Esprinet Group

Interim management statement as at 31 December 2017

Approved by the Board of Directors on 13 February 2018

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Monza e Brianza Companies' Register and Tax Number: 05091320159 R.E.A. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 31/12/2017: Euro 7,860,651
www.esprinet.com - info@esprinet.com

Company Officers

Board of Directors:

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

Chairman	Francesco Monti	(CST)
Deputy Chairman and Chief Executive Officer	Maurizio Rota	(CST) (CCS)
Chief Executive Officer	Alessandro Cattani	(CST) (CCS)
Director	Valerio Casari	(CST) (CCS)
Director	Marco Monti	(CST)
Director	Matteo Stefanelli	(CST) (CCS)
Director	Tommaso Stefanelli	(CST) (CCS)
Director	Cristina Galbusera	(AI) (CCR) (CNR)
Director	Mario Massari	(AI) (CCR) (CNR)
Director	Chiara Mauri	(AI) (CCR) (CNR)
Director	Emanuela Prandelli	(AI)
Director	Ariela Caglio [1]	(AI)
Secretary	Manfredi Vianini Tolomei	Studio Chiomenti

[1] from 4 May substituting Mr. Andrea Cavaliere

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

Board of Statutory Auditor:

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

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

Independent Auditor:

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

EY S.p.A.

Waiver of obligation to provide information on extraordinary transactions

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

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1. Notes on financial performance for the period

(euro/000)	12 months							Q4					
	notes	2017	%	2016	notes	%	*% var. 17/16*	2017	%	2016	notes	%	*% var. 17/16*
Profit & Loss													
Sales		3,217,170	100.0%	3,042,330		100.0%	6%	1,089,573	100.0%	1,116,519		100.0%	-2%
Gross profit		167,546	5.2%	163,895		5.4%	2%	52,116	4.8%	57,268		5.1%	-9%
EBITDA	(1)	39,385	1.2%	43,117	(1)	1.4%	-9%	21,141	1.9%	22,599		2.0%	-6%
Operating income (EBIT)		34,259	1.1%	38,566		1.3%	-11%	19,612	1.8%	21,565		1.9%	-9%
Profit before income tax		33,424	1.0%	35,720		1.2%	-6%	21,757	2.0%	20,862		1.9%	4%
Net income		25,113	0.8%	26,870		0.9%	-7%	16,189	1.5%	15,085		1.4%	7%
Financial data													
Cash flow	(2)	29,867		30,820	(2)								
Gross investments		3,843		11,710									
Net working capital	(3)	107,337		102,322	(3)								
Operating net working capital	(4)	104,047		102,046	(4)								
Fixed assets	(5)	122,251		124,516	(5)								
Net capital employed	(6)	213,914		212,535	(6)								
Net equity		337,034		317,957									
Tangible net equity	(7)	245,368		225,299	(7)								
Net financial debt	(8)	(123,119)		(105,424)	(8)								
Main indicators													
Net financial debt / Net equity		(0.4)		(0.3)									
Net financial debt / Tangible net equity		(0.5)		(0.5)									
EBIT / Finance costs - net		39.3		13.5									
EBITDA / Finance costs - net		45.2		15.1									
Net financial debt/ EBITDA		(3.1)		(2.4)									
Operational data													
N. of employees at end-period		1,249		1,327									
Avarage number of employees	(10)	1,289		1,172	(10)								
Earnings per share (euro)													
- Basic		0.48		0.52			-8%	0.31		0.29			7%
- Diluted		0.48		0.51			-6%	0.31		0.29			7%

(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 of this period and of the relative period of comparison have been measured by applying the International Financial Reporting Standards ('IFRSs'), adopted by the EU in force in the reference period.
In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some 'alternative performance indicators', although not defined by the IFRSs, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the Management for measuring and controlling the Group's profitability, performance, capital structure and financial position.
As required by the ESMA/2015/1415 Guidelines issued by ESMA (European Securities and Market Authority) under Article 16 of the ESMA Regulation, updating the previous recommendation CESR/05-178b of the CESR (Committee of European Securities Regulators) and adopted by Consob with Communication no. 0092543 of 12/03/2015, the basis of calculation adopted is defined below the table.

2. Contents and format of the interim management statement

2.1 Consolidation policies, accounting principles and valuation criteria

Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange since July 27, 2001.

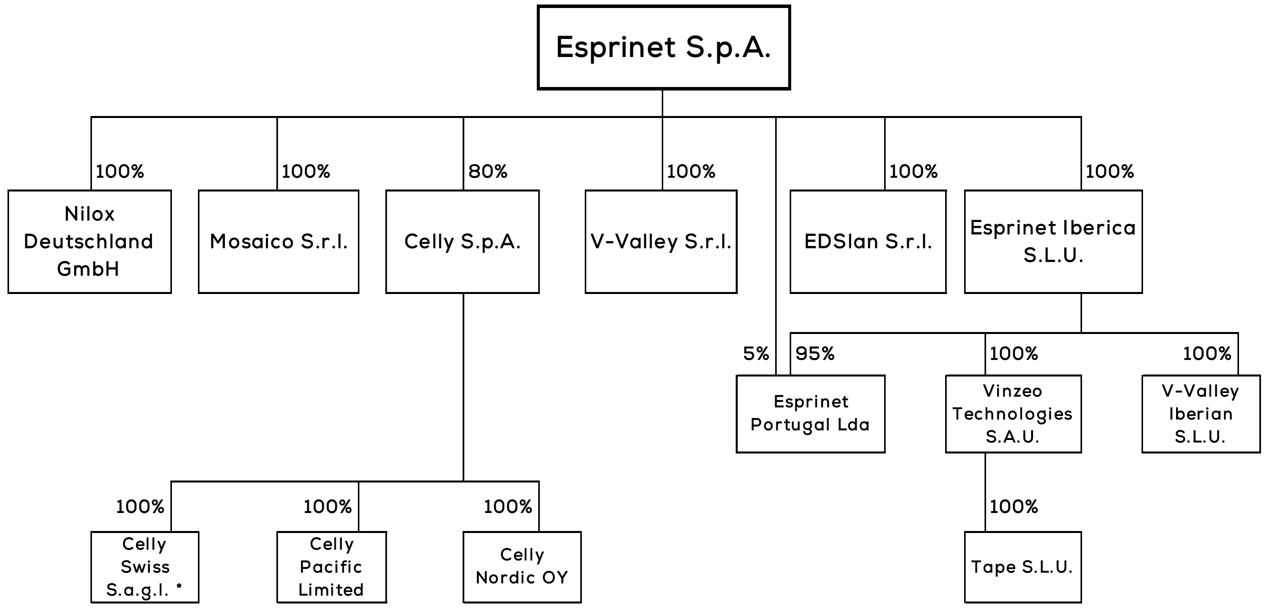
Due to this, the Esprinet Group consolidated interim management statement as at 31 December 2017, non-audited, has been drawn up in accordance with Article 2.2.3, paragraph 3 a), of the 'Regolamento dei mercati organizzati e gestiti da Borsa Italiana S.p.A.' (market rules of Borsa Italiana S.p.A.), as well as Article 154-ter, paragraph 5 (Financial reports), of the Legislative Decree No. 58/1998 (T.U.F. - Finance Consolidation Act).

Financial data presented in this document result from the application of the same accounting principles (IFRSs - International Financial Reporting Standards), consolidation principles and methods, valuation criteria, conventional definitions and accounting estimates used in previous consolidated financial statements for interim and annual periods, unless otherwise indicated.

Pursuant to Consob Communication No. DEM/8041082 of 30 April 2008 ('Interim financial report of companies listed in Italy') the financial data in said report are comparable with that shown in previous reports and are in line with the financial statements published in the annual report as at 31 December 2016 to which reference should be made for all the explanatory notes to the annual report.

2.2 General information about the Esprinet Group

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



* In liquidation as at 31/12/2017

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

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
At period-end, 'Subgroup Italy' included parent company Esprinet S.p.A., its directly controlled subsidiaries, V-Valley S.r.l., Celly S.p.A., EDSlan S.r.l. and Mosaico S.r.l., the last two of which were consolidated from 9 April and 1 December 2016 respectively, as well as Nilox Deutschland GmbH established on 11 July 2017 but still inactive.

When referring to the Subgroup Italy, the subsidiary Celly S.p.A., a company operating in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics, and more specifically in the wholesale distribution of accessories for mobile devices, also includes its wholly owned subsidiaries:

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

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

At the same date, Subgroup Iberica is made up of the Spanish-law and Portuguese-law subsidiaries operating in the Iberian Peninsula, i.e. Esprinet Iberica S.L.U. as well as its subsidiaries, Esprinet Portugal Lda, V-Valley Iberian S.L.U., consolidated from 1 December 2016, and Vinzeo Technologies S.A.U.. This was acquired and consolidated from 1 July 2016 with its wholly owned subsidiary, Tape S.L.U..

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

2.3 Consolidation scope

The consolidated financial statements derive from the interim accounts of the parent company Esprinet S.p.A. and its direct and/or indirect subsidiaries or associated companies, approved by their respective Boards of Directors.[1]
Wherever necessary, the interim accounts of subsidiaries have been suitably adjusted to ensure consistency with the accounting principles used by the parent company.

The table below lists companies included in the consolidation perimeter as at 31 December 2017, all consolidated on a line-by-line basis.

Company name	Head Office	Share capital (euro) *	Group interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	80.00%	Esprinet S.p.A.	80.00%
EDSlan S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spagna)	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 (Germania)	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 (Finlandia)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Swiss SAGL	Lugano (Svizzera)	16,296	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (Cina)	935	80.00%	Celly Swiss SAGL	100.00%
Esprinet Portugal Lda	Porto (Portogallo)	400,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spagna)	4,000	100.00%	Vinzeo Technologies S.A.U.	100.00%
Vinzeo Technologies S.A.U.	Madrid (Spagna)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spagna)	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.

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

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

[1] Limited to companies under direct control.

2.4 Principal assumptions, estimates and rounding

Within the scope of preparing these interim consolidated financial statements, several estimates and assumptions have been made on the values of revenue, costs, assets and liabilities in the financial statements and on the information relating to potential assets and liabilities at the date of the interim financial statements. These have been applied uniformly to all the financial years presented in this document, unless otherwise indicated.
If these estimates and assumptions, which are based on the best valuation by the management, should differ from actual circumstances in the future, they will be suitably amended during the period in which those circumstances arise.

A detailed description of the assumptions and estimates adopted can be found in the Notes to the Consolidated Financial Statements of the Esprinet Group as at 31 December 2016, to which reference is made.
During the previous interim periods, as permitted by IAS 34, income taxes have been 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 and in these interim financial statements and in the interim financial statements relating to fourth quarter 2016, 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.

2.5 Restatements of previous published financial statements

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this interim management statement.

2.6 Business combination

During 2017, no business combinations occurred but, as shown under 'Significant events occurring in the period', the contractual term for the quantification of the differed consideration in relation to the acquisition of the business units 'VAD-Value Added Distribution' from Itway Group by Esprinet Group on 30 November 2016, which was linked to agreed financial targets, expired on 30 November 2017. The above-mentioned consideration was finally assessed in 5.2 million euro.

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

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

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

3. Consolidated income statement and notes

3.1 Consolidated income statement

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

(euro/000)	Notes	12 months 2017	non - recurring	related parties*	12 months 2016	non - recurring	related parties*
Sales	33	**3,217,170**	-	16	**3,042,330**	-	15
Cost of sales		(3,049,624)	-	-	(2,878,435)	-	-
Gross profit	35	**167,546**	-		**163,895**	-	
Other income	50	-	-		2,838	2,838	
Sales and marketing costs	37	(53,803)	-	-	(49,871)	-	-
Overheads and administrative costs	38	(79,484)	(1,839)	(4,886)	(78,296)	(4,754)	(3,782)
Operating income (EBIT)		**34,259**	**(1,839)**		**38,566**	**(1,916)**	
Finance costs - net	42	(871)	-	6	(2,847)	-	2
Other investments expenses / (incomes)	43	36	-		1	-	
Profit before income taxes		**33,424**	**(1,839)**		**35,720**	**(1,916)**	
Income tax expenses	45	(8,311)	478	-	(8,850)	1,411	-
Net income		**25,113**	**(1,361)**		**26,870**	**(505)**	
- of which attributable to non-controlling interests		53			203		
- of which attributable to Group		25,060	(1,361)		26,667	(505)	
Earnings per share - basic (euro)	46	0.48			0.52		
Earnings per share - diluted (euro)	46	0.48			0.51		

(euro/000)	Notes	Q4 2017	non - recurring	related parties*	Q4 2016	non - recurring	related parties*
Sales	33	**1,089,573**	-	9	**1,116,519**	-	8
Cost of sales		(1,037,457)	-	-	(1,059,251)	-	-
Gross profit	35	**52,116**	-		**57,268**	-	
Other income	50	-	-		161	161	
Sales and marketing costs	37	(12,607)	-	-	(14,191)	-	-
Overheads and administrative costs	38	(19,897)	(470)	(1,240)	(21,673)	(1,698)	(950)
Operating income (EBIT)		**19,612**	**(470)**		**21,565**	**(1,537)**	
Finance costs - net	42	2,145	-	4	(703)	-	-
Other investments expenses / (incomes)	43	-	-		-	-	
Profit before income taxes		**21,757**	**(470)**		**20,862**	**(1,537)**	
Income tax expenses	45	(5,568)	122	-	(5,777)	469	-
Net income		**16,189**	**(348)**		**15,085**	**(1,068)**	
- of which attributable to non-controlling interests		95	-		109	-	
- of which attributable to Group		16,094	(348)		14,976	(1,068)	
Earnings per share - basic (euro)	46	0.31			0.29		
Earnings per share - diluted (euro)	46	0.31			0.29		

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

3.2 Consolidated statement of comprehensive income

(euro/000)	12 months 2017	12 months 2016	Q4 2017	Q4 2016
Net Income	**25,113**	**26,870**	**16,189**	**15,085**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	(119)	(79)	148	233
- Taxes on changes in 'cash flow hedge' equity reserve	68	17	(35)	(2)
- Changes in translation adjustment reserve	(1)	(1)	(3)	(2)
Other comprehensive income not to be reclassified in the separate income statement:				
- Changes in 'TFR' equity reserve	45	(139)	(68)	288
- Taxes on changes in 'TFR' equity reserve	(10)	30	15	(63)
Other comprehensive income	**(16)**	**(172)**	**58**	**454**
Total comprehensive income	**25,097**	**26,698**	**16,247**	**15,539**
- of which attributable to Group	25,043	26,499	16,154	15,423
of which attributable to non-controlling interests	54	199	93	116

3.3 Notes on financial performance of the Group

In 2017, the European distribution market grew by +4% compared with 2016 (source: Context, February 2018), with Germany recording a notable +7%, thus confirming itself as the largest market. United Kingdom follows, with an increase of +2%, while France performed slightly better (+3%).
Italy recorded no growth compared with 2016, with annual performance affected by fourth quarter results, down -1% compared with the fourth quarter of the previous year. Spain closed with a strong growth of +9%, with fourth quarter confirming the annual trend.
The Italian distribution market benefited from smartphones (+5% year-over-year) and SSDs (+34%); RAM memories (+24%) and security software (+14%) also had strong results. The market was slowed down by poor performance of the categories software and licences (-56%), desktops (-11%) and tablets (-12%).
In Spain, once again smartphones drove the higher growth in the market (+29%), whilst notebooks, desktops and tablets growth respectively by +3%, +8% and +9%, in contrast to what was shown above with reference to Italy.
Virtualization and hard disk software posted on the contrary a negative result compared with 2016 (approx. -32% and -10%), and so did consumables (-6%) and servers (-11%).

The rationalization of the cost structure, which began in 2017 with the primary goal of lowering the break-even point significantly, will continue to speed up in 2018 as a logical outcome of the renewed focus on reducing fixed costs.
The continuous fine-tuning of both operating processes and service level appear to result in a higher customer satisfaction, as demonstrated by the good feedbacks received by customers and suppliers as well as by some new business opportunities that we believe might positively contribute to the financial performance of the Group.
The competitive landscape should gradually show a lower pressure compared to the previous year, as demonstrated by the sales trend in the first weeks of the current year.

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

A) Esprinet Group's financial highlights

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

(euro/000)	12 months 2017	%	12 months 2016	%	Var.	Var. %
Sales	**3,217,170**	**100.00%**	**3,042,330**	**100.00%**	**174,840**	***6%***
Cost of sales	(3,049,624)	-94.79%	(2,878,435)	-94.61%	(171,189)	*6%*
Gross profit	**167,546**	**5.21%**	**163,895**	**5.39%**	**3,651**	***2%***
Other income	-	0.00%	2,838	0.09%	(2,838)	*-100%*
Sales and marketing costs	(53,803)	-1.67%	(49,871)	-1.64%	(3,932)	*8%*
Overheads and administrative costs	(79,484)	-2.47%	(78,296)	-2.57%	(1,188)	*2%*
Operating income (EBIT)	**34,259**	**1.06%**	**38,566**	**1.27%**	**(4,307)**	***-11%***
Finance costs - net	(871)	-0.03%	(2,847)	-0.09%	1,976	*-69%*
Other investments expenses / (incomes)	36	0.00%	1	0.00%	35	*3500%*
Profit before income taxes	**33,424**	**1.04%**	**35,720**	**1.17%**	**(2,296)**	***-6%***
Income tax expenses	(8,311)	-0.26%	(8,850)	-0.29%	539	*-6%*
Net income	**25,113**	**0.78%**	**26,870**	**0.88%**	**(1,757)**	***-7%***
Earnings per share - basic (euro)	0.48		0.52		(0.04)	-8%

(euro/000)	Q4 2017	%	Q4 2016	%	Var.	Var. %
Sales	**1,089,573**	**100.00%**	**1,116,519**	**100.00%**	**(26,946)**	***-2%***
Cost of sales	(1,037,457)	-95.22%	(1,059,251)	-94.87%	21,794	*-2%*
Gross profit	**52,116**	**4.78%**	**57,268**	**5.13%**	**(5,152)**	***-9%***
Other income	-	0.00%	161	0.01%	(161)	*-100%*
Sales and marketing costs	(12,607)	-1.16%	(14,191)	-1.27%	1,584	*-11%*
Overheads and administrative costs	(19,897)	-1.83%	(21,673)	-1.94%	1,776	*-8%*
Operating income (EBIT)	**19,612**	**1.80%**	**21,565**	**1.93%**	**(1,953)**	***-9%***
Finance costs - net	2,145	0.20%	(703)	-0.06%	2,848	*-405%*
Other investments expenses / (incomes)	-	0.00%	-	0.00%	-	*100%*
Profit before income taxes	**21,757**	**2.00%**	**20,862**	**1.87%**	**895**	***4%***
Income tax expenses	(5,568)	-0.51%	(5,777)	-0.52%	209	*-4%*
Net income	**16,189**	**1.49%**	**15,085**	**1.35%**	**1,104**	***7%***
Earnings per share - basic (euro)	0.31		0.29		0.02	7%

Consolidated sales equal to 3,217.2 million euro, showed an increase of +6% (174.8 million euro) compared with 3,042.3 million euro at 31 December 2016. The fourth quarter highlighted a decrease of -2% compared with the same period of the previous year (from 1,116.5 million euro to 1,089.6 million euro). With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, consolidated sales would have been equal to 2,566 million euro (2,654 million euro in the same period of 2016).

Consolidated Gross profit, equal to 167.6 million euro, showed an increase of + 2% (3.7 million euro) compared with the same period of 2016 as a consequence of higher sales only partially offset by a decrease in the gross profit margin. In the fourth quarter, consolidated gross profit, equal to 52.1 million euro, decreased by -9% compared with the same period of the previous year. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, consolidated gross profit would have been equal to 136.3 million euro, down -6% compared with the same period of 2016 (145.0 million euro).

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

Operating income (EBIT) as at 31 December 2017, equal to 34.3 million euro, showed a reduction of -11% compared with 31 December 2016, with an EBIT margin decreased to 1.06% from 1.27%, mainly due to a reduction in the gross profit margin. The fourth quarter EBIT, equal to 20 million euro, decreased by -9% (-2.0 million euro) compared with the fourth quarter 2016, with an EBIT margin decrease from 1.93% to 1.80%. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, EBIT would have been equal to 23.9 million euro compared with 29.3 million euro in the same period of 2016.

Consolidated Profit before income taxes equal to 33.4 million euro, showed a reduction of -6% compared with 31 December 2016, less marked than the EBIT reduction, mainly as a consequence of higher financial income due to a downward review of contractual consideration to be paid for the purchase of remaining shares of the subsidiary Celly S.p.A. (20%). In the fourth quarter profit before income taxes showed an increase equal to 4% (0.9 million euro), to 21.8 million euro.

Consolidated Net income, equal to 25.1 million euro, showed a reduction of -7% (-1.8 million euro) compared with 31 December 2016.. In the fourth quarter, consolidated net income amounted to 16.2 million euro compared with 15.1 million euro in the same period of 2016 (+7%).

Basic earnings per ordinary share as at 31 December 2017, equal to 0.48 euro, showed a decrease of -8% compared with 31 December 2016 (0.52 euro). In the fourth quarter, basic earnings per ordinary share were equal to 0.31 euro compared with 0.29 euro of the corresponding quarter of 2016 (+7%).

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	122,251	57.15%	124,516	58.59%	(2,265)	*-2%*
Operating net working capital	104,048	48.64%	102,046	48.01%	2,002	*2%*
Other current assets/liabilities	3,290	1.54%	276	0.13%	3,015	*1093%*
Other non-current assets/liabilities	(15,674)	-7.33%	(14,305)	-6.73%	(1,369)	*10%*
Total uses	**213,915**	**100.00%**	**212,533**	**100.00%**	**1,382**	***1%***
Short-term financial liabilities	156,124	72.98%	151,885	71.46%	4,239	*3%*
Current financial (assets)/liabilities for derivatives	663	0.31%	483	0.23%	180	*37%*
Financial receivables from factoring companies	(673)	-0.31%	(1,492)	-0.70%	819	*-55%*
Current debts for investments in subsidiaries	-	0.00%	4,719	2.22%	(4,719)	*-100%*
Other current financial receivables	(510)	-0.24%	(5,596)	-2.63%	5,087	*-91%*
Cash and cash equivalents	(297,047)	-138.86%	(285,933)	-134.54%	(11,114)	*4%*
Net current financial debt	(141,443)	-66.12%	(135,934)	-63.96%	(5,508)	*4%*
Borrowings	18,896	8.83%	28,833	13.57%	(9,937)	*-34%*
Non - current debts for investments in subsidiaries	1,333	0.62%	3,941	1.85%	(2,608)	*-66%*
Non-current financial (assets)/liab. for derivatives	(36)	-0.02%	28	0.01%	(64)	*-229%*
Other non - current financial receivables	(1,869)	-0.87%	(2,292)	-1.08%	423	*-18%*
Net financial debt (A)	(123,119)	-57.56%	(105,424)	-49.60%	(17,695)	*17%*
Net equity (B)	337,034	157.56%	317,957	149.60%	19,077	*6%*
Total sources of funds (C=A+B)	**213,915**	**100.00%**	**212,533**	**100.00%**	**1,382**	***1%***

Consolidated net working capital as at 31 December 2017 totalled 104.0 million euro, compared with 102.0 million euro as at 31 December 2016.

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

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

Taking into account other technical forms of cash advances other than 'without-recourse assignment', but showing the same effects – such as 'confirming' used in Spain –, the overall impact on financial debt at 31 December 2017 was approx. 424 million euro (approx. 400 million euro as at 31 December 2016).

Consolidated net equity as at 31 December 2017 equal to 337.0 million euro, showed an increase of 19.1 million euro compared with 318.0 million euro as at 31 December 2016.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main earnings, financial and net assets position for the Italian subgroup (Esprinet, V-Valley, EDSlan , Mosaico and Celly Group) as at 31 December 2017 are hereby summarised:[23]

(euro/000)	12 months 2017	%	12 months 2016	%	Var.	Var. %
Sales to third parties	1,991,521		1,995,640		(4,119)	0%
Intercompany sales	46,050		46,506		(456)	-1%
Sales	**2,037,571**		**2,042,146**		**(4,575)**	**0%**
Cost of sales	(1,917,005)	-94.08%	(1,916,365)	-94.05%	(640)	0%
Gross profit	**120,566**	**5.92%**	**125,781**	**6.16%**	**(5,215)**	**-4%**
Other income	-	0.00%	2,838	0.14%	(2,838)	-100%
Sales and marketing costs	(42,874)	-2.10%	(41,913)	-2.05%	(961)	2%
Overheads and administrative costs	(58,770)	-2.88%	(60,967)	-2.99%	2,197	-4%
Operating income (EBIT)	**18,922**	**0.93%**	**25,739**	**1.26%**	**(6,817)**	**-26%**

(euro/000)	Q4 2017	%	Q4 2016	%	Var.	Var. %
Sales to third parties	645,592		669,503		(23,911)	-4%
Intercompany sales	12,790		13,374		(584)	-4%
Sales	**658,382**		**682,877**		**(24,495)**	**-4%**
Cost of sales	(623,582)	-94.71%	(641,695)	-93.97%	18,113	-3%
Gross profit	**34,800**	**5.29%**	**41,182**	**6.03%**	**(6,382)**	**-15%**
Other income	-	0.00%	161	0.02%	(161)	-100%
Sales and marketing costs	(10,055)	-1.53%	(11,738)	-1.72%	1,683	-14%
Overheads and administrative costs	(14,967)	-2.27%	(15,624)	-2.29%	657	-4%
Operating income (EBIT)	**9,778**	**1.49%**	**13,981**	**2.05%**	**(4,203)**	**-30%**

Sales, equal to 2,037.6 million euro, are substantially in line compared with 2,042.1 million euro at 31 December 2016. In the fourth quarter consolidated sales decrease by -4% compared with the fourth quarter of 2016. With the same consolidation scope, i.e. excluding the 2016 acquired companies contribution in both the fiscal years, sales would have been equal to 1,901.1 million euro (1,935.3 million euro in the same period of 2016).

Gross profit, equal to 120.6 million euro showed a decrease of -4% compared to 125.8 million euro at 31 December 2016 with a gross profit margin decreased from 6.16% to 5.92%. In the fourth quarter 2017 gross profit, equal to 34.8 million euro, showed a decrease of -15% compared to the fourth quarter 2016, with decrease of the gross profit margin from 6.03% to 5.29%. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, gross profit would have been equal to 109.1 million euro showing a decrease of -7% compared with the same period of the previous year (117.2 million euro).

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

[2] Company operating since 9 April 2016.

[3] Company operating since 1 December 2016.

Operating income (EBIT) equal to 18.9 million euro, showed a decrease of -26% compared with the same period of 2016, with an EBIT margin reduction from 1.26% to 0.93% compared with the same period of the previous year. The reduction is due to both the above-mentioned 2016 non-recurring income, and to an increase in the operating costs. In the fourth quarter of 2017, EBIT, equal to 9.8 million euro, showed a decrease of -30% compared with 14.0 million euro in 2016 with an EBIT margin down to 1.49% from 2.05% in the same period of 2016. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, EBIT 2017 would have been equal to 16.8 million euro compared with 21.5 million euro in the same period of 2016.

(euro/000)	**31/12/2017**	**%**	**31/12/2016**	**%**	**Var.**	***Var. %***
Fixed assets	116,925	65.19%	119,337	54.32%	(2,412)	*-2%*
Operating net working capital	55,496	30.94%	94,709	43.11%	(39,213)	*-41%*
Other current assets/liabilities	17,689	9.86%	16,261	7.40%	1,428	*9%*
Other non-current assets/liabilities	(10,761)	-6.00%	(10,612)	-4.83%	(149)	*1%*
Total uses	**179,349**	**100.00%**	**219,695**	**100.00%**	**(40,346)**	***-18%***
Short-term financial liabilities	150,528	83.93%	122,466	55.74%	28,062	*23%*
Current debts for investments in subsidiaries	-	0.00%	3,959	1.80%	(3,959)	*-100%*
Current financial (assets)/liabilities for derivatives	644	0.36%	428	0.19%	216	*50%*
Financial receivables from factoring companies	(673)	-0.38%	(1,492)	-0.68%	819	*-55%*
Financial (assets)/liab. from/to Group companies	(112,500)	-62.73%	(126,500)	-57.58%	14,000	*-11%*
Other financial receivables	(510)	-0.28%	(509)	-0.23%	(1)	*0%*
Cash and cash equivalents	(184,990)	-103.15%	(88,651)	-40.35%	(96,339)	*109%*
Net current financial debt	(147,501)	-82.24%	(90,299)	-41.10%	(57,202)	*63%*
Borrowings	17,132	9.55%	5,849	2.66%	11,283	*193%*
Non - current debts for investments in subsidiaries	1,333	0.74%	3,942	1.79%	(2,609)	*-66%*
Other financial receivables	(1,870)	-1.04%	(2,292)	-1.04%	422	*-18%*
Net Financial debt (A)	(130,906)	-72.99%	(82,800)	-37.69%	(48,106)	*58%*
Net equity (B)	310,255	172.99%	302,495	137.69%	7,760	*3%*
Total sources of funds (C=A+B)	**179,349**	**100.00%**	**219,695**	**100.00%**	**(40,346)**	***-18%***

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

Net financial position as at 31 December 2017 was positive by 130.9 million euro, compared with a cash surplus equal to 82.8 million euro at 31 December 2016. The impact of both 'without-recourse' sale and securitization programmes of trade receivable as at 31 December 2017 was approx. 184 million euro (approx. 133 million euro as at 31 December 2016).

B.2) Subgroup Iberica

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

(euro/000)	12 months 2017	%	12 months 2016	%	Var.	Var. %
Sales to third parties	1,225,648		1,046,689		178,959	*17%*
Intercompany sales	-		-		-	*100%*
Sales	**1,225,648**		**1,046,689**		178,959	***17%***
Cost of sales	(1,178,557)	-96.16%	(1,008,404)	-96.34%	(170,153)	*17%*
Gross profit	**47,091**	**3.84%**	**38,285**	**3.66%**	**8,806**	***23%***
Sales and marketing costs	(10,872)	-0.89%	(7,940)	-0.76%	(2,932)	*37%*
Overheads and administrative costs	(20,782)	-1.70%	(17,357)	-1.66%	(3,425)	*20%*
Operating income (EBIT)	**15,437**	**1.26%**	**12,988**	**1.24%**	**2,449**	***19%***

(euro/000)	Q4 2017	%	Q4 2016	%	Var.	Var. %
Sales to third parties	443,980		447,016		(3,036)	*-1%*
Intercompany sales	-		-		-	*100%*
Sales	**443,980**		**447,016**		**(3,036)**	***-1%***
Cost of sales	(426,682)	-96.10%	(430,835)	-96.38%	4,153	*-1%*
Gross profit	**17,298**	**3.90%**	**16,181**	**3.62%**	**1,117**	***7%***
Sales and marketing costs	(2,550)	-0.57%	(2,453)	-0.55%	(97)	*4%*
Overheads and administrative costs	(4,934)	-1.11%	(6,054)	-1.35%	1,120	*-19%*
Operating income (EBIT)	**9,814**	**2.21%**	**7,674**	**1.72%**	**2,140**	***28%***

Sales equal to 1,225.6 million euro, showed an increase of +17% compared with 1,046.7 million euro at 31 December 2016. In the fourth quarter sales showed a decrease of -1% (equal to -3.0 million euro) compared with the same period of the previous year. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, sales would have been equal to 664.8 million euro (718.8 million euro compared with the same period of 2016) although the figures were affected by a reorganisation of both market and customer segments managed by the Iberian companies after the business combinations occurred.

Gross profit as at 31 December 2017 equal to 47.1 million euro, showing an increase of +23% compared with 38.3 million euro of the same period of 2016 with a gross profit margin increased from 3.66% to 3.84%. In the fourth quarter, gross profit showed an increase of +7% compared with the same period of previous year, with a gross margin increase from 3.62% to 3.90%. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years, gross profit margin would have been equal to 27.4 million euro, showing a decrease of -2% compared with the same period of the previous year (28.0 million euro).

Operating income (EBIT) was equal to 15.4 million euro showing an increase of 2.5 million euro compared with the value posted at 31 December 2016, with an EBIT margin increase to 1.26% from 1.24%. In the fourth quarter of 2017, EBIT was equal to 9.8 million euro, compared with 7.7 million euro in the fourth quarter of 2016 with an EBIT margin increased from 1.72% to 2.21%. With the same consolidation scope, i.e. excluding the contribution of companies acquired in 2016 in both fiscal years,

[4] Company not active as at 31 December 2016.

[5] Company acquired and active since 1 July 2016.

[6] Company operating since 1 December 2016.

EBIT would have been equal to 7.2 million euro showing a decrease of -9% compared with the same period of 2016 (7.9 million euro).

(euro/000)	31/12/2017	%	31/12/2016	%	Var.	*Var. %*
Fixed assets	80,076	72.97%	79,866	117.72%	210	*0%*
Operating net working capital	48,972	44.63%	7,656	11.28%	41,316	*540%*
Other current assets/liabilities	(14,399)	-13.12%	(15,986)	-23.56%	1,587	*-10%*
Other non-current assets/liabilities	(4,913)	-4.48%	(3,693)	-5.44%	(1,220)	*33%*
Total uses	**109,736**	**100.00%**	**67,843**	**100.00%**	**41,893**	***62%***
Short-term financial liabilities	5,596	5.10%	29,419	43.36%	(23,823)	*-81%*
Current financial (assets)/liabilities for derivatives	19	0.02%	55	0.08%	(36)	*-65%*
Current debts for investments in subsidiaries	-	0.00%	759	1.12%	(759)	*-100%*
Financial (assets)/liab. from/to Group companies	112,500	102.52%	126,500	186.46%	(14,000)	*-11%*
Other financial receivables	(0)	0.00%	(5,087)	-7.50%	5,087	*-100%*
Cash and cash equivalents	(112,057)	-102.12%	(197,282)	-290.79%	85,225	*-43%*
Net current financial debt	6,058	5.52%	(45,636)	-67.27%	51,694	*-113%*
Borrowings	1,764	1.61%	22,984	33.88%	(21,220)	*-92%*
Non-current financial (assets)/liab. for derivatives	(36)	-0.03%	28	0.04%	(64)	*-229%*
Net Financial debt (A)	7,786	7.10%	(22,624)	-33.35%	30,410	*-134%*
Net equity (B)	101,950	92.90%	90,467	133.35%	11,483	*13%*
Total sources of funds (C=A+B)	**109,736**	**100.00%**	**67,843**	**100.00%**	**41,893**	***62%***

Operating net working capital as at 31 December 2017 was equal to 49.0 million euro, compared with 7.7 million euro at 31 December 2016.

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

C) <u>Separate income statement by legal entity</u>

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

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

(euro/000)	12 months 2017													
	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	1,854,572	53,555	27,909	55,485	-	1,991,521	633,015	28,258	6,195	558,180	-	1,225,648	-	3,217,170
Intersegment sales	62,961	1,129	1,107	1,846	(20,993)	46,050	20,837	12	-	3,447	(24,296)	-	(46,050)	-
Sales	**1,917,533**	**54,684**	**29,016**	**57,331**	**(20,993)**	**2,037,571**	**653,852**	**28,270**	**6,195**	**561,627**	**(24,296)**	**1,225,648**	**(46,050)**	**3,217,170**
Cost of sales	(1,820,421)	(49,689)	(17,138)	(50,745)	20,988	(1,917,005)	(627,208)	(27,452)	(5,614)	(542,504)	24,221	(1,178,557)	45,938	(3,049,624)
Gross profit	**97,112**	**4,995**	**11,878**	**6,586**	**(5)**	**120,566**	**26,644**	**818**	**581**	**19,123**	**(75)**	**47,091**	**(112)**	**167,546**
Gross Profit %	*5.06%*	*9.13%*	*40.94%*	*11.49%*	*0.02%*	*5.92%*	*4.07%*	*2.89%*	*9.38%*	*3.40%*		*3.84%*		*5.21%*
Sales and marketing costs	(28,796)	(1,413)	(8,541)	(4,175)	51	(42,874)	(6,171)	(333)	(855)	(3,599)	85	(10,872)	(57)	(53,803)
Overheads and admin. costs	(51,894)	(864)	(3,043)	(2,983)	14	(58,770)	(13,187)	(543)	(266)	(6,776)	(10)	(20,782)	68	(79,484)
Operating income (Ebit)	**16,422**	**2,718**	**294**	**(572)**	**60**	**18,922**	**7,286**	**(58)**	**(540)**	**8,748**	**-**	**15,437**	**(101)**	**34,259**
EBIT %	*0.86%*	*4.97%*	*1.01%*	*-1.00%*	*-0.29%*	*0.93%*	*1.11%*	*-0.21%*	*-8.72%*	*1.56%*		*1.26%*		*1.06%*
Finance costs - net														(871)
Share of profits of associates														36
Profit before income tax														**33,424**
Income tax expenses														(8,311)
Net income														**25,113**
- of which attributable to non-controlling interests														53
- of which attributable to Group														25,060

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

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

3.4 Notes to consolidated income statement items.

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

33) Sales

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

Sales by geographical segment

(euro/million)	12 months 2017	%	12 months 2016	%	Var.	% Var.	Q4 2017	%	Q4 2016	% Var.
Italy	1,973.3	61.3%	1,962.9	64.5%	10.4	0.5%	639.3	58.7%	658.1	-2.9%
Spain	1,193.0	37.1%	1,016.5	33.4%	176.5	17.4%	434.6	39.9%	433.8	0.2%
Other EU countries	45.2	1.4%	40.0	1.3%	5.2	13.0%	14.4	1.3%	17.0	-15.3%
Extra EU countries	5.7	0.2%	22.9	0.8%	(17.2)	-75.1%	1.3	0.1%	7.6	-82.9%
Group sales	**3,217.2**	**100.0%**	**3,042.3**	**100.0%**	**174.9**	**5.7%**	**1,089.6**	**100.0%**	**1,116.5**	**-2.4%**

Sales in other EU countries mainly refer (29.0 million euro) to sales made by the Portuguese subsidiary to local customers. The remaining portion mainly refer to sales to customers resident in Germany, Malta and Greece.

Sales in non-EU countries refer mainly to sales to customers resident in San Marino, Switzerland and Andorra.

Sales by products and services

(euro/million)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Product sales	1,972.1	61.3%	1,979.9	65.1%	0%	639.8	58.7%	664.7	59.5%	-4%
Services sales	19.4	0.6%	15.7	0.5%	*24%*	5.8	0.5%	4.8	0.4%	*21%*
Sales - Subgroup Italy	**1,991.5**	**61.9%**	**1,995.6**	**65.6%**	***0%***	**645.6**	**59.3%**	**669.5**	**60.0%**	***-4%***
Product sales	1,224.0	38.0%	1,045.7	34.4%	*17%*	443.5	40.7%	446.7	40.0%	*-1%*
Services sales	1.7	0.1%	1.0	0.0%	*70%*	0.5	0.0%	0.3	0.0%	*67%*
Sales - Subgroup Spain	**1,225.7**	**38.1%**	**1,046.7**	**34.4%**	***17%***	**444.0**	**40.7%**	**447.0**	**40.0%**	***-1%***
Group sales	**3,217.2**	**100.0%**	**3,042.3**	**100.0%**	***6%***	**1,089.6**	**100.0%**	**1,116.5**	**100.0%**	***-2%***

Sales by product family and customer type

(euro/million)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
GDO/GDS	1,028.5	32.0%	865.9	0.3	18.8%	448.3	41.1%	368.4	33.0%	21.7%
Dealers	862.0	26.8%	813.9	0.3	5.9%	292.0	26.8%	271.9	24.4%	7.4%
Vars	726.9	22.6%	615.9	0.2	18.0%	238.4	21.9%	246.0	22.0%	-3.1%
Shop on-line	257.9	8.0%	262.2	0.1	-1.6%	61.4	5.6%	92.5	8.3%	-33.6%
Office/Consumables dealers	235.8	7.3%	360.3	0.1	-34.6%	21.2	1.9%	102.7	9.2%	-79.4%
Sub-distributors	106.1	3.3%	124.1	0.0	-14.5%	28.3	2.6%	35.0	3.1%	-19.1%
Group Sales	**3,217.2**	**100%**	**3,042.3**	**100%**	***6%***	**1,089.6**	**100%**	**1,116.5**	**100%**	***-2%***

(euro/million)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
TLC	811.8	25.2%	677.5	22.3%	*20%*	318.0	29.2%	348.5	31.2%	*-9%*
PCs - notebooks	625.7	19.4%	714.8	23.5%	*-12%*	185.0	17.0%	244.2	21.9%	*-24%*
PCs - tablets	339.6	10.6%	182.1	6.0%	*86%*	140.3	12.9%	48.0	4.3%	*192%*
Consumer electronics	261.5	8.1%	274.5	9.0%	*-5%*	78.1	7.2%	95.4	8.5%	*-18%*
PCs - desktops and monitors	217.6	6.8%	268.7	8.8%	*-19%*	59.6	5.5%	72.5	6.5%	*-18%*
Consumables	211.1	6.6%	222.8	7.3%	*-5%*	56.3	5.2%	56.1	5.0%	*0%*
Software	161.8	5.0%	134.4	4.4%	*20%*	52.9	4.9%	50.4	4.5%	*5%*
Storage	122.8	3.8%	114.9	3.8%	*7%*	39.4	3.6%	27.7	2.5%	*42%*
Peripherical devices	117.1	3.6%	123.8	4.1%	*-5%*	36.1	3.3%	36.6	3.3%	*-1%*
Networking	94.5	2.9%	104.9	3.4%	*-10%*	8.5	0.8%	58.8	5.3%	*-86%*
Servers	67.1	2.1%	52.4	1.7%	*28%*	30.1	2.8%	12.4	1.1%	*143%*
Services	25.8	0.8%	23.6	0.8%	*9%*	7.3	0.7%	6.0	0.5%	*22%*
Other	160.8	5.0%	147.9	4.9%	*9%*	78.0	7.2%	59.9	5.4%	*30%*
Group sales	**3,217.2**	**100%**	**3,042.3**	**100%**	***6%***	**1,089.6**	**100%**	**1,116.5**	**100%**	***-2%***

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

The fourth quarter shows similar trends, with the exception of 'VAR-Value Added Reseller' which refers to large business customers, highlighting a decrease of -3%.

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

The fourth quarter substantially shows the same trend changes in each segment, except for 'TLC' (-9%) with a trend reversal.

35) Gross profit

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Sales	3,217,170	100.00%	3,042,330	100.00%	6%	1,089,574	100.00%	1,116,519	100.00%	-2%
Cost of sales	3,049,624	94.79%	2,878,435	94.61%	6%	1,037,457	95.22%	1,059,251	94.87%	-2%
Gross profit	**167,546**	**5.21%**	**163,895**	**5.39%**	***2%***	**52,117**	**4.78%**	**57,268**	**5.13%**	***-9%***

The consolidated gross profit totalled 167.6 million euro and showed an increase of +2% (+3.7 million euro) compared to 2016 as a consequence of higher sales only partially counterbalanced by a decrease in gross profit margin. In the fourth quarter, Gross profit, equal to 52.1 million euro, decreased by -9% compared with the same period of previous year.

50) Other income

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.
Sales	**3,217,170**		**3,042,330**		***6%***
Other income	-	0.00%	2,838	0.09%	

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

37-38) Operating costs

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Sales	**3,217,170**		**3,042,330**		***6%***	**1,089,574**		**1,116,519**		***-2%***
Sales and marketing costs	53,803	1.67%	49,871	1.64%	8%	12,607	1.16%	14,191	1.27%	-11%
Overheads and administrative costs	79,484	2.47%	78,296	2.57%	2%	19,897	1.83%	21,673	1.94%	-8%
Operating costs	**133,287**	**4.14%**	**128,167**	**4.21%**	***4%***	**32,504**	**2.98%**	**35,864**	**3.21%**	***-9%***
- of which non recurring	1,839	0.06%	4,754	0.16%	-61%	3,208	0.29%	7,809	0.70%	-59%
'Recurring' operating costs	**131,448**	**4.09%**	**123,413**	**4.06%**	***7%***	**29,296**	**2.69%**	**28,055**	**2.51%**	***4%***

In 2017 operating costs, amounting to 133.3 million euro, increased by 5.1 million euro compared with the same period of 2016.
The increase in absolute value follows the Group enlargement as a consequence of business combinations occurred during 2016.

Reclassification by nature of some categories of operating costs

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

Labour costs and number of employees

(euro/000)	12 months 2017	%	12 months 2016	%	Q4 2017	%	Q4 2016	%	% Var.
Sales	**3.217.170**		**3.042.330**		**1.089.573**		**1.116.519**		***-2%***
Wages and salaries	42.304	1,31%	39.643	1,30%	9.362	0,86%	10.631	0,95%	*-12%*
Social contributions	12.546	0,39%	11.586	0,38%	2.837	0,26%	3.061	0,27%	*-7%*
Pension obligations	2.293	0,07%	2.182	0,07%	506	0,05%	606	0,05%	*-17%*
Other personnel costs	998	0,03%	991	0,03%	225	0,02%	256	0,02%	*-12%*
Employee termination incentives	1.999	0,06%	1.079	0,04%	551	0,05%	1.044	0,09%	*-47%*
Share incentive plans	348	0,01%	477	0,02%	(45)	0,00%	15	0,00%	*-400%*
Total labour cost (1)	**60.488**	**1,88%**	**55.958**	**1,84%**	**13.436**	**1,23%**	**15.613**	**1,40%**	***-14%***

(1) Cost of temporary workers excluded.

In 2017, labour costs amounted to 60.5 million euro, increasing by +8% (+4.5 million euro) compared with the previous year, with a growth in the average headcount (+10%) as shown in the following table which summarises the Group's number of employees - split by qualification -.

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

Increase	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	17	664	1	**682**	
EDSlan S.r.l.	2	49	-	**51**	
Celly S.p.A.	1	46	-	**47**	
Mosaico S.r.l.	1	29	-	**30**	
Celly Pacific LTD	-	2	-	**2**	
Celly Nordic OY	-	1	-	**1**	
Celly Swiss SAGL	-	-	-	**-**	
Nilox Deutschland GmbH	-	-	-	**-**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**21**	**791**	**1**	**813**	**826**
Esprinet Iberica S.L.U.	-	229	52	**281**	
Vinzeo Technologies S.A.U.	-	135	-	**135**	
V-Valley Iberian S.L.U.	-	12	-	**12**	
Esprinet Portugal Lda	-	8	-	**8**	
Tape S.L.U.	-	-	-	**-**	
Subgroup Spain	**-**	**384**	**52**	**436**	**463**
Group as at 31 December 2017	**21**	**1,175**	**53**	**1,249**	**1,289**
Group as at 31 December 2016	**24**	**1,211**	**92**	**1,327**	**1,172**
Var 31/12/2017 - 31/12/2016	(3)	(36)	(39)	(78)	117
Var %	-13%	-3%	-42%	-6%	10%

(*) Average of the balance at period-beginning and period-end.

Compared with the 31 December 2016, the number of employees at the end of the period decreased by 78, as a consequence of the above-mentioned business reorganisation. This year, the average number of employees increased by 117 instead, due to the 2016 business combinations.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Sales	**3,217,170**		**3,042,330**		***6%***	**1,089,574**		**1,116,519**		***-2%***
Depreciation of tangible assets	4,075	0.13%	3,419	0.11%	*19%*	1,080	0.10%	930	0.08%	*16%*
Amortisation of intangible assets	679	0.02%	531	0.02%	*28%*	175	0.02%	141	0.01%	*24%*
Amort . & depreciation	**4,754**	**0.15%**	**3,950**	**0.13%**	***20%***	**1,255**	**0.12%**	**1,071**	**0.10%**	***17%***
Write-downs of fixed assets	-	0.00%	4	0.00%	*-100%*	-	0.00%	4	0.00%	***-100%***
Amort. & depr., write-downs (A)	**4,754**	**0.15%**	**3,954**	**0.13%**	***20%***	**1,255**	**0.12%**	**1,075**	**0.10%**	***17%***
Accruals for risks and charges (B)	372	0.01%	601	0.02%	*-38%*	274	0.03%	(37)	0.00%	*-841%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**5,126**	**0.16%**	**4,555**	**0.15%**	***13%***	**1,529**	**0.14%**	**1,038**	**0.09%**	***47%***

42) <u>Finance costs – net</u>

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Sales	**3,217,170**		**3,042,330**		***6%***	**1,089,574**		**1,116,519**		***-2%***
Interest expenses on borrowings	3,392	0.1%	2,309	0.08%	*47%*	804	0.07%	679	0.06%	*18%*
Interest expenses to banks	322	0.0%	608	0.02%	*-47%*	65	0.01%	255	0.02%	*-75%*
Other interest expenses	16	0.0%	16	0.00%	*0%*	10	0.00%	1	0.00%	*>100%*
Upfront fees amortisation	669	0.0%	478	0.02%	*40%*	168	0.02%	193	0.02%	*-13%*
Financial charges for actualization	1	0.0%	83	0.00%	*-99%*	(2)	0.00%	83	0.01%	*<-100%*
IAS 19 expenses/losses	63	0.0%	85	0.00%	*-26%*	16	0.00%	22	0.00%	*-27%*
Expenses from business combination	34	0.0%	4	0.00%	*>100%*	2	0.00%	4	0.00%	*-50%*
Derivatives ineffectiveness	267	0.0%	3	0.00%	*>100%*	45	0.00%	(16)	0.00%	*<-100%*
Total financial expenses (A)	**4,764**	**0.1%**	**3,586**	**0.12%**	***33%***	**1,108**	**0.10%**	**1,221**	**0.11%**	***-9%***
Interest income from banks	(82)	0.0%	(154)	-0.01%	*-47%*	(17)	0.00%	(58)	-0.01%	*-71%*
Interest income from others	(692)	0.0%	(121)	0.00%	*>100%*	(549)	-0.05%	(29)	0.00%	*>100%*
Interest income on business combination	(2,609)	-0.1%	(1,281)	-0.04%	*>100%*	(2,606)	-0.24%	(1,172)	-0.10%	*>100%*
Derivatives ineffectiveness	20	0.0%	-	0.00%	*NA*	5	0.00%	-	0.00%	*NA*
Total financial income(B)	**(3,363)**	**-0.1%**	**(1,556)**	**-0.05%**	***>100%***	**(3,166)**	**-0.29%**	**(1,259)**	**-0.11%**	***>100%***
Net financial exp. (C=A+B)	**1,401**	**0.0%**	**2,030**	**0.07%**	***-31%***	**(2,058)**	**-0.19%**	**(37)**	**0.00%**	***>100%***
Foreign exchange gains	(1,775)	-0.1%	(1,140)	-0.04%	*56%*	(346)	-0.03%	(480)	-0.04%	*-28%*
Foreign exchange losses	1,245	0.0%	1,957	0.06%	*-36%*	262	0.02%	1,220	0.11%	*-79%*
Net foreign exch. (profit)/losses (D)	**(530)**	**0.0%**	**817**	**0.03%**	*<-100%*	**(84)**	**-0.01%**	**740**	**0.07%**	*<-100%*
Net financial (income)/costs (E=C+D)	**871**	**0.0%**	**2,847**	**0.09%**	*-69%*	**(2,143)**	**-0.20%**	**703**	**0.06%**	*<-100%*

The negative balance of 0.9 million euro between financial income and expenses shows an improvement equal to 2.0 million euro compared with the same period of previous year.

In particular, i) higher net interest payable to banks of 0.9 million euro and ii) higher derivatives charges and upfront fees amortisation for 0.5 million euro are recorded.
This negative effect is more than offset i) by higher income for 1.3 million euro due to a downward adjustment in the estimated contract consideration to be paid for the acquisition of the residual 20% of the subsidiary Celly S.p.A., ii) by interest receivable for 0.7 million euro booked as a consequence of the positive conclusion of a dispute against an credit insurance company and iii) by the positive value (1.4 million euro) from the foreign exchange management mainly due to the positive trend in the euro-dollar fluctuation.

The higher cost of indebtedness is due to the increase in the average debt levels to banks, while the average mix of financing sources, having a considerably longer average duration compared with the previous year, shows more favourable interest rate conditions.

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

45) Income tax expenses

(euro/000)	12 months 2017	%	12 months 2016	%	% Var.	Q4 2017	%	Q4 2016	%	% Var.
Sales	3,217,170		3,042,330		6%	1,089,574		1,116,519		-2%
Current and deferred taxes	8,311	0.26%	8,850	0.29%	-6%	5,568	0.51%	5,777	0.52%	-4%
Profit before taxes	33,424		35,720			25,477		22,509		
Tax rate	25%		25%			22%		26%		

Income tax expenses, equal to 8.3 million euro, decreased by -6% compared with 2016 mainly due to a lower taxable income.
Instead, the tax rate has remained unchanged as a consequence of an income item arising in 2016 from the asset deal executed by the subsidiary EDSlan S.r.l., which completely offset the benefit in 2017 arising from both the reduction in the nominal Italian corporation tax rate (IRES) from 27.5% to 24%, and the higher weight of Iberian results, having a lower effective tax rate compared with Italy, thanks to the benefits arising from the recoverability of tax receivables linked to losses or previously missed deductions.

46) Net income and earnings per share

(euro/000)	12 months 2017	12 months 2016	Var.	% Var.	Q4 2017	Q4 2016	Var.	% Var.
Net income	25,113	26,870	(1,757)	-7%	16,189	15,085	1,104	7%
Weighed average no. of shares in circulation: basic	51,757,451	51,757,451			51,757,451	51,757,451		
Weighed average no. of shares in circulation: diluted	52,206,946	52,060,893			52,244,149	52,181,062		
Earnings per share in euro - basic	0.48	0.52	(0.04)	-8%	0.31	0.29	0.02	7%
Earnings per share in euro - diluted	0.48	0.51	(0.03)	-6%	0.31	0.29	0.02	7%

No own shares held in portfolio were used to calculate the 'basic' earnings per share.

The potential shares involved in the stock grant plan approved on 30 April 2015 by the Esprinet S.p.A. Shareholders' meeting were included in the calculation of the 'diluted' profit per share. The plan provided for the allotment of 646.889 shares, then reduced to 528.622, as a consequence of the estimate of net income in the period 2015-2017.

4. Consolidated statement of financial position and notes

4.1 Consolidated statement of financial position

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

(euro/000)	31/12/2017	related parties	31/12/2016	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	14,633		15,284	
Goodwill	90,595		91,189	
Intangible assets	1,071		1,469	
Investments in associates	-		39	
Deferred income tax assets	11,110		11,931	
Derivative financial assets	36		38	
Receivables and other non-current assets	6,712	1,553	6,896	1,286
	124,157	**1,553**	**126,846**	**1,286**
Current assets				
Inventory	481,101		328,886	
Trade receivables	313,016	11	388,672	9
Income tax assets	3,098		6,175	
Other assets	27,083	10	32,091	-
Cash and cash equivalents	297,047		285,933	
	1,121,345	**21**	**1,041,757**	**9**
Disposal groups assets	-		-	
Total assets	**1,245,502**	**1,574**	**1,168,603**	**1,295**
EQUITY				
Share capital	7,861		7,861	
Reserves	303,058		282,430	
Group net income	25,061		26,667	
Group net equity	**335,980**		**316,958**	
Non-controlling interests	1,054		999	
Total equity	**337,034**		**317,957**	
LIABILITIES				
Non-current liabilities				
Borrowings	18,896		28,833	
Derivative financial liabilities	-		66	
Deferred income tax liabilities	7,993		6,100	
Retirement benefit obligations	4,814		5,185	
Debts for investments in subsidiaries	1,333		3,942	
Provisions and other liabilities	2,867		3,020	
	35,903		**47,146**	
Current liabilities				
Trade payables	690,070	-	615,512	12
Short-term financial liabilities	156,124		151,885	
Income tax liabilities	598		740	
Derivative financial liabilities	663		483	
Debts for investments in subsidiaries	-		4,718	
Provisions and other liabilities	25,110	1,510	30,162	-
	872,565	**1,510**	**803,500**	**12**
Disposal groups liabilities	-		-	
Total liabilities	**908,468**	**1,510**	**850,646**	**12**
Total equity and liabilities	**1,245,502**	**1,510**	**1,168,603**	**12**

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

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	31/12/2017			31/12/2016
	Esprinet Group	Subgroup Italy	Subgroup Iberian	Esprinet Group
Plant and machinery	1.042	413	629	2.030
Ind. And comm. Equipment & Other assets	2.414	1.706	708	4.598
Assets under construction and advances	109	109	-	2.436
Total Property, plant and equipment	**3.565**	**2.228**	**1.337**	**9.064**
Industrial patents and intellectual rights	268	238	30	1.879
Licences, concessions, brand names and similar rights	-	-	-	11
Other	4	4	-	-
Assets under construction and advances	6	6	-	757
Total intangible asstes	**278**	**248**	**30**	**2.647**
Total gross investments	**3.843**	**2.476**	**1.367**	**11.711**

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

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

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

The increase in the item 'Industrial and other patent rights' mostly refers to the costs incurred by the parent company Esprinet S.p.A. for the purchase and upgrade of software.

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

4.2.2 Net financial position and covenants

(euro/000)	31/12/2017	31/12/2016	Var.	30/09/2017	Var.
Short-term financial liabilities	156,124	151,885	4,239	61,439	94,685
Current debts for investments in subsidiaries	0	4,719	(4,719)	5,086	(5,085)
Current financial (assets)/liabilities for derivatives	663	483	180	488	175
Financial receivables from factoring companies	(673)	(1,492)	819	(7,813)	7,140
Other financial receivables	(510)	(5,596)	5,087	(486)	(24)
Cash and cash equivalents	(297,047)	(285,933)	(11,114)	(44,353)	(252,694)
Net current financial debt	**(141,442)**	**(135,934)**	**(5,508)**	**14,361**	**(155,803)**
Borrowings	18,896	28,833	(9,937)	125,344	(106,448)
Non - current debts for investments in subsidiaries	1,333	3,941	(2,608)	3,939	(2,606)
Non-current financial (assets)/liabilities for derivatives	(36)	28	(64)	111	(147)
Other financial receivables	(1,869)	(2,292)	423	(1,870)	1
Net financial debt	**(123,119)**	**(105,424)**	**(17,695)**	**141,885**	**(265,003)**

For the definition of financial payables please see the paragraph 'Principal accounting definitions and estimates' in the consolidated accounts as at 31 December 2016.

The Group's net financial position, positive in the amount of 123.1 million euro, corresponds to a net balance of gross financial debts of 175.0 million euro, financial receivables equal to 3.1 million euro, debts for investments in subsidiaries equal to 1.3 million euro, cash and cash equivalents equal to 297.0 million euro and financial liabilities for derivatives of 0.7 million euro.

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

The without-recourse sale of receivables revolving programme focusing on selected customer segments, specially in GDO, continued during 2017 in both Italy and Spain in the framework of working capital management policies. In addition, 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 31 December 2017 is approx. 425 million euro (approx. 400 million euro as at 31 December 2016).

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 cash facility with an original amount of 145.0 million euro and a 5-year revolving cash facility for 65.0 million euro.
As at 31 December 2017, the amortised cash facility was outstanding for 130.5 million euro, while the revolving facility was undrawn.
The above-mentioned loan has no guarantees thus, as is common practice in similar transactions, is secured by a set of 4 ordinary financial covenants that entitle the lenders to demand early repayment in case of failure.

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

With respect to the above, the Group already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment.

4.2.3 Goodwill

Goodwill was equal to 90.6 million euro and decreased by 0.6 million euro compared with 91.2 million euro as at 31 December 2016 as a consequence of the review of the deferred consideration amounts related to the acquisition of the business unit 'VAD-Value Added Distributor' from Itway Group, as allowed by IFRS 3.

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)	31/12/2017	31/12/2016	Var.		
Esprinet S.p.A.	17.296	18.738	(1.442)	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	68.298	847	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**90.594**	**91.189**	**(595)**		

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

IAS 36 requires the goodwill impairment test to be effected more frequently whenever 'triggering events' occur, i.e. indications of loss of value. With reference to the CGU 1 and CGU 3, as no such indicators appeared in the period between the annual impairment test in March 2017 and the date of this financial report, no other impairment tests were conducted on figures as at 31 December 2017. With respect to the CGU 2, the downward adjustment in the estimated contractual consideration to be paid for the acquisition of the residual 20% of the subsidiary Celly S.p.A., was not deemed a triggering event, thus it was not considered necessary to execute earlier the prerequisite process for an impairment test, consisting in the formal and separate approval by the Board of Directors of the business plans 2018-22E. Nevertheless the management conducted a recoverability assessment analysis on the goodwill value posted in the financial statements without identifying any impairment.

For such purposes, it should be noted that the Board of Directors meeting called in the forthcoming month of March 2018 to discuss the draft financial statements for the year ended 31 December 2017 will also formally and specifically approve both the 2018-22E plans and the impairment test procedure ensuring that the latter complies with the IAS 36 requirements.

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

5. Consolidated statement of changes in net equity

(euro/000)	Share Capital	Reserves	Own Shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2015	**7,861**	**264,848**	**(5,145)**	**30,041**	**297,605**	**797**	**296,808**
Total comprehensive income/(loss)	**-**	**(172)**	**-**	**26,870**	**26,697**	**199**	**26,498**
Allocation of last year net income/(loss)	-	22,277	-	(22,277)	-	-	-
Dividend payment	-	-	-	(7,764)	(7,764)	-	(7,764)
Transactions with owners	**-**	**22,277**	**-**	**(30,041)**	**(7,764)**	**-**	**(7,764)**
Increase/(decrease) in 'stock grant' plan reserve	-	1,404	-	-	1,404	-	1,404
Other variations	-	15	-	-	15	3	12
Balance at 31 December 2016	**7,861**	**288,372**	**(5,145)**	**26,870**	**317,957**	**999**	**316,958**
Balance at 31 December 2016	**7,861**	**288,372**	**(5,145)**	**26,870**	**317,957**	**999**	**316,958**
Total comprehensive income/(loss)	**-**	**(16)**	**-**	**25,114**	**25,098**	**54**	**25,044**
Allocation of last year net income/(loss)	-	19,883	-	(19,883)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Transactions with owners	**-**	**19,883**	**-**	**(26,870)**	**(6,987)**	**-**	**(6,987)**
Change in 'stock grant' plan reserve	-	963	-	-	963	-	963
Other variations	-	3	-	-	3	1	2
Balance at 31 December 2017	**7,861**	**309,205**	**(5,145)**	**25,114**	**337,034**	**1,054**	**335,980**

6. Consolidated statement of cash flows[8]

(euro/000)	12 months 2017	12 months 2016
Cash flow provided by (used in) operating activities (D=A+B+C)	**25,983**	**34,413**
Cash flow generated from operations (A)	**39,436**	**40,986**
Operating income (EBIT)	34,259	38,566
Income from business combinations	-	(2,838)
Depreciation, amortisation and other fixed assets write-downs	4,754	3,954
Net changes in provisions for risks and charges	(153)	171
Net changes in retirement benefit obligations	(386)	(271)
Stock option/grant costs	962	1,404
Cash flow provided by (used in) changes in working capital (B)	**(8,044)**	**3,447**
Inventory	(152,215)	37,760
Trade receivables	75,656	(38,454)
Other current assets	2,180	(12,321)
Trade payables	74,695	18,354
Other current liabilities	(8,360)	(1,892)
Other cash flow provided by (used in) operating activities (C)	**(5,409)**	**(10,020)**
Interests paid, net	(2,372)	(644)
Foreign exchange (losses)/gains	393	(760)
Net results from associated companies	75	9
Income taxes paid	(3,505)	(8,625)
Cash flow provided by (used in) investing activities (E)	**(2,252)**	**(105,981)**
Net investments in property, plant and equipment	(3,424)	(6,010)
Net investments in intangible assets	(281)	(1,098)
Changes in other non current assets and liabilities	859	73
EDSlan business combination	-	(17,065)
Vinzeo business combination	-	(73,150)
Cash flow provided by (used in) financing activities (F)	**(12,617)**	**77,412**
Medium/long term borrowing	165,000	-
Repayment/renegotiation of medium/long-term borrowings	(112,162)	(23,078)
Net change in financial liabilities	(60,091)	108,043
Net change in financial assets and derivative instruments	6,423	(3,371)
Deferred price Celly acquisition	-	(1,280)
Deferred price Itway acquisition	(4,718)	4,718
Dividend payments	(6,987)	(7,764)
Increase/(decrease) in 'cash flow edge' equity reserve	(138)	(61)
Changes in third parties net equity	56	205
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**11,114**	**5,844**
Cash and cash equivalents at year-beginning	**285,933**	**280,089**
Net increase/(decrease) in cash and cash equivalents	**11,114**	**5,844**
Cash and cash equivalents at year-end	**297,047**	**285,933**

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

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

(euro/000)	12 months 2017	12 months 2016
Net financial debt at start of the year	**(105,424)**	**(185,913)**
Cash flow provided by (used in) operating activities	25,983	34,413
Cash flow provided by (used in) investing activities	(2,252)	(105,981)
Cash flow provided by (used in) changes in net equity	(7,069)	(7,620)
Total cash flow	**16,662**	**(79,188)**
Unpaid interests	1,033	(1,301)
Net financial position at end of year	**(123,119)**	**(105,424)**
Short-term financial liabilities	156,124	151,885
Customers financial receivables	(510)	(5,596)
Current financial (assets)/liabilities for derivatives	663	483
Financial receivables from factoring companies	(673)	(1,492)
Debiti per acquisto partecipazioni correnti	1,333	3,959
Cash and cash equivalents	(297,047)	(285,933)
Net current financial debt	**(140,110)**	**(136,694)**
Borrowings	18,896	28,833
Non current Debts for investments in subsidiaries	-	4,702
Non-current financial (assets)/liab. for derivatives	(36)	28
Customers financial receivables	(1,869)	(2,292)
Net financial debt at start of the year	**(123,119)**	**(105,423)**

7. Relationships with related parties

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

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

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

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

8. Segment information

8.1 Introduction

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

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

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

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

8.2 Segment results

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

Separate income statement and other significant information by operating segment

(euro/000)	12 months 2017			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,991,521	1,225,648	-	3,217,170
Intersegment sales	46,050	-	(46,050)	-
Sales	**2,037,571**	**1,225,648**	**(46,050)**	**3,217,170**
Cost of sales	(1,917,005)	(1,178,557)	45,938	(3,049,624)
Gross profit	**120,566**	**47,091**	**(112)**	**167,546**
Gross Profit %	*5.92%*	*3.84%*		*5.21%*
Sales and marketing costs	(42,874)	(10,872)	(57)	(53,803)
Overheads and admin. costs	(58,770)	(20,782)	68	(79,484)
Operating income (Ebit)	**18,922**	**15,437**	**(101)**	**34,259**
EBIT %	*0.93%*	*1.26%*		*1.06%*
Finance costs - net				(871)
Share of profits of associates				36
Profit before income tax				**33,424**
Income tax expenses				(8,311)
Net income				**25,113**
- of which attributable to non-controlling interests				53
- of which attributable to Group				25,060
Depreciation and amortisation	**3,578**	**731**	445	**4,754**
Other non-cash items	**3,533**	**223**	-	**3,756**
Investments	**2,476**	**1,367**	-	**3,843**
Total assets	**994,707**	**444,528**	(193,733)	**1,245,502**

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

(euro/000)	Q4 2017 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	645,592	443,980		1,089,573
Intersegment sales	12,790	-	(12,790)	-
Sales	**658,382**	**443,980**	**(12,790)**	**1,089,573**
Cost of sales	(623,582)	(426,682)	12,807	(1,037,457)
Gross profit	**34,800**	**17,298**	**17**	**52,116**
Gross Profit %	*5.29%*	*3.90%*		*4.78%*
Sales and marketing costs	(10,055)	(2,550)	(2)	(12,607)
Overheads and admin. costs	(14,967)	(4,934)	4	(19,897)
Operating income (Ebit)	**9,778**	**9,814**	**19**	**19,612**
EBIT %	*1.49%*	*2.21%*		*1.80%*
Finance costs - net				2,145
Share of profits of associates				-
Profit before income tax				**21,757**
Income tax expenses				(5,568)
Net income				**16,189**
- of which attributable to non-controlling interests				95
- of which attributable to Group				16,094
Depreciation and amortisation	918	**212**	126	**1,255**
Other non-cash items	604	**126**	-	**730**
Investments	123	**100**	-	**223**
Total assets	**994,707**	**444,528**	(193,733)	**1,245,502**

(euro/000)	Q4 2016 Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	669,502	447,016		1,116,519
Intersegment sales	13,374	-	(13,374)	-
Sales	**682,876**	**447,016**	**(13,374)**	**1,116,519**
Cost of sales	(641,695)	(430,835)	13,279	(1,059,251)
Gross profit	**41,181**	**16,181**	**(95)**	**57,268**
Gross profit %	*6.03%*	*3.62%*		*5.13%*
Other income	161	-	-	161
Sales and marketing costs	(11,738)	(2,453)	-	(14,191)
Overheads and admin. costs	(15,624)	(6,054)	5	(21,673)
Operating income (Ebit)	**13,980**	**7,674**	**(90)**	**21,565**
EBIT %	*2.05%*	*1.72%*		*1.93%*
Finance costs - net				(703)
Share of profits of associates				-
Profit before income tax				**20,862**
Income tax expenses				(5,777)
Net income				**15,085**
- of which attributable to non-controlling interests				109
- of which attributable to Group				14,976
Depreciation and amortisation	801	**183**	87	**1,071**
Other non-cash items	752	**72**	-	**824**
Investments	3,707	**3,452**	-	**7,158**
Total assets	**880,942**	**495,320**	(207,659)	**1,168,603**

Statement of financial position by operating segments

(euro/000)	31/12/2017			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,907	3,726	-	14,633
Goodwill	21,449	68,106	1,040	90,595
Intangible assets	1,020	51	-	1,071
Investments in associates	-	-	-	-
Investments in others	75,918	-	(75,918)	-
Deferred income tax assets	3,082	7,900	128	11,110
Derivative financial assets	-	36	-	36
Receivables and other non-current assets	6,419	293	-	6,712
	118,795	**80,112**	**(74,750)**	**124,157**
Current assets				
Inventory	325,833	155,689	(421)	481,101
Trade receivables	219,916	93,100	-	313,016
Income tax assets	3,098	-	-	3,098
Other assets	142,075	3,570	(118,562)	27,083
Cash and cash equivalents	184,990	112,057	-	297,047
	875,912	**364,416**	**(118,983)**	**1,121,345**
Disposal groups assets	-	-	-	-
Total assets	**994,707**	**444,528**	**(193,733)**	**1,245,502**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	287,471	35,935	(20,348)	303,058
Group net income	13,818	11,306	(63)	25,061
Group net equity	**309,150**	**101,934**	**(75,104)**	**335,980**
Non-controlling interests	1,105	16	(67)	1,054
Total equity	**310,255**	**101,950**	**(75,171)**	**337,034**
LIABILITIES				
Non-current liabilities				
Borrowings	17,132	1,764	-	18,896
Derivative financial liabilities	-	-	-	-
Deferred income tax liabilities	3,845	4,148	-	7,993
Retirement benefit obligations	4,814	-	-	4,814
Debts for investments in subsidiaries	1,333	-	-	1,333
Provisions and other liabilities	2,102	765	-	2,867
	29,226	**6,677**	**-**	**35,903**
Current liabilities				
Trade payables	490,253	199,817	-	690,070
Short-term financial liabilities	150,528	118,096	(112,500)	156,124
Income tax liabilities	472	126	-	598
Derivative financial liabilities	644	19	-	663
Debts for investments in subsidiaries	-	-	-	-
Provisions and other liabilities	13,329	17,843	(6,062)	25,110
	655,226	**335,901**	**(118,562)**	**872,565**
Disposal groups liabilities	-	-	-	-
Total liabilities	**684,452**	**342,578**	**(118,562)**	**908,468**
Total equity and liabilities	**994,707**	**444,528**	**(193,733)**	**1,245,502**

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

9. Atypical and/or unusual operations

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

10. Non-recurring significant events and operations

During 2017, non-recurring costs were recognised for restructuring activities and for resources rationalisation. The above-mentioned activities involved 89 employees with a total amount of indemnities equal to 1.8 million euro.

During 2016 the following non-recurring items were identified:
- 2.8 million gain arising from the asset deal relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors by the newly established company, EDSlan S.r.l., from the pre-existing company EDSlan S.p.A.;
- Miscellaneous costs amounting to 2.8 million euro for consultancy, commissions and registration fees relating to business combinations in both Italy (EDSlan S.r.l.) and in Spain (Vinzeo Technologies S.A.U., acquired on 1 July 2016).
- Expenses incurred in Italy relating to the enlargement of the logistic hub in Cavenago and to the new warehouse setting-up in Zaragoza - Spain, totalling 1.0 million euro.

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

(euro/000)	Charge type	12 months 2017	12 months 2016	Var.	Q4 2017	Q4 2016	Var.
Other income	Income from business combination	-	2,838	(2,838)	-	161	(161)
		-	2,838	(2,838)	-	161	(161)
Overheads and administrative costs	Transaction costs from business combination	-	(2,824)	2,824	-	(720)	720
	Extension warehouse costs	-	(1,120)	1,120	-	(168)	168
	Employee termination incentives	(1,839)	(810)	(1,029)	(470)	(810)	340
Total SG&A		**(1,839)**	**(4,754)**	**2,915**	**(470)**	**(1,698)**	**1,228**
Operating Income (EBIT)		**(1,839)**	**(1,916)**	**77**	**(470)**	**(1,537)**	**1,067**
Profit before income taxes		**(1,839)**	**(1,916)**	**77**	**(470)**	**(1,537)**	**1,067**
Income tax expenses	Non-recurring events	478	1,411	(933)	122	470	(348)
Net income/(loss)		**(1,361)**	**(505)**	**(856)**	**(348)**	**(1,068)**	**720**
Of which attributable to non-controlling interests		-	-	-	-	-	-
Of which attributable to Group		(1,361)	(505)	(856)	(348)	(1,068)	720

11. Significant events occurring in the period

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

Syndicated loan of 210.0 million euro

On 28 February 2017, Esprinet S.p.A. signed an unsecured amortising facility agreement with a pool of Italian and Spanish banks for an amount up to 210.0 million euro, consisting of a Term Loan Facility of up to 145.0 million euro and a Revolving Facility of 65.0 million euro. This loan has a term of five years and is supported by a set of ordinary financial covenants.
The minimum amount for the successful completion of the syndication was set at 175.0 million euro. Although the total amount of participation requests was more than the maximum amount of 210.0 million euro, the final amount was fixed at the maximum level.

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

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

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

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

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

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

Esprinet S.p.A. Annual Shareholders Meeting

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

The Annual Shareholders' Meeting has also:

- approved the first section of the Report on Remuneration Art.123 – ter, paragraph. 6 of the Legislative Decree 58/1998;
- resolved upon the integration of the number of directors of Esprinet S.p.A. determined in the number of twelve by the Shareholders' Meeting held on 30 April, 2015, appointing Prof. Ariela Caglio as new director in substitution of Mr. Andrea Cavaliere who resigned from his office on 20 February 2017;
- resolved to authorize the acquisition and disposal of own shares, within 18 months since the resolution, provided that any such purchase does not exceed the maximum of 2,620,217 ordinary shares of Esprinet (5% of the Company's share capital), simultaneously revoking, with respect to

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

the unused portion of it, the former authorization resolved by the Shareholder's Meeting of 4 May 2016;
- authorized the Company to update the economic conditions of the statutory auditing mandate, assigned to EY S.p.A. to the extent of 12,000 euro for the financial years 2016, 2017 and 2018 each, for recurrent additional activities concerning the consolidated financial statements following the perimeter expansion and of 5,000 euro for the auditory activity concerning the PPA (Purchase Price Allocation) to be executed only with reference to the financial statement as of 31 December 2016.

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

Nilox Deutschland GmbH establishment

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

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

Disposal of Ascendeo S.A.S. shareholding

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

Breach of financial covenants on Facility Agreement

The Group financing structure includes a medium/long-term senior loan granted to Esprinet S.p.A. in February 2017 by a pool of banks, consisting of a 5-year amortised cash facility with an original amount of 145.0 million euro and a 5-year revolving cash facility for 65.0 million euro.
The amortising cash line was on-going at 31 December 2017 for 130 million euro while the 'revolving' one was unused.
The above-mentioned loan has no guarantees thus, as is common practice in similar transactions, is secured by a set of 4 ordinary financial covenants that entitle the lenders to demand early repayment in case of failure.

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

With respect to the above, the Group already entered into negotiations with the pool of lending banks to obtain a waiver from their right to early repayment.

Developments in tax disputes

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

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

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

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

Purchase price adjustment relating to the acquisition of the business unit 'VAD-Value Added Distribution' from Itway Group.

The contractual term for the quantification of differed consideration in relation to the acquisition of the business units 'VAD-Value Added Distribution' from Itway Group by Esprinet Group, effected one year earlier through the two subsidiaries Mosaico S.r.l. and V-Valley Iberian S.L.U., expired on 30 November 2017.
The differed consideration was definitively assessed to 5.2 million against an initial estimate of 5.8 million, since the final consideration was based on the achievement of agreed financial targets; goodwill initially recognised was consequently adjusted to 10.2 million euro.
The differed price is fully settled as at 31 December 2017.

12. Subsequent events

Relevant events occurred after period end are briefly described below:

Developments in tax disputes

On 10 January 2018, the Provincial Tax Commission issued a judgement referring to indirect taxes relating to an assessment claiming VAT of 1.0 million euro (plus penalties and interest) from Esprinet S.p.A.. The tax authority claims that some 2011 transactions were taxable in respect of which a customer company had previously filed a declaration of intent, but later, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter.
As at 31 December 2017, advances equal to 0.4 million euro were paid pursuant to the administrative procedure and were booked under 'Other tax assets'.

On 4 September 2017, Celly S.p.A. was served a correction and settlement notice relating to the registration fees due with reference to the transfer deed of a business unit from Celly (selling party) to the company Rosso Garibaldi S.p.A..
Since, pursuant to law, Celly S.p.A. was jointly committed to the payment of the amount claimed by the Tax Office and the purchaser was declared bankrupt in December, on 12 January 2018 the higher registration fee and interest totalling 4 thousand euro were paid.

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

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

Vimercate, 13 February 2018

Of behalf of the Board of Directors
The Chairman
Francesco Monti

13. Declaration of the officer responsible for financial reports

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

SUBJECT: Interim management statement as at 31 December 2017

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

ESPRINET S.p.A.

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

HEREBY DECLARES

that the Interim management statement as at 31 December 2017 agrees with the accounting documents, books and records.

Vimercate, 13 February 2018

The Officer in charge of drawing up
financial reports

(Pietro Aglianò)