.53%	119,772	*-92%*
Net equity (B)	307,380	103.74%	311,255	172.53%	(3,875)	*-1%*
Total sources of funds (C=A+B)	**296,308**	**100.00%**	**180,411**	**100.00%**	**115,897**	***64%***

Operating net working capital as at 30 June 2018 was equal to 188.8 million euro, compared with 55.5 million euro as at 31 December 2017.

Net financial position as at 30 June 2018, was positive by 11.1 million euro, compared with a cash surplus of 130.8 million euro as at 31 December 2017. The impact of both 'without-recourse' sale and securization programmes of trade receivables as at 30 June 2018 was 159 million euro (approx. 184 million euro as at 31 December 2017).

B.2) Subgroup Iberica

The main earnings, financial and net assets position for the Subgroup Iberica (Esprinet Iberica, Esprinet Portugal, Tape, Vinzeo Technologies and V-Valley Iberian) as at 30 June 2018 are hereby summarised:

(euro/000)	H1 2018	%	H1 2017	%	Var.	Var. %
Sales to third parties	530,519		506,427		24,092	*5%*
Intercompany sales	-		-		-	*0%*
Sales	**530,519**		**506,427**		24,092	***5%***
Cost of sales	(510,401)	-96.21%	(486,080)	-95.98%	(24,321)	*5%*
Gross profit	**20,118**	**3.79%**	**20,347**	**4.02%**	**(229)**	***-1%***
Sales and marketing costs	(5,931)	-1.12%	(5,690)	-1.12%	(241)	*4%*
Overheads and administrative costs	(9,753)	-1.84%	(10,974)	-2.17%	1,221	*-11%*
Operating income (EBIT)	**4,434**	**0.84%**	**3,683**	**0.73%**	**751**	***20%***

(euro/000)	Q2 2018	%	Q2 2017	%	Var.	Var. %
Sales to third parties	272,308		255,408		16,900	*7%*
Intercompany sales	-		-		-	*0%*
Sales	**272,308**		**255,408**		**16,900**	***7%***
Cost of sales	(262,343)	-96.34%	(244,928)	-95.90%	(17,415)	*7%*
Gross profit	**9,965**	**3.66%**	**10,480**	**4.10%**	**(515)**	***-5%***
Sales and marketing costs	(2,910)	-1.07%	(2,976)	-1.17%	66	*-2%*
Overheads and administrative costs	(4,873)	-1.79%	(5,565)	-2.18%	692	*-12%*
Operating income (EBIT)	**2,182**	**0.80%**	**1,939**	**0.76%**	**243**	***13%***

Sales were equal to 530.5 million euro, showing an increase of +5% compared with 506.4 million euro of the first half 2017. In the second quarter, sales recorded an increase of +7% (equal to 16.9 million euro) compared with the same period of the previous year.

Gross profit as at 30 June 2018 totalled 20.1 million euro (-1% vs first half 2017), with a gross profit margin decreased from 4.02% to 3.79%. In the second quarter, gross profit decreased by -5% compared with the second quarter of the previous year, with an EBIT margin down to 3.66% from 4.10%.

Operating income (EBIT), equal to 4.4 million euro, increased by 0.8 million euro compared with the first half 2017, with an EBIT margin increased to 0.84% from 0.73%. In the second quarter 2018, Operating income (EBIT) totalled 2.2 million euro compared with 1.9 million euro of the second quarter 2017, showing an EBIT margin increased from 0.76% to 0.80%.

(euro/000)	30/06/2018	%	31/12/2017	%	Var.	Var. %
Fixed assets	79,781	56.72%	80,051	72.87%	(270)	*0%*
Operating net working capital	80,813	57.45%	49,102	44.69%	31,711	*65%*
Other current assets/liabilities	(15,098)	-10.73%	(14,742)	-13.42%	(356)	*2%*
Other non-current assets/liabilities	(4,829)	-3.43%	(4,549)	-4.14%	(280)	*6%*
Total uses	**140,667**	**100.00%**	**109,862**	**100.00%**	**30,805**	***28%***
Short-term financial liabilities	3,710	2.64%	5,596	5.09%	(1,886)	*-34%*
Current financial (assets)/liabilities for derivatives	1	0.00%	19	0.02%	(18)	*-95%*
Financial (assets)/liab. from/to Group companies	102,738	73.04%	112,500	102.40%	(9,762)	*-9%*
Cash and cash equivalents	(71,434)	-50.78%	(112,057)	-102.00%	40,623	*-36%*
Net current financial debt	35,015	24.89%	6,058	5.51%	28,957	*478%*
Borrowings	885	0.63%	1,764	1.61%	(879)	*-50%*
Non-current financial (assets)/liab. for derivatives	(12)	-0.01%	(36)	-0.03%	24	*-67%*
Net Financial debt (A)	35,888	25.51%	7,786	7.09%	28,102	*361%*
Net equity (B)	104,779	74.49%	102,076	92.91%	2,703	*3%*
Total sources of funds (C=A+B)	**140,667**	**100.00%**	**109,862**	**100.00%**	**30,805**	***28%***

Operating net working capital as at 30 June 2018 was equal to 80.8 million euro compared with 49.1 million euro as at 31 December 2017.

Net financial position as at 30 June 2018, was negative by 35.9 million euro, compared with a negative financial position of 7.8 million euro as at 31 December 2017. The impact of both 'without-recourse' sale and receivable financing programmes was approx. 143 million euro (approx. 240 million euro as at 31 December 2017).

C) Separate income statement by legal entity

Please find below the separate income statement showing the contribution of the individual group companies regarded as significant:[1]

(euro/000)	H1 2018													
	Italy						Iberian Peninsula							
	E.Spa + V-Valley + Nilox GmbH	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberian	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total	Elim. and other	Group
Sales to third parties	982,660	9,556	10,677	4,748	-	1,007,641	291,164	12,885	4,374	222,095	-	530,519	-	1,538,159
Intersegment sales	26,233	2,193	1,560	8,093	(11,946)	26,133	9,200	-	82	1,358	(10,641)	-	(26,133)	-
Sales	**1,008,893**	**11,749**	**12,237**	**12,841**	**(11,946)**	**1,033,774**	**300,364**	**12,885**	**4,456**	**223,453**	**(10,641)**	**530,519**	**(26,133)**	**1,538,159**
Cost of sales	(959,621)	(10,778)	(6,733)	(11,851)	11,957	(977,026)	(289,325)	(12,570)	(4,026)	(215,119)	10,639	(510,401)	26,220	(1,461,207)
Gross profit	**49,272**	**971**	**5,504**	**990**	**11**	**56,748**	**11,039**	**315**	**430**	**8,334**	**(2)**	**20,118**	**87**	**76,952**
Gross Profit %	*4.88%*	*8.26%*	*44.98%*	*7.71%*	*-0.09%*	*5.49%*	*3.68%*	*2.44%*	*9.65%*	*3.73%*		*3.79%*		*5.00%*
Sales and marketing costs	(16,500)	(420)	(3,654)	(303)	4	(20,873)	(2,829)	(183)	(708)	(2,236)	26	(5,931)	-	(26,804)
Overheads and admin. costs	(27,715)	(126)	(1,461)	(166)	(2)	(29,470)	(6,271)	(358)	(165)	(2,935)	(25)	(9,753)	12	(39,211)
Operating income (Ebit)	**5,057**	**425**	**389**	**521**	**13**	**6,405**	**1,939**	**(226)**	**(443)**	**3,163**	**(1)**	**4,434**	**99**	**10,937**
EBIT %	*0.50%*	*3.62%*	*3.18%*	*4.06%*	*-0.11%*	*0.62%*	*0.65%*	*-1.75%*	*-9.94%*	*1.42%*		*0.84%*		*0.71%*
Finance costs - net														(2,403)
Share of profits of associates														-
Profit before income tax														**8,534**
Income tax expenses														(2,343)
Net income														**6,191**
- of which attributable to non-controlling interests														65
- of which attributable to Group														6,126

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

	H1 2017													
(euro/000)	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberica	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	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 %	*5.41%*	*8.16%*	*42.18%*	*11.80%*	*0.02%*	*6.23%*	*4.18%*	*2.60%*	*10.14%*	*3.56%*		*4.02%*		*5.55%*
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 %	*0.78%*	*3.60%*	*-6.33%*	*-3.16%*	*-0.06%*	*0.64%*	*0.70%*	*-1.04%*	*-8.00%*	*0.99%*		*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

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

D) Reclassified income statement

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

(euro/000)	H1 2018	%	H1 2018 reclassified	%	Var.	Var. %
Sales	**1,538,159**	**100.00%**	**1,538,159**	**100.00%**	**-**	***0%***
Cost of Sales	(1,461,207)	-95.00%	(1,458,657)	-94.83%	(2,550)	*0%*
Gross Profit	**76,952**	**5.00%**	**79,502**	**5.17%**	**(2,550)**	***-3%***
Sales and marketing costs	(26,804)	-1.74%	(26,804)	-1.74%	-	*0%*
Overheads and administrative costs	(39,211)	-2.55%	(39,211)	-2.55%	-	*0%*
Operating income (EBIT)	**10,937**	**0.71%**	**13,487**	**0.88%**	**(2,550)**	***-19%***
Finance costs - net	(2,403)	-0.16%	(4,953)	-0.32%	2,550	*-51%*
Profit before income taxes	**8,534**	**0.55%**	**8,534**	**0.55%**	**-**	***0%***
Income tax expenses	(2,343)	-0.15%	(2,343)	-0.15%	-	*0%*
Net income	**6,191**	**0.40%**	**6,191**	**0.40%**	**-**	***0%***

(euro/000)	Q2 2018	%	Q2 2018 reclassified	%	Var.	Var. %
Sales	**756,885**	**100.00%**	**756,885**	**100.00%**	**-**	***0%***
Cost of Sales	(718,885)	-94.98%	(717,567)	-94.81%	(1,318)	*0%*
Gross Profit	**38,000**	**5.02%**	**39,318**	**5.19%**	**(1,318)**	***-3%***
Sales and marketing costs	(13,414)	-1.77%	(13,414)	-1.77%	-	*0%*
Overheads and administrative costs	(19,000)	-2.51%	(19,000)	-2.51%	-	*0%*
Operating income (EBIT)	**5,586**	**0.74%**	**6,904**	**0.91%**	**(1,318)**	***-19%***
Finance costs - net	(1,594)	-0.21%	(2,912)	-0.38%	1,318	*-45%*
Profit before income taxes	**3,992**	**0.53%**	**3,992**	**0.53%**	**-**	***0%***
Income tax expenses	(1,141)	-0.15%	(1,141)	-0.15%	-	*0%*
Net income	**2,851**	**0.38%**	**2,851**	**0.38%**	**-**	***0%***

3. Sales by product family and customer type

(euro/million)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
GDO/GDS	469.7	30.5%	367.1	0.3	*28%*	234.9	31.0%	182.5	26.4%	*29%*
Dealers	435.9	28.3%	396.9	0.3	*10%*	217.1	28.7%	189.5	27.4%	*15%*
Vars	345.7	22.5%	335.7	0.2	*3%*	162.4	21.5%	157.5	22.8%	*3%*
Office/Consumables dealers	148.5	9.7%	146.1	0.1	*2%*	75.3	9.9%	68.1	9.8%	*11%*
On-line Shops	100.7	6.5%	137.6	0.1	*-27%*	49.3	6.5%	67.8	9.8%	*-27%*
Sub-distribution	37.7	2.5%	53.4	0.0	*-29%*	17.9	2.4%	26.0	3.8%	*-31%*
Group Sales	**1,538.2**	**100%**	**1,436.8**	**100%**	***7%***	**756.9**	**100%**	**691.4**	**100%**	***9%***

(euro/million)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
TLC	396.7	25.8%	313.6	21.8%	*26%*	178.3	23.5%	157.9	22.8%	*13%*
PCs - notebooks	266.9	17.4%	299.1	20.8%	*-11%*	129.3	17.1%	146.9	21.2%	*-12%*
PCs - tablets	166.9	10.9%	130.4	9.1%	*28%*	82.9	10.9%	60.7	8.8%	*37%*
Consumer electronics	138.6	9.0%	125.4	8.7%	*11%*	73.2	9.7%	54.3	7.9%	*35%*
PCs - desktops and monitors	119.7	7.8%	109.7	7.6%	*9%*	57.4	7.6%	51.7	7.5%	*11%*
Consumables	109.9	7.1%	109.0	7.6%	*1%*	54.6	7.2%	50.8	7.3%	*8%*
Software	77.4	5.0%	78.9	5.5%	*-2%*	36.7	4.8%	40.2	5.8%	*-9%*
Storage	56.5	3.7%	60.3	4.2%	*-6%*	25.5	3.4%	27.7	4.0%	*-8%*
Printers & Multifunction devices	61.3	4.0%	56.3	3.9%	*9%*	30.7	4.1%	26.6	3.8%	*15%*
Networking	45.2	2.9%	55.0	3.8%	*-18%*	24.5	3.2%	29.2	4.2%	*-16%*
Servers	39.7	2.6%	27.1	1.9%	*46%*	21.6	2.9%	11.9	1.7%	*82%*
Services	5.3	0.3%	12.7	0.9%	*-58%*	2.7	0.4%	6.3	0.9%	*-58%*
Other	54.1	3.5%	59.3	4.1%	*-9%*	39.6	5.2%	27.2	3.9%	*46%*
Group sales	**1,538.2**	**100%**	**1,436.8**	**100%**	***7%***	**756.9**	**100%**	**691.4**	**100%**	***9%***

The sales analysis by customer type shows an improvement compared with the first half 2017, with respect to both consumer and business customers. In particular, 'GDO/GDS' (+28%) and small-medium business customers ('Dealers' +10%) show an increase in sales. On the contrary, 'On-line Shops' (-27%) and 'Sub-distribution' (-29%) highlight a decrease.

The second quarter shows similar trends and percentage changes, except for 'Office/Consumable dealers' (+11%).

The breakdown of sales by product highlights a significant increase in 'Servers' (+46%), 'PCs-tablets' (+28%) and 'TLC' (+26%). The categories 'Consumer Electronics' (+11%), 'Printers & Multifunction devices' (+9%) and 'PCs-desktops and monitors' (+9%) are positive as opposed to the negative trend of the categories 'Services' (-58%) 'Networking' (-18%) and 'PCs-notebooks' (-11%).

A positive trend can be noticed also in the second quarter, driven by 'Servers' (+82%) 'PCs-tablets' (+37%) and 'Consumer Electronics' (+35%), with positive results also in 'Printers & Multifunction devices' (+15%), 'TLC' (+13%), 'PCs-desktops and monitors' (+11%), 'Consumables' (+8%). However, negative results are recorded by 'Services' (-58%) 'Networking' (-16%), 'PCs-notebooks' (-12%), 'Software' (-9%), 'Storage' (-8%).

Significant events occurring in the period

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

Signing of business lease agreements with the subsidiaries EDSlan S.r.l. and Mosaico S.r.l.

Esprinet S.p.A. signed two different business lease agreements, on 26 January 2018 with EDSlan S.r.l. and on 26 March 2018 with Mosaico S.r.l., with a view to the subsequent merger of the above-mentioned subsidiaries.
Under these agreements, since 1 February 2018 and 1 April 2018 respectively, Esprinet S.p.A. has managed these businesses as lessee having replaced the lessors in all legal relationships existing with customers and suppliers, except for receivables and payables outstanding at the signing date of the lease agreements, that shall be retained by the subsidiaries until the merger date.

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

The Group financing structure includes a medium/long-term senior loan granted to Esprinet S.p.A. in February 2017 by a pool of banks, consisting of a 5-year amortised facility in the original amount of 145.0 million euro and a 5-year revolving facility for 65.0 million euro, both including covenants.
As at 31 December 2017, 3 out of 4 covenants were met while the remaining one was breached.
Thus, pursuant to the accounting standards in force, the entire outstanding amount of the amortised facility - as well as the liability from the 'fair value' of 'IRS-Interest Rate Swap' contracts signed to hedge the loan interest rate risk - were booked under the current financial liabilities.
On 30 April 2018, Esprinet S.p.A. reached an agreement with the pool of lending banks to get a waiver in relation to the breached covenant, under which the banks waived to exercise their rights arising from said breach.
Later, on 2 May 2018 an agreement was reached to renegotiate the design of these covenants, that now provide for higher thresholds till 2021, in order to give the Group more flexibility to reach its development targets.

Esprinet S.p.A. Annual Shareholders Meeting

On 4 May 2018, Esprinet S.p.A. Shareholders' Meeting approved the Separate Financial Statements for the fiscal year ended at 31 December 2017 and the distribution of a dividend of 0.135 euro per ordinary share, corresponding to a pay-out ratio of 27%.[2]
The dividend payment was scheduled from 16 May 2018, with issue of coupon no. 13 on 14 May 2018 and record date on 15 May 2018.

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

The Annual Shareholders' Meeting has also:

- approved the first section of the Report on Remuneration under Art.123–ter, paragraph 6 of the Legislative Decree 58/1998;

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

- resolved to authorize the acquisition and disposal of own shares, within 18 months from the resolution date, up to 2,620,217 ordinary shares (5% of the Company's share capital), simultaneously revoking the former authorization resolved by the Shareholder's Meeting on 4 May 2017 with respect to the unused portion;
- approved a Long Term Incentive Plan, in relation to remuneration policies and in accordance with article 114-bis of legislative decree 58/1998, for the members of the Company's Board of Directors and other executives for the period 2018/2019/2020. The object of the plan is the free allocation of ordinary shares in the Company ('performance stock grant') to beneficiaries designated by the Board of Directors, up to a maximum of 1,150,000 Company's shares.
- authorized the Company to update the financial conditions of the statutory auditors engagement granted to EY S.p.A. within the measure of (i) 32,110 euro for the financial years 2017 and 2018 each, for recurring additional activities concerning the consolidated financial statements and of (ii) 22,500 euro only for the financial year 2017 for activities relating to the first-time adoption of the new accounting standard IFRS 15.

Approval of the draft terms of merger of Edslan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A..

On 14 May 2018 the draft terms of merger of the subsidiaries Edslan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A. were approved:
The merger is to be effected by year end, with retrospective accounting and tax effects from 1st January 2018, being a transaction among subsidiaries wholly-controlled by the Parent company.
This transaction forms part of process aimed at maximising synergies from the acquisition transactions carried out in 2016 through the above-mentioned subsidiaries, from distribution activities in the market segments of networking, cabling, VoIP and UCC-Unified Communication as regards EDSlan S.r.l., and ICT Security, Enterprise Software, Virtualisation and OpenSource/Linux solutions as regards Mosaico S.r.l.

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

On 12 June 2018, following the presentation and approval of the Group consolidated financial statements as at 31 December 2017 at the Esprinet S.p.A. Annual General Meeting ('AGM') of 4 May 2018, and taking into account also the successful achievement of targets set for the fiscal years 2015-2017, the free stock grants of Esprinet. S.p.A. ordinary shares referring to the Long Term Incentive Plan approved by the Esprinet S.p.A. AGM of 30 April 2015 became exercisable.

Consequently, 535,134 rights were granted to the members of the Company's Board of Directors and Company executives, using shares already owned by Esprinet S.p.A..

20% of the shares granted to the beneficiaries is subject to a lock-up period of one year from the grant date.

As a consequence of this transaction, own shares on hand decreased to 111,755, equal to 0.21% of the share capital.

Share buy-back program

Pursuant to the Esprinet S.p.A. AGM resolution of 4 May 2018, the Company purchased a total of 224.500 ordinary shares of Esprinet S.p.A. (corresponding to 0.43% of total share capital) along the period between 14 and 28 June 2018, with an average purchase price of euro 3.64 per share, net of fees.
As a consequence of the above-mentioned purchases, the Company owned 336,255 own shares (equal to 0.64% of share capital) as of 30 June 2018.

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

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

Developments in tax disputes

Esprinet S.p.A. has some ongoing tax disputes concerning indirect taxes claimed from the Company, with a total amount of 5.9 million euro, plus penalties and interests, with respect to sales made between 2010 and 2012. In those years some customers had filed and given to the Company so-called 'declarations of intent' by which they qualified themselves as frequent exporters with the right to make purchases without paying VAT. Later, tax authorities, subsequent to tax audits, discovered these customers had failed to fulfil the requirements needed to qualify as frequent exporters, so the Tax Authority is now claiming VAT from the Company on those sales.
The main events occurred from the 1 January 2018 till the date of this financial report are as follows:

- On 10 January 2018 the Provincial Tax Commission issued an unfavourable first instance decision for the year 2011. In relation to this tax dispute the Company paid tax advances amounting to 1.9 million euro, of which 1.5 million euro were paid on 23 February 2018;
- On 23 March 2018 the Regional Tax Commission issued a favourable appeal judgement for the year 2010. In relation to this tax dispute the Company paid tax advances for 4.5 million euro as of 31 December 2017;
- On 18 May 2018, the hearing relating to the year 2012 was held before the Provincial Tax Commission, where additional documents were requested from the Company and the next hearing was set for 21 September 2018;

Some Italian subsidiaries of Esprinet S.p.A. have ongoing court and out-of-court disputes with Tax Authorities, relating to the amount of a tax known as 'imposta di registro' to be paid on the price of business combinations effected in prior years.
The main events occurred from the 1 January 2018 till the date of this financial report are as follows:

- On 12 January 2018, Celly S.p.A. paid additional 4 thousand euro for such 'imposta di registro', claimed on the transfer deed of the business unit Rosso Garibaldi, in lieu of its counterparty that went bankrupt;
- On 15 May 2018, Mosaico S.r.l. appealed against a correction and settlement notice of higher 'imposta di registro', equal to 48 thousand euro, relating to the 2016 acquisition agreement of a business unit from ITWAY S.p.A.;
- On 19 June 2018, the hearing relating to the correction and settlement notice of higher 'imposta di registro', equal to 182 thousand euro, relating to the 2016 acquisition agreement of a business unit from EDSlan S.p.A. (now I-Trading S.r.l.) was held in the Provincial Tax Commission.

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

As regards all proceedings, the Group is assessing the appropriate course of action (with the help of its advisors) or has filed appeal or is awaiting a decision.

Relationships with related parties

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

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

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

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 3).
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 971,755 own shares, representing 1.85% of the share capital.
The above-mentioned shares consist of 111,755 residual own shares from the purchase occurred during 2015 fulfilling a resolution of the Esprinet S.p.A. AGM, after the allotment on 12 June 2018 of 535,134 shares to beneficiaries of the Long Term Incentive Plan approved by the Esprinet S.p.A. AGM of 30 April 2015. These shares, all already owned at the closing date of the previous year, were purchased at an average price of 7.79 euro.

The remaining 860,000 ordinary shares were bought pursuant to the Esprinet S.p.A. AGM resolution dated 4 May 2018 in the period between 14 June and 2 August 2018, at an average unit price of 3.80 euro, net 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 operating targets, on 4 May 2018 Esprinet S.p.A. Shareholders' Meeting approved a new compensation Plan ('Long Term Incentive Plan') for the benefit of the members of the Board of Directors and executives of the Esprinet Group companies, as proposed by the Remuneration Committee. Such plan will apply for the 3-year period 2018-2020 with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet. S.p.A. ordinary shares.
On 25 June 2018, pursuant to the above-mentioned AGM resolution, 1,150,000 rights (equal to the number of rights resolved by the AGM) were freely granted.
The exercise of the stock plan is conditional upon the achievement of some financial targets for the period 2018-2020 and the beneficiary being still employed by the Group at the date of presentation of the 2020 Consolidated Financial Statements.

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

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

5. 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	
	30/06/18	30/06/17	30/06/18	31/12/17
Esprinet S.p.A. separate financial statements	**2,259**	**4,296**	**300,811**	**305,678**
Consolidation adjustments :				
Net equity and result for the year of consolidated companies, net of minority interests	3,847	1,961	124,639	120,957
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(92,381)	(92,584)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,039	1,039
Goodwill from Celly S.p.A. business combination	-	-	4,153	4,153
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	79	2	(255)	(335)
Option on 40% Celly shares	5	8	(1,582)	(1,587)
Other movements	-	-	867	867
Consolidated net equity	**6,191**	**6,267**	**337,291**	**338,188**

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

In the first half of 2018 the Italian IT wholesale distribution market grew more than +8% compared to the same period of the preceding year (Source: company elaboration on Context data).[3]
The PC segment (desktop and notebook) is the only one slightly decreasing (2%). Printing (printers and consumables) grew +3% and all the other segments grew high-single digit with mobile phones being again the growth driver of the whole distribution sector (+31%).
In such a scenario, the Esprinet Group confirmed its market share thanks to the very brilliant result of the Value distribution sector as well as of printing and PC. The mobile phone market was still growing double digit but below the market average.
In the Italian market, sales to the retailers grew by +10% while the business resellers sales were up +7% compared to 2017.
The Esprinet Group recorded the same sales trend in both customer segments.
The Spanish market grew +7% in the first half of 2018, while our Group recorded a +4% hence losing share.
Mobile phones were the main growth driver with +32% on H1-2017.
PCs decreased by -3% while the other segments grew mid-single digit with printing at +3%.
The Esprinet Group sales were down -9% in the PC segment while growing +31% in mobile phones.
Sales to business resellers were up +3% and the Esprinet Group performed in line hence maintaining its market share.
The performance of retailers was much more brilliant (almost +14%) while Esprinet decided to skip low margin sales in this segment, growing only +2%.
During the first half, gross profit margins in the geographies where the Group is active were again under strong pressure due to a high level of competition which is anyway apparently slowing down.
All the main product lines reduced gross profit margins by -30/-40 bps against the previous year, apart from the 'value' distribution/datacenter products with substantially stable gross profits margins.
During the second quarter, the cost synergies arising from the rationalization plan started in 2017 fully deployed its positive effects.
The reduction of SG&A was mainly driven by the cost of personnel (-5%), renting costs (-6%) and a significant decrease of marketing expenses.
Net working capital management was positively affected by the reduction of the stock levels while payment terms of customers and suppliers didn't change significantly.

[3] The segmentation between 'professional/business' and 'consumer/retail' customers to which reference is made in this section, is that used by Context, and as such is not perfectly aligned with segmentation used internally by the Group.

During July and August, the Group sales were strongly up, probably driving a recovery of market share especially in the Spanish retailers' segment.
Stock levels rationalization are still positively in place and we are not witnessing any significant impact on customer spending trends.
In the upcoming weeks we expect many important product launches in the consumer area, mostly supporting the mobile phone market.
The Group is not foreseeing any major deviations in the cost structure optimization plans, while the pressure on product margins is still on-going even if apparently stabilizing.

Taking into consideration all of the above and the forecasts for the current fiscal year, excluding any unforeseeable negative events, the Group expects the full-year EBIT aligned to the lower part of the target range 39-41 million euro, communicated to the market even if the gross profit margins are below the initially budgeted values.

Vimercate, 11 September 2018

Of behalf of the Board of Directors
The Chairman
Maurizio Rota

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	30/06/2018	related parties*	31/12/2017	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	13,756		14,634	
Goodwill	2	90,595		90,595	
Intangible assets	3	873		1,070	
Investments in associates	5	-		-	
Deferred income tax assets	6	11,511		11,262	
Derivative financial assets	8	12		36	
Receivables and other non-current assets	9	3,397	1,553	6,712	1,553
		120,144	**1,553**	**124,309**	**1,553**
Current assets					
Inventory	10	428,854		481,551	
Trade receivables	11	324,489	5	313,073	11
Income tax assets	12	2,041		3,116	
Other assets	13	26,426	379	27,778	10
Cash and cash equivalents	17	123,563		296,969	
		905,373	**384**	**1,122,487**	**21**
Disposal groups assets	48	-		-	
Total assets		**1,025,517**	**1,937**	**1,246,796**	**1,574**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	322,186		303,046	
Group net income	21	6,126		26,235	
Group net equity		**336,173**		**337,142**	
Non-controlling interests		1,118		1,046	
Total equity		**337,291**		**338,188**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	102,518		19,927	
Derivative financial liabilities	23	253		-	
Deferred income tax liabilities	24	7,702		7,088	
Retirement benefit obligations	25	4,532		4,814	
Debts for investments in subsidiaries	49	-		1,311	
Provisions and other liabilities	26	2,238		2,504	
		117,243		**35,644**	
Current liabilities					
Trade payables	27	484,047	-	690,449	-
Short-term financial liabilities	28	49,455		155,960	
Income tax liabilities	29	1,321		693	
Derivative financial liabilities	30	420		663	
Debts for investments in subsidiaries	51	1,309		-	
Provisions and other liabilities	32	34,431	451	25,199	1,510
		570,983	**451**	**872,964**	**1,510**
Disposal groups liabilities	34	-		-	
Total liabilities		**688,226**	**451**	**908,608**	**1,510**
Total equity and liabilities		**1,025,517**	**451**	**1,246,796**	**1,510**

(*) 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 2018	non - recurring	related parties*	H1 2017	non - recurring	related parties*
Sales	33	**1,538,159**	-	5	**1,436,842**	-	18
Cost of sales		(1,461,207)	-	-	(1,357,083)	-	-
Gross profit	35	**76,952**	-		**79,759**	-	
Sales and marketing costs	37	(26,804)	-	-	(28,485)	-	-
Overheads and administrative costs	38	(39,211)	-	(2,447)	(41,444)	(1,133)	(2,425)
Operating income (EBIT)		**10,937**	-		**9,830**	**(1,133)**	
Finance costs - net	42	(2,403)	-	2	(1,867)	-	-
Other investments expenses / (incomes)	43	-	-		(16)	-	
Profit before income taxes		**8,534**	-		**7,947**	**(1,133)**	
Income tax expenses	45	(2,343)	-	-	(1,680)	144	-
Net income		**6,191**	-		**6,267**	**(989)**	
- of which attributable to non-controlling interests		65			(113)		
- of which attributable to Group		6,126	-		6,380	(989)	
Earnings per share - basic (euro)	46	0.12			0.12		
Earnings per share - diluted (euro)	46	0.12			0.12		

(euro/000)	Notes	Q2 2018	non - recurring	related parties*	Q2 2017	non - recurring	related parties*
Sales	33	**756,885**	-	2	**691,428**	-	18
Cost of sales		(718,885)	-	-	(651,204)	-	-
Gross profit	35	**38,000**	-		**40,224**	-	
Sales and marketing costs	37	(13,414)	-	-	(14,109)	-	-
Overheads and administrative costs	38	(19,000)	-	(1,223)	(21,037)	(640)	(1,217)
Operating income (EBIT)		**5,586**	-		**5,078**	**(640)**	
Finance costs - net	42	(1,695)	-	-	(879)	-	-
Other investments expenses / (incomes)	43	-	-		(14)	-	
Profit before income taxes		**3,891**	-		**4,185**	**(640)**	
Income tax expenses	45	(1,113)	-	-	(711)	15	-
Net income		**2,778**	-		**3,474**	**(625)**	
- of which attributable to non-controlling interests		25	-		(38)	-	
- of which attributable to Group		2,753	-		3,512	(625)	
Earnings per share - basic (euro)	46	0.05			0.07		
Earnings per share - diluted (euro)	46	0.05			0.07		

(*) Excluding fees paid to executives with strategic responsibilities, for which please refer to the specific paragraph in Interim Directors' Report on Operations'. Further information on operations with Related Parties can be found in the relevant section in the 'Interim Directors' Report on Operations'.

Consolidated statement of comprehensive income

(euro/000)	H1 2018	H1 2017	Q2 2018	Q2 2017
Net income	**6,191**	**6,267**	**2,778**	**3,474**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	(5)	(247)	(58)	(293)
- Taxes on changes in 'cash flow hedge' equity reserve	(4)	71	8	79
- Changes in translation adjustment reserve	5	2	2	(1)
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	136	136	79	82
- Taxes on changes in 'TFR' equity reserve	(30)	(30)	(18)	(18)
Other comprehensive income	**103**	**(68)**	**13**	**(151)**
Total comprehensive income	**6,294**	**6,199**	**2,791**	**3,323**
- of which attributable to Group	6,219	6,310	2,758	3,359
- of which attributable to non-controlling interests	75	(111)	33	(36)

Consolidated statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2016	7,861	288,371	(5,145)	26,870	317,957	999	316,958
Total comprehensive income/(loss)	-	(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)
Currently active Share plans	-	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
Balance at 31 December 2017	7,861	309,192	(5,145)	26,280	338,188	1,046	337,142
Total comprehensive income/(loss)	-	103	-	6,191	6,294	75	6,219
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Purchases of own shares	-	-	(818)	-	(818)	-	(818)
Transactions with owners	-	19,293	(818)	(26,280)	(7,805)	-	(7,805)
Grant of share under share plans	-	(3,814)	4,274	-	460	-	460
FTA New accounting standards IFRS	-	133	-	-	133	-	133
Other variations	-	21	-	-	21	(3)	24
Balance at 30 June 2018	7,861	324,928	(1,689)	6,191	337,291	1,118	336,173

Consolidated statement of cash flows[4]

(euro/000)	H1 2018	H1 2017
Cash flow provided by (used in) operating activities (D=A+B+C)	**(141,096)**	**(237,333)**
Cash flow generated from operations (A)	**13,299**	**12,422**
Operating income (EBIT)	10,937	9,830
Depreciation, amortisation and other fixed assets write-downs	2,330	2,287
Net changes in provisions for risks and charges	(266)	(215)
Net changes in retirement benefit obligations	(161)	(205)
Stock option/grant costs	459	725
Cash flow provided by (used in) changes in working capital (B)	**(152,353)**	**(248,871)**
Inventory	52,697	(109,550)
Trade receivables	(11,416)	80,588
Other current assets	4,520	2,370
Trade payables	(206,605)	(223,793)
Other current liabilities	8,451	1,514
Other cash flow provided by (used in) operating activities (C)	**(2,042)**	**(884)**
Interests paid, net	(817)	(700)
Foreign exchange (losses)/gains	(253)	217
Income taxes paid	(972)	(401)
Cash flow provided by (used in) investing activities (E)	**1,049**	**(2,668)**
Net investments in property, plant and equipment	(1,151)	(1,849)
Net investments in intangible assets	(104)	(242)
Changes in other non current assets and liabilities	3,121	(577)
Own shares acquisition	(817)	-
Cash flow provided by (used in) financing activities (F)	**(33,359)**	**32,400**
Medium/long term borrowing	-	165,000
Repayment/renegotiation of medium/long-term borrowings	(19,217)	(73,383)
Net change in financial liabilities	(5,801)	(50,381)
Net change in financial assets and derivative instruments	(1,855)	(1,906)
Deferred price Celly acquisition	-	(12)
Deferred price Vinzeo acquisition	-	355
Dividend payments	(6,987)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	(9)	(176)
Changes in third parties net equity	81	(110)
Other movements	429	-
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(173,406)**	**(207,601)**
Cash and cash equivalents at year-beginning	**296,969**	**285,933**
Net increase/(decrease) in cash and cash equivalents	**(173,406)**	**(207,601)**
Cash and cash equivalents at year-end	**123,563**	**78,332**

[4] 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 2018 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 ('Information notice concerning 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 IFRSs - International Financial Reporting Standards -, using the same accounting principles used in the Consolidated Financial Statements as at 31 December 2017 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 2017.

The condensed half-yearly consolidated financial statements of 30 June 2018 have been 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[5].
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 2018, all consolidated on a line-by-line basis.

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

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	80.00%	Esprinet S.p.A.	80.00%
EDSlan S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Zaragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Mosaico S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	100,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
Subsidiaries indirectly controlled:					
Celly Nordic OY	Helsinki (Finland)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Swiss SAGL	Lugano (Switzerland)	16,296	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (China)	935	80.00%	Celly Swiss SAGL	100.00%
Esprinet Portugal Lda	Porto (Portugal)	400,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spain)	4,000	100.00%	Esprinet Iberica S.L.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.	Zaragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

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

Compared with 31 December 2017, no variation within the consolidation scope occurred.

As compared with 31 December 2017 we remark the first consolidation of the company Nilox Deutschland GmbH and the disposal of 20% share in the associate company Ascendeo S.A.S. by Celly S.p.A. on 2 August 2017.

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

1.3 Critical 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 2017, 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 statements, current taxes have been calculated specifically based on the tax rates in force at the closing date of the financial statements.

Prepaid and deferred taxes have been instead estimated based on the tax rates expected to be in force at the time when the relevant assets or liabilities will be realised or settled.
Figures in this document are expressed in thousands of euro, unless otherwise indicated.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

1.4 Changing in accounting policies

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, were made in this half-yearly management statement. However, following the first adoption from 1 January 2018 of the new international standards IFRS 9 and IFRS 15, it was necessary to calculate and record the effects of these new provisions at that date.

In particular, the main change introduced by the accounting standard IFRS 9 affecting the Group relates to finance income for 0.2 million euro relating to the upfront fees amortisation booked in the income statement as at 1 January 2018. This amount relates to the remaining fees, as at 28 February 2017 on the loan signed by the parent company Esprinet S.p.A. on July 2014 and replaced by the same with the current loan for an original amount of 210.0 million euro on 28 February 2017.
This change brought about a decrease of 0.4 million euro in the financial liabilities and a 0.2 million euro decrease in prepayments.

The introduction of IFRS 15 accounting standard brought about a different representation of the gross margin, depending on whether revenues are resulting from contracts with customers under which the company plays the role of 'principal' or 'agent' for the purpose of the accounting standard. The gross profit representation for 'principals' leads to a separate presentation of sales and cost of sales, while for 'agents' it only requires the presentation of the gross profit realised under sales.
The Esprinet Group, following both an analysis of the signed contracts and the identification of contractual obligations as per the new approach according to the accounting standard, identified the distribution of hardware and software, the distribution of own-brand products and the rendering of services as activities where it acts as a 'principal'. Conversely, the distribution of cloud software and the brokerage of services were detected as business lines to be disclosed as 'agent' (bearing in mind that acting as an 'agent' does not entail an agency contract as commonly interpreted in the jurisdictions of the Countries where the Group is active, but merely for accounting purposes).
If the accounting standard IFRS 15 had been adopted in 2017, sales and cost of sales would have been lower by 6.8 million euro as at 30 June 2017 and by 13.6 million euro as at 31 December 2017, without any impact on the unchanged gross profit.

The changes referring to the two new above-mentioned accounting standards are almost entirely attributable to the parent company, Esprinet S.p.A..

The table below shows the effects, net of the nominal tax rate of 24%, that would have been recorded in the 2017 fiscal year and in the Condensed Half-yearly Consolidated Financial Statements as at 30 June 2017 (only separate income statement) if the above-mentioned changes were applied in those fiscal periods ('pro-forma' column).

Consolidated statement of financial position

(euro/000)	31/12/2017 pro-forma	31/12/2017 Published	Var.
ASSETS			
Property, plant and equipment	14,634	14,634	-
Goodwill	90,595	90,595	-
Intangible assets	1,070	1,070	-
Deferred income tax assets	11,262	11,262	-
Derivative financial assets	36	36	-
Receivables and other non-current assets	6,705	6,712	(7)
Non-current assets	**124,302**	**124,309**	**(7)**
Inventory	481,551	481,551	-
Trade receivables	313,073	313,073	-
Income tax assets	3,116	3,116	-
Other assets	27,522	27,778	(256)
Cash and cash equivalents	296,969	296,969	-
Current assets	**1,122,231**	**1,122,487**	**(256)**
Total assets	**1,246,533**	**1,246,796**	**(263)**
EQUITY			
Share capital	7,861	7,861	-
Reserves	303,046	303,046	-
Group net income	26,368	26,235	133
Group net equity	**337,275**	**337,142**	**133**
Non-controlling interests	1,046	1,046	-
Total equity	**338,321**	**338,188**	**133**
LIABILITIES			
Borrowings	19,927	19,927	-
Deferred income tax liabilities	7,088	7,088	-
Retirement benefit obligations	4,814	4,814	-
Debts for investments in subsidiaries	1,311	1,311	-
Provisions and other liabilities	2,504	2,504	-
Non-current liabilities	**35,644**	**35,644**	**-**
Trade payables	690,449	690,449	-
Short-term financial liabilities	155,522	155,960	(438)
Income tax liabilities	735	693	42
Derivative financial liabilities	663	663	-
Provisions and other liabilities	25,199	25,199	-
Current liabilities	**872,568**	**872,964**	**(396)**
Total liabilities	**908,212**	**908,608**	**(396)**
Total equity and liabilities	**1,246,533**	**1,246,796**	**(263)**

Consolidated income statement

	H1 2017										
(euro/000)	pro-forma				Published				Var.		
	Italy	Spain	Elim	Group	Italy	Spain	Elim	Group	Italy	Spain	Group
Sales	947,494	506,356	(23,771)	1,430,079	954,186	506,427	(23,771)	1,436,842	(6,692)	(71)	(6,763)
Cost of sales	(888,070)	(486,010)	23,760	(1,350,320)	(894,763)	(486,080)	23,760	(1,357,083)	6,692	71	6,763
Gross Profit	**59,424**	**20,346**	**(11)**	**79,759**	**59,423**	**20,347**	**(11)**	**79,759**	**-**	**-**	**-**
Sales and marketing costs	(22,750)	(5,690)	(45)	(28,485)	(22,750)	(5,690)	(45)	(28,485)	-	-	-
Overheads and administrative costs	(30,522)	(10,974)	52	(41,444)	(30,522)	(10,974)	52	(41,444)	-	-	-
Operating income (EBIT)	**6,152**	**3,682**	**(4)**	**9,830**	**6,151**	**3,683**	**(4)**	**9,830**	**-**	**-**	**-**
Finance costs - net				(1,634)				(1,867)			233
Other investments expenses / (incomes)				(16)				(16)			-
Profit before income taxes				**8,180**				**7,947**			**233**
Income tax expenses				(1,736)				(1,680)			(56)
Net income				**6,444**				**6,267**			**177**

	31/12/2017										
(euro/000)	pro-forma				Published				Var.		
	Italy	Spain	Elim	Group	Italy	Spain	Elim	Group	Italy	Spain	Group
Sales	2,024,104	1,225,517	(46,050)	3,203,571	2,037,574	1,225,648	(46,050)	3,217,172	(13,470)	(131)	(13,601)
Cost of Sales	(1,903,438)	(1,178,308)	45,938	(3,035,808)	(1,916,908)	(1,178,439)	45,938	(3,049,409)	13,470	131	13,601
Gross Profit	**120,666**	**47,209**	**(112)**	**167,763**	**120,666**	**47,209**	**(112)**	**167,763**	**-**	**-**	**-**
Sales and marketing costs	(42,871)	(10,872)	(57)	(53,800)	(42,871)	(10,872)	(57)	(53,800)	-	-	-
Overheads and administrative costs	(58,985)	(20,699)	68	(79,616)	(58,985)	(20,699)	68	(79,616)	-	-	-
Operating income (EBIT)	**18,810**	**15,638**	**(101)**	**34,347**	**18,810**	**15,638**	**(101)**	**34,347**	**-**	**-**	**-**
Finance costs - net				(574)				(749)			175
Other investments expenses / (incomes)				36				36			-
Profit before income taxes				**33,809**				**33,634**			**175**
Income tax expenses				(7,397)				(7,355)			(42)
Net Income				**26,412**				**26,279**			**133**

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

The accounting policies adopted in the preparation of the consolidated financial statements as at 30 June 2018 are consistent with those used in the consolidated financial statements as at 31 December 2017, except for the accounting standards and amendments described below and obligatorily applied with effect from 1 January 2018 after being endorsed by the competent authorities.

The principal changes are as follows:

IFRS 9 – Financial Instruments - IFRS 9 (issued in July 2014) brings together the three phases of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. 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.

In 2018, the Group upon adopting IFRS 9 posted positive net adjustments equal to 0.2 million euro as at 1 January 2018, almost entirely due to the interruption of the remaining upfront fees, relating to loans replaced by the parent company Esprinet S.p.A. in 2017.

IFRS 15 'Revenues from contracts with customers': the standard, issued in May 2014, introduces a new five-step model that applies 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 new standard replaces 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.
In 2018, the Group made the following adjustments upon adopting IFRS 15: revenues and cost of sales were reduced by 12.3 million euro as a mere effect of a different presentation of the gross margin, which is then unchanged, as a result of some transactions as agent and not as principal. This change is almost entirely attributable to the parent company, Esprinet S.p.A..
On first application, the Group adopted the modified retrospective approach re-calculating only the values at the beginning of the period, thus producing overall net adjustments equal to 13.6 million euro as at 31 December 2017.

IFRS 2 - Amendments to 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. These amendments, effective for annual periods beginning on or after 1 January 2018, had no significant impacts on the Condensed Consolidated Half-Yearly Financial Statements as at 30 of June 2018.

Annual Improvements to the IFRS, 2014-2016 Cycle - these amendments were published on 8 December 2016 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, effective for annual periods beginning on or after 1 January 2018, had no significant impacts on the Condensed Consolidated Half-Yearly Financial Statements as at 30 of June 2018.

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. In the light of its type of activities, these amendments did not have any impacts on the Group's figures.

Amendment to IAS 40 - Transfers of Investment Property (published on 8 December 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 the light of its type of activities, these amendments did not have any impacts on the Group's figures.

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

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

IFRS 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.

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 Separate income statement by operating segments

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

Separate income statement and other significant information by operating segments

(euro/000)	H1 2018			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,007,641	530,519	-	1,538,159
Intersegment sales	26,133	-	(26,133)	-
Sales	**1,033,774**	**530,519**	**(26,133)**	**1,538,159**
Cost of sales	(977,026)	(510,401)	26,220	(1,461,207)
Gross profit	**56,748**	**20,118**	**87**	**76,952**
Gross Profit %	*5.49%*	*3.79%*		*5.00%*
Sales and marketing costs	(20,873)	(5,931)	-	(26,804)
Overheads and admin. costs	(29,470)	(9,753)	12	(39,211)
Operating income (Ebit)	**6,405**	**4,434**	**99**	**10,937**
EBIT %	*0.62%*	*0.84%*		*0.71%*
Finance costs - net				(2,403)
Share of profits of associates				-
Profit before income tax				**8,534**
Income tax expenses				(2,343)
Net income				**6,191**
- of which attributable to non-controlling interests				65
- of which attributable to Group				6,126
Depreciation and amortisation	**1,685**	**405**	240	**2,329**
Other non-cash items	**1,713**	**94**	-	**1,807**
Investments	**1,098**	**174**	-	**1,272**
Total assets	**860,002**	**348,833**	(183,318)	**1,025,517**

(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**	197	**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)	Q2 2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	484,578	272,308		756,885
Intersegment sales	13,667	-	(13,667)	-
Sales	**498,245**	**272,308**	**(13,667)**	**756,885**
Cost of sales	(470,228)	(262,343)	13,686	(718,885)
Gross profit	**28,017**	**9,965**	**19**	**38,000**
Gross Profit %	*5.62%*	*3.66%*		*5.02%*
Sales and marketing costs	(10,503)	(2,910)	(1)	(13,414)
Overheads and admin. costs	(14,136)	(4,873)	9	(19,000)
Operating income (Ebit)	**3,378**	**2,182**	**27**	**5,586**
EBIT %	*0.68%*	*0.80%*		*0.74%*
Finance costs - net				(1,695)
Share of profits of associates				-
Profit before income tax				**3,891**
Income tax expenses				(1,113)
Net income				**2,778**
- of which attributable to non-controlling interests				25
- of which attributable to Group				2,753
Depreciation and amortisation	835	**202**	125	**1,162**
Other non-cash items	685	**41**	-	**726**
Investments	562	**140**	-	**702**
Total assets	**860,002**	**348,833**	(183,318)	**1,025,517**

(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	889	**170**	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**

Statement of financial position by operating segments

(euro/000)	30/06/2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,274	3,482	-	13,756
Goodwill	21,450	68,106	1,039	90,595
Intangible assets	811	62	-	873
Investments in others	75,687	-	(75,687)	-
Deferred income tax assets	3,573	7,837	101	11,511
Derivative financial assets	-	12	-	12
Receivables and other non-current assets	3,103	294	-	3,397
	114,898	**79,793**	**(74,547)**	**120,144**
Current assets				
Inventory	295,896	133,280	(322)	428,854
Trade receivables	261,846	62,643	-	324,489
Income tax assets	1,921	120	-	2,041
Other assets	133,312	1,563	(108,449)	26,426
Cash and cash equivalents	52,129	71,434	-	123,563
	745,104	**269,040**	**(108,771)**	**905,373**
Disposal groups assets	-	-	-	-
Total assets	**860,002**	**348,833**	**(183,318)**	**1,025,517**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	295,202	47,163	(20,179)	322,186
Group net income	3,164	2,917	45	6,126
Group net equity	**306,227**	**104,773**	**(74,827)**	**336,173**
Non-controlling interests	1,153	6	(41)	1,118
Total equity	**307,380**	**104,779**	**(74,868)**	**337,291**
LIABILITIES				
Non-current liabilities				
Borrowings	101,633	885	-	102,518
Derivative financial liabilities	253	-	-	253
Deferred income tax liabilities	3,071	4,631	-	7,702
Retirement benefit obligations	4,532	-	-	4,532
Provisions and other liabilities	2,040	198	-	2,238
	111,529	**5,714**	**-**	**117,243**
Current liabilities				
Trade payables	368,937	115,110	-	484,047
Short-term financial liabilities	45,745	106,448	(102,738)	49,455
Income tax liabilities	711	610	-	1,321
Derivative financial liabilities	419	1	-	420
Debts for investments in subsidiaries	1,309	-	-	1,309
Provisions and other liabilities	23,972	16,171	(5,712)	34,431
	441,093	**238,340**	**(108,450)**	**570,983**
Disposal groups liabilities	-	-	-	-
Total liabilities	**552,622**	**244,054**	**(108,450)**	**688,226**
Total equity and liabilities	**860,002**	**348,833**	**(183,318)**	**1,025,517**

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

3. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

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	15,060	30,675	109	**45,844**
Accumulated depreciation	(10,527)	(20,683)	-	**(31,210)**
Balance at 31 December 2017	**4,533**	**9,992**	**109**	**14,634**
Historical cost increase	155	631	382	**1,168**
Historical cost decrease	(17)	(84)	(1)	**(102)**
Historical cost reclassification	-	21	(21)	**-**
Increase in accumulated depreciation	(609)	(1,420)	-	**(2,029)**
Decrease in accumulated depreciation	15	70	-	**85**
Total changes	**(456)**	**(782)**	**360**	**(878)**
Historical cost	15,198	31,243	469	46,910
Accumulated depreciation	(11,121)	(22,033)	-	(33,154)
Balance at 30 June 2018	**4,077**	**9,210**	**469**	**13,756**

As at 30 June 2018, the investments in *'plant and machinery'* substantially refer to new security and surveillance equipment in the logistic hubs of Cavenago and Zaragoza.

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

Investments in *'Assets under construction'* refer mainly to the acquisition, by the parent company Esprinet S.p.A., of conditioning plants, video-surveillance facilities and equipment for the logistic hub in Cavenago, not yet operating as at 30 June 2018.

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

The depreciation rates applied to each asset category are unchanged from the fiscal year closed at 31 December 2017.

2) Goodwill

Goodwill amounts to 90.6 million euro with no changes compared with 31 December 2017.

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)	30/06/2018	31/12/2017	Var.		
Esprinet S.p.A.	17,297	17,297	-	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.	69,145	69,145	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**90,595**	**90,595**	**-**		

The annual impairment test, required by IAS 36, was carried out in reference to the financial statements as at 31 December 2017 and no impairment loss was identified with reference to the 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 2018 and the date of this Half-yearly Financial Report, no other impairment tests were conducted as at 30 June 2018.

In the light of above, the goodwill values booked as at 31 December 2017 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 2017.

3) Intangible assets

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	Other intagible assets	Total
Historical cost	3	11,224	30	6	4	**11,267**
Accumulated depreciation	(3)	(10,169)	(20)	-	(4)	**(10,196)**
Balance at 31 December 2017	**-**	**1,055**	**10**	**6**	**-**	**1,070**
Historical cost increase	-	102	2	-	-	**104**
Reclassification	-	2	1	(6)	3	**-**
Increase in accumulated depreciation	-	(300)	-	-	(1)	**(301)**
Total changes	**-**	**(196)**	**3**	**(6)**	**2**	**(197)**
Historical cost	3	11,328	33	-	7	**11,371**
Accumulated depreciation	(3)	(10,469)	(20)	-	(5)	**(10,497)**
Balance at 30 June 2018	**-**	**859**	**13**	**-**	**2**	**873**

Investments in *'Industrial and other patent rights'* include substantially costs sustained for the long-term renewal and upgrade of ERP system (software); the increase is attributable to the parent company, Esprinet S.p.A..

This item is amortised in three years.

6) Deferred income tax assets

(euro/000)	30/06/2018	31/12/2017	Var.
Deferred income tax assets	11,511	11,262	249

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.

8) Derivative financial assets

(euro/000)	30/06/2018	31/12/2017	Var.
Derivative financial assets	12	36	(24)

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

9) Receivables and other non-current assets

(euro/000)	30/06/2018	31/12/2017	Var.
Guarantee deposits receivables	1,986	4,842	(2,856)
Trade receivables	1,411	1,870	(459)
Receivables and other non-current assets	**3,397**	**6,712**	**(3,315)**

As at 30 June 2018, the item *Guarantee deposits receivables* includes substantially guarantee deposits relating to utilities and lease agreements ongoing. The significant drop compared with 31 December 2017 is due to the reclassification under current assets of the deposit with the purchaser under the securitisation transaction conducted by the parent Company aiming to ensure coverage of potential dilutions under this exercise or in the months following the transaction closing.

Trade receivables refer to the portion of receivables from the customer 'Guardia di Finanza – GdF ' (Revenue Guard Corps') expiring more than 12 months after 30 June 2018, which 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 2017 is due to the allocation to current receivables of the portion expiring within the next fiscal year.

Current assets

10) Inventory

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

(euro/000)	30/06/2018	31/12/2017	Var.
Finished products and goods	434,498	488,233	(53,735)
Provision for obsolescence	(5,644)	(6,682)	1,038
Inventory	**428,854**	**481,551**	**(52,697)**

Inventory totalled 428.9 million euro, down 52.7 million euro compared with stock levels at 31 December 2017, mainly as a consequence of lower purchase volumes compared with the year end, due to the typical seasonality of the distribution business.

The 5.6 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 stock.

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

(euro/000)	30/06/2018	31/12/2017	Var.
Provision for absolescence: year-beginning	**6,682**	**7,855**	**(1,173)**
Uses	(2,510)	(3,464)	954
Accruals	1,472	2,291	(819)
Total variation	**(1,038)**	**(1,173)**	**135**
Provision for absolescence: period-end	**5,644**	**6,682**	**(1,038)**

11) Trade receivables

(euro/000)	30/06/2018	31/12/2017	Var.
Trade receivables - gross	330,962	320,172	10,790
Bad debt provision	(6,473)	(7,099)	626
Trade receivables - net	**324,489**	**313,073**	**11,416**

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

Net trade receivables include 5.2 million euro of receivables transferred to factoring firms under 'with-recourse' factoring agreements, and are adjusted by credit notes to be issued to customers for an amount equal to 53.0 million euro at the end of 30 June 2018 and 59.6 million euro as at 31 December 2017.
Gross trade receivables are influenced not only by business volume trend, but also by seasonal drivers and by the impact of revolving programmes of trade receivables financing.

The increase in gross trade receivables was caused by a lower use of technical forms of receivables financing compared with 31 December 2017 (i.e. equal to approx. 302 million euro as at 30 June 2018 compared with 424 million euro as at 31 December 2017).

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

(euro/000)	30/06/2018	31/12/2017	Var.
Bad debt provision: year-beginning	**7,099**	**7,177**	**(78)**
Uses	(1,177)	(1,753)	576
Accruals	551	1,675	(1,124)
Total variation	**(626)**	**(78)**	**(548)**
Bad debt provision: period-end	**6,473**	**7,099**	**(626)**

12) Income tax assets

(euro/000)	30/06/2018	31/12/2017	Var.
Income tax assets	2,041	3,116	(1,075)

The Income tax assets refer for 0.6 million euro to the excess advance payments of IRES and IRAP over tax accrued on 2017 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 from 2008 to 2011 with reference to Esprinet S.p.A., and for the residual, mainly to the tax credit balance at 30 June 2018, substantially attributable to the subsidiaries Esprinet Iberica SLU and Esprinet Portugal Lda.

13) Other assets

(euro/000)	30/06/2018	31/12/2017	Var.
Receivables from associates companies (A)	-	-	-
Witholding tax assets	8	53	(45)
VAT receivables	1,694	10,938	(9,244)
Other tax assets	6,508	5,018	1,490
Other receivables from Tax authorities (B)	**8,210**	**16,009**	**(7,799)**
Receivables from factoring companies	769	1,534	(765)
Customer financial receivables	3,622	510	3,112
Receivables from insurance companies	365	284	81
Receivables from suppliers	9,850	5,276	4,574
Receivables from employees	-	1	(1)
Receivables from others	226	186	40
Other receivables (C)	**14,832**	**7,791**	**7,041**
Prepayments (D)	**3,384**	**3,978**	**(594)**
Other assets (E= A+B+C+D)	**26,426**	**27,778**	**(1,352)**

VAT receivables refer to VAT receivables accrued by the subsidiaries V-Valley S.r.l., EDSlan S.r.l., Mosaico 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, referring to the parent company for 0.7 million euro, relate to the residual amount still unpaid of the receivables sold 'without recourse' at the end of June 2018. At the time this report was drafted, the receivables due had been almost entirely paid.
The decrease compared to the previous year-end balance is mainly due to the temporary differences in the collection of transferred receivables.

Customer financial receivables refer for 3.2 million euro to the reclassification from non-current assets of the deposit with the purchaser under the securitisation transaction conducted by the parent Company aimed at ensuring coverage of potential dilutions under this exercise or in the months following the transaction closing and refer, for 0.5 million euro, to the portion of receivables collectable within 12 months from 30 June 2018, that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer 'Guardia di Finanza - Gdf'. For further information please refer also to the section entitled 'Receivables and other non-current assets'.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the next fiscal year.

Receivable from suppliers refer to advances required by suppliers before purchase orders are executed, 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 calculated and issue and when 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)	30/06/2018	31/12/2017	Var.
Bank and postal deposit	123,535	296,945	(173,410)
Cash	27	20	7
Cheques	1	4	(3)
Total cash and cash equivalents	**123,563**	**296,969**	**(173,406)**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. The level of liquidity, originated in the normal short-term financial cycle of collections, is partly temporarily and dramatically fluctuates not only along the calendar year but also during each month, mainly because payments from customers are concentrated at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

For further details relating to the cash flows development please refer to the Statement of cash flows and to the following section 'Cash flow analysis'.

Equity

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

(euro/000)	30/06/2018	31/12/2017	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	323,874	308,191	15,683
Own shares (C)	(1,688)	(5,145)	3,457
Total reserves (D=B+C)	**322,186**	**303,046**	**19,140**
Net income for the year (E)	**6,126**	**26,234**	**(20,108)**
Net equity (F=A+D+E)	**336,173**	**337,141**	**(968)**
Non-controlling interests (G)	1,118	1,046	72
Total equity (H=F+G)	**337,291**	**338,187**	**(896)**

19) Share capital

The Esprinet S.p.A. Share capital, fully subscribed and paid-in as at 30 June 2018, 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 15.7 million euro, mainly due to the allocation of profits from previous years equal to 26.2 million euro net of 7.0 million euro relating to the dividend distribution (0.135 euro per ordinary share) occurred in this first half.

Own shares on hand

The amount refers to the total purchase price of No. 336,255 Esprinet S.p.A. shares owned by the Company as at 30 June 2018.

The decrease compared with 646,889 shares as at 31 December 2017 is due to the allotment of 535,134 shares to beneficiaries of the Long Term Incentive Plan approved by the AGM of Esprinet S.p.A. on 30 April 2015 and to the purchase of further 224,500 shares occurred between 14 and 28 June 2018 at an average unit price of 3.64 euro, net of fees, in fulfilment of the resolution of the AGM of 4 May 2018.

21) Net income

Consolidated net profits pertaining to the first half of 2018 amount to 6.2 million euro (6.3 million euro in the first half of the previous year).

Non-current liabilities

22) Borrowings

(euro/000)	30/06/2018	31/12/2017	Var.
Borrowings	102,518	19,928	82,590

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'*, to which reference is made for more details, these loans refer for 87.0 million euro to the portion maturing beyond a 12-month period of the 5-year amortised *Senior Loan* in the original amount of 145.0 million euro (116.0 million euro drawn as at 31 December 2017). This loan was subscribed by Esprinet S.p.A with a pool of banks on 28 February 2017 under a *Term Loan Facility* which also comprises a 5-year revolving facility for 65.0 million euro (undrawn at 30 June 2018).

The value of the above-mentioned loan, that at 31 December 2017 was classified under short-term liabilities as a consequence of the breach of one of the four covenants to which it is subject, is classified under long-term liabilities for the portion expiring beyond 12 months as at 30 June 2018, pursuant to the applicable accounting standards, because in the first half the pool of lending banks pro-actively waived their rights arising from said breach and because of the renegotiation of the design of these covenants, as better highlighted under the paragraph *'Significant events occurring in the period'*.

In addition, 0.9 million euro refers to agreements in place in the subsidiary Vinzeo Technologies S.A.U., 13.9 million euro relates to two minor loans signed by Esprinet S.p.A. in March 2017, another 1.4 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'.

Beside what above-mentioned, the change is due to the reclassification of the portion falling due within 12 months to short-term liabilities as a consequence of instalment repayments, in accordance with the amortisation plan.

23) Derivative financial liabilities (non-current)

(euro/000)	30/06/2018	31/12/2017	Var.
Derivative financial liabilities	253	-	253

The balance refers to the fair value of six IRS contracts entered into by Esprinet S.p.A. in April 2017 with six of the eight banks that on 28 February 2017 granted the medium-term floating-rate loan of 145 million euro (reduced to 116.0 million euro in capital as at 30 June 2018 as a result of payments made under the amortisation plan).

The 'fair value' of the above-mentioned agreements, that at 31 December 2017 was classified under short-term liabilities as a consequence of the breach of one of the four covenants to which the 'hedged' loan is subject, is classified under long-term liabilities as at 30 June 2018 pursuant to the applicable accounting standards, because in the first half the pool of lending banks pro-actively waived their rights arising from said breach and because of the renegotiation of the design of these covenants, as better highlighted under the paragraph *'Significant events occurring in the period'*.

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)	30/06/2018	31/12/2017	Var.
Deferred income tax liabilities	7,702	7,088	614

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)	30/06/2018	31/12/2017	Var.
Balance at year-beginning	**4,814**	**5,185**	**(371)**
Service cost	74	168	(94)
Interest cost	30	64	(34)
Actuarial (gain)/loss	(147)	(49)	(98)
Pensions paid	(239)	(554)	315
Total variation	**(282)**	**(371)**	**89**
Retirement benefit obligations	**4,532**	**4,814**	**(282)**

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 2018 compared with the one at 31 December 2017 The latter change is strictly linked to experience adjustments that reflect the deviation between forward-looking assumptions used in the 31 December 2017 valuation and the actual development of the provision as at 30 June 2018.

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

(euro/000)	30/06/2018	31/12/2017	Var.
Amounts booked under personnel costs	74	168	(94)
Amounts booked under financial costs	30	64	(34)
Total	**104**	**232**	**(128)**

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:

	30/06/2018	31/12/2017
Cost of living increase	1.50%	1.50%
Discounting rate [(2)]	1.45%	1.30%
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)	30/06/2018	31/12/2017	Var.
Debts for investments in subsidiaries	-	1,311	(1,311)

The balance at the end of the previous year referred to the discounted fair value of the forecast conditional consideration relating to the acquisition of the residual 20% of Celly S.p.A. as a consequence of the mutual put/call options on the same shares between Esprinet S.p.A. and Celly S.p.A., now entirely reclassified under current liabilities because, with the passing of time, as at the reporting date they are now potentially exercisable in the following 12 months.

26) Non-current provisions and other liabilities

(euro/000)	30/06/2018	31/12/2017	Var.
Provisions for pensions and similar obligations	1,898	1,915	(17)
Other provisions	340	589	(249)
Non-current provisions and other liabilities	**2,238**	**2,504**	**(266)**

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)	30/06/2018	31/12/2017	Var.
Provisions for pensions: year-beginning	**1,915**	**2,325**	**(410)**
Uses	(43)	(542)	499
Accruals	26	132	(106)
Total variation	**(17)**	**(410)**	**393**
Provisions for pensions: period-end	**1,898**	**1,915**	**(17)**

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

(euro/000)	30/06/2018	31/12/2017	Var.
Other provisions: year-beginning	**589**	**480**	**109**
Uses	(309)	(133)	(176)
Accruals	60	242	(182)
Other provisions: period-end	**340**	**589**	**(249)**

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

In the first half of 2018, 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.

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

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

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

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and after the failure of a tax settlement proposal, paid the reduced penalties and lodged an appeal with the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., at the recommendation of the seller's advisor, lodged an appeal which was registered with the Regional Tax Commission on 20 May 2013.
On 23 September 2014, the appeal was rejected and the seller's advisor lodged an appeal against the ruling with the Court of Appeal.
In the meantime, Esprinet paid the sums inscribed on the tax roll as per the Regional Tax Commission decision, after receiving the corresponding funds from the seller.

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

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

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

On 30 November 2016, the Company was served a notice relating to an assessment claiming VAT of 1.0 million euro, plus penalties and interests. The tax authority claims that some transactions are taxable in respect of which a customer had previously filed a declaration ('dichiarazione di intento'), but later failed to fulfil the requirements needed to qualify as a frequent exporter.
The notice of assessment follows tax checks carried out by the 'Direzione Regionale delle Entrate' (Regional Revenue Office) - Large Taxpayer Office through questionnaires sent on 3 October 2016.
On 23 January 2017 the Company filed an appeal against the assessment notice and, pursuant to the administrative procedure, made an advance payment equal to 0.4 million euro, booked under 'Other tax assets'.
The hearing on the merit of the appeal was fixed on 24 November 2017.
On 10 January 2018 a judgement was issued that rejected the first instance claim.
On 23 February 2018 another advance equal to 1.5 million euro was paid, also posted under 'Other tax assets'.
The Company appealed on 16 July 2018.

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

On 2 October 2017 the Company was served a notice of assessment claiming VAT on taxable transactions entered with three customers for 3.1 million euro, along with penalties and interest.
The tax assessment refers to business relations with the three companies that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows tax audit carried out by the Direzione Regionale della Lombardia (Regional Revenue Office) - Large Taxpayer Office through the questionnaire No. Q00144/2017 notified on 3 August 2017.
The Company appealed against the notice of assessment on 30 November 2017.
On 19 December 2017, the President of the Commission, recognising not only the potential merits of Esprinet's request ('fumus') and the potential damage to it ('periculum'), but also the lack of urgency of the challenged measure, temporarily suspended the challenged act until the collegial judgement on the assessment by the competent court. The hearing was held on 23 February 2018 and the Provincial Tax Commission upheld the application for suspension.
On 18 May 2018 the hearing was held where the Provincial Tax Commission requested the appellant to file some documents by 30 June 2018 and scheduled the next hearing on 21 September 2018.

Esprinet S.p.A. indirect taxes for the year 2013

On 31 July 2018 the Company was served a notice of assessment claiming VAT on taxable transactions entered with a customer for 66 thousand euro, along with penalties and interest.
The tax assessment refers to business relations with the customer company that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows tax audit carried out by the Direzione Regionale della Lombardia (Regional Revenue Office) - Large Taxpayer Office through the questionnaire No. Q0025/2018 notified on 5 February 2018.
The Company will appeal against the notice of assessment.

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

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (a year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arose resulting in a disallowance of costs equal to 82 thousand euro, plus penalties and interest.
On 2 November the Company filed its comments. On 20 July 2016 the Italian Revenue Office notified tax assessment notices related to IRAP and direct taxation. On 29 September the Company filed a tax settlement proposal, leading to a cross-examination with the Office.
On 25 November 2016 the Office rejected the settlement proposal, and as a consequence the Company lodged a partial appeal on 16 January 2017.
On 26 June 2017 the matter was discussed and on 10 July 2017 a judgement was issued that upheld the appeal.
In July, the company obtained cancellation of the amounts inscribed on the tax roll following the Provincial Tax Commission decision.
On 17 October 2017 the Italian Revenue Office lodged an appeal against the first instance judgement and the company entered an appearance filing its counter-arguments.
On 3 July 2018, the hearing was held and on 20 July 2018 the 'Regional Tax Commission' issued a judgement that upheld the Italian Revenue Office's appeal.
The company is assessing the proper course of action together with its advisors.

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

On 27 June 2014 an overall tax inspection was started against the Company with respect to direct taxes, IRAP and VAT for tax year 2011, followed by a tax audit report on 25 July 2014. On 6 October

2016 the Italian Revenue Office issued a notice of assessment resulting in a disallowance of costs equal to 74 thousand euro, plus penalties and interest.
On 29 September 2016 the Company filed a tax settlement proposal, and on 17 January 2017 the first meeting with the Office was held. Since the discussion with the Office did not resolve the dispute, the Company filed an appeal on 3 March 2017.
The hearing, initially fixed on 4 December 2017, was rescheduled to 28 May 2018.
The tax assessment notices were settled with legal conciliation signed on 25 May 2018.

Edslan S.r.l. 'imposta di registro' 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 tax to be paid on the price of the business acquired ('imposta di registro') claimed amounts to 182 thousand euro, plus penalties and interest.
On 21 September 2017, the company filed a tax settlement proposal and on 11 October the first meeting was held at Tax Office, with a negative outcome.
On 29 December 2017, the company lodged an appeal that was filed with the Provincial Tax Commission on 24 January 2018.
The hearing was held on 19 June 2018 and the judgement notification is pending.

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

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

Celly S.p.A. 'imposta di registro' for the year 2016

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

Mosaico S.r.l. 'imposta di registro' for the year 2016

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

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

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

On 23 March 2018 the company was served a correction and settlement notice relating to the reassessment of the business unit acquired which results in higher tax to be paid on the price of the business acquired ('imposta di registro') for 48 thousand euro. The company, supported by ITWAY S.p.A. advisors, filed appeal against the notice on 15 May 2018.

On 4 September 2018, an adversarial hearing was held after which the Revenue Office put forward a conciliation proposal that is now being examined by the Company.

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

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

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

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

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

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

Current liabilities

27) Trade payables

(euro/000)	30/06/2018	31/12/2017	Var.
Trade payables - gross	599,268	805,688	(206,420)
Credit notes to be received	(115,221)	(115,239)	18
Trade payables	**484,047**	**690,449**	**(206,402)**

The Trade payables balance, compared with 31 December 2017 is mainly influenced by the seasonality of the distribution business.

The amount is net of Credit notes to be received that 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)	30/06/2018	31/12/2017	Var.
Bank loans and overdrafts	39,192	142,009	(102,817)
Other financing payables	10,263	13,951	(3,688)
Short - term financial liabilities	**49,455**	**155,960**	**(106,505)**

Bank loans and overdraft refer almost entirely to the valuation at the amortized cost of the portion of the medium-long term loans granted to the Group companies falling due within next 12 months.

As at 30 June 2018, these loans include the principal portion of 29.0 million euro maturing beyond a 12-month period of the 5-year amortised Senior Loan in the original amount of 145.0 million euro (116.0 million euro drawn as at 30 June 2018). This loan was subscribed by Esprinet S.p.A with a pool of banks in February 2017 under Term Loan Facility also comprising a 5-year revolving facility for 65.0 million euro (undrawn at 30 June 2018).

The change compared with 31 December 2017 is due to the repayment in February 2018, as per the unchanged amortisation plan of the amortising facility, of an instalment amounting to 14.5 million euro in principal and to the reclassification under non-current financial liabilities of the portion expiring beyond 12 months of the above-mentioned loan (87.0 million euro), that on 31 December 2017 was entirely posted under current financial liabilities due to the breach of one of the 4 covenants to which it is subject. The reclassification back under non-current financial liabilities, pursuant to the applicable accounting standards, follows the waiver granted by the lending banks from exercising their rights arising from said breach and the renegotiation of the design of these covenants, as better highlighted under the paragraph 'Significant events occurring in the period'.

The amount also includes the portion of other minor loans taken by Esprinet S.p.A. in March 2017 (4.9 million euro), by the subsidiary EDSlan S.r.l. (0.1 million euro) and by the Spanish subsidiary Vinzeo Technologies S.A.U. (3.5 million euro) falling due within next year.

This adds to the portion falling due within this year (0.4 million euro) of the loan taken by the parent company relating to a delivery of goods to the customer 'Guardia di finanza - GdF'.

Payables to other lenders are mainly advances obtained from factoring companies deriving from the usual with-recourse assignment of receivables by the Group, and from outstanding payables received in the name and on behalf of clients under the without-recourse factoring agreement.

29) Income tax liabilities

(euro/000)	30/06/2018	31/12/2017	Var.
Income tax liabilities	1,321	693	628

Income tax liabilities, referring to Mosaico S.r.l. for 0.5 million euro, to V-Valley S.r.l. for 0.2 million euro, to Vinzeo Technologies S.A.U. for 0.5 million euro and to Esprinet Iberica S.L.U. for 0.1 million euro reflect the excess amount of current income taxes for the first half 2018 over the advances paid.

30) Derivative financial liabilities (current)

(euro/000)	30/06/2018	31/12/2017	Var.
Derivative financial liabilities	420	663	(243)

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 main item (419 thousand euro) is due to the fair value of six IRS contracts entered into by Esprinet S.p.A. in April 2017 with six of the eight banks that on 28 February 2017 granted the medium-term floating-rate loan of 145 million euro (reduced to 116.0 million euro in capital as at 30 June 2018 as results of payments made under the amortisation plan). The portion of the loans referring to the above-mentioned six banks is equal to 93.9 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.

The 'fair value' of the above-mentioned agreements, that at 31 December 2017 was entirely classified under short-term liabilities as a consequence of the breach of one of the four covenants to which the 'hedged' loan is subject, is classified under long-term liabilities as at 30 June 2018, for the hedged portion expiring beyond 12 months (253 thousand euro) pursuant to the applicable accounting standards, because in the first half the pool of lending banks pro-actively waived their rights arising from said breach and because of the renegotiation of the design of these covenants, as better highlighted under the paragraph 'Significant events occurring in the period'.

The portion, arising from the interest rate curve change relating to the two remaining derivative contracts still outstanding at Vinzeo Technologies S.A.U., is negligible.

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

32) Provisions and other liabilities

(euro/000)	30/06/2018	31/12/2017	Var.
Social security liabilities (A)	**3,716**	**3,320**	**396**
Associates companies liabilities (B)	**-**	**-**	**-**
VAT payables	16,454	8,959	7,495
Withholding tax liabilities	331	319	12
Other tax liabilities	1,975	1,424	551
Other payables to Tax authorities (C)	**18,760**	**10,702**	**8,058**
Payables to personnel	5,524	4,824	700
Payables to customers	4,677	5,005	(328)
Payables to others	1,208	922	286
Total other creditors (D)	**11,409**	**10,751**	**658**
Accrued expenses and deferred income (E)	**546**	**426**	**120**
Provisions and other liabilities (F=A+B+C+D+E)	**34,431**	**25,199**	**9,232**

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 accrued during the month of June for Esprinet S.p.A., Celly S.p.A., Esprinet Iberica S.L.U, Esprinet Portugal Lda and V-Valley Iberian S.L.U..

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 compensation (holidays not taken, year-end bonus, monetary incentives included) accrued at the balance sheet date.

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

Payables to others include payables amounting to 0.7 million euro to Directors relating to first half emoluments accrued (0.4 million euro in 2017), 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)	30/06/2018	31/12/2017	Var.
Debts for investments in subsidiaries	1,309	-	1,309

The debts for investments in subsidiaries refer to the discounted fair value of the forecast conditional consideration relating to the acquisition of the residual 20% of Celly S.p.A., reclassified from the non-current liabilities as a consequence of the approaching of the beginning of the two-year period when the put/call option may be exercised by both parties.

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

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 2018	%	H1 2017	%	Var.	*% Var.*	Q2 2018	%	Q2 2017	*% Var.*
Italy	999.3	65.0%	921.9	64.2%	77.4	8%	479.9	63.4%	431.8	11%
Spain	515.1	33.5%	491.4	34.2%	23.7	5%	265.0	35.0%	247.9	7%
Other EU countries	21.0	1.4%	19.7	1.4%	1.3	7%	10.5	1.4%	9.9	6%
Extra EU countries	2.8	0.2%	3.8	0.3%	(1.0)	-26%	1.5	0.2%	1.8	-17%
Group sales	**1,538.2**	**100.0%**	**1,436.8**	**100.0%**	**101.4**	**7%**	**756.9**	**100.0%**	**691.4**	**9%**

Sales in other EU countries mainly refer to sales made by the Spanish subsidiary to customers resident in Portugal (13.0 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, in Andorra, in Switzerland and in Turkey.

Sales by products and services.

(euro/million)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Product sales	998.8	64.9%	921.1	64.1%	8%	477.4	63.1%	431.0	62.3%	11%
Services sales	8.8	0.6%	9.3	0.6%	-5%	7.1	0.9%	5.0	0.7%	42%
Sales - Subgroup Italy	**1,007.6**	**65.5%**	**930.4**	**64.8%**	**8%**	**484.5**	**64.0%**	**436.0**	**63.1%**	**11%**
Product sales	530.0	34.5%	505.9	35.2%	5%	272.8	36.0%	255.5	37.0%	7%
Services sales	0.6	0.0%	0.5	0.0%	20%	(0.4)	-0.1%	(0.1)	0.0%	300%
Sales - Subgroup Spain	**530.6**	**34.5%**	**506.4**	**35.2%**	**5%**	**272.4**	**36.0%**	**255.4**	**36.9%**	**7%**
Group sales	**1,538.2**	**100.0%**	**1,436.8**	**100.0%**	**7%**	**756.9**	**100.0%**	**691.4**	**100.0%**	**9%**

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.

Sales as 'Principal' or 'Agent'

From 1 January 2018, the Esprinet Group, pursuant to the IFRS 15 accounting standard, identified the distribution of hardware and software, the distribution of own-brand products and the rendering of services as activities where revenues should be recorded as 'principal'. Conversely, the distribution of cloud software and the brokerage of services were detected as business lines to be disclosed as 'agent'.
The table below displays the above-mentioned distinction, showing how revenues would have been recorded If the accounting standard IFRS 15 had been adopted in 2017 with respect to the comparative periods, for the purpose of a reconciliation with previously published amounts.

(euro/million)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Revenues from contracts with customers as 'principal'	1.536,9	99,9%	1.429,3	99,9%	8%	756,2	99,9%	687,2	99,9%	10%
Revenues from contracts with customers as 'agent'	1,3	0,1%	0,8	0,1%	63%	0,7	0,1%	0,4	0,1%	75%
Revenues from contracts with customers	**1.538,2**	**100,0%**	**1.430,1**	**100,0%**	**8%**	**756,9**	**100,0%**	**687,6**	**100,0%**	**10%**
Revenues - Change as 'agent' in 2017			6,7					3,8		
Group revenues	**1.538,2**		**1.436,8**		**7%**	**756,9**		**691,4**		**9%**

35) Gross profit

(euro/000)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	1,538,159	100.0%	1,436,842	100.0%	7.1%	756,885	100.0%	691,428	100.0%	9.5%
Cost of sales	1,461,207	95.0%	1,357,083	94.4%	7.7%	718,885	95.0%	651,204	94.2%	10.4%
Gross profit	**76,952**	**5.0%**	**79,759**	**5.6%**	**-3.5%**	**38,000**	**5.0%**	**40,224**	**5.8%**	**-5.5%**

Consolidated Gross profit equal to 77.0 million euro showed a decrease of -3.5% (-2.8 million euro) compared to the first half of 2017 as a consequence of a decrease in the gross profit margin. A similar development, although with different amounts, was recorded also in the second quarter.

As is prevalent in the sectors where the Group operates, the cost of sales is adjusted downwards to take into account the premiums/rebates for the achievement of targets, development and co-marketing provisions, cash discounts (so-called 'prompt payment discounts') and other incentives. It is further reduced by the credit notes issued by vendors in relation to protection agreed for the value of stock.

Finally, gross profit is affected by the difference between the amount of trade receivables sold without-recourse to factoring companies within the usual revolving programmes and the amounts collected. This is calculated as approx. 2.6 million euro for the six-month period under review (2.5 million euro in the same period of the previous year).

37-38) Operating costs

(euro/000)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	**1,538,159**		**1,436,842**		*7%*	**756,885**		**691,428**		*9%*
Sales and marketing costs	26,804	1.74%	28,485	1.98%	*-6%*	13,414	1.77%	14,109	2.04%	*-5%*
Overheads and administrative costs	39,211	2.55%	41,444	2.88%	*-5%*	19,000	2.51%	21,037	3.04%	*-10%*
Operating costs	**66,015**	**4.29%**	**69,929**	**4.87%**	*-6%*	**32,414**	**4.28%**	**35,146**	**5.08%**	*-8%*
- of which non recurring	-	0.00%	1,133	0.08%	*-100%*	-	0.00%	640	0.09%	*-100%*
'Recurring' operating costs	**66,015**	**4.29%**	**68,796**	**4.79%**	*-4%*	**32,414**	**4.28%**	**34,506**	**4.99%**	*-6%*

In the first half 2018, operating costs, amounting to 66.0 million euro, decreased by -3.9 million euro compared with the same period of 2017 (-2.8 million euro net of non-recurring items), with an operating costs margin down to 4.29% from 4.87% of 2017. In the second quarter, operating costs (32.4 million euro) decreased by -8% compared with the same period of previous year (-2.1 million euro net of the non-recurring items).

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 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	**1,538,159**		**1,436,842**		*7%*	**756,885**		**691,428**		*9%*
Depreciation of tangible assets	2,029	0.13%	1,954	0.14%	*4%*	1,018	0.13%	995	0.14%	*2%*
Amortisation of intangible assets	301	0.02%	333	0.02%	*-10%*	145	0.02%	169	0.02%	*-15%*
Amort . & depreciation	**2,330**	**0.15%**	**2,287**	**0.16%**	*2%*	**1,162**	**0.15%**	**1,164**	**0.17%**	*0%*
Write-downs of fixed assets	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	*0%*
Amort. & depr., write-downs (A)	**2,330**	**0.15%**	**2,287**	**0.16%**	*2%*	**1,162**	**0.15%**	**1,164**	**0.17%**	*0%*
Accruals for risks and charges (B)	86	0.01%	218	0.02%	*-61%*	33	0.00%	175	0.03%	*-81%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**2,416**	**0.16%**	**2,505**	**0.17%**	*-4%*	**1,195**	**0.16%**	**1,339**	**0.19%**	*-11%*

Labour costs and number of employees

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

(euro/000)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	**1,538,159**		**1,436,842**		*7%*	**756,885**		**691,428**		*9%*
Wages and salaries	22,378	1.45%	22,950	1.60%	*-2%*	11,219	1.48%	11,307	1.64%	*-1%*
Social contributions	6,573	0.43%	6,745	0.47%	*-3%*	3,280	0.43%	3,269	0.47%	*0%*
Pension obligations	1,203	0.08%	1,190	0.08%	*1%*	596	0.08%	591	0.09%	*1%*
Other personnel costs	497	0.03%	527	0.04%	*-6%*	255	0.03%	282	0.04%	*-10%*
Employee termination incentives	486	0.03%	1,182	0.08%	*-59%*	236	0.03%	693	0.10%	*-66%*
Share incentive plans	192	0.01%	262	0.02%	*-27%*	47	0.01%	131	0.02%	*-64%*
Total labour costs [1]	**31,329**	**2.04%**	**32,856**	**2.29%**	*-5%*	**15,633**	**2.07%**	**16,273**	**2.35%**	*-4%*

[1] Cost of temporary workers excluded.

As at 30 June 2018, labour costs amounted to 31.3 million euro, down -5% compared with the same period of the previous year, approx. in line with the average headcount change of the semester.

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

	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	21	729	1	**751**	
EDSlan S.r.l.	-	-	-	**-**	
Celly S.p.A.	1	42	-	**43**	
Mosaico S.r.l.	-	-	-	**-**	
Celly Pacific LTD	-	2	-	**2**	
Celly Nordic OY	-	-	-	**-**	
Celly Swiss SAGL	-	-	-	**-**	
Nilox Deutschland GmbH	-	1	-	**1**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**774**	**1**	**797**	**805**
Esprinet Iberica S.L.U.	-	227	70	**297**	
Vinzeo Technologies S.A.U.	-	131	-	**131**	
V-Valley Iberian S.L.U.	-	17	-	**17**	
Esprinet Portugal Lda	-	8	-	**8**	
Tape S.L.U.	-	-	-	**-**	
Subgroup Spain	**-**	**383**	**70**	**453**	**444**
Group as at 30 June 2018	**22**	**1,157**	**71**	**1,250**	**1,249**
Group as at 31 December 2017	**21**	**1,173**	**53**	**1,247**	**1,288**
Var 30/06/2018 - 31/12/2017	1	(16)	18	3	(39)
Var %	5%	-1%	34%	0%	-3%
Group as at 30 June 2017	**21**	**1,224**	**75**	**1,320**	**1,325**
Var 30/06/2018 - 30/06/2017	1	(67)	(4)	(70)	(76)
Var %	5%	-5%	-5%	-5%	-6%

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

The number of employees remained substantially stable compared with 31 December 2017 (+3), while the average number of employees in the six months decreased by 76 compared with the same period of the previous year mainly due to the business reorganisation measures that were implemented during 2017.

Share incentive plans

On 4 May 2018 the 'Long Term Incentive Plan' approved by the Esprinet S.p.A. AGM of 30 April 2015 came to maturity.
Ordinary shares underlying the above-mentioned incentive plan were delivered on 12 June 2018.

On 25 June 2018, free Esprinet stock grants were allotted under the Long Term Incentive Plan approved by the Esprinet S.p.A. AGM of 4 May 2018.
The Company currently owns only 111,755 of the ordinary shares underlying the above-mentioned Plan. Therefore it will need to acquire the remaining amount relating to the 1,150,000 rights granted.

Both plans were and will be booked at 'fair value' according to the Black-Scholes method, taking into account the expected volatility, the dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at grant date.

The main information items used in reporting the value of both the stock grant plans are summarized as follows:

	Plan 2015-2017	Plan 2018-2020
Allocation date	30/06/15	25/06/18
Vesting date	30/04/18	30/04/21
Expiry date	30/06/18	30/06/21
Total number of stock grant	1,150,000	1,150,000
Total number of stock grant allocated	646,889	1,150,000
Total number of stock grant granted	535,134 (1)	1,150,000
Unit fair value (euro)	6.84	3.20
Total fair value (euro)	3,660,317	3,680,000
Risk free interest rate (BTP 3 years)	0.7% (2)	1.1% (3)
Implied volatility (260 days)	40.9% (2)	36.5% (3)
Duration (years)	3	3
Spot price (4)	7.20	3.58
"Dividend yield"	1.7%	3.8%

(1) Decrease due to employment termination of some beneficiaries and to the estimated partial achievement of performance targets.
(2) Source: Bloomberg, 29 June 2015
(3) Source: Bloomberg, 22 June 2018
(4) Official price of Esprinet S.p.A. shares at grant date.

In the first half 2018, costs booked in the income statement relating to the above-mentioned plans, having a contra entry in the 'Reserve' item in the statement of financial position, totalled 192 thousand euro with reference to employees (262 thousand euro in the first half of 2017) and 267 thousand euro with reference to directors (463 thousand euro in the first half of 2017).

42) Finance costs – net

(euro/000)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	**1,538,159**		**1,436,842**		***7%***	**756,885**		**691,428**		***9%***
Interest expenses on borrowings	1,461	0.1%	1,678	0.12%	*-13%*	707	0.09%	980	0.14%	*-28%*
Interest expenses to banks	94	0.0%	207	0.01%	*-55%*	42	0.01%	31	0.00%	*35%*
Other interest expenses	3	0.0%	5	0.00%	*-40%*	3	0.00%	4	0.00%	*-25%*
Upfront fees amortisation	383	0.0%	291	0.02%	*32%*	258	0.03%	174	0.03%	*48%*
IAS 19 expenses/losses	27	0.0%	32	0.00%	*-16%*	13	0.00%	16	0.00%	*-19%*
Expenses from business combination	-	0.0%	18	0.00%	*NA*	(6)	0.00%	8	0.00%	*<-100%*
Derivatives ineffectiveness	87	0.0%	73	0.01%	*19%*	52	0.01%	60	0.01%	*-13%*
Total financial expenses (A)	**2,055**	**0.1%**	**2,307**	**0.16%**	***-11%***	**1,069**	**0.14%**	**1,273**	**0.18%**	***-16%***
Interest income from banks	(17)	0.0%	(54)	0.00%	*-69%*	(7)	0.00%	(16)	0.00%	*-57%*
Changes in debts from investments in subsidiari	-	0.0%	3	0.00%	*NA*	-	0.00%	-	0.00%	*NA*
Interest income from others	(90)	0.0%	(116)	-0.01%	*-22%*	(58)	-0.01%	(88)	-0.01%	*-34%*
Interest income on business combination	(2)	0.0%	(9)	0.00%	*-78%*	(2)	0.00%	(7)	0.00%	*-72%*
Derivatives ineffectiveness	1	0.0%	-	0.00%	*NA*	1	0.00%	10	0.00%	*-94%*
Total financial income(B)	**(108)**	**0.0%**	**(176)**	**-0.01%**	***-39%***	**(66)**	**-0.01%**	**(101)**	**-0.01%**	***-34%***
Net financial exp. (C=A+B)	**1,947**	**0.1%**	**2,131**	**0.15%**	***-9%***	**1,003**	**0.13%**	**1,172**	**0.17%**	***-14%***
Foreign exchange gains	(806)	-0.1%	(1,001)	-0.07%	*-19%*	(162)	-0.02%	(739)	-0.11%	*-78%*
Foreign exchange losses	1,262	0.1%	738	0.05%	*71%*	853	0.11%	446	0.06%	*91%*
Net foreign exch. (profit)/losses (D)	**456**	**0.0%**	**(263)**	**-0.02%**	*<-100%*	**691**	**0.09%**	**(293)**	**-0.04%**	*<-100%*
Net financial (income)/costs (E=C+D)	**2,403**	**0.2%**	**1,868**	**0.13%**	*29%*	**1,694**	**0.22%**	**879**	**0.13%**	*93%*

The negative balance of 2.4 million euro between financial income and charges shows a deterioration (0.5 million euro) compared with the same period of previous year. This is entirely attributable to the negative change in the foreign exchange management for 0.7 million euro, against interest balance to banks down 0.3 million euro.
The negative interest balance is due to a lower cost of debt mainly attributable to a cheaper funding source mix, notwithstanding a higher average drawdown.
The negative balance in foreign exchange management, equal to 0.5 million euro, compared with 0.3 million euro in the first half of 2017, is mainly due to the impact of US dollar strengthening versus euro, as observed in the period April-May 2018.

45) Income tax expenses

(euro/000)	H1 2018	%	H1 2017	%	% Var.	Q2 2018	%	Q2 2017	%	% Var.
Sales	**1,538,159**		**1,436,842**		***7%***	**756,885**		**691,428**		***9%***
Current and deferred taxes	**2,343**	**0.15%**	**1,680**	**0.12%**	***39%***	**1,113**	**0.15%**	**711**	**0.10%**	***57%***
Profit before taxes	8,534		7,947			3,891		4,185		
Tax rate	**27%**		**21%**			**29%**		**17%**		

Income tax expenses, equal to 2.3 million euro, increased by +39% compared with the same period of 2017 due to a higher taxable income.
The tax rate is also considerably high as a consequence of positive permanent differences recognised in the second quarter 2017 in the subsidiary Vinzeo S.L.U. and that did not occur again in 2018.

46) Net income and earnings per share

(euro/000)	H1 2018	H1 2017	Var.	% Var.	Q2 2018	Q2 2017	Var.	% Var.
Net income	6,191	6,267	(76)	*-1%*	2,778	3,474	(696)	*-20%*
Weighed average no. of shares in circulation: basic	51,803,462	51,757,451			51,848,968	51,757,451		
Weighed average no. of shares in circulation: diluted	52,080,486	52,188,036			51,895,248	52,229,247		
Earnings per share in euro - basic	0.12	0.12	0.00	*0%*	0.05	0.07	-0.02	*-29%*
Earnings per share in euro - diluted	0.12	0.12	0.00	*0%*	0.05	0.07	-0.02	*-29%*

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 4 May 2018 by the Esprinet S.p.A. AGM were included in the calculation of the 'diluted' profit per share. The plan provides for the allotment of 1,150,000 free shares.

5. Other significant information

5.1 Cash flow analysis

As at 30 June 2018, due to the cash flows development reported in the *Consolidated statement of cash flows*, the Esprinet Group recorded a net financial indebtedness of 24.6 million euro compared with 143.2 million euro as at 30 June 2017, as shown in the following table.

(euro/000)	H1 2018	H1 2017
Net financial debt at start of the year	**(123,058)**	**(105,424)**
Cash flow provided by (used in) operating activities	(141,096)	(237,333)
Cash flow provided by (used in) investing activities	1,049	(2,668)
Cash flow provided by (used in) changes in net equity	(6,486)	(7,273)
Total cash flow	**(146,533)**	**(247,274)**
Unpaid interests	(1,103)	(1,398)
Net financial position at end of year	**24,578**	**143,248**
Short-term financial liabilities	49,455	71,968
Customers financial receivables	(3,622)	(462)
Current financial (assets)/liabilities for derivatives	420	281
Financial receivables from factoring companies	(769)	(8,850)
Current Debts for investments in subsidiaries	-	3,959
Cash and cash equivalents	(123,563)	(78,332)
Net current financial debt	**(78,079)**	**(11,436)**
Borrowings	102,518	151,380
Non current Debts for investments in subsidiaries	1,309	5,047
Non-current financial (assets)/liab. for derivatives	241	127
Customers financial receivables	(1,411)	(1,870)
Net financial debt at start of the year	**24,578**	**143,248**

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)	**30/06/2018**	**31/12/2017**	**30/06/2017**
A. Bank deposits and cash on hand	123,563	296,965	78,331
B. Cheques	1	4	1
C. Trading securities	-	-	-
D. Liquidity (A+B+C)	123,563	296,969	78,332
Financial assets for derivatives	-	-	-
Customer financial receivables	*3,622*	*510*	*462*
Financial receivables from factoring companies	*769*	*1,534*	*8,850*
E. Current financial receivables	4,391	2,044	9,312
F. Current bank debt	1,752	3,241	10,681
G. Current portion of non current debt	37,440	138,768	46,708
H. Other current financial debt and financial liability for derivatives	10,683	14,614	14,860
I. Current financial debt (F+G+H)	49,875	156,623	72,249
J. Net current financial indebtedness (I-E-D)	**(78,079)**	**(142,390)**	**(15,395)**
K. Non-current bank loans	102,518	19,927	151,380
L. Other financial receivables	(1,411)	(1,870)	(1,870)
M. Other financial debt & non-current financial liabilities for derivatives	1,550	1,275	9,134
N. Non-current financial indebtedness (K+L+M)	**102,657**	**19,332**	**158,643**
O. Net financial indebtedness (J+N)	**24,578**	**(123,058)**	**143,248**
Breakdown of net financial indebtedness:			
Short-term financial liabilities	49,455	155,960	71,968
Current debts for investments in subsidiaries	1,309	-	5,072
Current financial (assets)/liabilities for derivatives	420	663	281
Other financial receivables	(3,622)	(510)	(462)
Financial receivables from factoring companies	(769)	(1,534)	(8,850)
Cash and cash equivalents	(123,563)	(296,969)	(78,332)
Net current financial debt	**(76,770)**	**(142,390)**	**(10,323)**
Non-current financial (assets)/liabilities for derivatives	241	(36)	127
Customers financial receivables	(1,411)	(1,870)	(1,870)
Non - current debts for investments in subsidiaries	-	1,311	3,934
Borrowings	102,518	19,927	151,380
Net financial debt	**24,578**	**(123,058)**	**143,248**

The Group's net financial position, negative in the amount of 24.6 million euro, corresponds to a net balance of gross financial debts of 152.0 million euro, financial receivables equal to 5.8 million euro, debts for investments in subsidiaries equal to 1.3 million euro, cash and cash equivalents equal to 123.5 million euro and financial liabilities for derivatives of 0.6 million euro.

Cash and cash equivalents mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Group's distinctive financial cycle.
A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the without-recourse assignment of trade

receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The without-recourse sale of receivables revolving programme focusing on selected customer segments, specially in GDO, continued during 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 2018 is approx. 302 million euro (approx. 424 million euro as at 31 December 2017).

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)	30/06/2018			31/12/2017			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
	28,488	86,351	114,839	129,469	-	129,469	(100,981)	86,351	(14,630)
Carige	2,454	6,324	8,778	2,437	7,548	9,985	17	(1,224)	(1,207)
BCC Carate	2,445	7,546	9,991	1,220	8,770	9,990	1,225	(1,224)	1
Intesa Sanpaolo (GdF loan)	425	1,412	1,837	406	1,845	2,251	19	(433)	(414)
Unicredit	-	-	-	256	-	256	(256)	-	(256)
Intesa Sanpaolo	128	-	128	256	-	256	(128)	-	(128)
BPM	-	-	-	85	-	85	(85)	-	(85)
Total Subgroup Italy	**33,940**	**101,633**	**135,573**	**134,129**	**18,163**	**152,292**	**(100,189)**	**83,470**	**(16,719)**
Banco Santander	1,750	-	1,750	3,500	-	3,500	(1,750)	-	(1,750)
Banco Sabadell	1,750	885	2,635	1,736	1,764	3,500	14	(879)	(865)
Total Subgroup Iberica	**3,500**	**885**	**4,385**	**5,236**	**1,764**	**7,000**	**(1,736)**	**(879)**	**(2,615)**
Total Group	**37,440**	**102,518**	**139,958**	**139,365**	**19,927**	**159,292**	**(101,925)**	**82,591**	**(19,334)**

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

(euro/000)	30/06/2018	31/12/2017	Var.
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by February 2022	116.000	130.500	(14.500)
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A repayable in 9 yearly instalments by January 2022	1.870	2.292	(422)
Unsecured loan (agent: Carige) to Esprinet S.p.A repayable in 1 six-monthly instalments by December 2021	8.787	10.000	(1.213)
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in 1 six-monthly instalments by March 2022	10.000	10.000	-
Unsecured pool loan (agent: Unicredit) to EDSlan S.r.l repayable in monthly instalments by December 2018	-	256	(256)
Unsecured pool loan (agent: Intesa) to EDSlan S.r.l repayable in monthly instalments by December 2018	128	256	(128)
Unsecured pool loan (agent: BPM) to EDSlan S.r.l repayable in quarterly instalments by March 2018	-	85	(85)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U repayable in six-monthly instalments by July 2018	1.250	2.500	(1.250)
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U repayable in six-monthly instalments by November 2018	500	1.000	(500)
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U repayable in six-monthly instalments by July 2018	2.635	3.500	(865)
Total book value of loan principal	**141.170**	**160.389**	**(19.219)**

5.3 Loan covenants

The loan agreement with a book value of loan principal amounting to 116.0 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 February 2022. Such loan is subject to the compliance of 4 covenants, whose breach allows the issuing institutes to demand immediate reimbursement. These covenants, which are subject to 6-monthly checks against the audited consolidated financial statements are listed as follows:

i) ratio of 'extended net financial indebtedness' to EBITDA;
ii) ratio of EBITDA to net financial charges;
iii) absolute amount of 'extended net financial indebtedness';
iv) amount of 'gross net financial indebtedness'

where 'extended net financial indebtedness' is the net financial indebtedness as measured in the previous section entitled *'Net financial indebtedness'* gross of financial receivables and of the impact of prepayments received from factoring companies as part of without recourse sales of receivables programmes or securitisations.

A Revolving Facility, entered into on the same date and having the same maturity as the Term Loan Facility and the maximum principal equal to 65 million euro, undrawn as at the date of these interim 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.

As at 31 December 2017, one of the 4 above-mentioned covenants was breached, and later, on 2 May 2018 Esprinet S.p.A. reached an agreement with the pool of lending banks that now provide for higher thresholds till 2021, in order to give the Group more flexibility to reach its development targets. As at 30 June 2018 these covenants, according to management estimates (to be checked against the consolidated and audited financial statements), were fully met and, thus, the portion of loans and relative hedging instruments, expiring beyond 12 months from this balance sheet date, were classified under the non-current liabilities.

The subsidiary Vinzeo Technologies S.A.U. has two more medium/long-term loans granted by Banco Santander, with a residual principal amounting to 1.7 million euro at 30 June 2018, subject to a financial covenant. This covenant, which is to be checked against the audited annual consolidated financial statements, and that according to management estimates is abundantly met as at 30 June 2018, is represented by the ratio of the net financial position to equity with respect to the Spanish company.

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

In the first half of 2018, no significant events and transactions of a non-recurring nature occurred.

During the same period of 2017, termination indemnities relating to the restructuring activities in Spanish subsidiaries, involving a total of 61 employees, were displayed as non-recurring costs. The total amount of indemnities was equal to 1.1 million euro.

The following table shows the impact of the above events and transactions on the income statement (including the related tax effects):

(euro/000)	Charge type	H1 2018	H1 2017	Var.
Overheads and administrative costs	Employee termination incentives	-	(1,133)	1,133
Total SG&A		**-**	**(1,133)**	**1,133**
Operating income (EBIT)		**-**	**(1,133)**	**1,133**
Profit before income taxes		**-**	**(1,133)**	**1,133**
Income tax expenses	Non -recurring events impact	-	144	(144)
Profit for the period		**-**	**(989)**	**989**
Non- controlling interest		-	-	-
Net income / (loss)		**-**	**(989)**	**989**

5.6 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2016 and 2017:

	2017			2016		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	23.2%	24.9%	20.5%	20.2%	23.2%	14.6%
Sales Q2	21.5%	22.0%	20.8%	20.7%	23.4%	15.7%
Sales H1	**44.7%**	**46.8%**	**41.3%**	**40.9%**	**46.6%**	**30.3%**
Sales Q3	21.5%	20.9%	22.5%	22.4%	20.0%	27.0%
Sales Q4	33.9%	32.3%	36.2%	36.7%	33.4%	42.7%
Sales H2	**55.3%**	**53.2%**	**58.7%**	**59.1%**	**53.4%**	**69.7%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

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

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

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

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

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	30/06/2018				31/12/2017			
(euro/000)	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39
Derivative financial assets	12	12			36	36		
Customer financial receivables	1,411		1,411		1,870		1,870	
Guarantee deposits	1,986			1,986	4,842		2,844	1,998
Rec.and other non-curr. Assets	3,397		1,411	1,986	6,712		4,714	1,998
Non-current assets	**3,409**	**12**	**1,411**	**1,986**	**6,748**	**36**	**4,714**	**1,998**
Trade receivables	324,489		324,489		313,073		313,073	
Receivables from factors	769		769		1,534		1,534	
Customer financial receivables	3,622		3,622		510		510	
Other tax receivables	8,210			8,210	16,009			16,009
Receivables from suppliers	9,850			9,850	5,276			5,276
Receivables from insurances	365		365		284		284	
Receivables from employees	-		-		1		1	
Receivables from others	226		226		186		186	
Accrued income and deferred expenses	3,384			3,384	3,978			3,978
Other Assets	26,426		4,982	21,444	27,778		2,515	25,263
Cash and cash equivalents	123,563		123,563		296,969		296,969	
Current assets	**474,478**	**-**	**453,034**	**21,444**	**637,820**	**-**	**612,557**	**25,263**

Liabilities	30/06/2018				31/12/2017			
(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	102,518		102,518		19,927		19,927	
Derivative financial liabilities	253	253			-	-		
Debts for investments in subsidiar.	-	-			1,311	3,942		
Provisions of pensions	1,898			1,898	1,915			1,915
Other provisions	340			340	589			589
Provis. And other non-curr. Liab.	2,238		-	2,238	2,504		-	2,504
Non-current liabilities	**105,009**	**253**	**102,518**	**2,238**	**23,742**	**3,942**	**19,927**	**2,504**
Trade payables	484,047		484,047		690,449		690,449	
Short-term financial liabilities	49,455		49,455		155,960		155,960	
Derivative financial liabilities	420	420			663	663		
Debts for investments in subsidiar.	1,309		1,309		-		-	
Associates liabilities	3,716		3,716		3,320		3,320	
Social security liabilities	18,760			18,760	10,703			10,703
Other tax liabilities	11,409		11,409		10,750		10,750	
Accrued expenses	454		454		393		393	
Deferred income	92			92	33			33
Provisions and other liabilities	34,431		15,579	18,852	25,199		14,463	10,736
Current liabilities	**569,662**	**420**	**550,390**	**18,852**	**872,271**	**663**	**860,872**	**10,736**

(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 financial statements as provided for by IAS 39 and as governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in their determination, are as follows:

Assets	30/06/2018						31/12/2017					
	Carrying amount	Fair value					Carrying amount	Fair value				
(euro/000)		Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe		Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe
Derivate Financial Assets	12			12			36			36		
Customer financial receivables	1,411		1,486				1,870		2,028			
Guarantee deposits	-		-				2,844		2,854			
Other non current assets	1,411		1,486				4,714		4,880			
Non - current assets	**1,423**	**-**	**1,486**	**12**	**-**	**-**	**4,750**	**-**	**4,880**	**36**	**-**	**-**
Trade receivables	324,489	324,489					313,073	313,073				
Receiv. From factors	769		769				1,534		1,534			
Customer financial receivables	3,622		3,622				510		510			
Receiv. From insurances	365				365		284				284	
Receiv. From employees	-					-	1					1
Receiv. From others	226			226			186			186		
Other receivables	4,982		4,391	226	365	-	2,515		2,044	186	284	1
Cash and cash equival.	123,563		123,563				296,969		296,969			
Current assets	**453,034**	**324,489**	**127,954**	**226**	**365**	**-**	**612,557**	**313,073**	**299,013**	**186**	**284**	**1**

Liabilities	30/06/2018					31/12/2017				
	Carrying amount	Fair value				Carrying amount	Fair value			
(euro/000)		Trade payables	Financial payables	FVTPL derivat	Other payables		Trade payables	Financial payables	FVTPL derivat	Other payables
Borrowings	102,518		101,773			19,927		19,743		
Financial derivatives	253			253		-			-	
Debts for investments in subsidiar	-		-			1,311		1,306		
Non-current liabilities	**102,771**	**-**	**101,773**	**253**	**-**	**21,238**	**-**	**21,049**	**-**	**-**
Trade payables	484,047	484,047				690,449	690,449			
Short-term financial liab.	49,455		50,661			155,960		156,506		
Financial Derivatives	420			420		663			663	
Debts for investments in subsidiar.	1,309				1,309	-				-
Social security liabilities	3,716				3,716	3,320				3,320
Payables to others	11,409				11,409	10,750				10,750
Accrued expenses	454				454	393				393
Provisions and other liab.	15,579				15,579	14,463				14,463
Current liabilities	**550,810**	**484,047**	**50,661**	**420**	**16,888**	**861,535**	**690,449**	**156,506**	**663**	**14,463**

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

Assets	30/06/2018			31/12/2017		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Derrivate Financial Assets	12	12	*level 2*	36	36	*level 2*
Customer financial receivables	1,411	1,486	*level 2*	1,870	2,028	*level 2*
Guarantee deposits	-	-	*level 2*	2,844	2,852	*level 2*
Other non current assets	1,411	1,486		4,714	4,880	
Non - current assets	**1,423**	**1,498**		**4,750**	**4,916**	
Trade receivables	324,489	324,489	*level 2*	313,073	313,073	*level 2*
Receiv. From factors	769	769	*level 2*	1,534	1,534	*level 2*
Customer financial receivables	3,622	3,622	*level 2*	510	510	*level 2*
Receiv. From insurances	365	365	*level 2*	284	284	*level 2*
Receiv. From employees	-	-	*level 2*	1	1	*level 2*
Receiv. From others	226	226	*level 2*	186	186	*level 2*
Receiv. From others	4,982	4,982		2,515	2,515	
Cash and cash equivalents	123,563	123,563		296,969	296,969	
Current assets	**453,034**	**453,034**		**612,557**	**612,557**	

Liabilities	30/06/2018			31/12/2017		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	102,518	101,773	*level 2*	19,927	19,743	*level 2*
Financial derivatives	253	253	*level 2*	-	-	*level 2*
Debts for investments in sub.	-	-		1,311	1,306	
Non-current liabilities	**102,771**	**102,026**		**21,238**	**21,049**	
Trade payables	484,047	484,047	*level 2*	690,449	690,449	*level 2*
Short-term financial liab.	49,455	50,661	*level 2*	155,960	156,506	*level 2*
Financial derivatives	420	420	*level 2*	663	663	*level 2*
Debts for investments in sub.	1,309	1,309	*level 3*	-	-	*level 3*
Social security liabilities	3,716	3,716	*level 2*	3,320	3,320	*level 2*
Payables to others	11,409	11,409	*level 2*	10,750	10,750	*level 2*
Accrued expenses	454	454	*level 2*	393	393	*level 2*
Provisions and other liab	15,579	15,579		14,463	14,463	
Current liabilities	**550,810**	**552,016**		**861,535**	**862,081**	

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.

Current debt for investments in subsidiaries shows the present enterprise value of the residual 20% share in Celly S.p.A., measured using the risk-free rate as at the reporting 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 fair value so measured corresponds to a level 3 in the fair value hierarchy being based also on management estimates about future financial performance of the subsidiary.
Further details can be found in the paragraph 'Goodwill' in the Notes to the Consolidated Financial Statements as at 31 December 2017.

5.8 Hedging derivatives analysis

Introduction

The main features of the six contracts signed by Esprinet S.p.A. are summarized below:

Trade date	7 April 2017
Effective date	31 August 2017
Termination date	28 February 2022
Notional amount	Total 105.6 million euro (subject to a sinking plan), total 93.9 million euro as at 30 June 2018
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 player	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate player	Intesa Sanpaolo S.p.A., Unicredit S.p.A., Banca Nazionale del Lavoro S.p.A., Caixabank S.A., Unione di Banche Italiane S.p.A., Banco BPM S.p.A., each for its own contract.

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

Trade date	9 July and 15 October 2015
Effective date	20 July and 20 November 2018
Notional amount	Total 7.0 million euro (subject to a sinking plan), total 1.7 million euro as at 30 June 2018
Fixed rate	0.433% and 0.467%, act/360
Fixed rate player	Vinzeo Technologies S.A.U.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate player	Banco Santander S.A.

With respect to each of the IRSs in place at 30 June 2018, the conditions set by the IFRS 9 or IAS 39 as regards 'hedge accounting' have been fully complied with since the signing or acquisition date: formal designation and documentation of the hedging relationship, hedge expected to be highly effective and reliably measured, insignificant effect of the credit risk of both counterparties in relation to the derivative value, constant hedge ratio over time. Thus, all IRSs are treated under the cash flow hedge accounting, which provides for recognition in the equity reserve of the respective fair value at the signing date (only for the effective portion) and thereafter changes in fair value due to movements of the interest rate curve, within the limits of the effective portion, and consequent recording in the comprehensive income statement.

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

The tables below illustrate the following information regarding derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 30 June 2018 and at 31 December 2017 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 30 June 2018 and 31 December 2017 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;

30/06/2018	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 IRS 2017 cash flow hedge on derivatives	23,476	70,429	672	154	(124)	(394)
- Esprinet IRS 2014 cash flow hedge on derivatives	-	-	-	-	-	(47)
- Vinzeo cash flow hedge on derivatives	1,750	-	1	1	(1)	1

31/12/2017	National 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 IRS 2017 cash flow hedge on derivatives	105,643	-	644	174	(113)	(357)
- Esprinet IRS 2014 cash flow hedge on derivatives	-	-	-	-	-	(96)
- Vinzeo cash flow hedge on derivatives	3,500	-	19	36	(5)	22

(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 IFRS 9 or the effective portion reversed in the income statement on an accrual basis.
(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:

(euro/'000)	H1 2018					
	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	(283)	235	(57)	-	68	(37)
- Esprinet equity reserve on derivatives 2014	-	64	(15)	-	-	49
- Vinzeo equity reserve on derivatives	(37)	9	(2)	-	9	(21)
Total	**(320)**	**308**	**(74)**	**-**	**77**	**(9)**

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

(euro/'000)	H1 2017					
	Change in fair value of derivatives FV derivati	Trasfert to P&L (1)	Tax effect on trasf. to PL	Ineffective portion of (gain)/loss to PL	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'.

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

(euro/000)	Year	FV 31/12/p.y.[1]	Rates past due	Variation FV rates not past due	FV 30/06/c.y.[2]
Esprinet derivatives	H1 2018	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	H1 2018	n.a.	n.a.	n.a.	n.a.
Total		**-**	**-**	**-**	**-**
Esprinet derivatives	H1 2017	320	(313)	(7)	-
Vinzeo derivatives	H1 2017	n.a.	n.a.	n.a.	n.a.
Total		**320**	**(313)**	**(7)**	**-**

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

5.9 Non-hedging derivatives analysis

Within the business combination of Vinzeo Technologies S.A.U., two Interest Rate Cap contracts were acquired which provide for that the company receives the spread in relation to the agreed cap from the banking counterparty if 3-month Euribor exceed set maximum threshold.
These instruments are intended to cover all short-term facilities against fluctuating interest rates by means of cash flow hedging strategy.
Since the derivatives are long-term (both maturing in July 2020), and intended to 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 2018	(36)	-	24	(12)
Interest Rate Cap	H1 2017	(38)	-	3	(35)
Total		**(74)**	**-**	**27**	**(47)**

(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:

Share buy-back program

Under the ongoing share buy-back program, which was resolved by the Esprinet S.p.A. AGM of 4 May 2018, the Company purchased a total of 635.500 ordinary shares of Esprinet S.p.A. (corresponding to 1.21% of total share capital), along the period between 1 July 2018 and 2 August 2018, with an average purchase price of euro 3.85 per share, net of fees.

Following these purchases, Esprinet S.p.A. owns 971,755 own shares (or 1.85% of share capital) as of the date of this report.

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

On 18 July 2018, Esprinet S.p.A. and its wholly owned subsidiary V-Valley S.r.l. renewed a securitization transaction involving the transfer of their trade receivables started in July 2015 as originators.

The transaction, which has been structured by UniCredit Bank AG as arranger, involves the assignment on a 'non recourse' revolving basis of trade receivables to a 'special purpose vehicle' under L. n. 130/99 named Vatec S.r.l., over an additional period 3 years.
The total amount of the program was increased to 100.0 million euro from the original 80.0 million euro.

The purchase of trade receivables by Vatec S.r.l. is being funded through the issue of different classes of notes: class A notes (senior), subscribed by a conduit sponsored by UniCredit Group, class B notes (mezzanine) and class C notes (junior) subscribed by specialised investors.

This transaction complements the unsecured senior loan of 181.0 million euro maturing in February 2022, consisting of an amortising Term Loan facility for 116 million euro and a revolving facility for 65,0 million euro - whose covenant structure was reviewed in May by setting higher thresholds, thus allowing the Group to extend considerably the average duration of its financial indebtedness.

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

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

Developments in tax disputes

On 31 July 2018, Esprinet S.p.A. was served an assessment notice relating to indirect taxes for 66 thousand euro, plus penalties and interest, on sales transactions effected in 2013 without applying VAT in reliance of a so-called 'declarations of intent issued by a customer that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter and could not benefit from VAT-exempt purchases. The Company will appeal against the notice of assessment.

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

On 4 September 2018, the Tax Authority put forward a mediation proposal with reference to higher registration fees for 48 thousand euro that it claims on the acquisition of a business unit from ITWAY S.p.A. by Mosaico S.r.l. in 2016. The proposal is being assessed by the Company.

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 2018 Sales	H1 2018 Costs	H1 2018 Receiv.	H1 2018 Payab.	H1 2017 Sales	H1 2017 Costs	H1 2017 Receiv.	H1 2017 Payab.
Sales									
Infoklix S.p.A.	Sales of goods	-	-	-	-	-	-	2	-
Key managers e familiari	Sales of goods	5	-	5	-	18	-	7	-
Subtotal		**5**	**-**	**5**	**-**	**18**	**-**	**9**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	737	717	2	-	728	717	-
Immobiliare Selene S.r.l.	Overheads	-	2	6	-	-	6	-	2
M.B. Immobiliare S.r.l.	Lease - premises	-	1,697	1,199	446	-	1,680	833	850
M.B. Immobiliare S.r.l.	Overheads	-	11	7	3	-	11	-	2
Subtotal		**-**	**2,447**	**1,929**	**451**	**-**	**2,425**	**1,550**	**854**
Finance costs - net									
Immobiliare Selene S.r.l.	Interes on guar. Deposits	1	-	2	-	-	-	-	-
M.B. Immobiliare S.r.l.	Interes on guar. Deposits	1	-	1	-	-	-	-	-
Subtotal		**2**	**-**	**3**	**-**	**-**	**-**	**-**	**-**
Total		**7**	**2,447**	**1,937**	**451**	**18**	**2,425**	**1,559**	**854**

* 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 relate to consumer electronics products sold under normal market conditions.
Services received mainly refer to leasing agreements entered into under market conditions in previous years with real estate companies Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.
The total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

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 2018 Emolument	H1 2018 Fringe benefit	H1 2018 Total	H1 2017 Emolument	H1 2017 Fringe benefit	H1 2017 Total
Board of Directors	1,861	7	1,868	2,224	7	2,231
Other key managers	-	-	-	-	-	-
Subtotal	**1,861**	**7**	**1,868**	**2,224**	**7**	**2,231**
Board of Statutory Auditors	65	-	65	65	-	65
Total	**1,926**	**7**	**1,933**	**2,289**	**7**	**2,296**

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'.

Vimercate, 11 September 2018

Of behalf of the Board of Directors
The Chairman

Maurizio Rota

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 2018 – 30 June 2018.

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 2018 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 2018:

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, 11 September 2018

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

Building a better working world

Esprinet S.p.A.

Interim condensed consolidated financial statements as of 30 June 2018

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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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 consolidated statement of financial position, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and consolidated statement of cash flows and the related explanatory notes of Esprinet S.p.A. and its subsidiaries (the "Esprinet Group") as of 30 June 2018. 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 30 June 2018 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, 13 September 2018

EY S.p.A.
Signed by: Massimo Meloni, Partner

This report has been translated into the English language solely for the convenience of international readers

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