Esprinet Group

Interim management report as at 30 September 2018

<u>Approved by the Board of Directors on 13 November 2018</u>

Parent Company:

Esprinet S.p.A.
VAT number: IT 02999990969
Milan, Monza and Brianza, Lodi Companies' Register Tax Code: 05091320159 E&A Index (R.E.A.) number: 1158694
Head Office and Admin.ve Headquarters: Via Energy Park 20 - 20871 Vimercate (MB), Italy
Subscribed and paid-in share capital 30 September 2018: Euro 7,860,651
www.esprinet.com - info@esprinet.com

Company officers

Board of Directors:

(Mandate expiring with approval of accounts for the year ending 31 December 2020)

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

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

Board of Statutory Auditors:

(Mandate expiring with approval of accounts for the year ending 31 December 2020)

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

Independent Auditors:

(Mandate expiring with approval of accounts for the year ending 31 December 2018)

EY S.p.A.

Departure from the obligations to provide information on extraordinary transactions

Pursuant to the matters envisaged by Article 70.8 and Article 71.1 bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to avail itself of the faculty to depart from the obligations to publish the information documents laid down at the time of significant transactions relating to mergers, demergers, share capital increases via the contribution of goods in kind, acquisitions and disposals.

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1. Notes on financial performance for the period

(euro/000)	9 months							Q3					
	notes	2018	%	2017 *	notes	%	% var. 18/17	2018	%	2017 *	notes	%	% var. 18/17
Profit & Loss													
Sales		2,309,801	100.0%	2,127,597		100.0%	9%	771,642	100.0%	690,755		100.0%	12%
Gross profit		111,134	4.8%	115,430		5.4%	-4%	34,182	4.4%	35,671		5.2%	-4%
EBITDA	(1)	18,679	0.8%	18,244	(1)	0.9%	2%	5,327	0.7%	5,909		0.9%	-10%
Operating income (EBIT)		15,054	0.7%	14,647		0.7%	3%	4,117	0.5%	4,817		0.7%	-15%
Profit before income tax		11,406	0.5%	11,667		0.5%	-2%	2,872	0.4%	3,720		0.5%	-23%
Net income		8,338	0.4%	8,924		0.4%	-7%	2,147	0.3%	2,657		0.4%	-19%
Financial data													
Cash flow	(2)	11,860		12,423	(2)								
Gross investments		2,567		3,620									
Net working capital	(3)	353,526		107,133	(3)								
Operating net working capital	(4)	363,919		104,175	(4)								
Fixed assets	(5)	119,269		122,403	(5)								
Net capital employed	(6)	458,226		215,128	(6)								
Net equity		337,464		338,188									
Tangible net equity	(7)	246,067		246,522	(7)								
Net financial debt	(8)	120,760		(123,058)	(8)								
Main indicators													
Net financial debt / Net equity		0.4		(0.4)									
Net financial debt / Tangible net equity		0.5		(0.5)									
EBIT / Finance costs - net		4.1		4.9									
EBITDA / Finance costs - net		5.1		6.1									
Net financial debt/ EBITDA		6.5		(3.1)									
Operational data													
N. of employees at end-period		1,250		1,302									
Avarage number of employees	(9)	1,249		1,315	(9)								
Earnings per share (euro)													
- Basic		0.16		0.17			-6%	0.04		0.05			-20%
- Diluted		0.16		0.17			-6%	0.04		0.05			-20%

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

(1) EBITDA is equal to the operating income (EBIT) gross of amortisation, depreciation and write-downs and accruals for risks and charges.
(2) Sum of consolidated net profit and amortisation.
(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 for this period and the comparable periods have been determined in compliance with the International Financial Reporting Standards (IFRS), 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.
At the bottom of the table, in line with the ESMA/2015/1415 Guidelines of the ESMA (European Securities and Market Authority) issued in accordance with Article 16 of the ESMA Regulation, which up-date the previous recommendation CESR/05-178b of the CESR (Committee of European Securities Regulators) and acknowledged by CONSOB by means of Communication No. 092543 dated 3 December 2015, the calculation method of these indicators is provided.

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 (segment of securities with high qualification) of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange, since 27 July 2001.

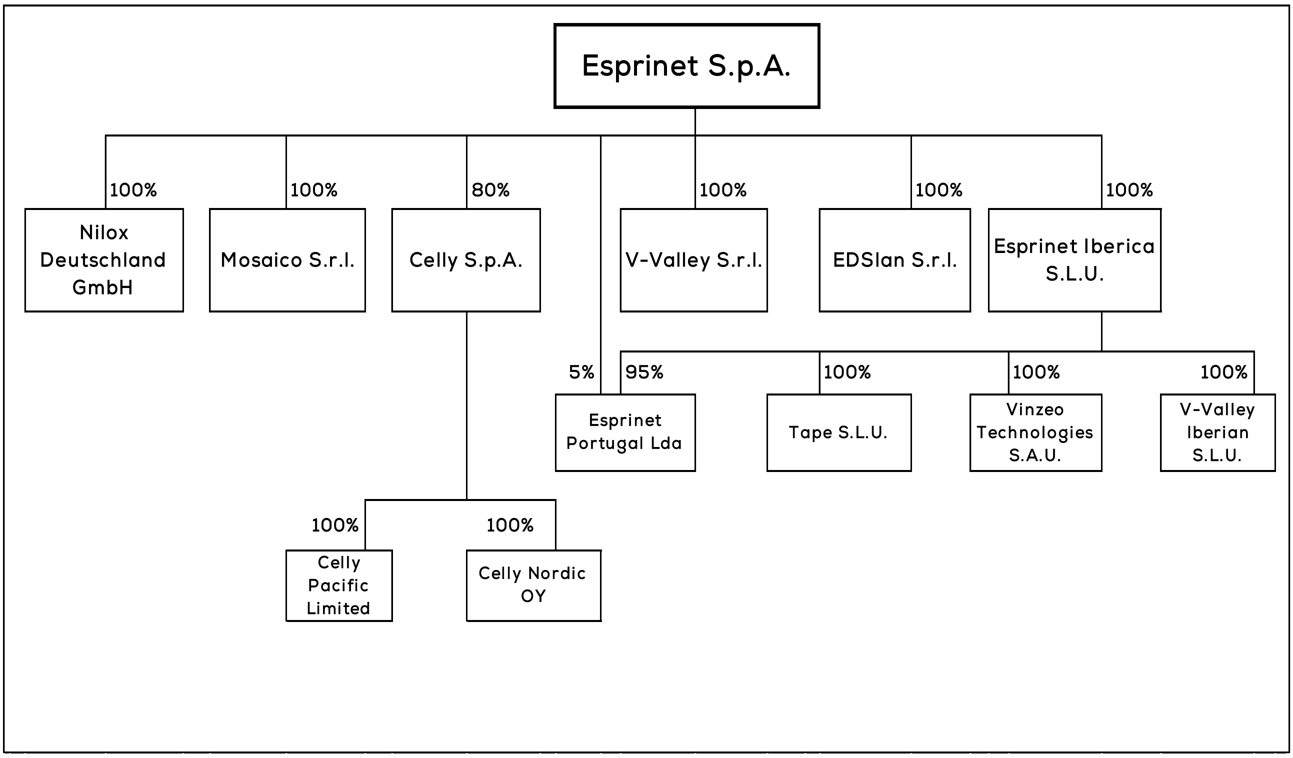
Further to said listing, the interim management report as at 30 September 2018 - not subject to accounts audit - has been drawn up pursuant to Article 154 ter, section 5, of Legislative Decree No. 58/1998 (T.U.F.).

Accounting data presented in this document results 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 accounting data in said report is comparable with that shown in previous periodic reports and is confirmed in the financial statements published in the annual report as at 31 December 2017 to which reference should be made for all the explanatory notes to the annual report.

2.2 General information about the Esprinet Group

The structure of the Esprinet Group as at 30 September 2018 is as follows:



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

Reference will be made to Subgroup Italy and Subgroup Spain further on in the presentation.
As of the period end date, Subgroup Italy included not only the parent company Esprinet S.p.A., but also the companies it directly controls, V-Valley S.r.l., Celly S.p.A., Nilox Deutschland Gmbh (established on 11 July 2017 and which became operative during the first half of 2018), EDSlan S.r.l. and Mosaico S.r.l. (merged via incorporation in Esprinet S.p.A. with legal effects as from 1 November 2018 and accounting and tax effects backdated to 1 January 2018).

For the purpose of representation within the 'Subgroup Italy', the subsidiary Celly S.p.A., a company involved in 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics and in more specifically in the wholesale distribution of accessories for mobile telephones, is understood to be inclusive of its wholly-owned subsidiaries:

- Celly Nordic OY, a company established under Finnish law (dormant since May 2017);
- Celly Pacific LTD, a company established under Chinese law;

all companies operating in the same operational sector as the holding company.

The Subgroup Spain by contrast, as of the same date, comprised the companies established under Spanish and Portuguese law operating in Spain and in other words Esprinet Iberica S.L.U. and its subsidiaries Esprinet Portugal Lda, Vinzeo Technologies S.A.U., Tape S.L.U. (initially wholly-controlled by Vinzeo Technologies S.A.U. and acquired in April 2018 by Esprinet Iberica S.L.U.) and V-Valley Iberian S.L.U..

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

2.3 Consolidation scope

The consolidated financial statements are taken from the interim accounts of the parent company and the companies over which it has, directly and/or indirectly, control or a significant influence, as approved by their respective Boards of Directors[1].
Wherever necessary, the interim accounts of the subsidiaries have been suitably adjusted to ensure consistency with the accounting standards used by the parent company.

The table below lists companies included in the scope of consolidation as at 30 September 2018, all consolidated on a line-by-line basis.

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	80.00%	Esprinet S.p.A.	80.00%
EDSlan S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Mosaico S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	100,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
Subsidiaries indirectly controlled:					
Celly Nordic OY	Helsinki (Finland)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (China)	935	80.00%	Celly S.p.A.	100.00%
Esprinet Portugal Lda	Porto (Portugal)	400,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spain)	4,000	100.00%	Esprinet Iberica S.L.U.	100.00%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Zaragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

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

Compared with 30 September 2017 and 31 December 2017, on 16 July 2018 the company Celly Swiss SAGL, wholly controlled by Celly S.p.A. and already in liquidation in 2017, left the scope of consolidation.

For further information, please see the aspects illustrated in the section '*Significant events during the period*'.

2.4 Principal assumptions, estimates and roundings

Within the sphere of drafting of these consolidated interim financial statements a number of estimates and assumptions have been made which affect the values of revenues, costs, assets, liabilities and the disclosure relating to potential assets and liabilities, at the date of the interim financial statements. Unless otherwise stated, they have been applied consistently to all the yearly reports presented.

[1] With the exception of Celly Nordic OY and Celly Pacific LTD since they do not have this Body.

Should such estimates and assumptions, based upon the best evaluation by management, differ from actual circumstances, they will be modified accordingly during the period in which such circumstances arise.

A detailed description of the assumptions and estimates adopted can be found in the Notes to the consolidated financial statements of the Esprinet Group as at 31 December 2017, to which reference is made.

As permitted by the account standard IAS 34, in this interim period, income taxes have been recognised on the basis of the best estimate of the tax liability expected for the entire financial year. By contrast, in the annual consolidated financial statements, current taxes have been calculated on an item-by-item basis by applying the tax rate in force at the closing date of the annual financial statements.
Prepaid and deferred taxes have by contrast been estimated on the basis of tax rates considered to be in force at the time that the related assets will be realised or liabilities paid off.
The figures presented in this document are expressed in thousands of euro, unless otherwise indicated.
In some cases the tables presented could highlight rounding off errors due to the representation in thousands.

2.5 Amendments of accounting standards

In this interim management report, no changes took place in the accounting estimates made in previous years in prior periods pursuant to IAS 8, but, further to the first-time application as from 1 January 2018 of the new international standards IFRS 9 and IFRS 15, it was necessary to determine and recognise the effects of these new provisions as of that date.

In particular, the main change introduced by IFRS 9 which affects the Group concerns the accounting recognition as from 1 January 2018, in the separate income statement, of net financial income due to the different amortisation of upfront fees for 0.2 million euro. These are residual fees, as at the date of 28 February 2017, on the loan taken out in July 2014 by the parent company Esprinet S.p.A. and replaced by the same on 28 February 2017 with the loan currently outstanding for an original total of 210.0 million euro.
This adjustment led to a decrease in financial payables for 0.4 million euro and a reduction in the prepaid expenses for 0.2 million euro.

The introduction of IFRS 15 led to a different representation of the gross profit according to whether the revenues derive from contracts with the customers in which, for the purpose of the accounting standard, the role of 'principal' or 'agent' is covered.
The representation of the sales margin on the basis of 'principal' leads to the separate presentation of the revenues and the cost of sales while presentation as 'agent' requires just the presentation, under the revenues, of the realised margin.
Further to the analysis of the contracts signed and the identification of the contractual obligations in the new standpoint envisaged by the accounting standard, the Esprinet Group has therefore identified the distribution of the hardware and software products, the distribution of the own-brand products, the presentation of services not intermediated as the activities in which is covers the role of 'principal'. The distribution of software under cloud facilities and the intermediation of services have by contrast been identified as business lines to be represented as 'agent' (with the specification that the action in the guise of 'agent' does not represent an agency agreement as understood in the common sense in the legal systems of the countries in which the Group carries out its activities but is assimilated in the mere representation in the financial statements).
The change consequent to the introduction of IFRS 15, if already applied in 2017, would have led to a reduction in the revenues and the cost of sales for 9.5 million euro as at 30 September 2017 and 13.6 million euro as at 31 December 2017, without any impact therefore on the gross profit which would have remained unchanged.

The adjustments determined by the two new afore-mentioned accounting standards are more or less fully attributable to the parent company Esprinet S.p.A..
Indication is provided below of the effects, net of the nominal tax rate of 24%, which would have come about in the 2017 financial statements and in the abridged consolidated financial statements as at 30 September 2017 (only the separate income statement) in the event of application in these accounting periods of the afore-mentioned amendments (column headed 'pro-forma').

Consolidated statement of financial position

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

Consolidated separate income statement

(euro/000)	9 months 2017										
	Proforma				Published				Var.		
	Italy	Spain	Elim	Group	Italy	Spain	Elim	Group	Italy	Spain	Group
Sales	1,369,769	781,598	(33,260)	2,118,107	1,379,189	781,668	(33,260)	2,127,597	(9,420)	(70)	(9,490)
Cost of sales	(1,284,003)	(751,805)	33,131	(2,002,677)	(1,293,423)	(751,875)	33,131	(2,012,167)	9,420	70	9,490
Gross Profit	**85,766**	**29,793**	**(129)**	**115,430**	**85,766**	**29,793**	**(129)**	**115,430**	**-**	**-**	**-**
Sales and marketing costs	(32,819)	(8,322)	(55)	(41,196)	(32,819)	(8,322)	(55)	(41,196)	-	-	-
Overheads and administrative costs	(43,803)	(15,848)	64	(59,587)	(43,803)	(15,848)	64	(59,587)	-	-	-
Operating income (EBIT)	**9,144**	**5,623**	**(120)**	**14,647**	**9,144**	**5,623**	**(120)**	**14,647**	**-**	**-**	**-**
Finance costs - net				(2,817)				(3,016)			199
Other investments expenses/(income)				36				36			-
Profit before income taxes				**11,866**				**11,667**			**199**
Income tax expenses				(2,791)				(2,743)			(48)
Net Income				**9,075**				**8,924**			**151**

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

3. Consolidated income statement and notes

3.1 Consolidated separate income statement

The consolidated separate income statement is set out below, showing revenues by '*function*' in accordance with the IFRS accounting standards, and completed with the additional information required under CONSOB decision No. 15519 of 27 July 2006:

(euro/000)	Notes	9 months 2018	non - recurring	related parties*	9 months 2017	non - recurring	related parties*
Sales	33	**2,309,801**	**-**	7	**2,127,597**	**-**	7
Cost of sales		(2,198,667)	(1,099)	-	(2,012,167)	-	-
Gross profit	35	**111,134**	**(1,099)**		**115,430**	**-**	
Sales and marketing costs	37	(39,238)	-	-	(41,196)	-	-
Overheads and administrative costs	38	(56,842)	-	(3,675)	(59,587)	(1,369)	(3,646)
Operating income (EBIT)		**15,054**	**(1,099)**		**14,647**	**(1,369)**	
Finance costs - net	42	(3,648)	-	4	(3,016)	-	2
Other investments expenses / (incomes)	43	-	-		36	-	
Profit before income taxes		**11,406**	**(1,099)**		**11,667**	**(1,369)**	
Income tax expenses	45	(3,068)	264	-	(2,743)	356	-
Net income		**8,338**	**(835)**		**8,924**	**(1,013)**	
- of which attributable to non-controlling interests		153			(42)		
- of which attributable to Group		8,185	(835)		8,966	(1,013)	
Earnings per share - basic (euro)	46	0.16			0.17		
Earnings per share - diluted (euro)	46	0.16			0.17		

(euro/000)	Notes	Q3 2018	non - recurring	related parties*	Q3 2017	non - recurring	related parties*
Sales	33	**771,642**	**-**	2	**690,755**	**-**	(11)
Cost of sales		(737,460)	(1099)	-	(655,084)	-	-
Gross profit	35	**34,182**	**(1,099)**		**35,671**	**-**	
Sales and marketing costs	37	(12,434)	-	-	(12,711)	-	-
Overheads and administrative costs	38	(17,631)	-	(1,228)	(18,143)	(236)	(1,221)
Operating income (EBIT)		**4,117**	**(1,099)**		**4,817**	**(236)**	
Finance costs - net	42	(1,245)	-	2	(1,149)	-	2
Other investments expenses / (incomes)	43	-	-		52	-	
Profit before income taxes		**2,872**	**(1,099)**		**3,720**	**(236)**	
Income tax expenses	45	(725)	264	-	(1,063)	212	-
Net income		**2,147**	**(835)**		**2,657**	**(24)**	
- of which attributable to non-controlling interests		88	-		71	-	
- of which attributable to Group		2,059	(835)		2,586	(24)	
Earnings per share - basic (euro)	46	0.04			0.05		
Earnings per share - diluted (euro)	46	0.04			0.05		

(*) Emoluments to key managers excluded.

3.2 Consolidated statement of comprehensive income

(euro/000)	9 months 2018	9 months 2017	Q3 2018	Q3 2017
Net income	**8,338**	**8,924**	**2,147**	**2,657**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	166	(267)	171	(20)
- Taxes on changes in 'cash flow hedge' equity reserve	(44)	103	(40)	32
- Changes in translation adjustment reserve	6	2	1	-
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	160	113	24	(23)
- Taxes on changes in 'TFR' equity reserve	(35)	(25)	(5)	5
Other comprehensive income	**252**	**(74)**	**151**	**(6)**
Total comprehensive income	**8,590**	**8,850**	**2,298**	**2,651**
- of which attributable to Group	8,427	8,889	2,210	2,579
- of which attributable to non-controlling interests	163	(39)	88	72

3.3 Notes on financial performance of the Group

The European distribution market (source: Context, November 2018), increased by +7%, in the third quarter 2019, showing an higher growth vs first six months 2019 (+5%), and increased by +6% in the first nine months 2019.

In Italy during the first nine months of 2018, the Italian technology distribution market rose +10% compared with 2017 thanks to an increase in just the third quarter of +14% (source: company processing on Context data[2]).
All the product categories have shown double-figure growth rates with the sole exception of the 'PC' (desktop and notebook) segment which remained essentially unchanged (+4% in the third quarter) and the 'printing' (printers and consumables) segment which rose +3% in the nine-month period and +2% in the third quarter. The 'telephony' segment was once again the driving force with +54% (+68% in the quarter).
In this context Esprinet increased its market share by almost 1% from the start of the year thanks to the satisfactory performance of all the business lines with the exception of the 'telephony' line where growth, albeit remarkable, revealed itself to be lower than the general performance of the sector.
The growth of the Italian market was fuelled to a more prominent extent by the 'retail' client segment, up by around +14% while the professional client sector reported +8%. In the third quarter alone, growth was +19% and +11% respectively.
Esprinet obtained the best results of the market in both segments during the first nine months, while in the quarter alone it defended its share in the 'retail' segment and achieved 1 percentage point in the 'business' segment.

In Spain the distribution market grew during the first nine months by +9% and the Esprinet Group lost just under -1 point of market share, with a reconfirmation of its shares in just the third quarter.
On average during the first nine months, all the main commodity categories grew 'mid-single digit' with the exception of the 'PC' (-1%) and 'telephony' segments, which reported a brilliant +26%. During the quarter, all the categories reported positive signs except for 'accessories' (-2%). The 'PC' market appears to be improving at +2% and the 'telephony' market showed itself to still be very lively (+24%).
Esprinet's market share with regard to professional customers increased by +4 points in the first nine months and +6 points in the quarter where it remained more or less unchanged in the nine months while in the quarter it rose +0.4 points.

2 The segmentation between 'professional/business' and 'consumer/retail' customers indicated in this section is that used by Context and, in as such, is not perfectly consistent with regard to the segmentation used internally by the Group.

The 'retail' performance was very lively (+16% in the nine months and +20% in the quarter) while Esprinet, despite reporting a significant increase, preferred to waive certain transactions not very profitable losing -3 points of market share in the first nine months and -1 in the quarter alone.

During the third quarter, tension continued overall on the product margins which had characterised the first half of the year, inserted in a macro-economic and market context which shows some signs of problems.

Despite a competitive context which, with respect to the recent past, showed encouraging signs of easing, in particular in certain product lines such as telephony, and also not considering the non-recurrent events of the period, the primary product margin dropped in percentage terms due to the more unbalanced product mix towards less profitable business lines and client types. The primary product margin also dropped due to the economic impact of the action aimed at optimising the levels of working capital, with particular reference to the reduction in stocks and the attainment of better payment conditions from certain suppliers.
Both the absolute value and the incidence on sales turnover of the operating costs was down in the first nine months and in fact disclosed an even more robust trend in the quarter thanks to the activities carried out on that front in the last few months which in particular affected the staff, the occupancy costs and the advertising and marketing expenses.

In October the consolidated revenues disclosed a performance of +20% compared with the same period in 2017 with grow in absolute value higher than 70 million euro; orders taken due to 'black Friday' were also favourable along with the Christmas period, with forecasts on estimated consolidated revenues for the quarter underway higher than the budget levels, partly counter-balancing a percentage-based level of primary margin still lower than expectations.

In light of the above and the forecasts for the entire year, in the absence of unfavourable extraordinary events, the Group confirms the operating profitability targets previously disclosed and placed in the lower part of the EBIT interval of 39/41 million euro.

A) Esprinet Group's financial highlights

The Group's main earnings, financial and net assets position as at 30 September 2018 are hereby summarised:

(euro/000)	9 months 2018	%	9 months 2017	%	Var.	Var. %
Sales	**2,309,801**	**100.00%**	**2,127,597**	**100.00%**	**182,204**	***9%***
Cost of sales	(2,198,667)	-95.19%	(2,012,167)	-94.57%	(186,500)	*9%*
Gross profit	**111,134**	**4.81%**	**115,430**	**5.43%**	**(4,296)**	***-4%***
Sales and marketing costs	(39,238)	-1.70%	(41,196)	-1.94%	1,958	*-5%*
Overheads and administrative costs	(56,842)	-2.46%	(59,587)	-2.80%	2,745	*-5%*
Operating income (EBIT)	**15,054**	**0.65%**	**14,647**	**0.69%**	**407**	***3%***
Finance costs - net	(3,648)	-0.16%	(3,016)	-0.14%	(632)	*21%*
Other investments expenses / (incomes)	-	0.00%	36	0.00%	(36)	*-100%*
Profit before income taxes	**11,406**	**0.49%**	**11,667**	**0.55%**	**(261)**	***-2%***
Income tax expenses	(3,068)	-0.13%	(2,743)	-0.13%	(325)	*12%*
Net income	**8,338**	**0.36%**	**8,924**	**0.42%**	**(586)**	***-7%***
Earnings per share - basic (euro)	0.16		0.17		(0.01)	-6%

(euro/000)	Q3 2018	%	Q3 2017	%	Var.	Var. %
Sales	**771,642**	**100.00%**	**690,755**	**100.00%**	**80,887**	***12%***
Cost of sales	(737,460)	-95.57%	(655,084)	-94.84%	(82,376)	*13%*
Gross profit	**34,182**	**4.43%**	**35,671**	**5.16%**	**(1,489)**	***-4%***
Sales and marketing costs	(12,434)	-1.61%	(12,711)	-1.84%	277	*-2%*
Overheads and administrative costs	(17,631)	-2.28%	(18,143)	-2.63%	512	*-3%*
Operating income (EBIT)	**4,117**	**0.53%**	**4,817**	**0.70%**	**(700)**	***-15%***
Finance costs - net	(1,245)	-0.16%	(1,149)	-0.17%	(96)	*8%*
Other investments expenses / (incomes)	-	0.00%	52	0.01%	(52)	*-100%*
Profit before income taxes	**2,872**	**0.37%**	**3,720**	**0.54%**	**(848)**	***-23%***
Income tax expenses	(725)	-0.09%	(1,063)	-0.15%	338	*-32%*
Net income	**2,147**	**0.28%**	**2,657**	**0.38%**	**(510)**	***-19%***
Earnings per share - basic (euro)	0.04		0.05		(0.01)	*-20%*

Consolidated Sales amount to 2,309.8 million euro and presented an increase of +9% (+182.2 million) compared with 2,127.6 million euro achieved in the first nine months of 2017.In the third quarter, an increase of +12% was seen compared with the same period of the previous year (from 690.8 million euro to 771.6 million euro).

The consolidated Gross profit, equal to 111.1 million euro, showed a decrease of -4% (-4.3 million euro) compared with the same period in 2017 as a consequence of a worsening in the percentage margin from 5.43% to 4.81% (4.86% if excluding non-recurring cost items) not completely offset by the rise in revenues.
Non-recurring negative items, equal to 1.1 million euro, derive from the lower estimated value of the Group's receivables from suppliers.
In the third quarter alone, the gross profit, amounting to 34.2 million euro, decreased -4% compared with the same period in the previous year, or -1% if the afore-mentioned non-recurrent items are excluded.

Operating income (EBIT) in the first nine months of 2018, equal to 15.1 million euro, showed an increase of +3% compared with the first nine months of 2017 (14.6 million euro), more than offsetting the decrease in the level of gross profit, due to a significant containment of operating costs (-4.7 million euro). Net of non-recurring cost of sales items, the increase in EBIT is equal to +10%, with an EBIT margin equal to 0.70%, and thus in line with the corresponding period of the previous year. The third quarter disclosed a consolidated EBIT of 4.1 million euro, down -15% (-0.7 million euro) compared with the third quarter of 2017 (increase of +8% if the afore-mentioned non-recurrent costs items are excluded) with a decrease in the incidence of revenues from 0.70% to 0.53% (0.68% net of the non-recurrent cost items).

Consolidated Profit before income taxes equal to 11.4 million euro, disclosed a decrease of -2% compared with the first nine months of 2017 (increase of +7% excluding non-recurring cost items), mainly due to a negative differential of the foreign exchange management with, conversely, an improvement in net interest payable to banks. In the third quarter alone, the pre-tax profit disclosed a deterioration of -23% thereby standing at 2.9 million euro (increase of +7% excluding non-recurring cost items).

Consolidated Net income was equal to 8.3 million euro, showing a decrease of -7% (-0.6% million euro) compared with the first nine months of 2017 (increase of +2% net of the non-recurrent cost items). In the third quarter of 2018 alone, consolidated net profit amounted to 2.1 million euro compared with 2.7 million euro in the same period of 2017, disclosing a drop of -19% (+11% increase excluding the above-mentioned non-recurring cost items).

Basic earnings per ordinary share as at 30 September 2018, equal to 0.16 euro, showed a decrease of -6% compared with the first nine months of 2017 (0.17). In the third quarter the net profit per ordinary share was 0.04 euro compared with 0.05 euro in the same quarter in 2017 (-20%).

(euro/000)	**30/09/2018**	**%**	**31/12/2017**	**%**	**Var.**	***Var. %***
Fixed assets	119,269	26.03%	122,403	56.90%	(3,134)	*-3%*
Operating net working capital	363,919	79.42%	104,175	48.42%	259,744	*249%*
Other current assets/liabilities	(10,393)	-2.27%	2,958	1.38%	(13,351)	*-451%*
Other non-current assets/liabilities	(14,571)	-3.18%	(14,406)	-6.70%	(165)	*1%*
Total uses	**458,224**	**100.00%**	**215,130**	**100.00%**	**243,094**	***113%***
Short-term financial liabilities	193,676	42.27%	155,960	72.50%	37,716	*24%*
Current financial (assets)/liabilities for derivatives	350	0.08%	663	0.31%	(313)	*-47%*
Financial receivables from factoring companies	(6,553)	-1.43%	(1,534)	-0.71%	(5,019)	*327%*
Current debts for investments in subsidiaries	1,306	0.29%	-	0.00%	1,306	*N.S.*
Other current financial receivables	(9,844)	-2.15%	(510)	-0.24%	(9,334)	*1832%*
Cash and cash equivalents	(143,662)	-31.35%	(296,969)	-138.04%	153,307	*-52%*
Net current financial debt	35,273	7.70%	(142,390)	-66.19%	177,663	*-125%*
Borrowings	86,853	18.95%	19,927	9.26%	66,926	*336%*
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.61%	(1,311)	*-100%*
Non-current financial (assets)/liab. for derivatives	45	0.01%	(36)	-0.02%	81	*-225%*
Other non - current financial receivables	(1,411)	-0.31%	(1,870)	-0.87%	459	*-25%*
Net financial debt (A)	120,760	26.35%	(123,058)	-57.20%	243,818	*-198%*
Net equity (B)	337,464	73.65%	338,188	157.20%	(724)	*0%*
Total sources of funds (C=A+B)	**458,224**	**100.00%**	**215,130**	**100.00%**	**243,094**	***113%***

Operating net working capital as of 30 September 2018 amounted to 363.9 million euro compared to 104.2 million euro as of 31 December 2017.

Consolidated Net financial position as at 30 September 2018 presented a negative value of 120.8 million euro, compared with a cash surplus equal to 123.1 million euro at 31 December 2017.
The deterioration of the spot net financial position at period end was mainly due to the performance of the level of the spot working capital as at 30 September 2018, which was influenced by technical events - often not related to the average levels of said working capital - and by the more or less elevated level of utilisation of 'without – recourse' factoring programmes and the related securitisation programmes.

Given that the programmes mentioned define the complete transfer of the risks and the benefits pertaining to the assignees, the receivables subject to transfer are eliminated from the statement of financial position assets in accordance with the IFRS 9 accounting standard.

Also considering cash advance collection technical forms different to those previously mentioned but likewise featuring similar affects - i.e. the 'confirming' ones used in Spain -, the overall impact on the level of the consolidated net financial payables as of 30 September 2018 was approximately equal to around 343 million euro (roughly 424 million euro as of 31 December 2017).

Consolidated net equity as at 30 September 2018 amounted to 337.5 million euro and disclosed a decrease of -0.7 million euro compared to 338.2 million euro as at 31 December 2017.

B) Financial highlights by geographical area

B.1) *Subgroup Italy*

The main economic, financial and equity results of the Subgroup Italy (Esprinet, V-Valley EDSlan, Mosaico, Nilox Deutschland and Celly Group) as at 30 December 2018 are illustrated below:

(euro/000)	9 months 2018	%	9 months 2017	%	Var.	Var. %
Sales to third parties	1,483,742		1,345,929		137,813	*10%*
Intercompany sales	38,815		33,260		5,555	*17%*
Sales	**1,522,557**		**1,379,189**		**143,368**	***10%***
Cost of sales	(1,441,238)	-94.66%	(1,293,423)	-93.78%	(147,815)	*11%*
Gross profit	**81,319**	**5.34%**	**85,766**	**6.22%**	**(4,447)**	***-5%***
Sales and marketing costs	(30,676)	-2.01%	(32,819)	-2.38%	2,143	*-7%*
Overheads and administrative costs	(42,551)	-2.79%	(43,803)	-3.18%	1,252	*-3%*
Operating income (EBIT)	**8,092**	**0.53%**	**9,144**	**0.66%**	**(1,052)**	***-12%***

(euro/000)	Q3 2018	%	Q3 2017	%	Var.	Var. %
Sales to third parties	476,101		415,514		60,587	*15%*
Intercompany sales	12,682		9,489		3,193	*34%*
Sales	**488,783**		**425,003**		**63,780**	***15%***
Cost of sales	(464,212)	-94.97%	(398,660)	-93.80%	(65,552)	*16%*
Gross profit	**24,571**	**5.03%**	**26,343**	**6.20%**	**(1,772)**	***-7%***
Sales and marketing costs	(9,803)	-2.01%	(10,069)	-2.37%	266	*-3%*
Overheads and administrative costs	(13,081)	-2.68%	(13,281)	-3.12%	200	*-2%*
Operating income (EBIT)	**1,687**	**0.35%**	**2,993**	**0.70%**	**(1,306)**	***-44%***

Sales amount to 1,522.6 million euro and presented growth of +10% compared with 1,379.2 million euro generated in the first nine months of 2017. In the third quarter of 2018 alone, revenues showed an increase of +15% compared with the third quarter of 2017.

Gross profit, equal to 81.3 million euro, disclosed a drop of -5% (-4% if non-recurrent cost items are excluded relating to the estimated lower value of the credit balances vis-à-vis certain suppliers) compared with the 85.8 million euro in the first nine months of 2017, with a percentage margin of 5.34% (5.41% net of the non-current cost items) compared with 6.22% as at 30 September 2017. In the third quarter of 2018 alone, the gross profit, amounting to 24.6 million euro, decreased -7% compared with the third quarter of 2017 (-3% if the afore-mentioned non-recurrent components are excluded).

The operating profit (EBIT), equal to 8.1 million euro, decreased by -12% compared with the same period in 2017 (increase of +1% if the non-recurring cost items are excluded), with an incidence on revenues down to 0.53% (0.60% net of non-recurring cost items) compared with 0.66% as at 30 September 2017.EBIT for just the third quarter of 2018 presented a deterioration of -44% (-7% if the afore-mentioned non-recurrent cost items are excluded) and came to 1.7 million euro compared with 3.0 million euro in 2017 and with an incidence on revenues of 0.35% (0.57% net of the non-recurrent cost components) compared with 0.70% in the same period of 2017.

(euro/000)	30/09/2018	%	31/12/2017	%	Var.	Var. %
Fixed assets	114,106	32.79%	117,075	64.89%	(2,969)	-3%
Operating net working capital	253,553	72.87%	55,494	30.76%	198,059	357%
Other current assets/liabilities	(10,195)	-2.93%	17,699	9.81%	(27,894)	-158%
Other non-current assets/liabilities	(9,507)	-2.73%	(9,857)	-5.46%	350	-4%
Total uses	**347,957**	**100.00%**	**180,411**	**100.00%**	**167,546**	**93%**
Short-term financial liabilities	189,770	52.14%	150,364	83.35%	39,406	26%
Current financial (assets)/liabilities for derivatives	348	0.10%	644	0.36%	(296)	-46%
Financial receivables from factoring companies	(6,553)	-1.80%	(1,534)	-0.85%	(5,019)	327%
Financial (assets)/liab. from/to Group companies	(102,738)	-28.23%	(112,500)	-62.36%	9,762	-9%
Other financial receivables	(9,844)	-2.70%	(510)	-0.28%	(9,334)	1832%
Cash and cash equivalents	(98,872)	-27.17%	(184,912)	-102.49%	86,040	-47%
Net current financial debt	(26,583)	-7.30%	(148,448)	-82.28%	121,865	-82%
Borrowings	85,968	23.62%	18,163	10.07%	67,805	373%
Non - current debts for investments in subsidiaries	-	0.00%	1,311	0.73%	(1,311)	-100%
Non-current financial (assets)/liab. for derivatives	54	0.01%	-	0.00%	54	N.S.
Other financial receivables	(1,411)	-0.39%	(1,870)	-1.04%	459	-25%
Net Financial debt (A)	58,028	15.94%	(130,844)	-72.53%	188,872	-144%
Net equity (B)	305,929	84.06%	311,255	172.53%	(5,326)	-2%
Total sources of funds (C=A+B)	**363,957**	**100.00%**	**180,411**	**100.00%**	**183,546**	**102%**

Operating net working capital as of 30 September 2018 amounted to 253.6 million euro compared to 55.5 million euro as of 31 December 2017.

Net financial position as at 30 September 2018 presented a negative value of 58.0 million euro, compared with a surplus equal to 130.8 million euro at 31 December 2017. The effect as of 30 September 2018 of the recourse to 'without-recourse' factoring and the securitisation of the receivables comes to 190 million euro (around 184 million euro as of 31 December 2017).

B.2) Subgroup Spain

The main economic, financial and equity results of the Subgroup Spain (Esprinet Iberica, Esprinet Portugal, Vinzeo Technologies e V-Valley Iberian) as at 30 September 2018, are illustrated below:

(euro/000)	9 months 2018	%	9 months 2017	%	Var.	Var. %
Sales to third parties	826,059		781,668		44,391	6%
Intercompany sales	-		-		-	0%
Sales	**826,059**		**781,668**		44,391	**6%**
Cost of sales	(796,283)	-96.40%	(751,875)	-96.19%	(44,408)	6%
Gross profit	**29,776**	**3.60%**	**29,793**	**3.81%**	**(17)**	**0%**
Sales and marketing costs	(8,562)	-1.04%	(8,322)	-1.06%	(240)	3%
Overheads and administrative costs	(14,303)	-1.73%	(15,848)	-2.03%	1,545	-10%
Operating income (EBIT)	**6,911**	**0.84%**	**5,623**	**0.72%**	**1,288**	**23%**

(euro/000)	Q3 2018	%	Q3 2017	%	Var.	Var. %
Sales to third parties	295,540		275,241		20,299	7%
Intercompany sales	-		-		-	0%
Sales	**295,540**		**275,241**		**20,299**	**7%**
Cost of sales	(285,882)	-96.73%	(265,795)	-96.57%	(20,087)	8%
Gross profit	**9,658**	**3.27%**	**9,446**	**3.43%**	**212**	**2%**
Sales and marketing costs	(2,631)	-0.89%	(2,632)	-0.96%	1	0%
Overheads and administrative costs	(4,550)	-1.54%	(4,874)	-1.77%	324	-7%
Operating income (EBIT)	**2,477**	**0.84%**	**1,940**	**0.70%**	**537**	**28%**

Sales amount to 826.1 million euro, disclosing growth of +6% compared with 781.7 million euro generated in the first nine months of 2017. In the third quarter alone, sales disclosed an increase of +7% (equal to 20.3 million euro) compared with the same period in the previous year.

Gross profit as of 30 September 2018 amounted to 29.8 million euro, equal to the result for the same period in 2017 but with an incidence on revenues which fell from 3.81% to 3.60%. In the third quarter alone, the gross profit disclosed an improvement of +2% compared with the same period of the previous year, with an incidence on revenues down from 3.43% to 3.27%.

Operating profit (EBIT) came to 6.9 million euro and showed an increase of +23% (+1.3 million euro) compared to the balance reported in the first nine months of 2017, with an incidence on revenues up from 0.72% to 0.84%. In the third quarter of 2018, operating profit (EBIT) was equal to 2.5 million euro compared with 1.9 million euro in the third quarter of 2017, with a percentage profitability up from 0.70% to 0.84%.

(euro/000)	30/09/2018	%	31/12/2017	%	Var.	*Var. %*
Fixed assets	79,718	46.84%	80,051	72.87%	(333)	0%
Operating net working capital	110,734	65.06%	49,102	44.69%	61,632	126%
Other current assets/liabilities	(15,196)	-8.93%	(14,742)	-13.42%	(454)	3%
Other non-current assets/liabilities	(5,064)	-2.98%	(4,549)	-4.14%	(515)	11%
Total uses	**170,192**	**100.00%**	**109,862**	**100.00%**	**60,330**	**55%**
Short-term financial liabilities	3,906	2.30%	5,596	5.09%	(1,690)	-30%
Current financial (assets)/liabilities for derivatives	2	0.00%	19	0.02%	(17)	-89%
Financial (assets)/liab. from/to Group companies	103,738	60.95%	112,500	102.40%	(8,762)	-8%
Cash and cash equivalents	(44,790)	-26.32%	(112,057)	-102.00%	67,267	-60%
Net current financial debt	62,856	36.93%	6,058	5.51%	56,798	938%
Borrowings	885	0.52%	1,764	1.61%	(879)	-50%
Non-current financial (assets)/liab. for derivatives	(9)	-0.01%	(36)	-0.03%	27	-75%
Net Financial debt (A)	63,732	37.45%	7,786	7.09%	55,946	719%
Net equity (B)	106,460	62.55%	102,076	92.91%	4,384	4%
Total sources of funds (C=A+B)	**170,192**	**100.00%**	**109,862**	**100.00%**	**60,330**	**55%**

Net working capital as of 30 September 2018 amounted to 110.7 million euro compared to 49.1 million euro as of 31 December 2017.

Net financial position as at 30 September 2018 presented a negative value of 63.7 million euro, compared with a negative financial position equal to 7.8 million euro at 31 December 2017. The effect of the 'without-recourse' factoring and trade receivable financing programmes was approximately 153 million euro (roughly 240 million euro as at 31 December 2017).

C) Income statement by company

The separate income statement showing the contributions of the individual group companies regarded as significant is presented below[3]:

(euro/000)	9 months 2018													
	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley + Nilox GmbH	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberian	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	1,451,901	9,534	17,556	4,751	-	1,483,742	457,723	19,221	5,880	343,235	-	826,059	-	2,309,801
Intersegment sales	39,012	2,193	1,748	8,108	(12,246)	38,815	12,912	1	210	1,938	(15,061)	-	(38,815)	-
Sales	**1,490,913**	**11,727**	**19,304**	**12,859**	**(12,246)**	**1,522,557**	**470,635**	**19,222**	**6,090**	**345,173**	**(15,061)**	**826,059**	**(38,815)**	**2,309,801**
Cost of sales	(1,420,334)	(10,793)	(10,551)	(11,818)	12,258	(1,441,238)	(454,071)	(18,736)	(5,514)	(332,977)	15,014	(796,283)	38,854	(2,198,667)
Gross profit	**70,579**	**934**	**8,753**	**1,041**	**12**	**81,319**	**16,564**	**486**	**576**	**12,196**	**(47)**	**29,776**	**39**	**111,134**
Gross Profit %	*4.73%*	*7.96%*	*45.34%*	*8.10%*	*-0.10%*	*5.34%*	*3.52%*	*2.53%*	*9.46%*	*3.53%*		*3.60%*		*4.81%*
Sales and marketing costs	(24,335)	(419)	(5,622)	(306)	6	(30,676)	(4,106)	(271)	(1,094)	(3,121)	29	(8,562)	-	(39,238)
Overheads and admin. costs	(40,331)	(1)	(2,124)	(92)	(3)	(42,551)	(9,359)	(547)	(196)	(4,219)	18	(14,303)	12	(56,842)
Operating income (Ebit)	**5,913**	**514**	**1,007**	**643**	**15**	**8,092**	**3,099**	**(332)**	**(714)**	**4,856**	**-**	**6,911**	**51**	**15,054**
EBIT %	*0.40%*	*4.38%*	*5.22%*	*5.00%*	*-0.12%*	*0.53%*	*0.66%*	*-1.73%*	*-11.72%*	*1.41%*		*0.84%*		*0.65%*
Finance costs - net														(3,648)
Share of profits of associates														-
Profit before income tax														**11,406**
Income tax expenses														(3,068)
Net income														**8,338**
- of which attributable to non-controlling interests														153
- of which attributable to Group														8,185

(euro/000)	9 months 2017													
	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberica	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	1,251,571	34,073	19,066	41,219	-	1,345,929	416,398	20,419	5,096	339,755	-	781,668	-	2,127,597
Intersegment sales	44,710	945	471	1,203	(14,069)	33,260	14,749	11	-	2,649	(17,409)	-	(33,260)	-
Sales	**1,296,281**	**35,018**	**19,537**	**42,422**	**(14,069)**	**1,379,189**	**431,147**	**20,430**	**5,096**	**342,404**	**(17,409)**	**781,668**	**(33,260)**	**2,127,597**
Cost of sales	(1,227,353)	(31,796)	(11,012)	(37,345)	14,083	(1,293,423)	(413,946)	(19,877)	(4,630)	(330,830)	17,407	(751,875)	33,131	(2,012,167)
Gross profit	**68,928**	**3,222**	**8,525**	**5,077**	**14**	**85,766**	**17,201**	**553**	**466**	**11,574**	**(2)**	**29,793**	**(129)**	**115,430**
Gross Profit %	*5.32%*	*9.20%*	*43.64%*	*11.97%*	*-0.10%*	*6.22%*	*3.99%*	*2.71%*	*9.14%*	*3.38%*		*3.81%*		*5.43%*
Sales and marketing costs	(21,908)	(1,070)	(6,543)	(3,308)	10	(32,819)	(4,651)	(261)	(716)	(2,700)	5	(8,322)	(55)	(41,196)
Overheads and admin. costs	(38,411)	(652)	(2,270)	(2,473)	3	(43,803)	(9,997)	(392)	(202)	(5,254)	(3)	(15,848)	64	(59,587)
Operating income (Ebit)	**8,609**	**1,500**	**(288)**	**(704)**	**27**	**9,144**	**2,553**	**(100)**	**(452)**	**3,620**	**-**	**5,623**	**(120)**	**14,647**
EBIT %	*0.66%*	*4.28%*	*-1.47%*	*-1.66%*	*-0.19%*	*0.66%*	*0.59%*	*-0.49%*	*-8.87%*	*1.06%*		*0.72%*		*0.69%*
Finance costs - net														(3,016)
Share of profits of associates														36
Profit before income tax														**11,667**
Income tax expenses														(2,743)
Net income														**8,924**
- of which attributable to non-controlling interests														(42)
- of which attributable to Group														8,966

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

D) Reclassified income statement

The consolidated separate income statement showing the reclassification within the item relating to financial charges of the costs attributable to the without-recourse revolving factoring carried out in the period (factoring and securitisation transactions) is presented below:

[3] The following companies are not presented separately: V-Valley S.r.l., (since is a mere 'commission sales agent' of Esprinet S.p.A.) and Nilox Deutschland GmbH (since it is not significant).

(euro/000)	9 months 2018	%	9 months 2018 reclassified	%	Var.	Var. %
Sales	**2,309,801**	**100.00%**	**2,309,801**	**100.00%**	**-**	***0%***
Cost of Sales	(2,198,667)	-95.19%	(2,195,290)	-95.04%	(3,377)	*0%*
Gross Profit	**111,134**	**4.81%**	**114,511**	**4.96%**	**(3,377)**	***-3%***
Sales and marketing costs	(39,238)	-1.70%	(39,238)	-1.70%	-	*0%*
Overheads and administrative costs	(56,842)	-2.46%	(56,842)	-2.46%	-	*0%*
Operating income (EBIT)	**15,054**	**0.65%**	**18,431**	**0.80%**	**(3,377)**	***-18%***
Finance costs - net	(3,648)	-0.16%	(7,025)	-0.30%	3,377	*-48%*
Profit before income taxes	**11,406**	**0.49%**	**11,406**	**0.49%**	**-**	***0%***
Income tax expenses	(3,068)	-0.13%	(3,068)	-0.13%	-	*0%*
Net Income	**8,338**	**0.36%**	**8,338**	**0.36%**	**-**	***0%***

(euro/000)	Q3 2018	%	Q3 2018 reclassified	%	Var.	Var. %
Sales	**771,642**	**100.00%**	**771,642**	**100.00%**	**-**	***0%***
Cost of Sales	(737,460)	-95.57%	(736,633)	-95.46%	(827)	*0%*
Gross Profit	**34,182**	**4.43%**	**35,009**	**4.54%**	**(827)**	***-2%***
Sales and marketing costs	(12,434)	-1.61%	(12,434)	-1.61%	-	*0%*
Overheads and administrative costs	(17,631)	-2.28%	(17,631)	-2.28%	-	*0%*
Operating income (EBIT)	**4,117**	**0.53%**	**4,944**	**0.64%**	**(827)**	***-17%***
Finance costs - net	(1,245)	-0.16%	(2,072)	-0.27%	827	*-40%*
Profit before income taxes	**2,872**	**0.37%**	**2,872**	**0.37%**	**-**	***0%***
Income tax expenses	(725)	-0.09%	(725)	-0.09%	-	*0%*
Net Income	**2,147**	**0.28%**	**2,147**	**0.28%**	**-**	***0%***

3.4 Notes to consolidated income statement items

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

33) <u>Sales</u>

Analysis of the trend of the Group revenues in the period is provided below.

Sales by geographical segment

(euro/million)	9 months 2018	%	9 months 2017	%	*% Var.*	Q3 2018	%	Q3 2017	%	*% Var.*
Italy	1,470.5	63.7%	1,334.0	62.7%	10%	471.2	61.1%	412.1	59.7%	14%
Spain	803.4	34.8%	758.4	35.6%	6%	288.3	37.4%	267.0	38.7%	8%
Other EU countries	31.2	1.4%	30.8	1.4%	1%	10.2	1.3%	11.1	1.6%	-8%
Extra EU countries	4.7	0.2%	4.4	0.2%	7%	1.9	0.2%	0.6	0.1%	217%
Group sales	**2,309.8**	**100.0%**	**2,127.6**	**100.0%**	**9%**	**771.6**	**100.0%**	**690.8**	**100.0%**	**12%**

Revenues generated in other EU countries mainly refer to sales made by the Spanish affiliated company to customers resident in Portugal (19.5 million euro). The remaining part essentially refers to sales made vis-à-vis customers resident in Germany, Malta and Greece.

The revenues generated outside the EU mainly refer to sales realised vis-à-vis the customers resident in the Republic of San Marino, the State of Andorra, in Switzerland and Turkey.

Sales from products and services

(euro/million)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Product sales	1,478.9	64.0%	1,332.2	62.6%	11%	480.1	62.2%	411.1	59.5%	17%
Services sales	4.8	0.2%	13.7	0.6%	*-65%*	(4.0)	-0.5%	4.4	0.6%	*-191%*
Sales - Subgroup Italy	**1,483.7**	**64.2%**	**1,345.9**	**63.3%**	***10%***	**476.1**	**61.7%**	**415.5**	**60.1%**	***15%***
Product sales	825.1	35.7%	780.5	36.7%	*6%*	295.1	38.2%	274.6	39.8%	*7%*
Services sales	1.0	0.0%	1.2	0.1%	*-17%*	0.4	0.1%	0.7	0.1%	*-43%*
Sales - Subgroup Spain	**826.1**	**35.8%**	**781.7**	**36.7%**	***6%***	**295.5**	**38.3%**	**275.3**	**39.9%**	***7%***
Group sales	**2,309.8**	**100.0%**	**2,127.6**	**100.0%**	***9%***	**771.6**	**100.0%**	**690.8**	**100.0%**	***12%***

Sales as 'Principal' or 'Agent'

In accordance as from 1 January 2018 with the new IFRS 15 accounting standard, the Esprinet Group has identified the distribution of the hardware and software products, the distribution of the own-brand products, the presentation of services not intermediated such as the activities in which is covers a role such as to require the representation of the revenues as 'principal'. The distribution of software under cloud facilities and the intermediation of services have by contrast been identified as business lines to be represented as 'agent'.
The following table provides this distinction indicating, with regard to the comparable periods, how the revenues would have been represented if the accounting standard had been applied already in 2017 for the purpose of a reconciliation with the balances previously published.

(euro/million)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Revenues from contracts with customers as "principal"	2,308.0	99.9%	2,116.9	99.9%	*9%*	771.1	99.9%	687.6	99.9%	*12%*
Revenues from contracts with customers as "agent"	1.8	0.1%	1.2	0.1%	*50%*	0.5	0.1%	0.4	0.1%	*25%*
Revenues from contracts with customers	**2,309.8**	**100.0%**	**2,118.1**	**100.0%**	***9%***	**771.6**	**100.0%**	**688.0**	**100.0%**	***12%***
Revenues - Change as "agent" in 2017			9.5					2.8		
Group Revenues	**2,309.8**		**2,127.6**		***9%***	**771.6**		**690.8**		***12%***

Sales by product family and customer type

(euro/million)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
GDO/GDS	739.8	32.0%	580.2	27.3%	28%	270.1	35.0%	213.1	30.8%	27%
Dealers	675.7	29.3%	570.0	26.8%	19%	239.8	31.1%	173.1	25.1%	39%
Vars	494.6	21.4%	488.5	23.0%	1%	148.9	19.3%	152.8	22.1%	-3%
Office/Consumables dealers	215.1	9.3%	214.6	10.1%	0%	66.6	8.6%	68.5	9.9%	-3%
On-line Shops	126.9	5.5%	196.5	9.2%	-35%	26.2	3.4%	58.9	8.5%	-56%
Sub-distribution	57.7	2.5%	77.8	3.7%	-26%	20.0	2.6%	24.4	3.5%	-18%
Group Sales	**2,309.8**	**100%**	**2,127.6**	**100%**	***9%***	**771.6**	**100%**	**690.8**	**100%**	***12%***

(euro/million)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
TLC	611.7	26.5%	493.8	23.2%	24%	215.0	27.9%	180.2	26.1%	19%
PCs - notebooks	406.3	17.6%	440.7	20.7%	-8%	139.4	18.1%	141.6	20.5%	-2%
PCs - tablets	260.7	11.3%	199.3	9.4%	31%	93.8	12.2%	68.9	10.0%	36%
Consumer electronics	216.6	9.4%	183.4	8.6%	18%	78.0	10.1%	58.0	8.4%	34%
PCs - desktops and monitors	172.1	7.5%	158.0	7.4%	9%	52.4	6.8%	48.3	7.0%	8%
Consumables	153.9	6.7%	154.8	7.3%	-1%	44.0	5.7%	45.8	6.6%	-4%
Software	106.4	4.6%	108.9	5.1%	-2%	29.0	3.8%	30.0	4.3%	-3%
Peripherical devices	87.9	3.8%	81.0	3.8%	9%	26.6	3.4%	24.7	3.6%	8%
Storage	83.9	3.6%	83.4	3.9%	1%	27.4	3.6%	23.1	3.3%	19%
Networking	69.7	3.0%	86.0	4.0%	-19%	24.5	3.2%	31.0	4.5%	-21%
Servers	53.5	2.3%	37.0	1.7%	45%	13.8	1.8%	9.9	1.4%	39%
Services	8.1	0.4%	18.5	0.9%	-56%	2.8	0.4%	5.8	0.8%	-52%
Other	79.0	3.4%	82.8	3.9%	-5%	24.9	3.2%	23.5	3.4%	6%
Group sales	**2,309.8**	**100%**	**2,127.6**	**100%**	**9%**	**771.6**	**100%**	**690.8**	**100%**	**12%**

The analysis of the revenues by type of customer reveals an improvement compared with the first nine months of 2017 both with regard to consumer customers and business customers. In particular, increases in sales turnover were seen in the consumer channel relating to 'GDO/GDS' (+28%) and in the channels relating to small-to-medium size business customers ('Dealer' +19%). The channels referable to the 'Shop on-line' (-35%) and 'Sub-distribution' (-26%) by contrast disclosed a decrease.

The third quarter alone presents similar trends and percentage changes with the exception of the channel relating to small-to-medium size business customers ('Dealer' +39%) and 'Shop on-line' (-56%).

The breakdown of the sales revenue by product category disclosed a peak in growth in the 'Server' (+45%) 'PC - Tablet' (+31%) and 'TLC' (+24%) categories. The 'Consumer electronics' (+18%), 'Printers and multifunction' (+9%) and 'PC-desktop and monitor' (+9%) segments were also positive, contrasted by the negative trend of the categories referable to 'Services' (-56%) 'Networking' (-19%), and 'PC-Notebook' (-8%).

Also the analysis of just the third quarter essentially discloses the same changes per individual segment in terms of trend even if with more contained values, with the exception of 'Consumer electronics' (+34%) and 'Storage' (+19%).

35) Gross profit

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	2,309,801	100.00%	2,127,597	100.00%	9%	771,642	100.0%	690,755	100.00%	12%
Cost of sales	2,198,667	95.19%	2,012,167	94.57%	9%	737,460	95.6%	655,085	94.84%	13%
Gross profit	**111,134**	**4.81%**	**115,430**	**5.43%**	**-4%**	**34,182**	**4.43%**	**35,670**	**5.16%**	**-4%**
- of which non recurring	1,099	0.05%	-	0.00%	0%	1,099	0.14%	-	0.00%	0%
Gross profit "recurrent"	**112,233**	**4.86%**	**115,430**	**5.43%**	**-3%**	**35,281**	**4.57%**	**35,670**	**5.16%**	**-1%**

The consolidated gross profit, equal to 111.1 million euro, showed a decrease of -4% (-4.3 million euro) compared with the same period in 2017 as a consequence of a worsening in the percentage margin from 5.43% to 4.81% (4.86% if excluding non-recurring cost items) not completely offset by the rise in revenues.
Non-recurring negative items, equal to 1.1 million euro, derive from the lower estimated value of the Group's receivables from suppliers.

In the third quarter alone, the gross profit, amounting to 34.2 million euro, decreased -4% compared with the same period in the previous year, or -1% if the afore-mentioned non-recurrent items are excluded.

The sales margin has been reduced by the difference between the amount of receivables transferred 'without-recourse' to factoring companies within the usual revolving programmes and the amounts collected. In the first nine months of 2018 this effect is quantifiable as 3.4 million euro (3.6 million euro in 2017), of which 0.8 million euro in just the third quarter (1.2 million euro in the third quarter of 2017).

37-38) Operating costs

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	**2,309,801**		**2,127,597**		*9%*	**771,642**		**690,755**		*12%*
Sales and marketing costs	39,238	1.70%	41,196	1.94%	*-5%*	12,434	1.61%	12,711	1.84%	*-2%*
Overheads and administrative costs	56,842	2.46%	59,587	2.80%	*-5%*	17,631	2.28%	18,143	2.63%	*-3%*
Operating costs	**96,080**	**4.16%**	**100,783**	**4.74%**	*-5%*	**30,065**	**3.90%**	**30,854**	**4.47%**	*-3%*
- of which non recurring	-	0.00%	1,369	0.06%	*-100%*	-	0.00%	236	0.03%	*-100%*
'Recurring' operating costs	**96,080**	**4.16%**	**99,414**	**4.67%**	*-3%*	**30,065**	**3.90%**	**30,618**	**4.43%**	*-2%*

In the first nine months of 2018 the amount of the operating costs, totalling 96.1 million euro, disclosed a drop of -4.7 million euro compared with the same period in 2017 (drop of -3.3 million euro net of the non-recurrent items) with an incidence on revenues down to 4.16% from 4.74% in 2017. In the third quarter alone, operating costs, amounting to 30.1 million euro, decreased -3% compared with the same period in the previous year (-0.5% million euro net of the non-recurrent items).

Reclassification by nature of some categories of operating costs

For the purpose of extending the disclosure provided, steps are taken to reclassify certain categories of cost, by '*nature*', having been allocated by '*intended use*' in the adopted income statement format.

Payroll and related costs and number of employees

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	2,309,801		2,127,597		*9%*	771,642		690,755		*12%*
Wages and salaries	32,369	1.40%	32,942	1.55%	*-2%*	9,991	1.29%	9,992	1.45%	*0%*
Social contributions	9,525	0.41%	9,709	0.46%	*-2%*	2,952	0.38%	2,964	0.43%	*0%*
Pension obligations	1,793	0.08%	1,787	0.08%	*0%*	590	0.08%	597	0.09%	*-1%*
Other personnel costs	745	0.03%	773	0.04%	*-4%*	248	0.03%	246	0.04%	*1%*
Employee termination incentives	552	0.02%	1,448	0.07%	*-62%*	66	0.01%	266	0.04%	*-75%*
Share incentive plans	296	0.01%	393	0.02%	*-25%*	104	0.01%	131	0.02%	*-21%*
Total labour costs [1]	45,280	1.96%	47,052	2.21%	*-4%*	13,951	1.81%	14,196	2.06%	*-2%*

[1] Cost of temporary workers excluded.

In the first nine months of 2018, payroll and related costs amounted to 45.3 million euro, down -4% (1.8 million euro) compared with the same period in the previous year and in line with the change in the number of employees in the period.

The following table shows the change in the number of employees of the Group supplemented by the breakdown by contractual qualification.

	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	21	725	1	**747**	
EDSlan S.r.l.	-	-	-	**-**	
Celly S.p.A.	1	44	-	**45**	
Mosaico S.r.l.	-	-	-	**-**	
Celly Pacific LTD	-	1	-	**1**	
Celly Nordic OY	-	-	-	**-**	
Nilox Deutschland GmbH	-	1	-	**1**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**771**	**1**	**794**	**804**
Esprinet Iberica S.L.U.	-	229	69	**298**	
Vinzeo Technologies S.A.U.	-	133	-	**133**	
V-Valley Iberian S.L.U.	-	17	-	**17**	
Esprinet Portugal Lda	-	8	-	**8**	
Tape S.L.U.	-	-	-	**-**	
Subgroup Spain	**-**	**387**	**69**	**456**	**445**
Group as at 30 September 2018	**22**	**1,158**	**70**	**1,250**	**1,249**
Group as at 31 December 2017	**21**	**1,173**	**53**	**1,247**	**1,288**
Var 30/09/2018 - 31/12/2017	1	(15)	17	3	(39)
Var %	5%	-1%	32%	0%	-3%
Group as at 30 September 2017	**21**	**1,220**	**61**	**1,302**	**1,316**
Var 30/09/2018 - 30/09/2017	1	(62)	9	(52)	(67)
Var %	5%	-5%	15%	-4%	-5%

(*) Corresponds to the average between the start and end balances for the period.

The number of employees on the workforce is essentially stable compared with 31 December 2017 (growth of 3 units) while there was a decrease of 67 in the average number of employees in the nine months compared with the same period last year mainly due to the business reorganisation transactions which took place during 2017.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	**2,309,801**		**2,127,597**		***9%***	**771,642**		**690,755**		***12%***
Depreciation of tangible assets	3,078	0.13%	2,995	0.14%	*3%*	1,049	0.14%	1,041	0.15%	*1%*
Amortisation of intangible assets	444	0.02%	504	0.02%	*-12%*	144	0.02%	171	0.02%	*-16%*
Amort . & depreciation	**3,522**	**0.15%**	**3,499**	**0.16%**	***1%***	**1,193**	**0.15%**	**1,212**	**0.18%**	***-2%***
Write-downs of fixed assets	-	0.00%	-	0.00%	*0%*	-	0.00%	-	0.00%	***0%***
Amort. & depr., write-downs (A)	**3,522**	**0.15%**	**3,499**	**0.16%**	***1%***	**1,193**	**0.15%**	**1,212**	**0.18%**	***-2%***
Accruals for risks and charges (B)	103	0.00%	98	0.00%	*5%*	17	0.00%	(120)	-0.02%	*-114%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**3,625**	**0.16%**	**3,597**	**0.17%**	***1%***	**1,210**	**0.16%**	**1,092**	**0.16%**	***11%***

42) Finance costs net

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	**2,309,801**		**2,127,597**		***9%***	**771,642**		**690,755**		***12%***
Interest expenses on borrowings	2,132	0.09%	2,588	0.12%	*-18%*	671	0.09%	910	0.13%	*-26%*
Interest expenses to banks	246	0.01%	257	0.01%	*-4%*	152	0.02%	50	0.01%	*>100%*
Other interest expenses	4	0.00%	6	0.00%	*-33%*	1	0.00%	1	0.00%	*0%*
Upfront fees amortisation	563	0.02%	502	0.02%	*12%*	180	0.02%	212	0.03%	*-15%*
Financial charges for actualization	-	0.00%	3	0.00%	*NA*	-	0.00%	-	0.00%	*NA*
IAS 19 expenses/losses	41	0.00%	47	0.00%	*-13%*	14	0.00%	15	0.00%	*-7%*
Expenses from business combination	-	0.00%	32	0.00%	*NA*	-	0.00%	14	0.00%	*NA*
Derivatives ineffectiveness	110	0.00%	222	0.01%	*-50%*	23	0.00%	149	0.02%	*-85%*
Total financial expenses (A)	**3,096**	**0.13%**	**3,657**	**0.17%**	***-15%***	**1,041**	**0.13%**	**1,351**	**0.20%**	***-23%***
Interest income from banks	(22)	0.00%	(65)	0.00%	*-66%*	(5)	0.00%	(11)	0.00%	*-55%*
Interest income from others	(112)	0.00%	(143)	-0.01%	*-22%*	(22)	0.00%	(27)	0.00%	*-19%*
Interest income on business combination	(6)	0.00%	(2)	0.00%	*>100%*	(4)	0.00%	7	0.00%	*<-100%*
Derivatives ineffectiveness	7	0.00%	15	0.00%	*-53%*	6	0.00%	12	0.00%	*-54%*
Total financial income(B)	**(133)**	**-0.01%**	**(195)**	**-0.01%**	***-32%***	**(25)**	**0.00%**	**(19)**	**0.00%**	***34%***
Net financial exp. (C=A+B)	**2,963**	**0.13%**	**3,462**	**0.16%**	***-14%***	**1,016**	**0.13%**	**1,332**	**0.19%**	***-24%***
Foreign exchange gains	(843)	-0.04%	(1,429)	-0.07%	*-41%*	(37)	0.00%	(428)	-0.06%	*-91%*
Foreign exchange losses	1,528	0.07%	983	0.05%	*55%*	266	0.03%	245	0.04%	*9%*
Net foreign exch. (profit)/losses (D)	**685**	**0.03%**	**(446)**	**-0.02%**	*<-100%*	**229**	**0.03%**	**(183)**	**-0.03%**	*<-100%*
Net financial (income)/costs (E=C+D)	**3,648**	**0.16%**	**3,016**	**0.14%**	*21%*	**1,245**	**0.16%**	**1,149**	**0.17%**	*8%*

The overall balance between finance income and expense, which is negative for 3.6 million euro, disclosed a deterioration with respect to the same period last year (-0.6 million euro) exclusively due to the negative differential of the exchange rate operations (-1.1 million euro) in the presence of a balance of the net interest expense payable to the banking system which fell by 0.4 million euro.
The negative net balance of the bank interest is due, despite the presence of an increase in the average levels of borrowing, to a more than proportionate reduction in the cost of the debt linked to a less onerous mix of sources.
The negative balance of the exchange rate operations, 0.7 million euro, in the presence of a positive balance of 0.4 million euro in the third quarter of 2017, is due to the unfavourable trend of the Euro/US$ exchange rate in the period.

45) Income tax expences

(euro/000)	9 months 2018	%	9 months 2017	%	% Var.	Q3 2018	%	Q3 2017	%	% Var.
Sales	**2,309,801**		**2,127,597**		***9%***	**771,642**		**690,755**		***12%***
Current and deferred taxes	**3,068**	**0.13%**	**2,743**	**0.13%**	***12%***	**725**	**0.09%**	**1,063**	**0.15%**	***-32%***
Profit before taxes	11,406		11,667			2,872		3,720		
Tax rate	**27%**		**24%**			**25%**		**29%**		

Income taxes, amounting to 3.1 million euro, disclose an increase of 12% with respect to the same period in 2017 due to a higher tax rate mainly as a result of the presence of positive permanent differences recognised in the first nine months of 2017 in the subsidiary Vinzeo S.L.U. were did not occur again in 2018.

46) Net income and earnings per share

(euro/000)	9 months 2018	9 months 2017	Var.	% Var.	Q3 2018	Q3 2017	Var.	% Var.
Net income	**8,338**	**8,924**	**(586)**	***-7%***	**2,147**	**2,657**	**(510)**	***-19%***
Weighed average no. of shares in circulation: basic	51,719,886	51,757,451			51,555,459	51,757,451		
Weighed average no. of shares in circulation: diluted	52,060,716	52,228,505			52,021,822	52,308,123		
Earnings per share in euro - basic	0.16	0.17	(0.01)	*-6%*	0.04	0.05	-0.01	*-20%*
Earnings per share in euro - diluted	0.16	0.17	(0.01)	*-6%*	0.04	0.05	-0.01	*-20%*

The own shares held in the portfolio have been excluded for the purpose of calculating the basic earnings per share.

For the purpose of calculating the diluted earnings per share, the potential shares serving the stock grant plan approved on 4 May 2018 by Esprinet S.p.A.'s shareholders' meeting, were considered. This plan envisaged the bonus assignment of 1,150,000 shares.

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)	30/09/2018	related parties	31/12/2017	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	13,938		14,634	
Goodwill	90,595		90,595	
Intangible assets	802		1,070	
Investments in associates	-		-	
Deferred income tax assets	11,946		11,262	
Derivative financial assets	9		36	
Receivables and other non-current assets	3,399	1,554	6,712	1,553
	120,689	**1,554**	**124,309**	**1,553**
Current assets				
Inventory	465,744		481,551	
Trade receivables	325,315	7	313,073	11
Income tax assets	2,189		3,116	
Other assets	45,101	1,122	27,778	10
Cash and cash equivalents	143,662		296,969	
	982,011	**1,129**	**1,122,487**	**21**
Disposal groups assets	-		-	
Total assets	**1,102,700**	**2,683**	**1,246,796**	**1,574**
EQUITY				
Share capital	7,861		7,861	
Reserves	320,209		303,046	
Group net income	8,185		26,235	
Group net equity	**336,255**		**337,142**	
Non-controlling interests	1,209		1,046	
Total equity	**337,464**		**338,188**	
LIABILITIES				
Non-current liabilities				
Borrowings	86,853		19,927	
Derivative financial liabilities	54		-	
Deferred income tax liabilities	7,964		7,088	
Retirement benefit obligations	4,487		4,814	
Debts for investments in subsidiaries	-		1,311	
Provisions and other liabilities	2,120		2,504	
	101,478		**35,644**	
Current liabilities				
Trade payables	427,140	-	690,449	-
Short-term financial liabilities	193,676		155,960	
Income tax liabilities	1,291		693	
Derivative financial liabilities	350		663	
Debts for investments in subsidiaries	1,306		-	
Provisions and other liabilities	39,995	925	25,199	1,510
	663,758	**925**	**872,964**	**1,510**
Disposal groups liabilities	-		-	
Total liabilities	**765,236**	**925**	**908,608**	**1,510**
Total equity and liabilities	**1,102,700**	**925**	**1,246,796**	**1,510**

For more details on related-party transactions, see the related section of the 'Interim management report'.

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	30/09/2018 Esprinet Group	Subgroup Italy	Subgroup Iberian	31/12/2017 Esprinet Group
Plant and machinery	369	301	68	1,042
Ind. And comm. Equipment & Other assets	966	838	128	2,414
Assets under construction and advances	1,064	1,064	-	109
Total Property, plant and equipment	**2,399**	**2,203**	**196**	**3,565**
Industrial patents and intellectual rights	114	91	23	270
Licences,concession,brand names and similar rights	2	-	2	-
Others	-	-	-	4
Assets under construction and advances	52	52	-	6
Total intangible asstes	**168**	**143**	**25**	**280**
Total gross investments	**2,567**	**2,346**	**221**	**3,845**

The investments as at 30 September 2018 in '*Plant and machinery*' essentially refer to the purchase of new security and surveillance systems for the Cavenago and Zaragozza logistics hubs. The investments in *'Industrial and commercial equipment and other tangible assets'* concern the purchase of electronic office equipment and furniture and furnishings by the Parent Company Esprinet S.p.A. and 0.1 million euro for the purchase of new office equipment and machines by the Spanish subsidiaries.

The investments in *'Construction in progress'* mainly concern the purchase by the Parent Company Esprinet S.p.A. of air-conditioning systems, surveillance systems and equipment for the Cavenago logistics hub, as well as new hardware for HQ not yet commissioned as at 30 September 2018.

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

The investments in *'Industrial patents and use of intellectual property rights'* essentially include the costs incurred for the long-term renewal and upgrade of the IT operating system (software); the increase is attributable to the Parent Company Esprinet S.p.A..

There were no changes in the depreciation rates adopted for each asset category with respect to the previous year.

4.2.2 Net financial position and covenants

(euro/000)	30/09/2018	31/12/2017	Var.	30/09/2017	Var.
Short-term financial liabilities	193,676	155,960	37,716	61,439	132,237
Current debts for investments in subsidiaries	1,306	-	1,306	5,086	(3,780)
Current financial (assets)/liabilities for derivatives	350	663	(313)	488	(138)
Financial receivables from factoring companies	(6,553)	(1,534)	(5,019)	(7,813)	1,260
Other financial receivables	(9,843)	(510)	(9,333)	(486)	(9,357)
Cash and cash equivalents	(143,662)	(296,969)	153,307	(44,353)	(99,309)
Net current financial debt	**35,274**	**(142,390)**	**177,663**	**14,361**	**20,913**
Borrowings	86,853	19,927	66,926	125,344	(38,491)
Non - current debts for investments in subsidiaries	-	1,311	(1,311)	3,939	(3,939)
Non-current financial (assets)/liabilities for derivatives	45	(36)	81	111	(66)
Other financial receivables	(1,411)	(1,870)	459	(1,870)	459
Net financial debt	**120,760**	**(123,058)**	**243,818**	**141,885**	**(21,124)**

For the definition of financial payables please see the section 'Main accounting definitions and estimates' in the consolidated financial statements as at 31 December 2017.

The Group's net financial position, negative for 120.8 million euro, corresponds to a net balance between gross financial payables for 280.6 million euro, financial receivables for 17.8 million euro, payables for the purchase of equity investments for 1.3 million euro, cash and cash equivalents for 143.7 million euro and financial liabilities for derivative instruments amounting to 0.4 million euro.

The liquid assets mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Group's unusual financial cycle. This cycle is characterised by a significant concentration of payments received from customers and from factoring companies – the latter as a consequence of the net proceed from the 'without-recourse' transfer of trade receivables - typically at the end of each calendar month, while the payments to suppliers - also disclosing certain concentration at period end - generally are distributed more evenly over the month. Accordingly, the precise figure at the end of any period does not represent the net financial indebtedness and the level of the average treasury balances in said period.

The without-recourse account receivables revolving transfer programme focusing on the large-scale distribution sector in particular, continued during the first nine months of 2018 both in Italy and in Spain as part of the processes aimed at the structural optimisation of the management of working capital. In addition to this, the securitisation programme also continued during the period, launched in Italy in July 2015 and renewed in July 2018, for additional trade receivables. Given that the programmes mentioned achieve the complete transfer of the risks and the benefits pertaining to the assignees, the receivables subject to transfer are eliminated from the statement of financial position assets in accordance with the IAS 39 accounting standard. The overall impact on the level of the net financial payables as of 30 September 2018 was approximately equal to 343 million euro (roughly 424 million euro as of 31 December 2017).

4.2.3 Goodwill

Goodwill amounts to 90.6 million euro coinciding with the balance as at 31 December 2017.

The following table summarises the allocation of the goodwill to the 3 Cash Generating Units ('CGU') identified, on a consistent basis with the combination of the business areas used for the purpose of the Segment Reporting required by the international accounting standards. Furthermore, the same table shows the correlations between business areas and legally autonomous entities belonging to the Group:

(euro/000)	30/09/2018	31/12/2017	Var.		
Esprinet S.p.A.	17,297	17,297	-	CGU 1	B2B Distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4,153	4,153	-	CGU 2	B2C phone accessories (Italy)
Esprinet Iberica S.l.u.	69,145	69,145	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**90,595**	**90,595**	**-**		

The annual impairment test, required by international accounting standard IAS 36, was carried out with reference to 31 December 2017 and did not reveal any impairment loss in relation to the CGUs present as of that date.

International accounting standard IAS 36 also requires that the impairment test on the goodwill be carried out more frequently in the presence of indicators of impairment loss (so-called 'triggering events') but, since the presence of these indicators was not acknowledged in the period between the execution of the annual test, in March 2018, and the date of drafting of this interim management report, it was not deemed necessary to carry out any check of the value with reference to the amounts as at 30 September 2018.

On the basis of the above, the values of the goodwill recognised as at 31 December 2017 and present in this interim management report are confirmed.

For further information on the 'Goodwill' and on the procedures for performing the impairment test, see the notes to the consolidated financial statements at 31 December 2017.

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 2016	7,861	288,371	(5,145)	26,870	317,957	999	316,958
Total comprehensive income/(loss)	-	(74)	-	8,924	8,850	(39)	8,889
Allocation of last year net income/(loss)	-	19,883	-	(19,883)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Transactions with owners	-	19,883	-	(26,870)	(6,987)	-	(6,987)
Currently active Share plans	-	1,088	-	-	1,088	-	1,088
Other variations	-	3	-	-	3	1	2
Balance at 30 September 2017	7,861	309,271	(5,145)	8,924	320,911	961	319,950
Balance at 31 December 2017	7,861	309,192	(5,145)	26,280	338,188	1,046	337,142
Total comprehensive income/(loss)	-	252	-	8,338	8,590	163	8,427
Allocation of last year net income/(loss)	-	19,293	-	(19,293)	-	-	-
Dividend payment	-	-	-	(6,987)	(6,987)	-	(6,987)
Purchases of own shares	-	-	(3,265)	-	(3,265)	-	(3,265)
Transactions with owners	-	19,293	(3,265)	(26,280)	(10,252)	-	(10,252)
Grant of share under share plans	-	(3,815)	4,274	-	459	-	459
Equity plans in progress	-	323	-	-	323	-	323
FTA New accounting standards IFRS	-	133	-	-	133	-	133
Other variations	-	23	-	-	23	-	23
Balance at 30 September 2018	7,861	325,401	(4,136)	8,338	337,464	1,209	336,255

6. Consolidated statement of cash flows[4]

(euro/000)	9 months 2018	9 months 2017
Cash flow provided by (used in) operating activities (D=A+B+C)	**(234,027)**	**(236,209)**
Cash flow generated from operations (A)	**18,779**	**18,462**
Operating income (EBIT)	15,054	14,647
Depreciation, amortisation and other fixed assets write-downs	3,522	3,499
Net changes in provisions for risks and charges	(384)	(400)
Net changes in retirement benefit obligations	(195)	(372)
Stock option/grant costs	782	1,088
Cash flow provided by (used in) changes in working capital (B)	**(249,125)**	**(251,872)**
Inventory	15,807	(130,478)
Trade receivables	(12,242)	92,837
Other current assets	(2,297)	5,949
Trade payables	(263,491)	(218,140)
Other current liabilities	13,098	(2,040)
Other cash flow provided by (used in) operating activities (C)	**(3,681)**	**(2,799)**
Interests paid, net	(2,058)	(2,544)
Foreign exchange (losses)/gains	(502)	565
Net results from associated companies	-	75
Income taxes paid	(1,121)	(895)
Cash flow provided by (used in) investing activities (E)	**(2,662)**	**(3,044)**
Net investments in property, plant and equipment	(2,382)	(3,282)
Net investments in intangible assets	(176)	(256)
Changes in other non current assets and liabilities	3,160	494
Own shares acquisition	(3,264)	-
Cash flow provided by (used in) financing activities (F)	**83,382**	**(2,327)**
Medium/long term borrowing	-	165,000
Repayment/renegotiation of medium/long-term borrowings	(35,032)	(104,647)
Net change in financial liabilities	138,810	(55,144)
Net change in financial assets and derivative instruments	(14,133)	(700)
Deferred price Celly acquisition	1	(17)
Deferred price Vinzeo acquisition	-	367
Dividend payments	(6,987)	(6,987)
Increase/(decrease) in 'cash flow edge' equity reserve	122	(164)
Changes in third parties net equity	172	(35)
Other movements	429	-
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(153,307)**	**(241,580)**
Cash and cash equivalents at year-beginning	**296,969**	**285,933**
Net increase/(decrease) in cash and cash equivalents	**(153,307)**	**(241,580)**
Cash and cash equivalents at year-end	**143,662**	**44,353**

[4] The effects of related-party transactions have been omitted, as they are not significant.

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

(euro/000)	9 months 2018	9 months 2017
Net financial debt at start of the year	**(123,058)**	**(105,424)**
Cash flow provided by (used in) operating activities	(234,027)	(236,209)
Cash flow provided by (used in) investing activities	(2,662)	(3,044)
Cash flow provided by (used in) changes in net equity	(6,264)	(7,186)
Total cash flow	**(242,953)**	**(246,439)**
Unpaid interests	(865)	(870)
Net financial position at end of year	**120,760**	**141,885**
Short-term financial liabilities	193,676	61,439
Customers financial receivables	(9,844)	(486)
Current financial (assets)/liabilities for derivatives	350	488
Financial receivables from factoring companies	(6,553)	(7,813)
Current Debts for investments in subsidiaries	-	5,086
Cash and cash equivalents	(143,662)	(44,353)
Net current financial debt	**33,967**	**14,361**
Borrowings	86,853	125,344
Non current Debts for investments in subsidiaries	1,306	3,939
Non-current financial (assets)/liab. for derivatives	45	111
Customers financial receivables	(1,411)	(1,870)
Net financial debt at start of the year	**120,760**	**141,885**

7. Relationship with related parties

The transactions carried out by the Group with related parties, as defined by IAS 24, were performed in compliance with current laws and according to mutual economic advantage.
In the event of products sold to individuals, the conditions as applied are equivalent to those usually applied to employees.
Transactions between the parent company Esprinet S.p.A. and its subsidiaries included in the scope of consolidation have been eliminated from the interim consolidated financial statements and therefore do not figure in this section.

During the period, transactions with related parties mainly involved sales of products and services at market conditions (arm's length basis) between the Group companies and companies in which the directors and shareholders of Esprinet S.p.A. cover important positions.
Dealings with executives with strategic responsibilities took on the form of recognition of the remuneration for services rendered by the same.
Revenues realised relate to sales of consumer electronics products sold under normal market conditions (arm's length basis) both to private and business clients.

Services received mainly refer to lease agreements entered into under market conditions in periods prior to the interim period in question, with the companies Immobiliare Selene S.r.l., relating to the logistics site in Cambiago (MI) and M.B. Immobiliare S.r.l. regarding the logistics site in Cavenago (MB), respectively.

The total value of the afore-mentioned transactions is not however significant in respect of the total volume of the Group's activities.

8. Segment information

8.1 Introduction

The Esprinet Group is organised in relation to the geographical business areas (operating sectors), Italy and Spain, where it performs the business-to-business (B2B) distribution activities for Information Technology (IT) and consumer electronics.

The activities carried out in a 'geographical area' are characterised by investments and transactions carried out for the production and marketing of products and services within a particular economic sphere subject to expected risks and returns that are different to those achievable in other geographical areas.

The activities carried out in a 'business area' are characterised by transactions carried out for the production and marketing of products and services that are subject to risks and returns different from those which can be achieved further to the transactions relating to products and services.

Although the organisation by geographical areas represents the main form of managing and analysing the Group's results, for the purpose of a more explicit indication of the business areas in which the Group has operated in Italy, the following tables also show the operating results and the statement of financial position balances of the latter.

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 presented below:

Separate income statement and other significant information by operating segment

(euro/000)	9 months 2018			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,483,742	826,059	-	2,309,801
Intersegment sales	38,815	-	(38,815)	-
Sales	**1,522,557**	**826,059**	**(38,815)**	**2,309,801**
Cost of sales	(1,441,238)	(796,283)	38,854	(2,198,667)
Gross profit	**81,319**	**29,776**	**39**	**111,134**
Gross Profit %	*5.34%*	*3.60%*		*4.81%*
Sales and marketing costs	(30,676)	(8,562)	-	(39,238)
Overheads and admin. costs	(42,551)	(14,303)	12	(56,842)
Operating income (Ebit)	**8,092**	**6,911**	**51**	**15,054**
EBIT %	*0.53%*	*0.84%*		*0.65%*
Finance costs - net				(3,648)
Share of profits of associates				-
Profit before income tax				**11,406**
Income tax expenses				(3,068)
Net income				**8,338**
- of which attributable to non-controlling interests				153
- of which attributable to Group				8,185
Depreciation and amortisation	**2,540**	**612**	370	**3,522**
Other non-cash items	**2,611**	**117**	-	**2,728**
Investments	**2,346**	**221**	-	**2,567**
Total assets	**911,416**	**375,452**	(184,168)	**1,102,700**

(euro/000)	9 months 2017			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	1,345,929	781,668	-	2,127,597
Intersegment sales	33,260	-	(33,260)	-
Sales	**1,379,189**	**781,668**	**(33,260)**	**2,127,597**
Cost of sales	(1,293,423)	(751,875)	33,131	(2,012,167)
Gross profit	**85,766**	**29,793**	**(129)**	**115,430**
Gross profit %	*6.22%*	*3.81%*		*5.43%*
Other income	-	-	-	-
Sales and marketing costs	(32,819)	(8,322)	(55)	(41,196)
Overheads and admin. costs	(43,803)	(15,848)	64	(59,587)
Operating income (Ebit)	**9,144**	**5,623**	**(120)**	**14,647**
EBIT %	*0.66%*	*0.72%*		*0.69%*
Finance costs - net				(3,016)
Share of profits of associates				36
Profit before income tax				**11,667**
Income tax expenses				(2,743)
Net income				**8,924**
- of which attributable to non-controlling interests				(42)
- of which attributable to Group				8,966
Depreciation and amortisation	**2,661**	**519**	319	**3,499**
Other non-cash items	**2,929**	**97**	-	**3,026**
Investments	**2,353**	**1,267**	-	**3,620**
Total assets	**790,384**	**360,291**	(191,540)	**959,135**

(euro/000)	Q3 2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	476,101	295,540		771,642
Intersegment sales	12,682	-	(12,682)	-
Sales	**488,783**	**295,540**	**(12,682)**	**771,642**
Cost of sales	(464,212)	(285,882)	12,634	(737,460)
Gross profit	**24,571**	**9,658**	**(48)**	**34,182**
Gross Profit %	*5.03%*	*3.27%*		*4.43%*
Sales and marketing costs	(9,803)	(2,631)	-	(12,434)
Overheads and admin. costs	(13,081)	(4,550)	-	(17,631)
Operating income (Ebit)	**1,687**	**2,477**	**(48)**	**4,117**
EBIT %	*0.35%*	*0.84%*		*0.53%*
Finance costs - net				(1,245)
Share of profits of associates				-
Profit before income tax				**2,872**
Income tax expenses				(725)
Net income				**2,147**
- of which attributable to non-controlling interests				88
- of which attributable to Group				2,059
Depreciation and amortisation	855	**207**	131	**1,193**
Other non-cash items	898	**23**	-	**921**
Investments	1,248	**47**	-	**1,295**
Total assets	**911,416**	**375,452**	(184,168)	**1,102,700**

(euro/000)	Q3 2017			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	415,514	275,241		690,755
Intersegment sales	9,489	-	(9,489)	-
Sales	**425,003**	**275,241**	**(9,489)**	**690,755**
Cost of sales	(398,660)	(265,795)	9,371	(655,084)
Gross profit	**26,343**	**9,446**	**(118)**	**35,671**
Gross profit %	*6.20%*	*3.43%*		*5.16%*
Other income	-	-	-	-
Sales and marketing costs	(10,069)	(2,632)	(10)	(12,711)
Overheads and admin. costs	(13,281)	(4,874)	12	(18,143)
Operating income (Ebit)	**2,993**	**1,940**	**(116)**	**4,817**
EBIT %	*0.70%*	*0.70%*		*0.70%*
Finance costs - net				(1,149)
Share of profits of associates				52
Profit before income tax				**3,720**
Income tax expenses				(1,063)
Net income				**2,657**
- of which attributable to non-controlling interests				71
- of which attributable to Group				2,586
Depreciation and amortisation	915	**175**	122	**1,212**
Other non-cash items	766	**31**	-	**797**
Investments	690	**803**	-	**1,493**
Total assets	**790,384**	**360,291**	(191,540)	**959,135**

Statement of financial position by operating segment

(euro/000)	30/09/2018			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,611	3,327	-	13,938
Goodwill	21,450	68,106	1,039	90,595
Intangible assets	739	63	-	802
Investments in others	75,709	-	(75,709)	-
Deferred income tax assets	3,905	7,926	115	11,946
Derivative financial assets	-	9	-	9
Receivables and other non-current assets	3,103	296	-	3,399
	115,517	**79,727**	**(74,555)**	**120,689**
Current assets				
Inventory	291,962	174,150	(368)	465,744
Trade receivables	249,955	75,360	-	325,315
Income tax assets	2,069	120	-	2,189
Other assets	153,041	1,305	(109,245)	45,101
Cash and cash equivalents	98,872	44,790	-	143,662
	795,899	**295,725**	**(109,613)**	**982,011**
Disposal groups assets	-	-	-	-
Total assets	**911,416**	**375,452**	**(184,168)**	**1,102,700**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	293,222	47,189	(20,202)	320,209
Group net income	3,601	4,576	8	8,185
Group net equity	**304,684**	**106,458**	**(74,887)**	**336,255**
Non-controlling interests	1,245	2	(38)	1,209
Total equity	**305,929**	**106,460**	**(74,925)**	**337,464**
LIABILITIES				
Non-current liabilities				
Borrowings	85,968	885	-	86,853
Derivative financial liabilities	54	-	-	54
Deferred income tax liabilities	3,075	4,889	-	7,964
Retirement benefit obligations	4,487	-	-	4,487
Provisions and other liabilities	1,945	175	-	2,120
	95,529	**5,949**	**-**	**101,478**
Current liabilities				
Trade payables	288,364	138,776	-	427,140
Short-term financial liabilities	189,770	107,644	(103,738)	193,676
Income tax liabilities	436	855	-	1,291
Derivative financial liabilities	348	2	-	350
Debts for investments in subsidiaries	1,306	-	-	1,306
Provisions and other liabilities	29,734	15,766	(5,505)	39,995
	509,958	**263,043**	**(109,243)**	**663,758**
Disposal groups liabilities	-	-	-	-
Total liabilities	**605,487**	**268,992**	**(109,243)**	**765,236**
Total equity and liabilities	**911,416**	**375,452**	**(184,168)**	**1,102,700**

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

9. Atypical and/or unusual operations

Management does not believe that any atypical and/or unusual transactions according to the definition as per Consob communication No. DEM/6064293 of the 28 July 2006 occurred during the year.

10. Non-recurring significant events and operations

During the first nine months of 2018, the events which led to the estimate of a reduction in value of the credit items due to the Group from suppliers as a consequence of disputes relating to the nature and/or the amount of the reciprocal contractual rights, have been identified as non-recurrent.

During the same period in 2017, expenses incurred within the sphere of the activities for reorganising the staff which had concerned the Group's Spanish subsidiaries, had been identified as non-recurrent items.

The following table shows effects of the events on the income statement inclusive of the related tax effects:

(euro/000)	Charge type	9 months 2018	9 months 2017	Var.
Cost of sales	Value adjustment - Receivables from suppliers	(1,099)	-	(1,099)
Gross Profit	**Gross Profit**	**(1,099)**	**-**	**(1,099)**
Overheads and administrative costs	Employee termination incentives	-	(1,369)	1,369
Total SG&A		**-**	**(1,369)**	**1,369**
Operating income (EBIT)		**(1,099)**	**(1,369)**	**270**
Profit before income taxes		**(1,099)**	**(1,369)**	**270**
Income tax expenses	Non -recurring events impact	264	356	(92)
Profit for the period		**(835)**	**(1,013)**	**178**
Net income / (loss)		**(835)**	**(1,013)**	**178**

11. Significant events occurred in the period

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

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

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

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

The Group's financial 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 amortising cash facility with an original amount of 145.0 million euro and a 5-year revolving cash facility for 65.0 million euro, both assisted by covenants.
As at 31 December 2017, 3 out of 4 covenants were met while the remaining one was breached.

Thus, pursuant to the accounting standards in force, the entire outstanding amount of the amortising facility - as well as the liability representative of the fair value of 'IRS-Interest Rate Swap' contracts entered into to hedge the interest rate risk on the loan - were recognised under current financial payables.
On 30 April 2018, Esprinet S.p.A. reached an agreement with the pool of lending banks to get a waiver in relation to the breached covenant, under which the banks waived exercising their rights arising from said breach.
Subsequently, on 2 May 2018 an additional agreement was reached to renegotiate the structure of these covenants, which envisaged the determination of higher threshold values until 2021 so as to ensure the Group greater flexibility in the achievement of its development objectives.

Annual Shareholders' Meeting of the parent company Esprinet S.p.A.

On 4 May 2018, Esprinet Shareholders' Meeting approved the annual financial statements for the year ended at 31 December 2017 and the distribution of a unit dividend of 0.135 per ordinary share, corresponding to a pay-out ratio of 27%[5].
The dividend payment was scheduled as from 16 May 2018, with registration of coupon No. 13 on 14 May 2018 and record date on 15 May 2018.

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

The Annual Shareholders' Meeting has also:

- approved the first section of the Report on Remuneration under Art.123 ter, paragraph 6 of the Legislative Decree 58/1998;
- resolved to authorize the acquisition and disposal of own shares, within 18 months from the resolution date, up to 2,620,217 ordinary shares (5% of the Company's share capital), simultaneously revoking the former authorization resolved by the Shareholder's Meeting on 4 May 2017 with respect to the unused portion;
- approved a Long Term Incentive Plan, in relation to remuneration policies and in accordance with article 114-bis of legislative decree 58/1998, for the members of the Company's Board of Directors and other executives for the period 2018/2019/2020. The object of the plan is the free allocation of ordinary shares in the Company ('performance stock grant') to beneficiaries designated by the Board of Directors, up to a maximum of 1,150,000 Company's shares.
- authorised the up-dating of the economic conditions of the official audit appointment granted to EY S.p.a. to the extent of (i) 32,110 for each of the financial years 2017 and 2018, for recurring additional activities concerning the consolidated financial statements and of (ii) 22,500 only for the financial year 2017 for activities relating to the first-time application of the new accounting standard IFRS 15.

[5]Based on the Esprinet Group's consolidated net profit

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

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

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

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

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

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

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

Share buy-back program

Implementing the resolution of Esprinet S.p.A.'s shareholders' meeting dated 4 May 2018, between 14 June 2018 and 2 August 2018, Esprinet S.p.A. acquired a total of 860,000 ordinary Esprinet S.p.A. shares, (corresponding to 1.64% of the share capital), at an average unit price of 3.80 per share net of commission.
Taking into account the above-mentioned purchases, Esprinet S.p.A. owned 971,755 own shares (equal to 1.85% of share capital) as at 30 September 2018.

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

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

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

On 18 July 2018, Esprinet S.p.A. and its wholly owned subsidiary V-Valley S.r.l. renewed a securitisation transaction for trade receivables started in July 2015, in the capacity as originators.
The transaction has been structured by UniCredit Bank AG as arranger and envisages the assignment on a 'non-recourse' revolving basis of trade receivables over an additional period of 3 years to a 'special purpose vehicle' Vatec S.r.l., specifically established as per Italian Law No. 130/99.

The total amount of the program was increased to 100.0 million euro from the original 80.0 million euro.

The purchase of the receivables is financed through the issue of different classes of securities: class A (senior), subscribed by a conduit sponsored by the UniCredit Group, class B (mezzanine) and class C (junior) subscribed by specialised investors.

This transaction supplements the unsecured senior loan of 181.0 million euro maturing in February 2022 - consisting of an amortising cash facility for 116 million euro and a revolving facility for 65.0 million euro - whose covenant structure was reviewed in May by setting higher value thresholds, thus allowing the Group to considerably extend the average duration of its financial indebtedness.

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

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

Developments in tax disputes

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, for a total amount of 7.0 million euro, plus penalties and interest, with respect to transactions occurring between 2010 and 2013. Since some customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.
The main events which have occurred since 1 January 2018 up until the date of this interim report are as follows:

- on 10 January 2018 the Provincial Tax Commission issued an unfavourable first instance decision for the year 2011 in relation to a tax dispute where the Company paid tax advances amounting to 1.9 million euro of which 1.5 million euro paid on 23 February 2018;
- on 23 March 2018 the Regional Tax Commission issued a favourable appeal judgement for the year 2010 in relation to which advances had been paid for 4.5 million euro back on 31 December 2017;
- on 18 May 2018, the hearing relating to the year 2012 was held before the Provincial Tax Commission, with a favourable judgement at first instance level issued on 9 October 2018;
- On 31 July 2018 the Company was served a notice relating to an assessment for the year 2013, against which an appeal was lodged.

Some Italian subsidiaries of Esprinet S.p.A. have ongoing court and out-of-court disputes with the Inland Revenue Agency, relating to the amount of registration tax to be paid on some extraordinary transactions implemented in prior years:
The main events which have occurred since 1 January 2018 up until the date of this report are as follows:

- on 12 January 2018, Celly S.p.A. paid an additional 4 thousand euro for registration tax, claimed on the 2015 transfer deed of the business unit Rosso Garibaldi, in lieu of its counterparty that went bankrupt;
- on 15 May 2018, Mosaico S.r.l. appealed against an adjustment and settlement notice for additional registration tax, equal to 48 thousand euro, relating to the 2016 acquisition agreement of a business unit from ITWAY S.p.A.. On 4 September 2018, the Inland Revenue Agency put forward a mediation proposal, accepted by the selling company Itway S.p.A., thus settling the dispute with a payment of 20 thousand euro;
- on 19 June 2018, the hearing relating to the adjustment and settlement notice for additional registration tax, equal to 182 thousand euro, relating to the 2016 acquisition agreement of a business unit from EDSlan S.p.A. (now I-Trading S.r.l.) was held before the Provincial Tax

Commission . On 18 September 2018 the Commission issued a favourable judgement upholding the company's appeal.

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

On 20 July 2018 the Regional Tax Commission upheld the appeal filed by the Inland Revenue Agency against the first instance judgement issued in favour of Monclick S.r.l. with reference to the 2012 tax period (when this company was still part of the Esprinet Group) in relation to direct tax disputed amounting to 82 thousand euro, plus penalties and interest.

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

12. Subsequent events

The main significant events that occurred after the end of the period are briefly described as follows:

Share buy-back program

Implementing the share buy-back program resolved by Esprinet S.p.A.'s shareholders' meeting on 4 May 2018, between 1 June 2018 and 11 October 2018, the Company acquired a total of 178,245 ordinary Esprinet S.p.A. shares, (corresponding to 0.34% of the share capital), at an average unit price of 3.73 euro per share net of commission.
Taking into account the above-mentioned purchases, Esprinet S.p.A. owned 1,150,000 own shares (equal to 2.19% of share capital) as of the date of this interim report.

Execution of the deed of merger by incorporation of EDslan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A..

On 24 October 2018 the deed of merger of the wholly-owned subsidiaries EDSlan S.r.l. and Mosaico S.r.l. into Esprinet S.p.A. was signed.
Since this is a 'simplified' merger by incorporation of wholly-owned companies, the resolution was adopted by the Board of Directors, by means of a public deed, not by the Shareholders' Meeting.
The merger is effective from 1 November 2018 from a legal point of view, while accounting and tax effects were backdated to 1 January 2018.
Upon completion of the merger, Esprinet S.p.A. thus took over all the legal relationships of EDSlan S.r.l. and Mosaico S.r.l., undertaking all relevant rights and obligations in place prior to the merger.

Vimercate, 13 November 2018

On behalf of the Board of Directors
The Chairman
Maurizio Rota

13. Declaration of the officer responsible for financial reports

DECLARATION PURSUANT TO ARTICLE 154 bis, section 2 of the Financial Consolidation Act.

RE: Interim management report as at 30 September 2018

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

ESPRINET S.p.A.

in accordance with the provisions outlined in article 154 bis of the Finance Consolidation Act

HEREBY DECLARES

that the Interim management report as at 30 September 2018 complies with the accounting documents, books and records.

Vimercate, 13 November 2018

The Officer responsible for preparing
the accounting documents

(Pietro Aglianò)