Esprinet Group

Interim management statement as at 31 March 2020

Approved by the Board of Directors on 12 May 2020

Parent Company:

Esprinet S.p.A.
VAT no.: IT 02999990969
Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159 R.E.A. (economic and administrative index) 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 31/03/2020: 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	(CST) (CCS)
Chief Executive Officer	Alessandro Cattani	(CST) (CCS)
Director	Valerio Casari	(CST) (CCS)
Director	Marco Monti	(CST)
Director	Matteo Stefanelli	(CST) (CCS)
Director	Tommaso Stefanelli	(CST) (CCS)
Director	Ariela Caglio	(AI)
Director	Cristina Galbusera	(AI) (CCR) (CNR)
Director	Mario Massari	(AI) (CCR) (CNR)
Director	Chiara Mauri	(AI) (CNR)
Director	Emanuela Prandelli	(AI)
Director	Renata Maria Ricotti	(AI) (CCR)
Secretary	Manfredi Vianini Tolomei	Studio Chiomenti

Key:
AI: Independent Director
CCR: Member of the Risks and Control Committee
CNR: Member of the Nomination and Remuneration Committee
CST: Strategy Committee
CCS: 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 2027)

PricewaterhouseCoopers S.p.A.

Waiver of obligation to provide information on extraordinary transactions

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

CONTENTS

1. Notes on financial performance for the period

(euro/000)	notes	Q1 2020	%	Q1 2019*	%	% var. 20/19
Profit & Loss						
Sales from contracts with customers		913,762	100.0%	875,465	100.0%	4%
Gross profit		42,093	4.6%	40,810	4.7%	3%
EBITDA	(1)	11,928	1.3%	10,340	1.2%	15%
Operating income (EBIT)		8,343	0.9%	6,744	0.8%	24%
Profit before income tax		5,866	0.6%	4,181	0.5%	40%
Net income		3,937	0.4%	2,931	0.3%	34%
Financial data						
Cash flow	(2)	7,522		6,527		
Gross investments		943		1,036		
Net working capital	(3)	282,666		412,419		
Operating net working capital	(4)	285,511		410,606		
Fixed assets	(5)	223,682		198,823		
Net capital employed	(6)	488,952		595,514		
Net equity		361,824		346,975		
Tangible net equity	(7)	270,436		177,288		
Net financial debt	(8)	127,128		247,060		
Main indicators						
Net financial debt / Net equity		0.4		0.7		
Net financial debt / Tangible net equity		0.5		1.4		
EBIT / Finance costs - net		3.4		2.6		
EBITDA / Finance costs - net		4.8		4.0		
Net financial debt/ EBITDA	(9)	2.2		7.7		
ROCE	(10)	8.7%		8.1%		
Operational data						
N. of employees at end-period		1,310		1,265		
Avarage number of employees	(11)	1,314		1,264		
Earnings per share (euro)						
- Basic		0.08		0.06		33%
- Diluted		0.08		0.06		33%

(*) Financial data indicators are calculated on 31 December 2019 figures.

(1) EBITDA is equal to the operating profit (EBIT) gross of amortisation, depreciation and write-downs.
(2) Sum of consolidated net profit and amortisations.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of net current financial debts.
(4) Sum of trade receivables, inventory and trade payables.
(5) Equal to non-current assets net of non-current derivative financial assets.
(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.
(7) Equal to net equity less goodwill and intangible assets.
(8) Sum of financial payables, financial lease liabilities for leasing, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.
(9) 12-month rolling EBITDA.
(10) Ratio between (a) current EBIT – excluding the effects of IFRS 16 – net of taxes calculated at the effective tax rate of the last set of published annual consolidated financial statements, and (b) average net invested capital.
(11) Calculated as the average of opening balance and closing balance of consolidated companies.

The economic and financial results of this period and of the relative period of comparison have been measured by applying the International Financial Reporting Standards ('IFRSs'), adopted by the EU in force in the reference period.
In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some 'alternative performance indicators', although not defined by the IFRSs, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the Management

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

2. Contents and format of the interim management statement

2.1 Consolidation policies, accounting principles and valuation criteria

The ordinary shares of Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR (share segment with high requirements) segment of the MTA (screen-based equities) market of Borsa Italiana S.p.A., the Italian Stock Exchange since 27 July 2001.

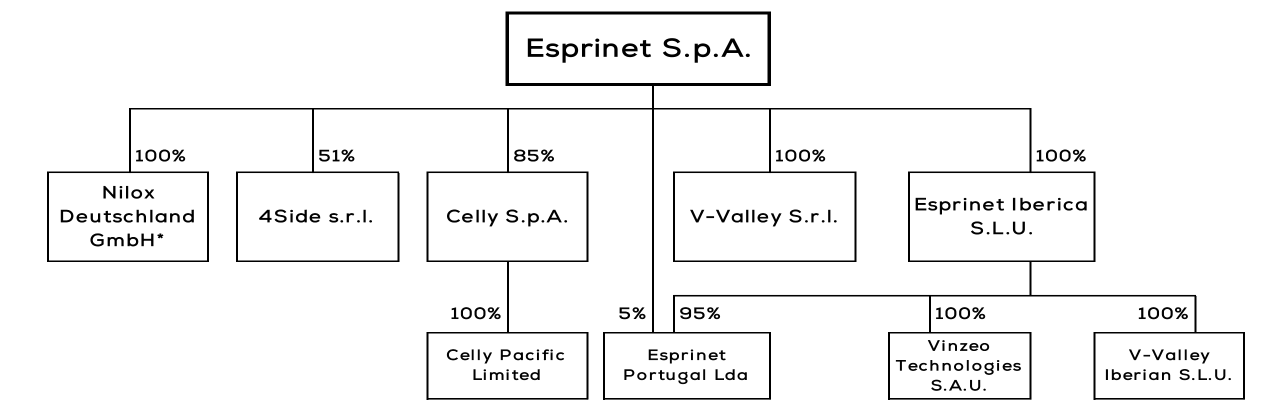
Due to this admission, the interim management statement as at 31 March 2020, non-audited, has been drawn up as per Article 2.2.3, paragraph 3 a) "Regulation of the markets organised and managed by Borsa Italiana S.p.A.." (so-called "Stock Market Regulation") as well as pursuant to Art. 154-ter, paragraph 5, of the Legislative Decree No. 58/1998 (T.U.F. - Finance Consolidation Act).

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

In compliance with Consob Communication No. DEM/8041082 of 30 April 2008 ('Interim financial report of companies listed in Italy') the financial data in said report are comparable with that shown in previous reports and are in line with the financial statements published in the annual report as at 31 December 2019 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 31 March 2020 is as follows:



* Discontinued on 31.03.2020

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

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
At period end, Subgroup Italy includes 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 (in liquidation as at 16 September 2019) and 4Side S.r.l. (51% of which was acquired on 20 March 2019).
When referring to the Subgroup Italy, the subsidiary Celly S.p.A., a company operating in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics, and more specifically in the wholesale distribution of accessories for mobile devices, also includes its wholly owned subsidiary Celly Pacific LTD, a Chinese company operating in the same operating sector as the holding.

At the same date, Subgroup Iberica is made up of the Spanish-law and Portuguese-law subsidiaries operating in the Iberian Peninsula, i.e. Esprinet Iberica S.L.U. as well as its subsidiaries, Esprinet Portugal Lda, Vinzeo Technologies S.A.U. and V-Valley Iberian S.L.U..

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

2.3 Consolidation scope

The consolidated financial statements are prepared on the basis of the interim accounts of the parent company Esprinet S.p.A. and its direct and/or indirect subsidiaries or associated companies, approved by their respective Boards of Directors.[1]
Wherever necessary, the interim accounts of subsidiaries have been suitably adjusted to ensure consistency with the accounting principles used by the parent company, and all relate to company years with same closing date as the Parent Company.

The table below lists companies included in the consolidation scope as at 31 March 2020, all consolidated on a line-by-line basis.

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

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	85.00%	Esprinet S.p.A.	85.00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	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%
4Side S.r.l.	Legnano (MI)	100,000	51.00%	Esprinet S.p.A.	51.00%
Subsidiaries indirectly controlled:					
Celly Pacific LTD	Honk Kong (China)	935	85.00%	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%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%

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

There were no changes in the scope of consolidation with respect to 31 December 2019.

Note should be taken, with respect solely to 31 March 2019, of the increase from 80% to 85%, on 13 September 2019, of the stake in the subsidiary Celly S.p.A. and the cancellation of the company Celly Nordic OY, a wholly-owned subsidiary of Celly S.p.A..

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

2.4 Principal assumptions, estimates and rounding

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

A detailed description of the assumptions and estimates adopted can be found in the Notes to the Consolidated Financial Statements of the Esprinet Group as at 31 December 2019, to which reference is made.

In this interim period, as permitted by IAS 34, income taxes were calculated based on the best estimate of the tax burden expected for the entire financial year. On the contrary, in the annual consolidated financial statement, current taxes have been calculated specifically based on the tax rates in force at the closing date of the financial statement.
Prepaid and deferred taxes have been instead estimated based on the tax rates expected to be in force at the time when the relevant assets or liabilities will be realised or settled.

Figures in this document are expressed in thousands of euro, unless otherwise indicated.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.5 Amendments of accounting standards

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

3. Consolidated income statement and notes

3.1 Consolidated income statement

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

(euro/000)	Notes	Q1 2020	non - recurring	related parties*	Q1 2019	non - recurring	related parties*
Sales from contracts with customers	33	**913,762**	-	-	**875,465**	-	3
Cost of sales		(871,669)	-	-	(834,655)	-	-
Gross profit	35	**42,093**	-		**40,810**	-	
Sales and marketing costs	37	(13,085)	-	-	(13,210)	-	-
Overheads and administrative costs	38	(20,233)	-	-	(20,326)	-	(6)
Impairment loss/reversal of financial assets	39	(432)	-		(530)	-	
Operating income (EBIT)		**8,343**	-		**6,744**	-	
Finance costs - net	42	(2,477)	-	-	(2,563)	-	3
Profit before income taxes		**5,866**	-		**4,181**	-	
Income tax expenses	45	(1,929)	-	-	(1,250)	-	-
Net income		**3,937**	-		**2,931**	-	
- of which attributable to non-controlling interests		(60)			(9)		
- of which attributable to Group		3,997	-		2,940	-	
Earnings per share - basic (euro)	46	0.08			0.06		
Earnings per share - diluted (euro)	46	0.08			0.06		

(*) Emoluments to key managers excluded.

3.2 Consolidated statement of comprehensive income

(euro/000)	Q1 2020	Q1 2019
Net income	**3,937**	**2,931**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	-	(31)
- Taxes on changes in 'cash flow hedge' equity reserve	-	(8)
- Changes in translation adjustment reserve	-	(1)
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	283	(84)
- Taxes on changes in 'TFR' equity reserve	(79)	61
Other comprehensive income	**204**	**(63)**
Total comprehensive income	**4,141**	**2,868**
- of which attributable to Group	4,188	2,879
- of which attributable to non-controlling interests	(47)	(11)

3.3 Notes on financial performance of the Group

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2020

As regards the results of the first quarter of 2020, Alessandro Cattani, the Esprinet Group Chief Executive Officer said:

"We registered, with satisfaction, a quarter in which, in respect of growth of 4% in revenues, the main performance indicators recorded a clear improvement: EBIT stood at Euro 8.3 million (+24%), the Cash Conversion Cycle closed at 20 days (-7 days compared to the first quarter of 2019) and the ROCE stood at 8.7% (8.1% in the first quarter of 2019). This is even more significant in the light of the context that developed in the second part of the quarter. From the onset of the Covid-19 emergency, our absolute priority has always been to protect the health of our employees and to guarantee continuity of the IT production chain which is essential and strategic for the countries where we operate to function properly. In addition, March highlighted difficulties in the procurement of the suppliers most heavily dependent on plants located in China and South Korea, which were impacted significantly by the restrictions adopted by the respective Governments.

We are addressing with decisiveness and determination the year 2020, with all the challenges and uncertainties due to the fact that the duration and intensity of this health emergency and the consequent socio-economic crisis are still not predictable, nor is the efficacy of the counter-cyclical policies promoted in the different countries and within the EU: in fact we have, as of now, adopted important measures aimed at mitigating the financial impact of Covid-19, based on cost-savings, optimal management of working capital and the strengthening of our financial structure. Thanks to the outcomes of these actions, the Group believes that it will be able to contain the unavoidable effects that will result from a predictable contraction in business volumes. In 2020, we will be focusing in maximising customer satisfaction in order to improve customer loyalty and to support operating profitability.

While looking forward to the immediate future, when the emergency scenario will be replaced by a more favourable macro-economic scenario, we will continue on our path of a medium-term organic *development leveraging on our strong competitive positioning and on our economic-financial soundness. The fundamentals of the distribution sector continue to be robust and the medium-term forward looking estimates attribute an even increasing role to distribution within the ICT production chain as well as a consequent greater use of the "indirect channel". We believe that the current emergency phase, combined with the historical buoyancy of the distribution sector toward a stronger consolidation, may induce some medium-small sized operators to accelerate their generational transition processes and within this scope, the Group will be well positioned to seize the opportunities that will emerge."*

The Group's main earnings as at 31 March 2020 are hereby summarised:

(€/000)	Q1 2020	Q1 2019	% Var.
Sales from contracts with customers	**913,762**	**875,465**	**4%**
Cost of goods sold excl. factoring/securitisation	870,698	833,526	4%
Financial cost of factoring/securisation(1)	780	951	-18%
Gross Profit(2)	**42,284**	**40,988**	**3%**
Gross Profit %	*4.63%*	*4.68%*	
Personnel costs	16,884	16,266	4%
Other operating costs	13,472	14,381	-6%
EBITDA	**11,928**	**10,341**	**15%**
EBITDA %	*1.31%*	*1.18%*	
Depreciation and amortisation	1,121	1,175	-5%
IFRS 16 Right of Use depreciation	2,464	2,422	2%
EBIT	**8,343**	**6,744**	**24%**
EBIT %	*0.91%*	*0.77%*	
IFRS 16 interest expenses on leases	848	1,046	-19%
Other financial (income) expenses	418	889	-53%
Foreign exchange (gains) losses	1,211	628	93%
Profit before income taxes	**5,866**	**4,181**	**40%**
Income taxes	1,929	1,250	54%
Net income	**3,937**	**2,931**	**34%**

Sales from contracts with customers stood at Euro 913.8 million, an increase of 4% compared with Euro 875.5 million in the first quarter of 2019.

The gross sales margin came to Euro 42.3 million, marking an increase of +3% compared to the first quarter of 2019 (Euro 41.0 million) due to higher revenues, based essentially on the same percentage margin (4.63% compared to 4.68%) and despite the diluting effect linked to the loss of revenues of Celly caused by the partial suspension of activities.

EBIT stood at Euro 8.3 million and showed a strong increase compared with the first quarter of 2019 (+24%) due to the operating leverage effect on greater volumes, a reduction in operating costs (-1%) and despite the negative contribution of Celly equal to Euro 0.5 million.

Profit before tax, amounting to Euro 5.9 million, showed an improvement of +40% and benefitted from the reduction in bank interest expense of 0.7 million, due to both the lower use of bank credit lines and lower cost of gross debt.

Net profit, amounting to Euro 3.9 million, increased by 34% (Euro 2.9 million in the first quarter of 2019).

Net earnings per ordinary share, equal to Euro 0.08, improved by +33% compared to the first quarter of 2019 (Euro 0.06).

The Group's main earnings as at 31 March 2020 are hereby summarised:

(euro/000)	**31/03/2020**	**31/12/2019**
Fixed assets	223,682	226,007
Operating net working capital	285,511	(121,027)
Other current assets/liabilities	(2,845)	(1,354)
Other non-current assets/liabilities	(17,396)	(16,879)
Total uses	**488,952**	**86,747**
Short-term financial liabilities	98,226	35,862
Lease liabilities	8,544	8,597
Financial receivables from factoring companies	(7,554)	(3,526)
Other current financial receivables	(9,875)	(9,719)
Cash and cash equivalents	(116,567)	(463,777)
Net current financial debt	(27,226)	(432,563)
Borrowings	56,700	61,045
Lease liabilities	98,149	100,212
Other non - current financial receivables	(495)	(969)
Net financial debt (A)	127,128	(272,275)
Net equity (B)	361,824	359,022
Total sources of funds (C=A+B)	**488,952**	**86,747**

The distribution of technology is characterised by a high degree of seasonality and consequently the invested capital, in support of the business, is also subject to relevant fluctuations. In particular, the net working capital showed significant variability between 31 December and 31 March, also due to the effect of the channel support plans by the main suppliers in the peak season periods.

Net Invested Capital at 31 March 2020 amounted to Euro 489.0 million and was covered by:

- shareholders' equity, including minority interests, amounting to Euro 361.8 million (Euro 359.0 million as at 31 December 2019);
- negative net financial position of Euro 127.1 million (compared to a positive net financial position of Euro 272.3 million as at 31 December 2019). As at 31 March 2020, the Debt/Equity ratio was 0.35x.

Gross of liabilities recognised according to IFRS 16 ("Leases"), the net financial position as at 31 March 2020 is a negative Euro 20.4 million, with a Debt/Equity ratio of 0.06x.

The value of the exact net financial position as at 31 March is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter. The afore-mentioned factoring and securitisation plans, which define the complete transfer of risks and benefits to the buyers and therefore contemplate the de-consolidation of receivables from the statement of financial position assets in compliance with IFRS 9, determine an overall effect on the level of consolidated net financial debt as at 31 March, quantifiable in Euro 401.5 million (Euro 480.1 million as at 31 December 2019).

Equity and financial indicators confirm the strength of the Group.

MAIN CONSOLIDATED RESULTS BY GEOGRAPHICAL AREA

Subgroup Italy[2]

The Italy Sub-Group's main earnings as at 31 March 2020 are hereby summarised:

(€/000)	Q1 2020	Q1 2019	% Var.
Sales from contracts with customers	**611,075**	**596,842**	**2%**
Cost of goods sold excl. factoring/securitisation	579,805	565,527	3%
Financial cost of factoring/securisation[(1)]	472	583	-19%
Gross Profit[(2)]	**30,798**	**30,732**	**0%**
Gross Profit %	*5.04%*	*5.15%*	
Personnel costs	11,957	11,659	3%
Other operating costs	10,923	11,596	-6%
EBITDA	**7,918**	**7,477**	**6%**
EBITDA %	*1.30%*	*1.25%*	
Depreciation and amortisation	807	818	-1%
IFRS 16 Right of Use depreciation	1,904	1,886	1%
EBIT	**5,207**	**4,773**	**9%**
EBIT %	*0.85%*	*0.80%*	

Sales from contracts with customers stood at Euro 611.1 million, an increase of +2% compared with Euro 596.8 million in the first quarter of 2019.

The gross sales margin stood at Euro 30.8 million and replicates the result in the corresponding period of the previous year (Euro 30.7 million) The percentage margin fell (5.04% compared to 5.15%), due mainly to the suspension of activities, after the first ten-day period of March, by Celly S.p.A. in observance of the lock-down measures issued by the Italian Government.

EBIT came to Euro 5.2 million, marking an increase of +9% compared to the first quarter of 2019, thanks to the reduction in operating costs (-2%) which more than offset the contribution of the negative differential of Celly S.p.A. of Euro 0.5 million.

[2] Esprinet, V-Valley, 4Side, Nilox Deutschland and Celly Group

The Italy Sub-Group's main earnings as at 31 March 2020 are hereby summarised:

(euro/000)	**31/03/2020**	**31/12/2019**
Fixed assets	202,299	204,170
Operating net working capital	190,734	(80,254)
Other current assets/liabilities	7,320	15,311
Other non-current assets/liabilities	(10,078)	(10,037)
Total uses	**390,275**	**129,190**
Short-term financial liabilities	67,341	24,179
Lease liabilities	6,522	6,563
Financial receivables from factoring companies	(7,554)	(3,526)
Other current financial receivables	(9,873)	(9,717)
Cash and cash equivalents	(70,811)	(294,967)
Net current financial debt	(14,375)	(277,468)
Borrowings	20,565	22,294
Lease liabilities	80,665	82,243
Other non - current financial receivables	(495)	(969)
Net Financial debt (A)	86,360	(173,900)
Net equity (B)	303,915	303,090
Total sources of funds (C=A+B)	**390,275**	**129,190**

The net financial position was a negative Euro 86.4 million, a reversal compared to the liquidity surplus of Euro 173.9 million as at 31 December 2019.

Gross of liabilities recognised according to IFRS 16 ("Leases"), the net financial position as at 31 March 2020 is a positive Euro 0.8 million.

The value of the exact net financial position as at 31 March is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter.
The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from balance sheet assets, determine an overall effect on the level of consolidated net financial debts as at 31 March of Euro 246.1 million (Euro 268.0 million as at 31 December 2019).

Subgroup Iberica[3]

The Spain Sub-Group's main earnings as at 31 March 2020 are hereby summarised:

(€/000)	Q1 2020	Q1 2019	% Var.
Sales from contracts with customers	**313,985**	**290,902**	**8%**
Cost of goods sold excl. factoring/securitisation	302,246	280,244	8%
Financial cost of factoring/securisation[(1)]	308	368	-16%
Gross Profit[(2)]	**11,431**	**10,290**	**11%**
Gross Profit %	*3.64%*	*3.54%*	
Personnel costs	4,927	4,607	7%
Other operating costs	2,645	2,939	-10%
EBITDA	**3,859**	**2,744**	**41%**
EBITDA %	*1.23%*	*0.94%*	
Depreciation and amortisation	224	213	5%
IFRS 16 Right of Use depreciation	560	536	4%
EBIT	**3,075**	**1,995**	**54%**
EBIT %	*0.98%*	*0.69%*	

Sales from contracts with customers stood at Euro 313.4 million, an increase of +8% compared with Euro 290.9 million in the first quarter of 2019.

The gross sales margin stood at Euro 11.4 million, marking an increase of +11% compared to the first quarter of 2019 (Euro 10.3 million), also with an increase in the percentage margin (3.64% compared to 3.54%).

EBIT came to Euro 3.1 million, registering a notable improvement compared to the first quarter of 2019 (+54%) due to the operating leverage on higher volumes.

[3] Esprinet Iberica, Esprinet Portugal, Vinzeo Technologies and V-Valley Iberian

The Spain Sub-Group's main financial and equity results as at 31 March 2020 are hereby summarised:

(euro/000)	**31/03/2020**	**31/12/2019**
Fixed assets	96,033	96,529
Operating net working capital	95,122	(40,367)
Other current assets/liabilities	(10,166)	(16,666)
Other non-current assets/liabilities	(7,318)	(6,842)
Total uses	**173,671**	**32,654**
Short-term financial liabilities	30,885	11,683
Lease liabilities	2,022	2,034
Other current financial receivables	(2)	(2)
Cash and cash equivalents	(45,756)	(168,810)
Net current financial debt	(12,851)	(155,095)
Borrowings	36,135	38,751
Lease liabilities	17,484	17,969
Net Financial debt (A)	40,768	(98,375)
Net equity (B)	132,903	131,029
Total sources of funds (C=A+B)	**173,671**	**32,654**

The net financial position was a negative Euro 40.8 million, a reversal compared to the liquidity surplus of Euro 98.4 million as at 31 December 2019.

Gross of liabilities recognised according to IFRS 16 ("Leases"), the net financial position as at 31 March 2020 is a negative Euro 21.3 million, with a Debt/Equity ratio of 0.16x.

The value of the exact net financial position as at 31 March is influenced by technical factors like the seasonality of the business, the trend in "non-recourse" factoring of trade receivables (factoring and, confirming) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the quarter.
The aforementioned programmes for the factoring and confirming of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from balance sheet assets, determine an overall effect on the level of consolidated net financial debts as at 31 March of Euro 155.4 million (Euro 212.1 million as at 31 December 2019).

3.4 Notes to consolidated income statement items

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

33) Sales

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

Sales by geographical segment

(euro/million)	Q1 2020	%	Q1 2019	%	Var.	*% Var.*
Italy	596.4	65.3%	577.3	65.9%	19.1	3%
Spain	298.3	32.6%	282.3	32.2%	16.0	6%
Portugal	11.3	1.2%	7.8	0.9%	3.5	45%
Other EU countries	5.1	0.6%	3.4	0.4%	1.7	50%
Extra EU countries	2.7	0.3%	4.7	0.5%	(2.0)	-43%
Sales from contracts with clients	**913.8**	**100.0%**	**875.5**	**100.0%**	**38.3**	**4%**

The reference markets of the Group showed growth of +7% in Italy and +3% in Spain, respectively (source: Context, April 2020). The Esprinet Group posted a more favourable trend in the Spanish activities (+6%) than in the Italian ones (+3%). Sales within the Portuguese territory marked a +45% performance, rewarding the investments made in marketing and the strengthening of the local presence.

Sales by products and services

(euro/million)	Q1 2020	%	Q1 2019	%		*% Var.*
Product sales	598.3	65.5%	582.9	66.6%	15.4	*3%*
Services sales	1.5	0.2%	1.7	0.2%	(0.2)	*-12%*
Sales - Subgroup Italy	**599.8**	**65.6%**	**584.6**	**66.8%**	**15.2**	***3%***
Product sales	313.8	34.3%	290.6	33.2%	23.2	*8%*
Services sales	0.2	0.0%	0.3	0.0%	(0.1)	*-33%*
Sales - Subgroup Spain	**314.0**	**34.4%**	**290.9**	**33.2%**	**23.1**	***8%***
Sales from contracts with customers	**913.8**	**100.0%**	**875.5**	**100.0%**	**38.3**	***4%***

Sales as 'Principal' or 'Agent'

In accordance with the IFRS 15 accounting standard, the Esprinet Group has identified the distribution of the hardware and software products, the distribution of its own-brand products and the provision of non-intermediated services as the activities in which its role requires it to represent the revenues as 'principal'. Conversely, the distribution of cloud software and the brokerage of services were detected as business lines to be disclosed as 'agent'.
The following table illustrates this distinction:

(euro/million)	Q1 2020	%	Q1 2019	%	Var.	% Var.
Revenues from contracts with customers as 'principal'	912.7	*99.9%*	874.7	*99.9%*	38.0	*4%*
Revenues from contracts with customers as 'agent'	1.1	*0.1%*	0.8	*0.1%*	0.3	*38%*
Sales from contracts with customers	**913.8**	**100.0%**	**875.5**	**100.0%**	**38.3**	***4%***

Sales by product family and customer type

(euro/million)	Q1 2020	%	Q1 2019	%	Var.	% Var.
PC (notebook, tablet, desktop, monitor)	325.2	35.6%	310.6	35.5%	14.6	*5%*
Printing devices and supplies	105.1	11.5%	111.2	12.7%	(6.1)	*-5%*
Other IT products	56.3	6.2%	63.6	7.3%	(7.3)	*-11%*
Total IT Clients	**486.6**	**53.3%**	**485.4**	**55.4%**	**1.2**	***0%***
Hardware (networking, storage, server & others)	95.1	10.4%	108.2	12.4%	(13.1)	*-12%*
Software, Services, Cloud	44.8	4.9%	35.2	4.0%	9.6	*27%*
Total Advanced Solutions	**139.9**	**15.3%**	**143.4**	**16.4%**	**(3.5)**	***-2%***
Smartphones	237.0	25.9%	181.5	20.7%	55.5	*31%*
White goods	10.0	1.1%	10.0	1.1%	-	*0%*
Gaming hardware and software	3.7	0.4%	3.4	0.4%	0.3	*9%*
Other consumer electronics products	28.9	3.2%	36.4	4.2%	(7.5)	*-21%*
Total Consumer Electronics	**279.6**	**30.6%**	**231.3**	**26.4%**	**48.3**	***21%***
IFRS15 and other adjustments	7.7	0.8%	15.4	1.8%	(7.7)	*-50%*
Sales from contracts with customers	**913.8**	**100.0%**	**875.5**	**100.0%**	**38.3**	***4%***

The analysis of Sales by product showed a significant increase in the Consumer Electronics segment (Euro 279.6 million, +21%), driven by a +31% growth in Smartphones. The IT Clients segment showed a substantial stability (Euro 486.6 million) due to a significant re-mix between PC (+5%) and Printers and Consumables (-5%).

(euro/million)	Q1 2020	%	Q1 2019	%	Var.	% Var.
Retailers & E-Tailers	384.4	42.1%	362.7	41.4%	21.7	*6%*
IT Resellers	521.7	57.1%	497.4	56.8%	24.3	*5%*
IFRS15 and other adjustments	7.7	0.8%	15.4	1.8%	(7.7)	*-50%*
Sales from contracts with customers	**913.8**	**100.0%**	**875.5**	**100.0%**	**38.3**	***4%***

The breakdown of Sales by customer type recorded similar growth in both "consumer" and "business" segments.

35) Gross profit

(euro/000)	Q1 2020	%	Q1 2019	%	Var.	% Var.	FY 2019	%
Sales from contracts with customers	913,762	100.00%	875,465	100.00%	38,297	*4%*	3,945,371	100.00%
Cost of sales	871,669	95.39%	834,655	95.34%	37,014	*4%*	3,770,027	95.56%
Gross profit	**42,093**	**4.61%**	**40,810**	**4.66%**	**1,283**	***3%***	**175,344**	**4.44%**

The consolidated gross profit came to Euro 42.1 million, marking an increase of 3% (Euro 1.3 million) compared to the corresponding period in 2019, due to the higher revenues realised, albeit with a lower percentage margin.

The gross profit was impacted by the difference between the value of the receivables transferred as part of the revolving non-recourse factoring programme in place and the amounts collected. In the quarter under review, the latter effect was quantified at approximately Euro 0.8 million (Euro 1.0 million in the corresponding period in the previous year).

37-38-39) Operating costs

(euro/000)	Q1 2020	%	Q1 2019	%	Var.	% *Var.*	FY 2019	%
Sales from contracts with customers	**913,762**		**875,465**		**38,297**	***4%***	**3,945,371**	
Sales and marketing costs	13,085	1.43%	13,210	1.51%	(125)	*-1%*	50,820	1.29%
Overheads and administrative costs	20,233	2.21%	20,326	2.32%	(93)	*0%*	83,086	2.11%
Impairment loss/reversal of financial assets	432	0.05%	530	0.06%	(98)	*-18%*	370	0.01%
Operating costs	**33,750**	**3.69%**	**34,066**	**3.89%**	**(316)**	***-1%***	**134,276**	**3.40%**

As at 31 March 2020, operating costs, standing at Euro 33.7 million, recorded a reduction of Euro 0.3 million compared to the same period of 2019, with an incidence of 3.69% on sales in 2020, down from 3.89% in the corresponding period of 2019.

Reclassification by nature of some categories of operating costs

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

Labour costs and number of employees

(euro/000)	Q1 2020	%	Q1 2019	%	Var.	% *Var.*
Sales from contracts with customers	**913,762**		**875,465**		**38,297**	***4%***
Wages and salaries	12,188	1.33%	11,591	1.32%	597	*5%*
Social contributions	3,658	0.40%	3,513	0.40%	145	*4%*
Pension obligations	613	0.07%	583	0.07%	30	*5%*
Other personnel costs	232	0.03%	245	0.03%	(13)	*-5%*
Employee termination incentives	125	0.01%	91	0.01%	34	*37%*
Share incentive plans	68	0.01%	62	0.01%	6	*10%*
Total labour cost (2)	**16,884**	**1.85%**	**16,085**	**1.84%**	**799**	***5%***

(2) Excluding cost of temporary workers.

As at 31 March 2020, the cost of labour amounted to Euro 16.9 million, an increase of +5% compared to the corresponding period of the previous year, with a variation almost in line with the increase in the average number of employees employed in the quarter and considering that the purchase of the Italian subsidiary 4Side S.r.l. on 20 March 2019 and that, therefore, the expenses of the first quarter of the previous year were only booked at the close of the period.
The item "Equity plans" refers to the pro-tempore costs of the "Long-Term Incentive Plan" approved in May 2019, by the shareholders' meeting of Esprinet S.p.A..

Details of the Group's[4] employees as at 31 March 2020 are provided below, broken down by contractual role:

	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	18	734	-	**752**	
Celly S.p.A.	-	50	-	**50**	
Celly Pacific LTD	-	3	-	**3**	
Nilox Deutschland GmbH	-	1	-	**1**	
4Side S.r.l.	4	10	-	**14**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**798**	**-**	**820**	**821**
Esprinet Iberica S.L.U.	-	253	78	**331**	
Vinzeo Technologies S.A.U.	-	147	-	**147**	
V-Valley Iberian S.L.U.	-	-	-	**-**	
Esprinet Portugal Lda	-	12	-	**12**	
Subgroup Spain	**-**	**412**	**78**	**490**	**494**
Group as at 31 March 2020	**22**	**1,210**	**78**	**1,310**	**1,315**
Group as at 31 December 2019	**22**	**1,208**	**87**	**1,317**	**1,291**
Var 31/03/2020 - 31/12/2019	-	2	(9)	(7)	24
Var %	0%	0%	-10%	-1%	2%
Group as at 31 March 2019	**23**	**1,165**	**88**	**1,276**	**1,269**
Var 31/03/2020 - 31/03/2019	(1)	45	(10)	34	46
Var %	-4%	4%	-11%	3%	4%

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

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	**Q1 2020**	**%**	**Q1 2019**	**%**		**% *Var.***
Sales from contracts with customers	**913,762**		**875,465**		**38,297**	***4%***
Depreciation of tangible assets	1,029	0.11%	1,034	0.12%	(5)	*0%*
Amortisation of intangible assets	92	0.01%	141	0.02%	(49)	*-35%*
Depreciation of right-of-use assets	2,464	0.27%	2,422	0.28%	42	2%
Amort . & depreciation	**3,585**	**0.39%**	**3,597**	**0.41%**	**(12)**	***0%***
Write-downs of fixed assets	-	0.00%	-	0.00%	-	0%
Amort. & depr., write-downs (A)	**3,585**	**0.39%**	**3,597**	**0.41%**	**(12)**	***0%***
Accruals for risks and charges (B)	25	0.00%	37	0.00%	(12)	*-32%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**3,610**	**0.40%**	**3,634**	**0.42%**	**(24)**	***-1%***

[4] Trainees and temporary workers are excluded.

42) Financial income and expense

(euro/000)	Q1 2020	%	Q1 2019	%	Var.	% Var.	FY 2019	%
Sales from contracts with customers	**913,762**		**875,465**		**38,297**	***4%***	**3,945,371**	
Interest expenses on borrowings	252	0.03%	596	0.07%	(344)	*-58%*	2,068	0.05%
Interest expenses to banks	70	0.01%	154	0.02%	(84)	*-55%*	375	0.01%
Other interest expenses	2	0.00%	-	0.00%	2	*-100%*	19	0.00%
Upfront fees amortisation	114	0.01%	160	0.02%	(46)	*-29%*	1,398	0.04%
IAS 19 expenses/losses	9	0.00%	16	0.00%	(7)	*-44%*	68	0.00%
IFRS financial lease interest expenses	848	0.09%	1,046	0.12%	(198)	*-19%*	3,540	0.09%
Charges from fair value changes	-	0.00%	6	0.00%	(6)	*-100%*	531	0.01%
Total financial expenses (A)	**1,295**	**0.14%**	**1,978**	**0.23%**	**(683)**	***-35%***	**7,999**	**0.20%**
Interest income from banks	(13)	0.00%	(17)	0.00%	4	*-24%*	(70)	0.00%
Interest income from others	(14)	0.00%	(20)	0.00%	6	*-30%*	(175)	0.00%
Income from fair value changes	(2)	0.00%	(5)	0.00%	3	*-60%*	(8)	0.00%
Total financial income(B)	**(29)**	**0.00%**	**(42)**	**0.00%**	**13**	***-31%***	**(253)**	**-0.01%**
Net financial exp. (C=A+B)	**1,266**	**0.14%**	**1,936**	**0.22%**	**(670)**	***-35%***	**7,746**	**0.20%**
Foreign exchange gains	(180)	-0.02%	(117)	-0.01%	(63)	*54%*	(726)	-0.02%
Foreign exchange losses	1,391	0.15%	744	0.08%	647	*87%*	2,391	0.06%
Net foreign exch. (profit)/losses (D)	**1,211**	**0.13%**	**627**	**0.07%**	**584**	***93%***	**1,665**	**0.04%**
Net financial (income)/costs (E=C+D)	**2,477**	**0.27%**	**2,563**	**0.29%**	**(86)**	***-3%***	**9,411**	**0.24%**

The overall balance of financial income and expenses, a negative Euro 2.5 million, worsened by Euro 0.1 million compared to the corresponding period of the previous year (Euro 2.6 million), due exclusively to the higher net exchange losses of Euro 0.6 million.
By contrast, net interest expense improved by Euro 0.6 million, of which Euro 0.2 million relating to interest on financial leases pursuant to IFRS 16 and Euro 0.3 million due to lower average use of bank credit facilities and the lower cost of gross debt.

45) Income tax expenses

(euro/000)	Q1 2020	%	Q1 2019	%	% Var.	FY 2019	%
Sales from contracts with customers	**913,762**		**875,465**		***4%***	**3,945,371**	
Current income taxes	1,839	0.20%	890	0.10%	***107%***	6,398	0.16%
Deferred income taxes	90	0.01%	359	0.04%	***-75%***	1,706	0.04%
Taxes	**1,929**	0.21%	**1,250**	0.14%	***54%***	**8,104**	0.21%
Profit before taxes	**5,866**		**4,181**			**31,658**	
Tax rate	***33%***		***30%***			***26%***	

Income taxes, amounting to Euro 1.9 million, recorded an increase of 54% compared to the corresponding period in 2019 due to a higher taxable base and higher tax rate. The increase in the tax rate is due to growth in both geographical areas of operations of the Group and the return to prevalence of the result of Sub-Group Italy, subject to a higher tax rate, with respect to Sub-Group Spain (opposite ratio at the date of close of the previous year).

46) Net income and earnings per share

(euro/000)	Q1 2020	Q1 2019	Var.	% Var.
Net income	**3,937**	**2,931**	**1,006**	***34%***
Weighed average no. of shares in circulation: basic	48,410,843	51,254,340		
Weighed average no. of shares in circulation: diluted	49,227,045	51,635,135		
Earnings per share in euro: basic	**0.08**	**0.06**	**0.02**	***33%***
Earnings per share in euro: diluted	**0.08**	**0.06**	**0.02**	***33%***

For the purposes of calculating the "basic" earnings per share, 2,620,217 treasury shares in the portfolio were excluded, of which 1,470,217 allocated for cancellation as established by the Board of Directors of Esprinet S.p.A. on 27 June 2019.

For the purpose of calculating the 'diluted' earnings per share, the potential shares involved in the stock grant plan approved on 4 May 2018 by the Esprinet S.p.A. shareholders' meeting were considered. The plan provides for the allotment of 1,120,000 free shares due to the employment termination of some beneficiaries.

4. Consolidated statement of financial position and notes

4.1 Consolidated statement of financial position

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

(euro/000)	31/03/2020	related parties *	31/12/2019	related parties *
ASSETS				
Non-current assets				
Property, plant and equipment	11,454		11,824	
Right-of-use assets	104,846		107,310	
Goodwill	90,716		90,716	
Intangible assets	671		480	
Deferred income tax assets	13,802		13,469	
Receivables and other non-current assets	2,688	-	3,177	-
	224,177	-	**226,976**	-
Current assets				
Inventory	452,211		497,220	
Trade receivables	408,959	-	470,999	1
Income tax assets	212		1,514	
Other assets	47,748	-	40,956	-
Cash and cash equivalents	116,567		463,777	
	1,025,697	-	**1,474,466**	1
Total assets	**1,249,874**	-	**1,701,442**	1
EQUITY				
Share capital	7,861		7,861	
Reserves	347,504		325,554	
Group net income	3,997		23,099	
Group net equity	**359,362**		**356,514**	
Non-controlling interests	2,462		2,508	
Total equity	**361,824**		**359,022**	
LIABILITIES				
Non-current liabilities				
Borrowings	56,700		61,045	
Lease liabilities	98,149		100,212	
Deferred income tax liabilities	10,179		9,712	
Retirement benefit obligations	4,430		4,669	
Provisions and other liabilities	2,787		2,498	
	172,245		**178,136**	
Current liabilities				
Trade payables	575,659	-	1,089,246	-
Short-term financial liabilities	98,226		35,862	
Lease liabilities	8,544		8,597	
Income tax liabilities	511		27	
Provisions and other liabilities	32,865	-	30,552	-
	715,805	-	**1,164,284**	-
Total liabilities	**888,050**	-	**1,342,420**	-
Total equity and liabilities	**1,249,874**	-	**1,701,442**	-

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

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	31/03/2020 Esprinet Group	Subgroup Italy	Subgroup Iberian	31/12/2019 Esprinet Group
Plant and machinery	5	-	5	443
Ind. And comm. Equipment & Other assets	640	454	186	2,533
Assets under construction and advances	16	16	-	115
Total Property, plant and equipment	**661**	**470**	**191**	**3,091**
Industrial patents and intellectual rights	183	183	-	204
Assets under construction and advances	99	99	-	129
Total intangible asstes	**282**	**282**	**-**	**333**
Total gross investments	**943**	**752**	**191**	**3,424**

Investments pursuant to the item "Industrial and commercial equipment and other assets" refer to the purchase of electronic machines, equipment and furniture and office furnishings.

The investments pursuant to the item "Industrial patent and intellectual property rights" refer essentially to the software licences for long-term renewal and the upgrading of the management information system.

4.2.2 Net financial debt and covenants

(euro/000)	31/03/2020	31/12/2019	Var.	31/03/2019	Var.
Short-term financial liabilities	98,226	35,862	62,364	200,071	(101,845)
Lease liabilities	8,544	8,597	(53)	5,630	2,914
Current debts for investments in subsidiaries	-	-	-	1,482	(1,482)
Current financial (assets)/liabilities for derivatives	-	-	-	415	(415)
Financial receivables from factoring companies	(7,554)	(3,526)	(4,028)	(9,180)	1,626
Other current financial receivables	(9,875)	(9,719)	(156)	(11,200)	1,325
Cash and cash equivalents	(116,567)	(463,777)	347,210	(56,471)	(60,096)
Net current financial debt	**(27,226)**	**(432,563)**	**405,337**	**130,747**	**(157,973)**
Borrowings	56,700	61,045	(4,345)	44,482	12,218
Lease liabilities	98,149	100,212	(2,063)	72,798	25,351
Other non - current financial receivables	(495)	(969)	474	(967)	472
Net financial debt	**127,128**	**(272,275)**	**399,403**	**247,060**	**(119,932)**

For the definition of financial payables adopted, please refer to the paragraph *"Main measurement criteria and accounting policies"* contained in the consolidated financial statements as at 31 December 2019.

The net financial position of the Group, a negative Euro 127.1 million, corresponds to a net balance between gross financial payables for Euro 154.9 million, financial receivables of Euro 17.9 million, financial lease liabilities for Euro 106.7 million and cash and cash equivalents of Euro 116.6 million.

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

During the first quarter of 2020, within the framework of the working capital management policies, the programme of non-recourse definitive revolving factoring of receivables due from selected customer segments in Italy and Spain continued, for the most part belonging to the large-scale retail trade segment. 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. Considering the fact that the aforementioned programmes entail the full transfer of the risks and benefits to the assignees, the receivables subject to assignment are eliminated from balance sheet assets in compliance with IFRS 9. The overall effect on the level of net financial payables as at 31 March 2020 is quantified at roughly Euro 401.5 million (Euro 480.1 million as at 31 December 2019).

The Group companies have medium/long-term loans in place that contain the usual agreements of given economic-financial covenants. In particular, during the previous year, the parent company Esprinet S.p.A. signed a 3-year "unsecured" RCF-Revolving Credit Facility with a pool of domestic and international banks for a total amount of Euro 152.5 million. The loan was secured by a structure of financial covenants to be verified on a half-yearly basis on the consolidated and certified financial statements data, typical for transactions of this nature, which make provision for the possible acceleration clause for reimbursements in the event they are not respected. These covenants are determined as follows:

- ratio of net financial indebtedness to EBITDA;
- ratio of extended net financial indebtedness to Shareholders' Equity;
- ratio of EBITDA to net financial charges;
- amount of 'gross net financial position'.

Also the subsidiary Esprinet Iberica S.L.U., in the previous year, stipulated two unsecured "amortising" 5-year loans expiring in February 2024, repayable in quarterly instalments and for a total original value of Euro 10.0 million, which require the annual commitment of observance (i) of a given ratio of extended net financial indebtedness to EBITDA at consolidated level and (ii) a maximum value of medium/long-term loans in favour of Esprinet Iberica.

The various medium/long-term loan agreements, including those that do not make provision for financial covenants and on the above-mentioned Revolving Credit Facility, also contain the usual "negative pledge", "pari passu" and similar clauses that, at the date of drafting of this report, were respected.

4.2.3 Goodwill

Goodwill amounted to Euro 90.7 million, coinciding with the value as at 31 December 2019.

The following table summarises the goodwill allocations to the 3 CGUs (Cash Generating Units) identified, in accordance with the combination of the operating segments used for Segment Information purposes required by the international accounting standards. The same table also shows the relationships between the operating segments and the legally autonomous entities which form the Group:

(euro/000)	31/03/2020	31/12/2019	Var.		
Esprinet S.p.A.	17,418	17,418	-	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4,153	4,153	-	CGU 2	B2B distribution of phone accessoires (Italy)
Esprinet Iberica S.l.u. [1]	69,145	69,145	-	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**90,716**	**90,716**	**-**		

[1] Value net of write-down effected in 2011 amounting to Euro 17.8 million.

The annual impairment test, required by IAS 36, was carried out in reference to the financial statements as at 31 December 2019 and no impairment loss was identified with reference to the CGUs existing at 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'). The Covid-19 pandemic which reared its head in Europe in February 2020 is considered an extraordinary event that requires evaluations regarding the risk of the book values of goodwill having being subject to the aforementioned impairment.
The impairment tests relating to the goodwill allocated to the individual CGUs were concluded in the first half of April 2020 and, with respect to said date, no additional concrete information is available in relation to the negative impacts of the pandemic nor the time-scales and the means of resolving the crisis (hopefully closer as the process of gradually restarting activities is in progress in the various countries in which the Group operates).
At the time of the performance of the annual impairment tests for the financial statements as at 31 December 2019, a simulation was also conducted aimed at estimating the recoverable values of the goodwill in a scenario which incorporated the expected negative economic-financial effects of the Covid-19 emergency.
Due to the assumptions formulated in this scenario, the impact of the pandemic on the recoverable values of goodwill is modest and fully included in the scenarios presumed for the usual sensitivity analyses; the result is that this interim management statement confirms the values of the goodwill recognised as at 31 December 2019.

For more detailed information please refer to the explanatory notes reported in item *"Goodwill"* in the *Notes to the Consolidated Financial Statements* as at 31 December 2019.

5. Table of changes in consolidated shareholders' equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2018	**7,861**	**325,680**	**(4,800)**	**14,158**	**342,899**	**1,175**	**341,724**
Total comprehensive income/(loss)	**-**	**(63)**	**-**	**2,931**	**2,868**	**(4)**	**2,872**
Allocation of last year net income/(loss)	-	14,158	-	(14,158)	**-**	-	**-**
Increase in reserve from 4Side acquisition	-	905	-	-	**905**	905	**-**
Transactions with owners	**-**	**15,063**	**-**	**(14,158)**	**905**	**905**	**-**
Currently active Share plans	-	303	-	-	**303**	-	**303**
Other variations	-	-	-	-	**-**	(8)	**8**
Balance at 31 March 2019	**7,861**	**340,983**	**(4,800)**	**2,931**	**346,975**	**2,068**	**344,907**
Balance at 31 December 2019	**7,861**	**336,255**	**(8,647)**	**23,553**	**359,022**	**2,508**	**356,514**
Total comprehensive income/(loss)	**-**	**204**	**-**	**3,937**	**4,141**	**(47)**	**4,188**
Allocation of last year net income/(loss)	-	23,553	-	(23,553)	**-**	-	**-**
Transactions with owners	**-**	**23,553**	**-**	**(23,553)**	**-**	**-**	**-**
Equity plans in progress	-	309	-	-	**309**	-	**309**
Assignment and acquisition of Esprinet own shares	-	(1,656)	-	-	**(1,656)**	-	**(1,656)**
Other variations	-	8	-	-	**8**	1	**7**
Balance at 31 March 2020	**7,861**	**358,673**	**(8,647)**	**3,937**	**361,824**	**2,462**	**359,362**

6. Consolidated statement of cash flows[5]

(euro/000)	Q1 2020	Q1 2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**(396,169)**	**(408,339)**
Cash flow generated from operations (A)	**12,561**	**10,713**
Operating income (EBIT)	8,343	6,744
Depreciation, amortisation and other fixed assets write-downs	3,585	3,598
Net changes in provisions for risks and charges	289	451
Net changes in retirement benefit obligations	35	(383)
Stock option/grant costs	309	303
Cash flow provided by (used in) changes in working capital (B)	**(406,960)**	**(417,064)**
Inventory	45,009	(14,627)
Trade receivables	62,040	(39,903)
Other current assets	(1,306)	(5,442)
Trade payables	(513,667)	(348,135)
Other current liabilities	964	(8,957)
Other cash flow provided by (used in) operating activities (C)	**(1,770)**	**(1,988)**
Interests paid	(666)	(1,552)
Received interests	27	39
Foreign exchange (losses)/gains	(1,131)	(475)
Cash flow provided by (used in) investing activities (E)	**(927)**	**1,042**
Net investments in property, plant and equipment	(659)	(872)
Net investments in intangible assets	(283)	(114)
Net investments in other non current assets	15	(77)
4Side business combination	-	2,105
Cash flow provided by (used in) financing activities (F)	**49,886**	**82,460**
Medium/long term borrowing	-	42,000
Repayment/renegotiation of medium/long-term borrowings	(4,301)	(16,170)
Net change in leasing liabilities	(2,405)	(1,917)
Net change in financial liabilities	61,989	67,197
Net change in financial assets and derivative instruments	(3,708)	(9,033)
Deferred price 4Side acquisition	-	400
Own shares acquisition	(1,656)	-
Changes in third parties net equity	(33)	(17)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(347,210)**	**(324,837)**
Cash and cash equivalents at year-beginning	**463,777**	**381,308**
Net increase/(decrease) in cash and cash equivalents	**(347,210)**	**(324,837)**
Cash and cash equivalents at year-end	**116,567**	**56,471**

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

The table below shows the changes in the period and the correspondence with the exact position at the end of the same period:

(euro/000)	**Q1 2020**	**Q1 2019**
Net financial debt at year-beginning	**(272,275)**	**(241,045)**
Cash flow provided by (used in) operating activities	(396,169)	(408,339)
Cash flow provided by (used in) investing activities	(927)	1,042
Cash flow provided by (used in) changes in net equity	(1,689)	(17)
Total cash flow	**(398,785)**	**(407,314)**
Unpaid interests	(329)	(406)
Unpaid leasing interests	(289)	-
Lease liabilities posting	-	(80,345)
Increase/(decrease) in 'cash flow edge' equity reserve	-	(39)
Net financial debt at year-end	**127,128**	**247,060**
Short-term financial liabilities	98,226	200,071
Lease liabilities	8,544	5,630
Customers financial receivables	(9,875)	(11,200)
Current financial (assets)/liabilities for derivatives	-	415
Financial receivables from factoring companies	(7,554)	(9,180)
Current Debts for investments in subsidiaries	-	1,481
Cash and cash equivalents	(116,567)	(56,471)
Net current financial debt	**(27,226)**	**130,746**
Borrowings	56,700	44,482
Lease liabilities	98,149	72,798
Customers financial receivables	(495)	(967)
Net financial debt at year-beginning	**127,128**	**247,060**

7. Relationships with related parties

Group operations with related parties, as defined by IAS 24, were effected in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were sold under the same conditions as those usually applied to employees.

Transactions between the parent company Esprinet S.p.A. and its subsidiaries included in the consolidation scope were de-recognised in the interim consolidated financial statements and therefore do not appear in this section.

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

Revenues realised are related to the sales of consumer electronic products to business and private customers under normal market conditions.
The provision of services received refer primarily to the charge-backs for utilities or expenses for various administrative services.
The total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

8. Segment reporting

8.1 Introduction

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

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

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

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

8.2 Segment results

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

Separate income statement and other significant information by operating segments

	Q1 2020			
	Italy	Iberian Pen.		
(euro/000)	**Distr. IT & CE B2B**	**Distr. It & CE B2B**	**Elim. and other**	**Group**
Sales to third parties	599,777	313,985	-	913,762
Intersegment sales	11,298	-	(11,298)	-
Sales from contracts with customers	**611,075**	**313,985**	**(11,298)**	**913,762**
Cost of sales	(580,468)	(302,554)	11,353	(871,669)
Gross profit	**30,607**	**11,431**	**55**	**42,093**
Gross Profit %	*5.01%*	*3.64%*		*4.61%*
Sales and marketing costs	(9,965)	(3,120)	-	(13,085)
Overheads and admin. costs	(15,036)	(5,203)	6	(20,233)
Impairment loss/reversal of financial assets	(399)	(33)	-	(432)
Operating income (Ebit)	**5,207**	**3,075**	**61**	**8,343**
EBIT %	*0.85%*	*0.98%*		*0.91%*
Finance costs - net				(2,477)
Profit before income tax				**5,866**
Income tax expenses				(1,929)
Net income				**3,937**
- of which attributable to non-controlling interests				(60)
- of which attributable to Group				3,997
Depreciation and amortisation	**2,710**	**784**	90	**3,585**
Other non-cash items	**1,000**	**23**	-	**1,023**
Investments	**752**	**191**	-	**943**
Total assets	**904,935**	**424,993**	(80,054)	**1,249,874**

(euro/000)	Q1 2019			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	584,563	290,902	-	875,465
Intersegment sales	12,279	-	(12,279)	-
Sales from contracts with customers	**596,842**	**290,902**	**(12,279)**	**875,465**
Cost of sales	(566,288)	(280,612)	12,245	(834,655)
Gross profit	**30,554**	**10,290**	**(34)**	**40,810**
Gross profit %	*5.12%*	*3.54%*		*4.66%*
Sales and marketing costs	(10,263)	(2,947)	-	(13,210)
Overheads and admin. costs	(15,024)	(5,312)	10	(20,326)
Impairment loss/reversal of financial assets	(494)	(36)	-	(530)
Operating income (Ebit)	**4,773**	**1,995**	**(24)**	**6,744**
EBIT %	*0.80%*	*0.69%*		*0.77%*
Finance costs - net				(2,563)
Profit before income tax				**4,181**
Income tax expenses				(1,250)
Net income				**2,931**
- of which attributable to non-controlling interests				(9)
- of which attributable to Group				2,940
Depreciation and amortisation	**2,704**	**749**	143	**3,596**
Other non-cash items	**382**	**56**	-	**438**
Investments	**783**	**253**	-	**1,036**
Total assets	**958,123**	**407,476**	(129,606)	**1,235,993**

Statement of financial position by operating segment

(euro/000)	31/03/2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	8,816	2,638	-	11,454
Right-of-use assets	85,701	19,145	-	104,846
Goodwill	21,571	68,106	1,039	90,716
Intangible assets	539	132	-	671
Investments in others	75,795	-	(75,795)	-
Deferred income tax assets	7,988	5,708	106	13,802
Receivables and other non-current assets	2,384	304	-	2,688
	202,794	**96,033**	**(74,650)**	**224,177**
Current assets				
Inventory	297,082	155,474	(345)	452,211
Trade receivables	285,449	123,510	-	408,959
Income tax assets	81	131	-	212
Other assets	48,718	4,090	(5,060)	47,748
Cash and cash equivalents	70,811	45,756	-	116,567
	702,141	**328,961**	**(5,405)**	**1,025,697**
Total assets	**904,935**	**424,994**	**(80,055)**	**1,249,874**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	291,530	76,361	(20,387)	347,504
Group net income	2,027	1,861	109	3,997
Group net equity	**301,418**	**132,915**	**(74,971)**	**359,362**
Non-controlling interests	2,497	(12)	(23)	2,462
Total equity	**303,915**	**132,903**	**(74,994)**	**361,824**
LIABILITIES				
Non-current liabilities				
Borrowings	20,565	36,135	-	56,700
Lease liabilities	80,665	17,484	-	98,149
Deferred income tax liabilities	3,237	6,942	-	10,179
Retirement benefit obligations	4,430	-	-	4,430
Provisions and other liabilities	2,411	376	-	2,787
	111,308	**60,937**	**-**	**172,245**
Current liabilities				
Trade payables	391,797	183,862	-	575,659
Short-term financial liabilities	67,341	30,885	-	98,226
Lease liabilities	6,522	2,022	-	8,544
Income tax liabilities	163	348	-	511
Provisions and other liabilities	23,889	14,037	(5,061)	32,865
	489,712	**231,154**	**(5,061)**	**715,805**
Total liabilities	**601,020**	**292,091**	**(5,061)**	**888,050**
Total equity and liabilities	**904,935**	**424,994**	**(80,055)**	**1,249,874**

(euro/000)	31/12/2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	9,167	2,657	-	11,824
Right-of-use assets	87,605	19,705	-	107,310
Goodwill	21,571	68,106	1,039	90,716
Intangible assets	332	148	-	480
Investments in others	75,853	-	(75,853)	-
Deferred income tax assets	7,736	5,611	122	13,469
Receivables and other non-current assets	2,875	302	-	3,177
	205,139	**96,529**	**(74,692)**	**226,976**
Current assets				
Inventory	343,841	153,785	(406)	497,220
Trade receivables	331,471	139,528	-	470,999
Income tax assets	1,417	97	-	1,514
Other assets	45,150	2,380	(6,574)	40,956
Cash and cash equivalents	294,967	168,810	-	463,777
	1,016,846	**464,600**	**(6,980)**	**1,474,466**
Total assets	**1,221,985**	**561,129**	**(81,672)**	**1,701,442**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	284,389	61,634	(20,469)	325,554
Group net income	8,290	14,705	104	23,099
Group net equity	**300,540**	**131,032**	**(75,058)**	**356,514**
Non-controlling interests	2,550	(3)	(39)	2,508
Total equity	**303,090**	**131,029**	**(75,097)**	**359,022**
LIABILITIES				
Non-current liabilities				
Borrowings	22,294	38,751	-	61,045
Lease liabilities	82,243	17,969	-	100,212
Deferred income tax liabilities	3,179	6,533	-	9,712
Retirement benefit obligations	4,669	-	-	4,669
Provisions and other liabilities	2,189	309	-	2,498
	114,574	**63,562**	**-**	**178,136**
Current liabilities				
Trade payables	755,566	333,680	-	1,089,246
Short-term financial liabilities	24,179	11,683	-	35,862
Lease liabilities	6,563	2,034	-	8,597
Income tax liabilities	23	4	-	27
Provisions and other liabilities	17,990	19,137	(6,575)	30,552
	804,321	**366,538**	**(6,575)**	**1,164,284**
Total liabilities	**918,895**	**430,100**	**(6,575)**	**1,342,420**
Total equity and liabilities	**1,221,985**	**561,129**	**(81,672)**	**1,701,442**

9. Atypical and/or unusual operations

The management does not believe that any transactions were atypical or unusual according to the definition provided by Consob in communication No. DEM 6064293 of 28 July 2006.

10. Significant non-recurring events and operations

In the first quarter of 2020, no non-recurring transactions and events were identified, the same as in the quarter of the corresponding comparative period.

11. Significant events occurring in the period

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

Developments in tax disputes

The main events, occurred since 1 January 2020 until the date of this interim report, are as follows:

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, with a total amount of Euro 18.7 million, plus penalties and interest, with respect to transactions occurred between 2010 and 2013. Since some customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.
The main events occurred since 1 January 2020 until the date of this interim report are as follows:

- on 29 January 2020, the hearing of the Regional Tax Commission was held relating to the appeal presented by the Company against the unfavourable first instance ruling concerning 2013 (tax challenged for an amount of Euro 0.1 million).
  A judgment is pending;
- the hearing of the Regional Tax Commission was held on 17 February 2020 relating to the appeal presented by the Italian Revenue Agency against the favourable first instance ruling for the Company concerning 2012 (tax challenged for an amount of Euro 3.1 million).
  A judgment is pending;
- the first instance hearing relating to the dispute concerning the 2013 tax year (tax challenged for an amount of Euro 14.5 million), initially set for 25 March 2020, was adjourned to a date to be decided.

On 22 January 2020, the Regional Tax Commission rejected, by means of a ruling filed on 28 February 2020, the appeal of the Italian Revenue Agency against the favourable ruling of the Provincial Tax Commission relating to the notice of adjustment and payment of higher registration tax, for Euro 182 thousand, on the purchase in 2016 of a business unit from EDSlan S.p.A. (now I-Trading S.r.l.).

12. Subsequent events

Relevant events occurred after period end are briefly described below:

Covid-19 Emergency

Subsequent to the closing of the quarter, we have witnessed a continuation of the Covid-19 emergency and the adoption by the European Governments of increasingly restrictive measures applied to the movements of people, as well as the blocking of trading and production activities.

In order to cope with this emergency, a “task force” was set up which, in light of the provisions issued from time to time by the competent authorities and taking into account the fact that the Group belongs to a technological sector deemed as "essential", it has consistently promoted and checked on all the preventive measures aimed at ensuring the continuity and the efficiency of the Group's activities, while preserving the health and safety of all employees and contractors. The Group has launched Business Continuity plans through the extension of smart-working to 100% of the corporate population not operating in warehouses. The measures for protecting the health of the employees, in compliance with the Companies-Trade Unions protocols and in reference with employees operating in the centralised logistics and in cash&carry under the trademark "Esprivillage", were promptly and appropriately implemented.

Taking into account the current uncertainties concerning the duration and severity of the health emergency and the socio-economic crisis arising from Covid-19, as well as the time frames for an increasing attenuation of the measures aimed at containing the epidemic, it is not currently possible to properly assess any potential impacts that this epidemic may have, over the current period, on the economic, equity and financial position of the Group. The uncertainties related to the intensity of the expected recession and to the efficacy of the anti-recession policies that will be implemented in the different countries and within the EU will carry a considerable weight.

Over the lockdown period, the Group has continued to operate thanks to the activation of the necessary control systems applied to business continuity and the compliance with the health protocols for the protection of the health and the safety of employees and contractors. Also the market segment where the Group operates, i.e. ICT production, distribution and marketing in Italy and Spain, was not subject to any interruptions.
In the two month period, March and April, some difficulties were experienced in procurement from suppliers heavily dependent on plants located in China and South Korea, which were significantly impacted by the initial restrictions adopted therein. This situation is slowly normalising and for the month of May the expectations are for a substantially full come-back of the production lines with some remaining critical areas regarding the notebooks and some electronic consumables.

As for the demand, the consensus of the analysts is that it is not yet sufficiently stable. It is estimated that the GDP, over the second quarter in the countries where the Group operates (Italy, Spain and Portugal), will fall by 8/10%, with a recovery starting already in the third quarter driven by the durable goods segment.
The positive performance of the first quarter of 2020 does not say much about the trends of the next few months, since it developed within a time frame that was only partially affected by the explosion of the pandemic emergency.
In this regard, the 19% decline in revenues in April was even more significant (-22% in Italy and -15% in Spain) to be partially attributed to a lack of products specifically in the areas where the demand for smart-working and e-learning devices was much higher (essentially PC and tablets).
The signs that the market is giving seem to indicate a difficult period for the "Advanced Solutions" product segment, in particular the segment related to data centre solutions, due to the prolonged closure of many companies and the difficulty by the System Integrators and the Value Added Resellers to close complex projects that are typically related to these types of solutions operating exclusively in remote mode.
By contrast, the constant growth in the Cloud and Software segment appears to also be confirmed, due to the ongoing investments and planned by companies and Government institutions to guarantee the remote operation of its activities.
In April the IT Reseller channel showed a resilience that was also driven by many smart-working projects, carried out by companies and public bodies, whereas the channel of physical retailers suffered a pervasive collapse of volumes due to the long period of closure of the sales points, only partially offset by the better performance of online sales.

Given the above, the Company will provide updates on the expected business trends as soon as some reliable visible conditions materialise that will make it possible to formulate more accurate estimates of the impact caused by the Covid-19 emergency.

Because of the depressive effect on the growth rates of the economies, both in Italy and in Spain, the Group has devised and implemented a number of measures aimed at mitigating the financial impact of Covid-19, based in particular on cost savings, optimal management of working capital and strengthening of the financial structure. With reference to the latter, it was decided not to propose any distribution of dividends in 2020 and not to bear any additional costs for the repurchase of own shares, thus submitting to the Shareholders' Meeting, to be held on 25 May, the revocation of the buy-back plan that had been approved in 2019.

Thanks also to the results from these actions, the Group believes that it will be able to mitigate the effects of a predictable decrease in the business volume for the current year.
Finally, when the emergency scenario is replaced by a more favourable macro-economic context, the Group will be able to leverage on its strong competitive positioning and on the soundness of its economic-financial fundamentals which will make it possible to continue on the path of an organic development and value creation in the medium term. In 2020, the Group will continue to pay the utmost attention to maximising customer satisfaction in order to improve customer loyalty and to support operating profitability.
It must be noted that the fundamentals of the distribution sector continue to be robust and actually the medium-term forward looking estimates attribute an even increasing role to distribution within the ICT production chain as well as a consequent greater use of the "indirect channel".
The Group believes that the current emergency phase, combined with the historical buoyancy of the distribution sector toward a stronger consolidation, may induce some medium-small sized operators to accelerate their generational transition processes and that the Group may be in an advantageous position for seizing the opportunities that will emerge.

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

The Ordinary and Extraordinary Shareholders' Meeting of Esprinet S.p.A. was called on 25 May 2020 to resolve on the following agenda:

Ordinary session:

- Approval of the Financial statements as at 31 December 2019, Directors' Report on Operations, Board of Statutory Auditors' Report and Independent Auditors' Report. Presentation of the Consolidated Financial Statements as at 31 December 2019 and the consolidated non-financial statement pursuant to Legislative Decree No. 254 of 30/12/2016 – Sustainability Report.
- Allocation of result for the year.
- Report on the remuneration policy and compensation paid: (i) Binding resolution on the first section pursuant to art. 123-*ter*, paragraph 3-*bis* of the TUF; (ii) Non-binding resolution on the second section pursuant to art. 123-*ter*, paragraph 6 of the TUF.
- Proposed revocation of the authorisation to purchase own shares resolved by the Shareholders' Meeting on 8 May 2019.

Extraordinary session:

- Cancellation of 1,470,217 own shares in the portfolio, with no reduction of share capital, and subsequent amendment of art. 5 of the Company Articles of Association. Inherent and consequent resolutions.

Based on the ongoing health emergency, in observance of Decree Law No. 18 of 17 March 2020 (Decree No. 18), the company established that participation in the shareholders meeting can only

happen through the appointed representative, pursuant to art. 135-*undecies* of Legislative Decree No. 58 of 24 February 1998 («TUF»).
Proxies and/or sub-proxies can also be conferred to the appointed representative pursuant to art. 135-*novies* of the TUF, in derogation to art. 135-*undecies*, paragraph 4, of said decree, in order to allow the broadest use of the distance voting tool for all shareholders, in compliance with the fundamental principles of protection of the health of the company's shareholders, employees, representatives and advisors.
Participation in the shareholders' meeting by those legitimately entitled to do so (the chairman, the chief executive officer, the chairman of the Board of Statutory Auditors, the other representatives of corporate bodies, the secretary, the appointed representative, the independent auditors and/or employee and/or associates authorised in this regard by the chairman), in consideration of the limits which may apply in view of the aforementioned health requirements, can only take place via means of telecommunication which allow them to be identified, with the methods communicated to them on an individual basis, in respect of the applicable regulatory provisions for said eventuality.

Vimercate, 12 May 2020

Of behalf of the Board of Directors
The Chairman
Maurizio Rota

13. Declaration of the manager responsible for preparing the accounting documents

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

OBJECT: Interim management statement as at 31 March 2020

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

ESPRINET S.p.A.

in accordance with the provisions set forth in article 154 bis, of the "Finance Consolidation Act"

HEREBY DECLARES

that the Interim management statement as at 31 March 2020 corresponds to the accounting documents, books and records.

Vimercate, 12 May 2020

The Manager responsible for preparing
the company accounting documents

(Pietro Aglianò)