Esprinet Group

Interim management statement as at 30 September 2020

Approved by the Board of Directors on 12 November 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 30/09/2020: Euro 7,860,651
www.esprinet.com - *info@esprinet.com*

Company Officers

Board of Directors:

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

Chairman	Maurizio Rota	(SC) (CSC)
Chief Executive Officer	Alessandro Cattani	(SC) (CSC)
Director	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

Key:
InD: Independent Director
CRC: Member of the Control and Risks Committee
RAC: Member of the Appointments and Remuneration Committee
SC: Strategy Committee
CSC: Competitiveness and Sustainability Committee

Board of Statutory Auditors:

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

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

Independent auditors:

(Term of office expiring with approval of the financial statements 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.

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1. Notes on financial performance for the period

(euro/000)		9 months*						Q3					
	notes	2020	%	2019	notes	%	*% var. 20/19*	2020	%	2019	notes	%	*% var. 20/19*
Profit & Loss													
Sales from contracts with customers		2,959,102	100.0%	2,611,054		100.0%	13%	1,124,426	100.0%	893,569		100.0%	26%
Gross profit		128,123	4.3%	118,697		4.5%	8%	45,714	4.1%	37,618		4.2%	22%
EBITDA	(1)	39,343	1.3%	30,650	(1)	1.2%	28%	16,509	1.5%	10,012		1.1%	65%
Operating income (EBIT)		27,582	0.9%	20,646		0.8%	34%	12,970	1.2%	6,663		0.7%	95%
Profit before income tax		23,262	0.8%	13,297		0.5%	75%	12,523	1.1%	3,059		0.3%	309%
Net income		17,483	0.6%	9,358		0.4%	87%	9,800	0.9%	1,781		0.2%	450%
Financial data													
Cash flow	(2)	29,244		19,360	(2)								
Gross investments		3,499		1,855									
Net working capital	(3)	190,289		(122,381)	(3)								
Operating net working capital	(4)	206,647		(121,027)	(4)								
Fixed assets	(5)	218,556		226,007	(5)								
Net capital employed	(6)	390,309		86,747	(6)								
Net equity		375,779		359,022									
Tangible net equity	(7)	285,540		267,826	(7)								
Net financial debt	(8)	14,530		(272,275)	(8)								
Main indicators													
Net financial debt / Net equity		0.0		(0.8)									
Net financial debt / Tangible net equity		0.1		(1.0)									
EBIT / Finance costs - net		6.4		2.8									
EBITDA / Finance costs - net		9.1		4.2									
Net financial debt/ EBITDA	(9)	0.2		(6.7)	(9)								
ROCE	(10)	15.7%		8.2%	(10)								
Operational data													
N. of employees at end-period		1,418		1,293									
Avarage number of employees	(11)	1,368		1,278	(11)								
Earnings per share (euro)													
- Basic		0.35		0.18			94%	0.19		0.04			375%
- Diluted		0.34		0.18			89%	0.18		0.03			500%

(*) 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 liabilities for leasing, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.
(9) 12-month rolling EBITDA.
(10) Calculated as the ratio of (i) 12-month rolling operating profit (EBIT) net of non-recurring items, the effects of IFRS 16 and taxes calculated at the effective tax rate of the latest issued consolidated financial statements, to (ii) average invested capital (calculated as the sum of net working capital and fixed capital) at the closing date of the period under review and the four preceding quarters.
(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.

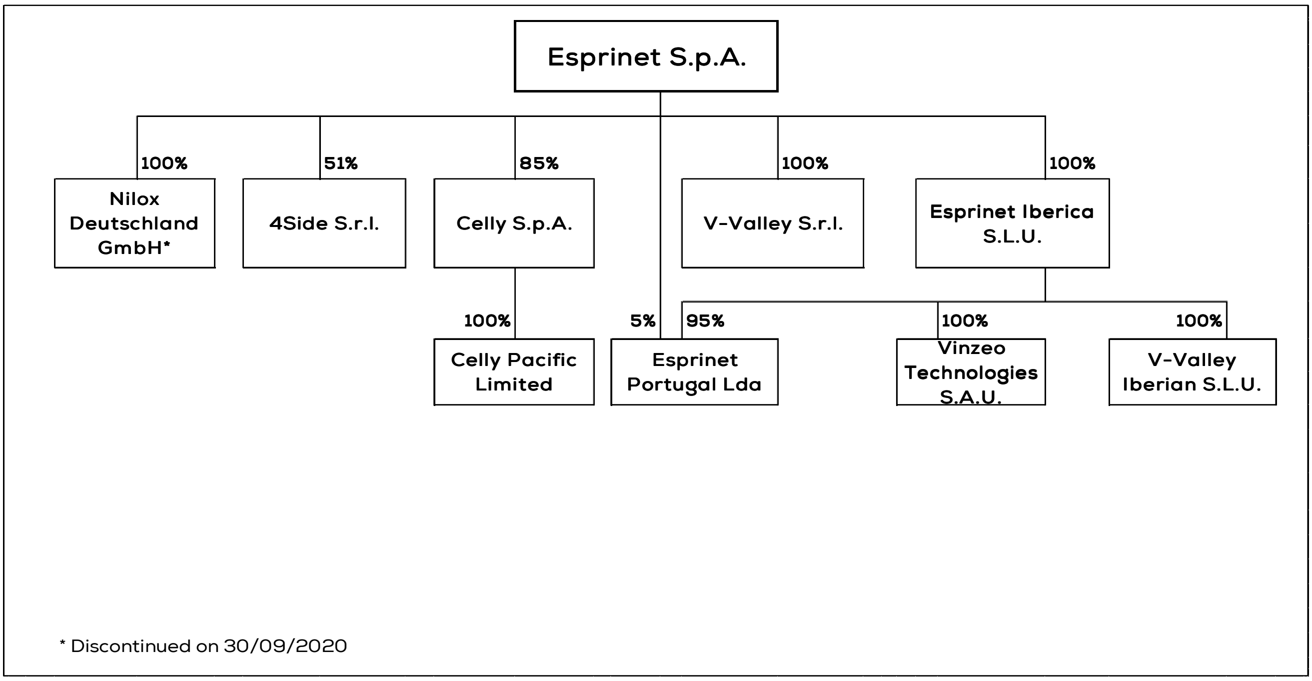
Due to this admission, the interim management statement as at 30 September 2020, not audited, has been drawn up as per Article 2.2.3, paragraph 3 a) 'Regulation of the markets organised and managed by Borsa Italiana S.p.A.' (so-called 'Stock Market Regulation') as well as pursuant to Art. 154-ter, paragraph 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 this interim 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 30 September 2020 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 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. and Nilox Deutschland Gmbh (in liquidation from 16 September 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), Cavenago (Monza e Brianza) and Basiano (Milan).
Esprinet S.p.A. uses Intesa San Paolo 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 accounts of subsidiaries were suitably adjusted to ensure consistency with the accounting standards used by the parent company and all relate
to the interim periods that have the same closing date as the parent company.

The table below lists companies included in the scope of consolidation as at 30 September 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)	400,000	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)	1,000,000	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 to solely 30 September 2019, of the striking off of the company Celly Nordic OY, wholly-owned by Celly S.p.A..

2.4 COVID-19 Emergency

The first nine months of 2020 have been characterised by a factor of macroeconomic and financial instability related to the global spread of the pandemic, as defined by the World Health Organisation, namely Coronavirus 'COVID-19', whose overall medium/long-term effects are difficult to evaluate.
Initially surfacing in China, reaching Italy, Spain and Europe between the end of February and the first half of March, spreading to the United States in the summer, abating in European countries, the pandemic has gotten worse again, bringing its epicentre back to Europe in October.
As a result of the pandemic, during the spikes, the Government authorities in the various nations, as has been happening again from the middle of October, with less rigid methods and, within the same country, differentiated and no longer covering the entire territory, have randomly issued provisions for the suspension of production and sales activities, limiting the freedom of movement of people in various cases ('lockdown' period) within and beyond national borders.

The Esprinet Group continued to operate effectively and so kept its profitability unchanged, thanks to the implementation of the necessary 'business continuity' controls, rigorous observance of the health protocols aimed at protecting the health and safety of employees and associates, to the operation in the various countries in a chain, like that of ICT production, distribution and sale, which did not suffer any particular interruptions due to the Government restrictions.
The large-scale use of smart-working and e-learning resulting, first, from the lockdown measures, then, social distancing, in addition, expanded and accelerated the need of all types of customers (business, public administrations, private entities) for rapid and effective implementation of the most cutting edge IT solutions, as well as full availability of devices. This favoured market growth, bucking the trend in the majority of economic sectors and, in this market, the Esprinet Group continued to operate from a position of leadership and as a point of reference for suppliers and customers.

Only two Italian subsidiaries, Celly S.p.A. and 4Side S.r.l., dealing with distribution, respectively, of accessories for mobile telephone devices and gaming products, were subject to a suspension of commercial activities, with repercussions on the results achieved in the second quarter and part of the third quarter.
This has had repercussions in relation to the evaluation of the recoverability of the goodwill recognised in relation to the acquisition of the sub-group Celly; for details, please refer to the note '2) Goodwill' in the *condensed half-yearly consolidated financial statements*.

The pandemic also led to risks of a supply shortage of some products due to the reduced production capacity of the suppliers most heavily dependent on the production facilities situated in areas like China and South Korea, where the emergency initially exploded. After an initial, short period where procurement stopped, offset by the supply capacity and availability of stock which has always been a hallmark of the Esprinet Group, the situation was resolved and has fully re-stabilised.

In the wake of the explosion of the health emergency, uncertainties initially emerged also in relation to customers' solvency capacity for which, albeit with no evidence to suggest so, the risk of a deterioration in creditworthiness could not be ruled out.
The financial evidence on show in the first nine months, but also subsequently, does not lead us to believe that the aforementioned customer creditworthiness has deteriorated to such an extent to call for changes also to the 'Expected Credit Loss' valuation model implemented by the Group companies; therefore, no additional special provisions were needed to counteract this risk.

At the current state of play, based on the information available and taking account of the financial situation, as well as the following main factors:
- the main external risks to which the Group is exposed;
- the changes in the general macroeconomic situation in the European market in general and the Italian and Spanish markets in particular;
- changes in environmental and business conditions and competitive dynamics;
- changes in the legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;
- financial risks;

we can conclude that there are no doubts surrounding the existence of the going concern assumption for the Group.

2.5 Principal assumptions, estimates and rounding

Within the scope of preparing this interim management statement, 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.

Due to the uncertainty associated with the unprecedented nature of COVID-19, in preparing this interim management statement, the Group has carefully evaluated and considered the impact of the pandemic on the data of the first nine months of 2020.

All the significant assumptions and estimates were subject to further analysis in order to deal with the uncertainties connected with the unpredictability of the potential impact of the pandemic on the various items including, of particular interest for the Group, the impairment of non-financial assets, evaluation of expected credit losses, recognition of revenues, lease agreements, customer support. The analysis conducted did not highlight any critical situations that cannot be addressed during the normal course of business, with the exception of the impairment that emerged as a result of the impairment test performed on the goodwill of CGU 2 'Celly'. For details in this regard please refer to note '4.2.3) Goodwill'.

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, but where the evaluation has led to particular conclusions, additional specific information is provided in the interim management statement, while particular explanations are not provided if COVID-19 has not had any specific impact for the Group.
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.

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, while in the annual consolidated financial statements, the current taxes have been calculated accurately based on the tax rates in force at the reporting date. 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.

2.6 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	9 months 2020	non - recurring	related parties*	9 months 2019	non - recurring	related parties*
Sales from contracts with customers	**33**	**2,959,102**	**-**	10	**2,611,054**	**-**	4
Cost of sales		(2,830,979)	-	-	(2,492,357)	-	-
Gross profit	**35**	**128,123**	**-**		**118,697**	**-**	
Sales and marketing costs	**37**	(36,360)	-	-	(38,222)	-	-
Overheads and administrative costs	**38**	(63,052)	(3,366)	-	(59,048)	-	(9)
Impairment loss/reversal of financial assets	**39**	(1,129)	-		(781)	-	
Operating income (EBIT)		**27,582**	**(3,366)**		**20,646**	**-**	
Finance costs - net	**42**	(4,320)	-	-	(7,349)	-	10
Profit before income taxes		**23,262**	**(3,366)**		**13,297**	**-**	
Income tax expenses	**45**	(5,779)	632	-	(3,939)	-	-
Net income		**17,483**	**(2,734)**		**9,358**	**-**	
- of which attributable to non-controlling interests		22			140		
- of which attributable to Group		17,461	(2,734)		9,218	-	
Earnings per share - basic (euro)	**46**	0.35			0.18		
Earnings per share - diluted (euro)	**46**	0.34			0.18		

(euro/000)	Notes	Q3 2020	non - recurring	related parties*	Q3 2019	non - recurring	related parties*
Sales from contracts with customers	**33**	**1,124,426**	**-**	2	**893,569**	**-**	-
Cost of sales		(1,078,712)	-	-	(855,951)	-	-
Gross profit	**35**	**45,714**	**-**		**37,618**	**-**	
Sales and marketing costs	**37**	(11,472)	-	-	(12,219)	-	-
Overheads and administrative costs	**38**	(20,987)	(1,150)	-	(18,742)	-	1
Impairment loss/reversal of financial assets	**39**	(285)	-		6	-	
Operating income (EBIT)		**12,970**	**(1,150)**		**6,663**	**-**	
Finance costs - net	**42**	(447)	-	-	(3,604)	-	3
Profit before income taxes		**12,523**	**(1,150)**		**3,059**	**-**	
Income tax expenses	**45**	(2,723)	320	-	(1,278)	-	-
Net income		**9,800**	**(830)**		**1,781**	**-**	
- of which attributable to non-controlling interests		152	-		(120)	-	
- of which attributable to Group		9,648	(830)		1,901	-	
Earnings per share - basic (euro)	**46**	0.18			0.04		
Earnings per share - diluted (euro)	**46**	0.17			0.04		

(*) Emoluments to key managers excluded.

3.2 Consolidated statement of comprehensive income

(euro/000)	9 months 2020	9 months 2019	Q3 2020	Q3 2019
Net income	**17,483**	**9,358**	**9,800**	**1,781**
Other comprehensive income:				
- Changes in 'cash flow hedge' equity reserve	-	(47)	-	53
- Taxes on changes in 'cash flow hedge' equity reserve	-	11	-	27
- Changes in translation adjustment reserve	(4)	-	(3)	2
Other comprehensive income not to be reclassified in the separate income statement				
- Changes in 'TFR' equity reserve	(62)	(347)	(38)	(139)
- Taxes on changes in 'TFR' equity reserve	15	97	9	39
Other comprehensive income	**(51)**	**(286)**	**(32)**	**(18)**
Total comprehensive income	**17,432**	**9,072**	**9,768**	**1,763**
- of which attributable to Group	17,413	8,947	9,614	1,890
- of which attributable to non-controlling interests	19	125	154	(127)

3.3 Notes on financial performance of the Group

A) Esprinet Group's financial highlights

The Group's main earnings as at 30 September 2020 are hereby summarised:

(€/000)	9 months 2020	9 months 2019	% Var.	Q3 2020	Q3 2019	% Var.
Sales from contracts with customers	**2,959,102**	**2,611,054**	**13%**	**1,124,426**	**893,569**	**26%**
Cost of goods sold excl. factoring/securitisation	2,827,593	2,488,889	14%	1,077,412	854,829	26%
Financial cost of factoring/securisation(1)	2,773	2,948	-6%	1,081	954	13%
Gross Profit(2)	**128,736**	**119,217**	**8%**	**45,933**	**37,786**	**22%**
Gross Profit %	*4.35%*	*4.57%*		*4.09%*	*4.23%*	
Personnel costs	48,483	47,149	3%	15,522	14,699	6%
Other operating costs	38,643	41,419	-7%	12,752	13,075	-2%
EBITDA adjusted	**41,610**	**30,649**	**36%**	**17,659**	**10,012**	**76%**
EBITDA adjusted %	*1.41%*	*1.17%*		*1.57%*	*1.12%*	
Depreciation e amortisation	3,247	3,492	-7%	1,063	1,177	-10%
IFRS 16 Right of Use depreciation	7,415	6,511	14%	2,476	2,172	14%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**30,948**	**20,646**	**50%**	**14,120**	**6,663**	**>100%**
EBIT adjusted %	*1.05%*	*0.79%*		*1.26%*	*0.75%*	
Non recurring costs(3)	3,366	-	100%	1,150	-	100%
EBIT	**27,582**	**20,646**	**34%**	**12,970**	**6,663**	**95%**
EBIT %	*0.93%*	*0.79%*		*1.15%*	*0.75%*	
IFRS 16 interest expenses on leases	2,509	2,048	23%	827	690	20%
Other financial (income) expenses	1,712	3,286	-48%	362	1,575	-77%
Foreign exchange (gains) losses	99	2,015	-95%	(742)	1,339	<100%
Profit before income taxes	**23,262**	**13,297**	**75%**	**12,523**	**3,059**	**>100%**
Income taxes	5,779	3,939	47%	2,723	1,278	>100%
Net income	**17,483**	**9,358**	**87%**	**9,800**	**1,781**	**>100%**

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 2.3 million euro otherwise included in 'Other operating costs' and 1.1 million euro otherwise included in the item 'Impairment of Goodwill'.

Sales from contracts with customers, equal to 2,959.1 million euro, showed an increase of +13% compared with 2,611.1 million euro realised in the first nine months of 2019. In the third quarter, sales increased by +26% compared with the same period of the previous year (from 893.6 million euro to 1,124.4 million euro).

Gross profit amounted to 128.7 million euro, marking an increase of +8% compared to the first nine months of 2019 (119.2 million euro) due to the higher revenues which offset the reduction in the percentage margin (4.35% compared to 4.57%), due to the higher incidence of sales of PCs and Smartphones, and despite the dilutive effect related to the significant decrease in Celly's revenues and margin caused by the partial suspension of activities. In the third quarter alone, gross profit, amounting to 45.9 million euro, recorded an increase of +22% compared to the same period of the previous year, with a percentage margin down slightly from 4.23% to 4.09%.

EBITDA Adjusted, amounting to 41.6 million euro, +36% compared to 30.7 million euro in the first nine months of 2019, is calculated gross of one-off costs of 2.3 million euro (0.9 million euro connected with the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y Networking S.A., 1.2 million euro incurred as a result of the termination of the contract of the former director and CFO of the Group and 0.2 million euro incurred to deal with the COVID-19 pandemic). In the third quarter alone, an increase of +76% was recorded compared with the corresponding quarter of the previous year.

EBIT Adjusted, gross of non-recurring costs of 3.4 million euro (2.3 million euro in one-off costs cited above and 1.1 million euro for the partial impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly), amounted to 30.9 million euro, +50% compared to 20.7 million euro in the first nine months of 2019; the incidence of revenues grew to 1.05% from 0.79% in the previous period. The result of the third quarter alone more than doubled compared to the third quarter of 2019 (14.1 million euro compared to 6.7 million euro).

EBIT was equal to 27.6 million euro, marking an increase of +34% compared to the first nine months 2019 while the third quarter alone recorded an extraordinary increase of +95%, despite the non-recurring expenses.

Profit before income taxes came to 23.3 million euro (+75% compared to 13.3 million euro in the first nine months of 2019); the third quarter alone posted an increase of 9.4 million euro compared to 3.1 million registered in 2019.

Net income amounted to 17.5 million euro, +87% (9.4 million in the first nine months 2019). In the third quarter alone, an increase of 8.0 million was recorded compared with the corresponding quarter of the previous year.

Basic earnings per ordinary share as at 30 September 2020 is equal to 0.35 euro, showed an increase of +94% compared with the value of the first nine months of 2019 (0.18 euro). In the third quarter basic earnings per ordinary share was 0.18 euro compared with 0.04 euro of the corresponding quarter in 2019 (+350%).

The Group's main financial results as at 30 September 2020 are hereby summarised:

(euro/000)	**30/09/2020**	**31/12/2019**
Fixed assets	218,556	226,007
Operating net working capital	206,647	(121,027)
Other current assets/liabilities	(16,358)	(1,354)
Other non-current assets/liabilities	(18,536)	(16,879)
Total uses	**390,309**	**86,747**
Short-term financial liabilities	72,413	35,862
Lease liabilities	8,618	8,597
Financial receivables from factoring companies	(1,134)	(3,526)
Other current financial receivables	(9,721)	(9,719)
Cash and cash equivalents	(234,797)	(463,777)
Net current financial debt	(164,621)	(432,563)
Borrowings	85,385	61,045
Lease liabilities	94,258	100,212
Other non - current financial receivables	(492)	(969)
Net financial debt (A)	14,530	(272,275)
Net equity (B)	375,779	359,022
Total sources of funds (C=A+B)	**390,309**	**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 30 September, also due to the effect of the channel support plans by the main suppliers in the peak season periods.

Net invested capital as at 30 September 2020 amounted to 390.3 million euro and was covered by:

- shareholders' equity, including minority interests, amounting to 375.8 million euro (359.0 million euro as at 31 December 2019);
- negative net financial position of 14.5 million euro (compared to a positive net financial position of 272.3 million euro as at 31 December 2019 and negative for 183.6 million euro as at 30 September 2019).

The value of the exact net financial position as at 30 September 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 period. The aforementioned factoring and securitisation plans, which define the complete transfer of risks and benefits to the buyers and therefore incorporate the derecognition 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 debts as at 30 September, quantifiable at 369.6 million euro (480.1 million euro as at 31 December 2019 and 311.3 million euro as at 30 September 2019).

Equity and financial indicators confirm the strength of the Group.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The Italy Sub-Group's main earnings as at 30 September 2020 are hereby summarised:

(€/000)	9 months 2020	9 months 2019	% Var.	Q3 2020	Q3 2019	% Var.
Sales from contracts with customers	**1,880,398**	**1,729,441**	**9%**	**673,509**	**580,050**	**16%**
Cost of goods sold excl. factoring/securitisation	1,788,196	1,640,037	9%	642,169	551,561	16%
Financial cost of factoring/securisation(1)	1,560	1,840	-15%	530	615	-14%
Gross Profit(2)	**90,642**	**87,564**	**4%**	**30,810**	**27,874**	**11%**
Gross Profit %	*4.82%*	*5.06%*		*4.57%*	*4.81%*	
Personnel costs	34,433	33,534	3%	11,077	10,469	6%
Other operating costs	31,325	33,947	-8%	10,245	10,602	-3%
EBITDA adjusted	**24,884**	**20,083**	**24%**	**9,488**	**6,803**	**39%**
EBITDA adjusted %	*1.32%*	*1.16%*		*1.41%*	*1.17%*	
Depreciation e amortisation	2,380	2,409	-1%	793	809	-2%
IFRS 16 Right of Use depreciation	5,705	4,971	15%	1,900	1,663	14%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**16,799**	**12,703**	**32%**	**6,795**	**4,331**	**57%**
EBIT adjusted %	*0.89%*	*0.73%*		*1.01%*	*0.75%*	
Non recurring costs(3)	3,366	-	100%	1,150	-	100%
EBIT	**13,433**	**12,703**	**6%**	**5,645**	**4,331**	**30%**
EBIT %	*0.71%*	*0.73%*		*0.84%*	*0.75%*	

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 2.3 million euro otherwise included in 'Other operating costs' and 1.1 million euro otherwise included in the item 'Impairment of Goodwill'.

Sales from contracts with customers, equal to 1,880.4 million euro, showed an increase of +9% compared with 1,729.4 million euro realised in the first nine months of 2019. In the third quarter, an increase of +16% was recorded compared with the same period of the previous year (580.1 million euro vs 673.5 million euro).

Gross Profit came to 90.6 million euro, marking an increase of +4% compared to the first nine months of 2019 (87.6 million euro) due to higher revenues, which offset the slight reduction in the percentage margin (4.82% compared to 5.06%) and despite the diluting effect linked to the significant drop in revenues and subsequent profit margin of Celly caused by the partial suspension of activities. In the third quarter alone, gross profit, amounting to 30.8 million euro, recorded an improvement of +11% compared to the same period of the previous year, with a percentage margin down from 4.81% to 4.57%.

EBITDA Adjusted, amounting to 24.9 million euro, +24% compared to 20.1 million euro in the first nine months 2019, is calculated gross of one-off costs of 2.3 million euro (0.9 million euro connected with the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y Networking S.A., 1.2 million euro as a result of the termination of the contract of the former director and CFO of the Group and 0.2 million euro incurred to deal with the COVID-19 pandemic). In the third quarter alone, an increase of +39% was recorded compared with the corresponding period of the previous year.

EBIT Adjusted, gross of non-recurring costs of 3.4 million euro (2.3 million euro in one-off costs cited above and 1.1 million euro in impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly), amounted to 16.8 million euro, +32% compared to 12.7 million euro in the first nine months of 2019. The incidence on revenues rose to 0.89% from 0.73% in the previous period. In the third quarter alone, an increase of +57% was recorded compared with the corresponding quarter of the previous year.

EBIT came to 13.4 million euro, marking an improvement of +6% compared to the first nine months of 2019 despite non-recurring expenses, while the third quarter alone recorded an improvement of +30%, again despite non-recurring expenses.

The Italy Sub-Group's main financial results as at 30 September 2020 are hereby summarised:

(euro/000)	**30/09/2020**	**31/12/2019**
Fixed assets	198,095	204,170
Operating net working capital	154,088	(80,254)
Other current assets/liabilities	(3,054)	15,311
Other non-current assets/liabilities	(10,785)	(10,037)
Total uses	**338,344**	**129,190**
Short-term financial liabilities	56,444	24,179
Lease liabilities	6,559	6,563
Financial receivables from factoring companies	(1,134)	(3,526)
Other current financial receivables	(9,721)	(9,717)
Cash and cash equivalents	(115,291)	(294,967)
Net current financial debt	(63,143)	(277,468)
Borrowings	14,355	22,294
Lease liabilities	77,667	82,243
Other non - current financial receivables	(492)	(969)
Net Financial debt (A)	28,387	(173,900)
Net equity (B)	309,957	303,090
Total sources of funds (C=A+B)	**338,344**	**129,190**

The Net Financial Position was a negative 28.4 million, worsening compared to the liquidity surplus of 173.9 million as at 31 December 2019, but a significant improvement compared to net debt of 155.0 million as at 30 September 2019.

The value of the exact net financial position as at 30 September 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 period. 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 the statement of financial position assets, determine an overall effect on the level of consolidated net financial debts as at 31 September of 170.0 million euro (268.0 million euro as at 31 December 2019 and 182.5 million as at 30 September 2019).

B.2) Subgroup Iberica

The Iberian Sub-Group's main earnings as at 30 September 2020 are hereby summarised:

(€/000)	9 months 2020	9 months 2019	% Var.	Q3 2020	Q3 2019	% Var.
Sales from contracts with customers	**1,102,339**	**913,711**	**21%**	**459,765**	**322,851**	**42%**
Cost of goods sold excl. factoring/securitisation	1,063,063	881,161	21%	444,027	312,851	42%
Financial cost of factoring/securisation[1]	1,213	1,108	9%	552	339	63%
Gross Profit[2]	**38,063**	**31,442**	**21%**	**15,186**	**9,661**	**57%**
Gross Profit %	*3.45%*	*3.44%*		*3.30%*	*2.99%*	
Personnel costs	14,050	13,615	3%	4,445	4,229	5%
Other operating costs	7,583	7,929	-4%	2,593	2,630	-1%
EBITDA adjusted	**16,430**	**9,898**	**66%**	**8,148**	**2,802**	**>100%**
EBITDA adjusted %	*1.49%*	*1.08%*		*1.77%*	*0.87%*	
Depreciation e amortisation	615	658	-7%	188	222	-15%
IFRS 16 Right of Use depreciation	1,710	1,540	11%	576	509	13%
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**14,105**	**7,700**	**83%**	**7,384**	**2,071**	**>100%**
EBIT adjusted %	*1.28%*	*0.84%*		*1.61%*	*0.64%*	
Non recurring costs[3]	-	-	n/s	-	-	n/s
EBIT	**14,105**	**7,700**	**83%**	**7,384**	**2,071**	**>100%**
EBIT %	*1.28%*	*0.84%*		*1.61%*	*0.64%*	

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.

Sales from contracts with customers, equal to 1,102.3 million euro, show an increase of +21% compared with 913.7 million euro in the first nine months of 2019. In the third quarter alone, sales recorded an increase of +42% compared with the same period of the previous year.

Gross Profit as at 30 September 2019 totalled 38.1 million euro, showing an improvement of +21% compared with 31.4 million euro of the same period of 2019 with an incidence on revenues essentially unchanged. In the third quarter alone, gross profit showed growth of +57% compared to the corresponding quarter of the previous year, with an incidence on revenues up from 2.99% to 3.30%.

EBITDA Adjusted amounted to 16.4 million euro, +66% compared to 9.9 million euro in the first nine months 2019. In the third quarter alone, an extraordinary increase of 5.3 million euro compared to 2.8 million euro realised in the corresponding quarter of the previous year was recorded.

EBIT Adjusted and EBIT, the same as non-recurring costs were not recognised, stood at 14.1 million euro, marking an increase of +83% compared to the first nine months of 2019. In the third quarter alone, a result of 7.4 million euro was recorded, more than triple that of the same quarter in the previous year.

The Spain Sub-Group's main financial results as at 30 September 2020 are hereby summarised:

(euro/000)	30/09/2020	31/12/2019
Fixed assets	95,226	96,529
Operating net working capital	52,921	(40,367)
Other current assets/liabilities	(13,305)	(16,666)
Other non-current assets/liabilities	(7,751)	(6,842)
Total uses	**127,091**	**32,654**
Short-term financial liabilities	15,969	11,683
Lease liabilities	2,059	2,034
Other current financial receivables	(0)	(2)
Cash and cash equivalents	(119,506)	(168,810)
Net current financial debt	(101,478)	(155,095)
Borrowings	71,030	38,751
Lease liabilities	16,591	17,969
Net Financial debt (A)	(13,857)	(98,375)
Net equity (B)	140,948	131,029
Total sources of funds (C=A+B)	**127,091**	**32,654**

The Net Financial Position was a positive 13.9 million euro, a reduction compared to the liquidity surplus of 98.4 million euro as at 31 December 2019, but an improvement compared to the net debt of 68.5 million as at 30 September 2019.

The value of the exact Net Financial Position as at 30 September 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 period. 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 the statement of financial position assets, determine an overall effect on the level of consolidated net financial debts as at 30 September of 199.6 million euro (212.1 million euro as at 31 December 2019 and 128.8 million euro as at 30 September 2019).

C) Esprinet Group's financial highlights Pre-IFRS 16

The Group's main earnings are shown below using the adjusted figures following the application of IFRS 16:

(€/000)	9 months 2020	9 months 2019	% Var.	Q3 2020	Q3 2019	% Var.
	Pre-IFRS16	Pre-IFRS16		Pre-IFRS16	Pre-IFRS16	
Sales from contracts with customers	**2,959,102**	**2,611,054**	**13%**	**1,124,426**	**893,569**	**26%**
Cost of goods sold excl. factoring/securitisation	2,827,593	2,488,889	14%	1,077,412	854,829	26%
Financial cost of factoring/securisation[1]	2,773	2,948	-6%	1,081	954	13%
Gross Profit[2]	**128,736**	**119,217**	**8%**	**45,933**	**37,786**	**22%**
Gross Profit %	*4.35%*	*4.57%*		*4.09%*	*4.23%*	
Personnel costs	48,483	47,149	3%	15,522	14,699	6%
Other operating costs	47,535	50,181	-5%	15,699	16,017	-2%
EBITDA adjusted	**32,718**	**21,887**	**49%**	**14,712**	**7,070**	**>100%**
EBITDA adjusted %	*1.11%*	*0.84%*		*1.31%*	*0.79%*	
Depreciation e amortisation	3,247	3,492	-7%	1,063	1,177	-10%
IFRS 16 Right of Use depreciation	-	-	n/s	-	-	n/s
Goodwill impairment	-	-	n/s	-	-	n/s
EBIT adjusted	**29,471**	**18,395**	**60%**	**13,649**	**5,893**	**>100%**
EBIT adjusted %	*1.00%*	*0.70%*		*1.21%*	*0.66%*	
Non recurring costs[3]	3,366	-	100%	1,150	-	100%
EBIT	**26,105**	**18,395**	**42%**	**12,499**	**5,893**	**>100%**
EBIT %	*0.88%*	*0.70%*		*1.11%*	*0.66%*	
IFRS 16 interest expenses on leases	-	-	n/s	-	-	n/s
Other financial (income) expenses	1,712	3,286	-48%	362	1,575	-77%
Foreign exchange (gains) losses	99	2,015	-95%	(742)	1,339	<100%
Cost (income) from investments	-	-	n/s	-	-	100%
Profit before income taxes	**24,294**	**13,094**	**86%**	**12,879**	**2,979**	**>100%**
Income taxes	5,981	3,816	57%	2,793	1,233	>100%
Net income	**18,313**	**9,278**	**97%**	**10,086**	**1,746**	**>100%**

[1] Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
[2] Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
[3] Of which 2.3 million euro otherwise included in 'Other operating costs' and 1.1 million euro otherwise included in the item 'Impairment of Goodwill'.

The Group's main financial results are shown below using the adjusted figures following the application of IFRS 16:

(euro/000)	30/09/2020	31/12/2019
Fixed assets	117,957	118,544
Operating net working capital	206,646	(121,074)
Other current assets/liabilities	(16,522)	(1,370)
Other non-current assets/liabilities	(18,536)	(16,879)
Total uses	**289,545**	**(20,779)**
Short-term financial liabilities	72,413	35,862
Lease liabilities	-	-
Financial receivables from factoring companies	(1,134)	(3,526)
Other financial receivables	(9,721)	(9,719)
Cash and cash equivalents	(234,797)	(463,777)
Net current financial debt	(173,239)	(441,160)
Borrowings	85,385	61,045
Lease liabilities	-	-
Other financial receivables	(492)	(969)
Net Financial debt (A)	(88,346)	(381,084)
Net equity (B)	377,891	360,305
Totale Fonti (C=A+B)	**289,545**	**(20,779)**

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 sales performance during the period.

Sales by geographical segment

(euro/million)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Italy	1,845.3	62.4%	1,678.7	64.3%	10%	661.1	58.8%	566.4	63.4%	17%
Spain	1,055.1	35.7%	883.7	33.8%	19%	441.5	39.3%	310.1	34.7%	42%
Portugal	39.2	1.3%	22.9	0.9%	71%	16.2	1.4%	9.2	1.0%	76%
Other EU countries	12.1	0.4%	13.4	0.5%	-10%	3.3	0.3%	5.8	0.6%	-43%
Extra EU countries	7.4	0.3%	12.4	0.5%	-40%	2.3	0.2%	2.1	0.2%	10%
Sales from contracts with clients	**2,959.1**	**100.0%**	**2,611.1**	**100.0%**	**13%**	**1,124.4**	**100.0%**	**893.6**	**100.0%**	**26%**

Sales by geographical segment in the first nine months of 2020 show a better performance than the market, both for Spanish activities (+19%) and sales on the Portuguese territory (+71%), the latter rewarding the investments made to open a warehouse on-site. Sales in Italy increased by +10% in line with the market.

Sales by products and services

(euro/million)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Product sales	1,852.2	62.6%	1,693.1	64.8%	9%	663.1	59.0%	569.9	63.8%	16%
Services sales	4.6	0.2%	4.2	0.2%	*10%*	1.6	0.1%	0.8	0.1%	*100%*
Sales - Subgroup Italy	**1,856.8**	**62.7%**	**1,697.3**	**65.0%**	***9%***	**664.7**	**59.1%**	**570.7**	**63.9%**	***16%***
Product sales	1,101.5	37.2%	913.0	35.0%	*21%*	459.3	40.8%	322.8	36.1%	*42%*
Services sales	0.8	0.0%	0.8	0.0%	*0%*	0.4	0.0%	0.1	0.0%	*300%*
Sales - Subgroup Spain	**1,102.3**	**37.3%**	**913.8**	**35.0%**	***21%***	**459.7**	**40.9%**	**322.9**	**36.1%**	***42%***
Sales from contracts with customers	**2,959.1**	**100.0%**	**2,611.1**	**100.0%**	***13%***	**1,124.4**	**100.0%**	**893.6**	**100.0%**	***26%***

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 sales 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)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Revenues from contracts with customers as 'principal'	2,955.7	*99.9%*	2,608.0	*99.9%*	*13%*	1,123.4	*99.9%*	892.7	*99.9%*	*26%*
Revenues from contracts with customers as 'agent'	3.4	*0.1%*	3.1	*0.1%*	*10%*	1.0	*0.1%*	0.9	*0.1%*	*11%*
Group revenues from contracts with customers	**2,959.1**	**100.0%**	**2,611.1**	**100.0%**	***13%***	**1,124.4**	**100.0%**	**893.6**	**100.0%**	***26%***

Sales by product family and customer type

(euro/million)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Retailers & E-Tailers	1,459.8	49.3%	1,234.5	47.3%	*18%*	625.2	55.6%	455.9	51.0%	*37%*
IT Resellers	1,561.6	52.8%	1,437.8	55.1%	*9%*	531.4	47.3%	464.3	52.0%	*14%*
IFRS15 and other adjustments	(62.3)	-2.1%	(61.3)	-2.3%	*2%*	(32.2)	-2.9%	(26.6)	-3.0%	*21%*
Sales from contracts with customers	**2,959.1**	**100.0%**	**2,611.1**	**100.0%**	***13%***	**1,124.4**	**100.0%**	**893.6**	**100.0%**	***26%***

(euro/million)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
PC (notebook, tablet, desktop, monitor)	1,162.2	39.3%	960.9	36.8%	*21%*	457.7	40.7%	327.1	36.6%	*40%*
Printing devices and supplies	291.6	9.9%	300.1	11.5%	*-3%*	98.1	8.7%	89.3	10.0%	*10%*
Other IT products	188.7	6.4%	168.2	6.4%	*12%*	73.3	6.5%	50.0	5.6%	*47%*
Total IT Clients	**1,642.5**	**55.5%**	**1,429.2**	**54.7%**	***15%***	**629.1**	**55.9%**	**466.4**	**52.2%**	***35%***
Smartphones	836.7	28.3%	649.4	24.9%	*29%*	349.4	31.1%	254.3	28.5%	*37%*
White goods	43.6	1.5%	35.7	1.4%	*22%*	17.2	1.5%	12.4	1.4%	*39%*
Gaming hardware and software	15.4	0.5%	21.6	0.8%	*-29%*	6.9	0.6%	11.2	1.3%	*-38%*
Other consumer electronics products	106.8	3.6%	133.2	5.1%	*-20%*	37.4	3.3%	47.8	5.3%	*-22%*
Total Consumer Electronics	**1,002.5**	**33.9%**	**839.9**	**32.2%**	***19%***	**410.9**	**36.5%**	**325.7**	**36.4%**	***26%***
Hardware (networking, storage, server & others)	259.7	8.8%	299.0	11.5%	*-13%*	85.4	7.6%	94.6	10.6%	*-10%*
Software, Services, Cloud	116.7	3.9%	104.3	4.0%	*12%*	31.2	2.8%	33.5	3.7%	*-7%*
Total Advanced Solutions	**376.4**	**12.7%**	**403.3**	**15.4%**	***-7%***	**116.6**	**10.4%**	**128.1**	**14.3%**	***-9%***
IFRS15 and other adjustments	(62.3)	-2.1%	(61.3)	-2.3%	*2%*	(32.2)	-2.9%	(26.6)	-3.0%	*21%*
Sales from contracts with customers	**2,959.1**	**100.0%**	**2,611.1**	**100.0%**	***13%***	**1,124.4**	**100.0%**	**893.6**	**100.0%**	***26%***

Group sales by customer type show growth in the first nine months of 2020, both in the *Consumer Segment* (+18%) and in the *Business Segment* (+9%), outperforming the market in both segments (+13% Consumer market, + 8% Business market). In this context, the Esprinet Group helped to guarantee the business continuity of the end users of IT Resellers, also dealing with the post-lockdown spikes in demand in the Retailer and E-tailer channel.

The analysis of Sales by product line shows, in the first nine months of 2020, a significant increase in the *Consumer Electronics* (+19%) segment, in which positive performances were recorded for Smartphones (+29%) and for Domestic Appliances (+22%), a high margin category. For both product categories, significant growth was recorded in the third quarter (+37% e +39% respectively) and better than the market (+11% and +19% respectively). The Consumer Electronics segment market recorded growth totalling +8% in the first nine months of 2020.

The IT Clients segment, driven by the significant growth in demand for PCs due to the large-scale and inevitable use of smart working and e-learning (+40% in the third quarter and +21% from the start of the year), saw an increase of +15% in the first nine months of 2020 (market up by +13%) and +35% in the third quarter alone. The segment of Printers and Consumables, thanks to the performance in the third quarter (+10% compared to the same period in the previous year), declined by -3% compared to the first nine months of 2020.

The Advanced Solutions segment, despite seeing the Software, Services, Cloud category record growth of +12% from the start of the year, registered a decrease of -7%, given unable to offset the lower demand for Hardware components (-13%). In the first nine months of 2020, the market, on the other hand, recorded growth of +6% in the Advanced Solutions segment.

35) Gross profit

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	2,959,102	100.00%	2,611,054	100.00%	13%	1,124,426	100.0%	893,569	100.00%	26%
Cost of sales	2,830,979	95.67%	2,492,357	95.45%	14%	1,078,712	95.9%	855,951	95.79%	26%
Gross profit	**128,123**	**4.33%**	**118,697**	**4.55%**	**8%**	**45,714**	**4.07%**	**37,618**	**4.21%**	**22%**

The gross profit came to 128.1 million euro, marking an increase of +8% compared to the first nine months of 2019 (118.7 million euro) due to higher revenues, which offset the reduction in the percentage margin (4.33% compared to 4.55%) due to the higher incidence of less profitable sales of PCs and Smartphones, and despite the dilutive effect related to the significant decrease in Celly's revenues and margin caused by the partial suspension of activities. In the third quarter alone, gross profit, amounting to 45.7 million euro, recorded an increase of +22% compared to the same period of the previous year, with a percentage margin down slightly from 4.21% to 4.07%.

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

Finally, gross profit is affected by the difference between the amount of trade receivables sold without-recourse to factoring companies within the usual revolving programmes and the amounts collected. This is calculated as approx. 2.8 million euro for the nine-month period under review (2.9 million euro in the same period of the previous year).

37-38-39) Operating costs

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	**2,959,102**		**2,611,054**		**13%**	**1,124,426**		**893,569**		**26%**
Sales and marketing costs	36,360	1.23%	38,222	1.46%	-5%	11,472	1.02%	12,219	1.37%	-6%
Overheads and administrative costs	63,052	2.13%	59,048	2.26%	7%	20,987	1.87%	18,741	2.10%	12%
Impairment loss/reversal of financial assets	1,129	0.04%	781	0.03%	45%	285	0.03%	(6)	0.00%	<-100%
Operating costs	**100,541**	**3.40%**	**98,051**	**3.76%**	**3%**	**32,744**	**2.91%**	**30,954**	**3.46%**	**6%**
- of which non recurring	3,366	0.11%	-	0.00%	100%	1,150	0.10%	-	0.00%	100%
'Recurring' operating costs	**97,175**	**3.28%**	**98,051**	**3.76%**	**-1%**	**31,594**	**2.81%**	**30,954**	**3.46%**	**2%**

During the first nine months of 2020, operating costs, amounting to 100.5 million euro, increased by 2.4 million euro compared to the same period of 2019 but with an incidence on revenues down to 3.40% from 3.76% in 2019. In the third quarter alone, operating costs, standing at 32.7 million, rose by +6% compared to the same period of the previous year, but again with a lower percentage incidence on turnover (2.91% compared to 3.46% in the third quarter of 2019).

Operating costs in the first nine months of 2020 include 3.4 million in non-recurring expenses relating, for 0.9 million euro to the costs incurred in Italy as part of business combinations, for 1.1 million euro to the partial impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly, for 1.2 million to the expenses resulting from the termination of the contract of the former Group director and CFO and for 0.2 million euro to the costs incurred in Italy to deal with the COVID-19 emergency. Excluding these non-recurring costs, the operating costs recorded in the first nine months of 2020 dropped by -1% compared to the corresponding period in the previous year, while those in the third quarter alone rose by +2%, both however with a reduced incidence with respect to turnover compared to the same periods of the previous year.

Reclassification by nature of some categories of operating costs

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

Labour costs and number of employees

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	**2,959,102**		**2,611,054**		*13%*	**1,241,617**		**893,569**		***39%***
Wages and salaries	34,456	1.16%	33,756	1.29%	*2%*	11,151	0.90%	10,451	1.17%	*7%*
Social contributions	10,408	0.35%	10,105	0.39%	*3%*	3,458	0.28%	3,155	0.35%	*10%*
Pension obligations	1,823	0.06%	1,767	0.07%	*3%*	662	0.05%	606	0.07%	*9%*
Other personnel costs	693	0.02%	710	0.03%	*-2%*	199	0.02%	216	0.02%	*-8%*
Employee termination incentives	885	0.03%	598	0.02%	*48%*	482	0.04%	195	0.02%	*147%*
Share incentive plans	218	0.01%	213	0.01%	*2%*	81	0.01%	76	0.01%	*7%*
Total labour costs (1)	**48,483**	**1.64%**	**47,149**	**1.81%**	***3%***	**16,033**	**1.29%**	**14,699**	**1.64%**	***9%***

(1) Cost of temporary workers excluded.

As at 30 September 2020, labour costs amounted to 48.5 million euro, marking a more contained change (+3%) compared with the growth in the average staff employed in the first nine months of the period (+7%), due to the time distribution of hires in the period which concerned, in particular, the companies in the Iberian peninsula, but also due to the greater use of periods of absence by personnel during the lockdown period.

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

	Executives	Clerks and middle manager	Workers	Total	Average*
Esprinet S.p.A.	18	743	-	**761**	
Celly S.p.A.	-	47	-	**47**	
Celly Pacific LTD	-	3	-	**3**	
Nilox Deutschland GmbH	-	-	-	**-**	
4Side S.r.l.	4	10	-	**14**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**803**	**-**	**825**	**822**
Esprinet Iberica S.L.U.	-	327	83	**410**	
Vinzeo Technologies S.A.U.	-	167	-	**167**	
V-Valley Iberian S.L.U.	-	-	-	**-**	
Esprinet Portugal Lda	-	16	-	**16**	
Subgroup Spain	**-**	**510**	**83**	**593**	**546**
Group as at 30 September 2020	**22**	**1,313**	**83**	**1,418**	**1,368**
Group as at 31 December 2019	**22**	**1,208**	**87**	**1,317**	**1,290**
Var 30/09/2020 - 31/12/2019	-	105	(4)	101	78
Var %	0%	9%	-5%	8%	6%
Group as at 30 September 2019	**22**	**1,191**	**80**	**1,293**	**1,278**
Var 30/09/2020 - 30/09/2019	-	122	3	125	90
Var %	0%	10%	4%	10%	7%

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

The number of employees on the workforce rose both compared to the first nine months of 2019 and compared to 31 December 2019, as a result of the new hires, especially at the Spanish companies.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	**2,959,102**		**2,611,054**		***13%***	**1,124,426**		**893,569**		***26%***
Depreciation of tangible assets	3,004	0.10%	3,059	0.12%	*-2%*	984	0.09%	1,035	0.12%	*-5%*
Amortisation of intangible assets	243	0.01%	434	0.02%	*-44%*	80	0.01%	144	0.02%	*-45%*
Depreciation of right-of-use assets	7,415	0.25%	6,511	0.25%	*14%*	2,476	0.22%	2,172	0.24%	*14%*
Amort . & depreciation	**10,662**	**0.36%**	**10,004**	**0.38%**	***7%***	**3,539**	**0.31%**	**3,351**	**0.38%**	***6%***
Write-downs of fixed assets	1,100	0.04%	-	0.00%	*100%*	-	0.00%	-	0.00%	*100%*
Amort. & depr., write-downs (A)	**11,762**	**0.40%**	**10,004**	**0.38%**	***18%***	**3,539**	**0.31%**	**3,351**	**0.38%**	***6%***
Accruals for risks and charges (B)	91	0.00%	165	0.01%	*-45%*	37	0.00%	7	0.00%	*>100%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**11,853**	**0.40%**	**10,169**	**0.39%**	***17%***	**3,576**	**0.32%**	**3,358**	**0.38%**	***6%***

42) Financial income and expenses

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	**2,959,102**		**2,611,054**		*13%*	**1,124,426**		**893,569**		*26%*
Interest expenses on borrowings	865	0.03%	1,830	0.07%	*-53%*	378	0.03%	596	0.07%	*-37%*
Interest expenses to banks	700	0.02%	296	0.01%	*>100%*	19	0.00%	61	0.01%	*-69%*
Other interest expenses	2	0.00%	9	0.00%	*-78%*	-	0.00%	6	0.00%	*NA*
Upfront fees amortisation	349	0.01%	1,282	0.05%	*-73%*	121	0.01%	974	0.11%	*-88%*
IAS 19 expenses/losses	26	0.00%	50	0.00%	*-48%*	9	0.00%	16	0.00%	*-44%*
IFRS financial lease interest expenses	2,509	0.08%	2,048	0.08%	*22%*	827	0.07%	690	0.08%	*20%*
Derivatives ineffectiveness	5	0.00%	29	0.00%	*-83%*	5	0.00%	16	0.00%	*-69%*
Total financial expenses (A)	**4,457**	**0.15%**	**5,544**	**0.21%**	***-20%***	**1,360**	**0.12%**	**2,359**	**0.26%**	***-42%***
Interest income from banks	(15)	0.00%	(86)	0.00%	*-83%*	(1)	0.00%	(16)	0.00%	*-94%*
Interest income from others	(219)	-0.01%	(117)	0.00%	*87%*	(170)	-0.02%	(75)	-0.01%	*>100%*
Derivatives ineffectiveness	(2)	0.00%	(8)	0.00%	*-75%*	-	0.00%	(4)	0.00%	*NA*
Total financial income(B)	**(236)**	**-0.01%**	**(211)**	**-0.01%**	***12%***	**(171)**	**-0.02%**	**(95)**	**-0.01%**	***80%***
Net financial exp. (C=A+B)	**4,221**	**0.14%**	**5,333**	**0.20%**	***-21%***	**1,189**	**0.11%**	**2,264**	**0.25%**	***-47%***
Foreign exchange gains	(1,883)	-0.06%	(283)	-0.01%	*>100%*	(1,016)	-0.09%	30	0.00%	*<-100%*
Foreign exchange losses	1,982	0.07%	2,299	0.09%	*-14%*	274	0.02%	1,310	0.15%	*-79%*
Net foreign exch. (profit)/losses (D)	**99**	**0.00%**	**2,016**	**0.08%**	***-95%***	**(742)**	**-0.07%**	**1,340**	**0.15%**	***<-100%***
Net financial (income)/costs (E=C+D)	**4,320**	**0.15%**	**7,349**	**0.28%**	***-41%***	**447**	**0.04%**	**3,604**	**0.40%**	***-88%***

The overall balance of financial income and expenses, a negative 4.3 million euro, improved by 3.0 million euro compared to the corresponding period of the previous year (7.3 million euro), due mainly to the lower net exchange losses plus lower expenses that arose due to the repayment in September 2019 of the pre-existing 'senior' loan taken out by the parent company.
Net interest expense was essentially in line with the previous year, given almost offset by the higher interest on finance leases pursuant to IFRS 16, with lower bank interest favoured by less average use of bank credit facilities and the lower cost of gross debt (change of 0.5 million euro for both circumstances).

In the third quarter of 2020 alone, the balance of financial income and expenses, a negative 0.5 million euro, showed an improvement of 3.1 million euro compared to the corresponding period of the previous year, due to the improvement in currency management and because the third quarter of 2019 was impacted by the expenses incurred at the time of the repayment, in September 2019, of the pre-existing 'senior' loan taken out by the parent company.

45) Income tax expenses

(euro/000)	9 months 2020	%	9 months 2019	%	% Var.	Q3 2020	%	Q3 2019	%	% Var.
Sales from contracts with customers	**2,959,102**		**2,611,054**		*13%*	**1,124,426**		**893,569**		*26%*
Current and deferred taxes	**5,779**	**0.20%**	**3,939**	**0.15%**	***47%***	**2,723**	**0.24%**	**1,278**	**0.14%**	***113%***
Profit before taxes	23,262		13,297			12,523		3,059		
Tax rate	**25%**		**30%**			**22%**		**42%**		

Income tax expenses, equal to 5.8 million euro, increased by 47% compared with the same period of 2019. The higher tax charge results from the greater tax base, despite the decrease in the tax rate deriving primarily from the non-benefit of taxes, in 2019, on the losses of the foreign subsidiaries in liquidation.

46) Net income and earnings per share

(euro/000)	9 months 2020	9 months 2019	Var.	% Var.	Q3 2020	Q3 2019	Var.	% Var.
Net income attributable to Group	**17,461**	**9,218**	**8,243**	***89%***	**9,648**	**1,901**	**7,747**	***408%***
Weighed average no. of shares in circulation: basic	49,784,123	50,758,882			52,581,258	49,784,123		
Weighed average no. of shares in circulation: diluted	50,738,819	51,270,267			53,705,767	50,473,568		
Earnings per share in euro - basic	**0.35**	**0.18**	**0.17**	***94%***	**0.18**	**0.04**	**0.14**	***350%***
Earnings per share in euro - diluted	**0.34**	**0.18**	**0.16**	***89%***	**0.18**	**0.04**	**0.14**	***350%***

The 1,150,000 own shares held in the portfolio were excluded from the calculation of the 'basic' earnings per share.

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 1,086,318 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)	30/09/2020	related parties *	31/12/2019	related parties *
ASSETS				
Non-current assets				
Property, plant and equipment	11,864		11,824	
Right-of-use assets	100,243		107,310	
Goodwill	89,616		90,716	
Intangible assets	622		480	
Deferred income tax assets	14,004		13,469	
Receivables and other non-current assets	2,699	-	3,177	-
	219,048	**-**	**226,976**	**-**
Current assets				
Inventory	503,503		497,220	
Trade receivables	427,513	4	470,999	1
Income tax assets	1,200		1,514	
Other assets	35,813	-	40,956	-
Cash and cash equivalents	234,797		463,777	
	1,202,826	**4**	**1,474,466**	**1**
Total assets	**1,421,874**	**4**	**1,701,442**	**1**
EQUITY				
Share capital	7,861		7,861	
Reserves	347,932		325,554	
Group net income	17,460		23,099	
Group net equity	**373,253**		**356,514**	
Non-controlling interests	2,526		2,508	
Total equity	**375,779**		**359,022**	
LIABILITIES				
Non-current liabilities				
Borrowings	85,385		61,045	
Lease liabilities	94,258		100,212	
Deferred income tax liabilities	11,987		9,712	
Retirement benefit obligations	4,703		4,669	
Provisions and other liabilities	1,846		2,498	
	198,179		**178,136**	
Current liabilities				
Trade payables	724,369	-	1,089,246	-
Short-term financial liabilities	72,413		35,862	
Lease liabilities	8,618		8,597	
Income tax liabilities	2,652		27	
Provisions and other liabilities	39,864	-	30,552	-
	847,916	**-**	**1,164,284**	**-**
Total liabilities	**1,046,095**	**-**	**1,342,420**	**-**
Total equity and liabilities	**1,421,874**	**-**	**1,701,442**	**-**

(*) Further details on transactions with Related Parties can be found in the section by the same title.

4.2 Notes to the most significant statement of financial position items

4.2.1 Gross investments

(euro/000)	30/09/2020 Esprinet Group	Subgroup Italy	Subgroup Iberian	31/12/2019 Esprinet Group
Plant and machinery	229	176	53	443
Ind. And comm. Equipment & Other assets	1,907	1,584	323	2,533
Assets under construction and advances	978	978	-	115
Total Property, plant and equipment	**3,114**	**2,738**	**376**	**3,091**
Industrial patents and intellectual rights	383	383	-	204
Licences, concessions, brand names and similar rights	-	-	-	-
Others	-	-	-	-
Assets under construction and advances	2	2	-	129
Total intangible asstes	**385**	**385**	**-**	**333**
Total gross investments	**3,499**	**3,123**	**376**	**3,424**

As at 30 September 2020, investments in '*Plant and machinery*' mainly refer to purchases of new security, surveillance and energy efficiency equipment by the parent company in the logistics hub of Cavenago.

Investments in '*Industrial and commercial equipment and other assets*' refer to the purchase of electronic office machinery and office furniture by the parent company Esprinet S.p.A., and to 0.3 million euro for the purchase of new equipment and office machinery by the Spanish subsidiaries.
Investments in '*Assets under construction*' refer mainly to the acquisition, by the parent company Esprinet S.p.A., of equipment for the logistic hub in Cavenago, not yet operating as at 30 September 2020.

There are no other temporarily unused property, plant and equipment intended for sale.

The investments in '*Industrial patent and intellectual property rights*' refer essentially to the software licences for long-term renewal and the upgrading of the management information system.
The depreciation rates applied to each asset category are unchanged relative to the fiscal year closed as at 31 December 2019.

4.2.2 Net financial debt and covenants

(euro/000)	30/09/2020	31/12/2019	Var.	30/09/2019	Var.
Short-term financial liabilities	72,413	35,862	36,551	127,782	(55,369)
Lease liabilities	8,618	8,597	21	6,886	1,732
Current financial (assets)/liabilities for derivatives	-	-	-	587	(587)
Financial receivables from factoring companies	(1,134)	(3,526)	2,392	(1,508)	374
Other current financial receivables	(9,721)	(9,719)	(2)	(9,293)	(428)
Cash and cash equivalents	(234,797)	(463,777)	228,980	(65,201)	(169,596)
Net current financial debt	**(164,621)**	**(432,563)**	**267,942**	**59,253**	**(223,874)**
Borrowings	85,385	61,045	24,340	41,394	43,991
Lease liabilities	94,258	100,212	(5,954)	83,889	10,369
Other non - current financial receivables	(492)	(969)	477	(970)	478
Net financial debt	**14,530**	**(272,275)**	**286,805**	**183,566**	**(169,036)**

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 14.5 million euro, corresponds to a net balance between gross financial payables for 157.8 million euro, financial receivables of 11.4 million euro, financial lease liabilities for 102.9 million euro and cash and cash equivalents of 234.8 million euro.
Cash and cash equivalents mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Group's distinctive financial cycle.
A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the without-recourse assignment of trade receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The revolving programme for without-recourse sale of account receivables, focusing on selected customer segments, particularly in the large-scale distribution sector, continued during the first nine months of 2020 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. 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 the statement of financial position assets in compliance with IFRS 9. The overall effect on the level of net financial debts as at 30 September 2020 is quantified at roughly 369.6 million euro (480.1 million euro as at 31 December 2019 and 311.3 million euro as at 30 September 2019).

4.2.3 Goodwill

Goodwill amounted to 89.6 million euro and, compared to 90.7 million euro recognised as at 31 December 2019, fell by 1.1 million euro due to the accounting of the write-down resulting from the impairment test performed as at 30 June 2020 on the Cash Generating Unit no. 2 (CGU 2) relating to the distribution of mobile telephone products.

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. The same table also shows the relationships between the operating segments and the legally autonomous entities which form the Group:

(euro/000)	30/09/2020	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.	3,053	4,153	(1,100)	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	**89,616**	**90,716**	**(1,100)**		

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

The annual impairment test, carried out at the time of preparation of the financial statements as at 31 December 2019, did not bring to light any impairment loss 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'), which may be both external or internal as regards the company.
IAS 34 clarifies that, at the time of drafting of interim financial statements, where the presence of said triggering events is identified, the impairment test must be carried out with the same methods as the annual impairment test.

The COVID-19 pandemic, which exploded in Europe between February and May 2020, continuing in the summer with much more contained effects, grew worse in October, with the renewed adoption by the various Governments of social distancing measures and limits on the movement of people and the performance of economic activities, is an event which has required additional evaluations in the analysis of the aforementioned trigger events.

For the purposes of drafting of this interim management statement, the Esprinet Group has evaluated the existence and, if necessary, examined the practical implications, for each CGU, of the following impairment indicators:
- any deterioration in the macroeconomic and macro-financial conditions;
- any deterioration in the economic environment and market of operations;
- operating discontinuity;
- discontinuity in cost factors;
- unfavourable trend in market rates or other capital remuneration rates as such to affect the discount rate used in calculating the value in use;
- any verification of negative operating events;
- reduction in the value of the stock market capitalisation with respect to reported shareholders' equity.

We reached the conclusion that, as regards CGU 1 and CGU 3, none of the indicators analysed suggested the existence of impairment. The main reasons are the growth of the markets of operation of the CGUs, given the increased and accelerated need for technology tools and IT solutions with the spread of smart working and e-learning, the unchanged profitability of the CGUs consistent with the growth in the markets, thanks to the uninterrupted and consistently effective operations, favoured by the implementation of the necessary 'business continuity' controls and rigorous respect for the health protocols aimed at protecting the health and safety of employees and associates, and the absence of critical impacts on the discounting rate used to calculate the value in use (WACC) in relation to the variation in the reference rates.

For the aforementioned CGUs, therefore, there was no need to carry out an impairment test on goodwill.

By contrast, in relation to CGU 2, the impossibility and, subsequently the reduced possibility to carry out its commercial activities as a result of the lockdown in Italy (with said CGU not falling under any of the chains for which continued operations were permitted), and in the various European countries with the subsequent limitation on the possibility of moving abroad and, therefore, maintaining commercial relations on site, involved the achievement of lower profits than the forecasts, but also with respect to the normal operations of previous years.

In light of these considerations, also taking into account the recommendations from the ESMA and subsequent warning notices issued by Consob (no. 8/20 of 16/07/2020) with reference to the potential impacts of the COVID-19 pandemic, the impairment test of goodwill on CGU 2 was carried out.

In particular, as a basis for the impairment test, the management updated the 2020 annual budget based on the consolidated results and the forecast for the conclusion of the current year, updated the projections for the 2021-2024 period, revising them both in terms of levels of attainment, adjusted downwards where necessary, and in terms of the timing of attainment, in order to acknowledge the presumed economic and equity effects of the COVID-19 health emergency in the scenario deemed most likely (base scenario).
This Provisional Plan was approved by Esprinet S.p.A.' s Board of Directors at the meeting on 7 September 2020 and was used to quantify the value in use through the financial method consisting of the 'DCF-Discounted Cash Flow' model whose basic assumptions, unchanged in terms of methodology with respect to 31 December 2019, were as follows:

	Italy IT&CE "B2B" CGU 2 Celly	Italy IT&CE "B2B" CGU 2 Celly
Evaluation date:	**30/06/2020**	**31/12/2019**
Future cash flow expected:		
Forecast horizon	5 years	5 years
"g" (long-term growth rate)	1.50%	1.50%
Discount rates:		
Market Risk Premium	6.0%	5.5%
Unlevered Beta	0.67	0.75
Levered Beta	0.85	0.95
Additional Specific Risk Premium	5.0%	5.0%
Target financial structure (D/D+E)	0.27	0.26
Target financial structure (E/D+E)	0.73	0.74
Tax rate	24.0%	24.0%
WACC post-tax	9.60%	9.60%

The recoverable value of CGU 2 was determined as the higher of the value in use and the 'fair value', the latter determined with the income approach. The recoverable value determined in this way was compared with the carrying amount. This comparison led to the identification of impairment for the CGU in question amounting to 1.1 million euro.

In addition to the average normal flows used to determine the value in use, purely for information purposes as required by IAS 36 and based on the guidelines in the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, some sensitivity analyses were also conducted on the following key variables:
- the long term growth rate 'g' in order to obtain the cash flows beyond the plan horizon;

- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:
- - 'g' decreased by -50% and equal to zero;
- - WACC higher than +2% and +1%;
- - EBITDA lower than -10% and -20%.

Based on the sensitivity analyses carried out, the value in use in some of the scenarios was lower than the carrying amount of goodwill to the point that it led to the total elimination of the goodwill attributable to CGU 2.
The events and the developments up until 30 September 2020 did not involve any new and additional 'trigger events' for which the evaluations and the write-down effected at the time of the interim financial statements as at 30 June 2020 were confirmed.
The return, in October 2020, of the COVID-19 pandemic's epicentre in Europe represents a subsequent event which, depending on the effectiveness of the containment measures adopted by the various European Governments, the viral load of the virus, the duration and territorial coverage of the limits on movements, could further impact the results of CGU 2, but at the current state of play, this information is so limited and uncertain that it does not allow different quantifications from the evaluations forming the basis of the Provisional Plan approved on 7 September, which already considered the likely re-imposition of restrictions in the winter period straddling 2020 and 2021.

For more detailed information relating to the disclosure of the impairment testing of goodwill, please refer to the explanatory notes reported in the item *'Goodwill'* in the *Notes to the Consolidated Financial Statements* as at 31 December 2019.

5. Consolidated statement of changes in 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)	**-**	**(285)**	**-**	**9,358**	**9,073**	**125**	**8,948**
Allocation of last year net income/(loss)	-	7,239	-	(7,239)	**-**	-	**-**
Increase in reserve from 4Side acquisition	-	1,180	-	-	**1,180**	1,180	**-**
Dividend payment	-	-	-	(6,919)	**(6,919)**	-	**(6,919)**
20% Celly Call Option deletion	-	1,082	-	-	**1,082**	-	**1,082**
Celly Group step up acquisition	-	(463)			**(463)**	(310)	**(153)**
Purchases of own shares	-	-	(2,500)	-	**(2,500)**	-	**(2,500)**
Transactions with owners	**-**	**9,038**	**(2,500)**	**(14,158)**	**(7,620)**	**870**	**(8,490)**
Currently active Share plans	-	935	-	-	**935**	-	**935**
Other variations	-	(12)	-	-	**(12)**	5	**(17)**
Balance at 30 September 2019	**7,861**	**335,356**	**(7,300)**	**9,358**	**345,275**	**2,175**	**343,100**
Balance at 31 December 2019	**7,861**	**336,255**	**(8,647)**	**23,553**	**359,022**	**2,508**	**356,514**
Total comprehensive income/(loss)	**-**	**(51)**	**-**	**17,482**	**17,431**	**19**	**17,412**
Allocation of last year net income/(loss)	-	23,553	-	(23,553)	**-**	-	**-**
Acquisition and deletion of Esprinet own shares	-	(1,656)	-	-	**(1,656)**	-	**(1,656)**
Transactions with owners	**-**	**21,897**	**-**	**(23,553)**	**(1,656)**	**-**	**(1,656)**
Equity plans in progress	-	990	-	-	**990**	-	**990**
Other variations	-	(8)	-	-	**(8)**	(1)	**(7)**
Balance at 30 September 2020	**7,861**	**359,083**	**(8,647)**	**17,482**	**375,779**	**2,526**	**373,253**

6. Consolidated statement of cash flows[2]

(euro/000)	9 months 2020	9 months 2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**(280,519)**	**(316,576)**
Cash flow generated from operations (A)	**39,629**	**31,398**
Operating income (EBIT)	27,582	20,646
Depreciation, amortisation and other fixed assets write-downs	11,762	10,004
Net changes in provisions for risks and charges	(652)	337
Net changes in retirement benefit obligations	(53)	(524)
Stock option/grant costs	990	935
Cash flow provided by (used in) changes in working capital (B)	**(315,293)**	**(342,057)**
Inventory	(6,283)	(8,738)
Trade receivables	43,486	17,831
Other current assets	3,067	3,922
Trade payables	(365,007)	(348,319)
Other current liabilities	9,444	(6,753)
Other cash flow provided by (used in) operating activities (C)	**(4,855)**	**(5,917)**
Interests paid	(3,560)	(4,023)
Received interests	234	202
Foreign exchange (losses)/gains	31	(1,887)
Income taxes paid	(1,560)	(209)
Cash flow provided by (used in) investing activities (E)	**(3,776)**	**(463)**
Net investments in property, plant and equipment	(3,392)	(1,463)
Net investments in intangible assets	(385)	(142)
Net investments in other non current assets	1	(306)
4Side business combination	-	1,448
Cash flow provided by (used in) financing activities (F)	**55,315**	**932**
Medium/long term borrowing	44,000	47,000
Repayment/renegotiation of medium/long-term borrowings	(11,189)	(111,062)
Leasing liabilities rembourssement	(6,201)	(6,777)
Net change in financial liabilities	27,477	80,652
Net change in financial assets and derivative instruments	2,869	721
Dividend payments	-	(6,919)
Own shares acquisition	(1,656)	(2,500)
Changes in third parties net equity	15	(183)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(228,980)**	**(316,107)**
Cash and cash equivalents at year-beginning	**463,777**	**381,308**
Net increase/(decrease) in cash and cash equivalents	**(228,980)**	**(316,107)**
Cash and cash equivalents at year-end	**234,797**	**65,201**

[2] The effects of transactions 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)	9 months 2020	9 months 2019
Net financial debt at year-beginning	**(272,275)**	**(241,044)**
Cash flow provided by (used in) operating activities	(280,519)	(316,576)
Cash flow provided by (used in) investing activities	(3,776)	(463)
Cash flow provided by (used in) changes in net equity	(1,641)	(9,602)
Total cash flow	**(285,936)**	**(326,641)**
Unpaid interests	(601)	(1,463)
Unpaid leasing interests	(268)	-
Lease liabilities posting	-	(97,552)
20% Celly Call Option deletion	-	1,082
Increase/(decrease) in 'cash flow edge' equity reserve	-	(36)
Net financial debt at year-end	**14,530**	**183,566**
Short-term financial liabilities	72,413	127,782
Lease liabilities	8,618	6,886
Customers financial receivables	(9,721)	(9,293)
Current financial (assets)/liabilities for derivatives	-	587
Financial receivables from factoring companies	(1,134)	(1,508)
Cash and cash equivalents	(234,797)	(65,201)
Net current financial debt	**(164,621)**	**59,253**
Borrowings	85,385	41,394
Lease liabilities	94,258	83,889
Customers financial receivables	(492)	(970)
Net financial debt at year-beginning	**14,530**	**183,566**

7. Relationships with related parties

Group transactions with related parties, as defined by IAS 24, were carried out 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, transactions 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 of the compensation paid 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 total value of the aforementioned transactions is not material compared with the total volume of the Group's activities.

8. Segment Information

8.1 Introduction

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

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

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

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

8.2 Segment results

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

Separate income statement and other significant information by operating segments

(euro/000)	9 months 2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	1,856,763	1,102,339	-	2,959,102
Intersegment sales	23,635	-	(23,635)	-
Sales from contracts with customers	**1,880,398**	**1,102,339**	**(23,635)**	**2,959,102**
Cost of sales	(1,790,369)	(1,064,276)	23,666	(2,830,979)
Gross profit	**90,029**	**38,063**	**31**	**128,123**
Gross Profit %	*4.79%*	*3.45%*		*4.33%*
Sales and marketing costs	(27,725)	(8,635)	-	(36,360)
Overheads and admin. costs	(48,146)	(14,920)	14	(63,052)
Impairment loss/reversal of financial assets	(726)	(404)	1	(1,129)
Operating income (Ebit)	**13,432**	**14,104**	**46**	**27,582**
EBIT %	*0.71%*	*1.28%*		*0.93%*
Finance costs - net				(4,320)
Profit before income tax				**23,262**
Income tax expenses				(5,779)
Net income				**17,483**
- of which attributable to non-controlling interests				22
- of which attributable to Group				17,461
Depreciation and amortisation	**9,185**	**2,325**	251	**11,762**
Other non-cash items	**2,824**	**68**	-	**2,892**
Investments	**3,123**	**376**	-	**3,499**
Total assets	**975,111**	**526,946**	(80,183)	**1,421,874**

(euro/000)	9 months 2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
Sales to third parties	1,697,344	913,710	-	2,611,054
Intersegment sales	32,098	-	(32,098)	-
Sales from contracts with customers	**1,729,442**	**913,710**	**(32,098)**	**2,611,054**
Cost of sales	(1,642,397)	(882,269)	32,309	(2,492,357)
Gross profit	**87,045**	**31,441**	**211**	**118,697**
Gross profit %	*5.03%*	*3.44%*		*4.55%*
Sales and marketing costs	(29,722)	(8,500)	-	(38,222)
Overheads and admin. costs	(43,935)	(15,144)	31	(59,048)
Impairment loss/reversal of financial assets	(684)	(97)	-	(781)
Operating income (Ebit)	**12,704**	**7,700**	**242**	**20,646**
EBIT %	*0.73%*	*0.84%*		*0.79%*
Finance costs - net				(7,349)
Profit before income tax				**13,297**
Income tax expenses				(3,939)
Net income				**9,358**
- of which attributable to non-controlling interests				140
- of which attributable to Group				9,218
Depreciation and amortisation	**7,381**	**2,198**	425	**10,004**
Other non-cash items	**2,856**	**69**	-	**2,925**
Investments	**1,455**	**400**	-	**1,855**
Total assets	**876,745**	**425,007**	(127,056)	**1,174,696**

(euro/000)	Q3 2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	664,660	459,765		1,124,426
Intersegment sales	8,849	-	(8,849)	-
Sales from contracts with customers	**673,509**	**459,765**	**(8,849)**	**1,124,426**
Cost of sales	(642,918)	(444,579)	8,785	(1,078,712)
Gross profit	**30,591**	**15,186**	**(64)**	**45,714**
Gross Profit %	*4.54%*	*3.30%*		*4.07%*
Sales and marketing costs	(8,723)	(2,749)	-	(11,472)
Overheads and admin. costs	(16,016)	(4,975)	4	(20,987)
Impairment loss/reversal of financial assets	(207)	(78)	-	(285)
Operating income (Ebit)	**5,645**	**7,384**	**(60)**	**12,970**
EBIT %	*0.84%*	*1.61%*		*1.15%*
Finance costs - net				(447)
Profit before income tax				**12,523**
Income tax expenses				(2,723)
Net income				**9,800**
- of which attributable to non-controlling interests				152
- of which attributable to Group				9,648
Depreciation and amortisation	**2,693**	**764**	82	**3,540**
Other non-cash items	**914**	**23**	-	**937**
Investments	**1,588**	**61**	-	**1,649**
Total assets	**975,111**	**526,946**	(80,183)	**1,421,874**

(euro/000)	Q3 2019			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. It & CE B2B	Elim. and other	Group
Sales to third parties	570,719	322,850		893,569
Intersegment sales	9,332	-	(9,332)	-
Sales from contracts with customers	**580,051**	**322,850**	**(9,332)**	**893,569**
Cost of sales	(552,344)	(313,190)	9,583	(855,951)
Gross profit	**27,707**	**9,660**	**251**	**37,618**
Gross profit %	*4.78%*	*2.99%*		*4.21%*
Sales and marketing costs	(9,550)	(2,670)	1	(12,219)
Overheads and admin. costs	(13,876)	(4,874)	10	(18,740)
Impairment loss/reversal of financial assets	51	(45)	-	6
Operating income (Ebit)	**4,332**	**2,071**	**262**	**6,665**
EBIT %	*0.75%*	*0.64%*		*0.75%*
Finance costs - net				(3,604)
Profit before income tax				**3,061**
Income tax expenses				(1,278)
Net income				**1,783**
- of which attributable to non-controlling interests				(120)
- of which attributable to Group				1,903
Depreciation and amortisation	**2,474**	**730**	**147**	**3,351**
Other non-cash items	**926**	**(3)**	**-**	**923**
Investments	**317**	**80**	**-**	**397**
Total assets	**876,745**	**425,007**	**(127,056)**	**1,174,696**

Statement of financial position by operating segment

(euro/000)	30/09/2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	9,401	2,463	-	11,864
Right-of-use assets	82,079	18,164	-	100,243
Goodwill	20,471	68,106	1,039	89,616
Intangible assets	521	101	-	622
Investments in others	75,916	-	(75,916)	-
Deferred income tax assets	7,831	6,061	112	14,004
Receivables and other non-current assets	2,368	331	-	2,699
	198,587	**95,226**	**(74,765)**	**219,048**
Current assets				
Inventory	337,453	166,412	(362)	503,503
Trade receivables	288,251	139,262	-	427,513
Income tax assets	871	329	-	1,200
Other assets	34,658	6,211	(5,056)	35,813
Cash and cash equivalents	115,291	119,506	-	234,797
	776,524	**431,720**	**(5,418)**	**1,202,826**
Total assets	**975,111**	**526,946**	**(80,183)**	**1,421,874**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	291,958	76,406	(20,432)	347,932
Group net income	7,575	9,786	99	17,460
Group net equity	**307,394**	**140,885**	**(75,026)**	**373,253**
Non-controlling interests	2,563	63	(100)	2,526
Total equity	**309,957**	**140,948**	**(75,126)**	**375,779**
LIABILITIES				
Non-current liabilities				
Borrowings	14,355	71,030	-	85,385
Lease liabilities	77,667	16,591	-	94,258
Deferred income tax liabilities	4,254	7,733	-	11,987
Retirement benefit obligations	4,703	-	-	4,703
Provisions and other liabilities	1,828	18	-	1,846
	102,807	**95,372**	**-**	**198,179**
Current liabilities				
Trade payables	471,616	252,753	-	724,369
Short-term financial liabilities	56,444	15,969	-	72,413
Lease liabilities	6,559	2,059	-	8,618
Income tax liabilities	158	2,494	-	2,652
Provisions and other liabilities	27,570	17,351	(5,057)	39,864
	562,347	**290,626**	**(5,057)**	**847,916**
Total liabilities	**665,154**	**385,998**	**(5,057)**	**1,046,095**
Total equity and liabilities	**975,111**	**526,946**	**(80,183)**	**1,421,874**

(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 operations 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 nine months of 2020, the following non-recurring items were identified:

- sundry costs, totalling 0.9 million euro, relating primarily to advisory services, incurred by the parent company Esprinet S.p.A. in relation to the business combination to be carried out in Spain (GTI Group);
- 1.1 million euro relating to the partial write-down of the goodwill allocated to the mobile phone accessories distribution CGU and attributable to the Celly Group;
- 1.2 million euro relating to the costs incurred as a result of the termination of the contract of the former Group director and CFO;
- 0.2 million euro relating to the costs incurred to deal with the COVID-19 health emergency.

In the corresponding period of 2019, no non-recurring transactions and events were identified.

The following table shows the reporting in the income statement for the period of the aforementioned events and transactions (including the related tax effects):

(euro/000)	Non - Recurring Charge Type	9 months 2020	9 months 2019	Q3 2020	Q3 2019
Overheads and administrative costs	Employee termination incentives	(1,150)	-	(1,150)	-
Overheads and administrative costs	Write-down of goodwill	(1,100)	-	-	-
Overheads and administrative costs	Business combination acquisition costs	(905)	-	-	-
Overheads and administrative costs	Covid-19 costs	(211)	-	-	-
Total SG&A	**Total SG&A**	**(3,366)**	**-**	**(1,150)**	**-**
Operating Income (EBIT)	**Operating Income (EBIT)**	**(3,366)**	**-**	**(1,150)**	**-**
Profit before income taxes	**Profit before income taxes**	**(3,366)**	**-**	**(1,150)**	**-**
Income tax expenses	Income tax expenses	632		320	-
Net income/(loss)	**Net income/(loss)**	**(2,734)**	**-**	**(830)**	**-**

11. Significant events occurring in the period

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

Annual Shareholders' Meeting of the parent company Esprinet S.p.A. and subsequent cancellation of shares

The Ordinary and Extraordinary Shareholders' Meetings of Esprinet S.p.A. were held on 25 May 2020 which, as regards the various matters:

- approved the financial statements for the year ended as at 31 December 2019, allocating 4.6 million euro of the net profit realised to increase the extraordinary reserve;
- acknowledged the consolidated financial statements for the year ended as at 31 December 2019;
- revoked the authorisation to purchase own shares resolved by the previous Shareholders' Meeting on 8 May 2019;
- resolved the cancellation, which occurred materially on 22 June 2020, of 1,470,217 own shares in the portfolio, with no reduction of share capital.

Binding agreement for the purchase of 100% of the GTI Software Networking S.A. Group through the wholly-owned subsidiary Esprinet Iberica S.L.U.

On 19 June 2020, a binding agreement was stipulated for the purchase, through the Spanish sub-holding Esprinet Iberica S.L.U., of 100% of the capital of GTI Software Networking S.A., active in the field of Advanced Solutions, leading distributor in Spain of 'cloud' software and solutions and the sixth distributor worldwide in terms of revenues, with registered office in Madrid, and also operating in Portugal and North Africa.
The execution of the agreement is subject to the necessary anti-trust authorisations in the countries concerned.
Expenses of 0.9 million euro were incurred to complete the transaction as at 30 September 2020.

Loans secured by the Spanish Government in favour of the subsidiaries Esprinet Iberica and Vinzeo

The Spanish subsidiaries Esprinet Iberica S.L.U. and Vinzeo Technologies S.A.U., as part of the measures to support companies adopted by the Spanish Government to tackle COVID-19, took out a total of eight 5-year loans and four 3-year loans before 30 September 2020, all amortising, and just one floating rate, guaranteed by the Spanish Government through l'Instituto de Crédito Official ('ICO'). The total value of the loans subscribed came to 50.7 million euro, of which 44.0 million euro disbursed by 30 September 2020.

Incorporation of the vehicle company Axopa S.r.l. and signing of the shareholders' agreement for protection and guarantee of the business continuity of the Esprinet S.p.A. Group.

On 6 July 2020, Maurizio Rota, Chairman of the Board of Directors, and Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A., transferred all of their 3,418,905 Esprinet shares to a newly formed vehicle controlled by them called Axopa S.r.l.. At the same time as the transfer, Axopa acquired an additional 1,200,000 Company shares at the price of 4.40 euro each, bringing the stake in Esprinet S.p.A. to 9.07%. Axopa then signed a shareholders' agreement with shareholder Francesco Monti, holder of a stake of 16.16% in Esprinet, aimed at ensuring management continuity and stability of the company's ownership structures. The shareholders' agreement contains a total of 12,850,975 shares, equal to 25.23% of the share capital, and requires the parties to the agreement to propose a common list for the renewal of Esprinet S.p.A's Board of Directors expiring on approval of the financial statements for the current tax year, which includes the confirmation of Mr. Maurizio Rota as a non-executive Chairman of the Board of Directors, the appointment of Mr. Marco Monti as Deputy Chairman and the confirmation of Mr. Alessandro Cattani as the Chief Executive Officer.

Resignation of the Director Valerio Casari

In July 2020, Mr. Valerio Casari, after working for the company for twenty years, resigned from his position as Managing Director and Group Chief Financial Officer of Esprinet S.p.A. due to personal reasons, as well as from any other office, function and role held in Esprinet and any other company in the Esprinet Group. Esprinet S.p.A.'s Board of Directors expressed their thanks and profound gratitude to Mr. Valerio Casari for his valuable commitment and significant contribution over the years and accepted his resignation.
As a result of the termination of employment, the company will pay Mr. Valerio Casari not only the pro-rata instalment of the fixed emoluments accrued and end-of-service fees due by law, but also indemnities, variable emoluments, and various fees of 1.4 million euro plus free stock grants on ordinary Esprinet S.p.A. shares to be calculated on a pro-rata temporis basis with respect to the overall vesting period, on the maximum number of stock grants allotted to him in relation to the 2018-2020 remuneration plan.

Developments in tax disputes

Esprinet S.p.A. has some tax disputes concerning indirect taxes claimed from the Company, with a total amount of 18.7 million euro, plus penalties and interest, with respect to transactions occurred between 2011 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.

In relation to the aforementioned disputes, note should be taken of the issuing of two appeal judgments by the Regional Tax Commission of Lombardy on 17 February 2020 and 23 September 2020, the first concerning the year 2012 and unfavourable for the company (winning party in the first instance proceedings), the second concerning the year 2013 and favourable for the company (losing party at first instance proceedings).
The tax contested amounted, respectively to 3.1 million euro and 0.1 million euro.

12. Subsequent events

Relevant events occurred after period end are briefly described below:

Purchase of 100% of the GTI Software Networking S.A. Group through the wholly-owned subsidiary Esprinet Iberica S.L.U.

On 1 October 2020, through the wholly-owned subsidiary Esprinet Iberica S.L.U., the Group purchased 100% of the share capital of GTI Software y Networking S.A.. The acquisition took place through the execution of the binding agreement stipulated on 19 June 2020, made possible following the obtainment the necessary authorisations from the antitrust authorities.
The consideration, set at 33.8 million euro, was paid in full using own funds on the same date.

The purchase of the remaining 15% of the share capital of the subsidiary Celly S.p.A..

On 28 October 2020, Esprinet S.p.A. acquired the remaining 15% of the share capital of Celly S.p.A., acquiring fully ownership of it.
The value of the transaction came to 1.25 million euro, of which 0.8 million paid in cash at the time of signing of the agreement, and the residual balance in annual instalments to be paid in three subsequent years.

The transaction is in preparation for the subsequent merger by incorporation of Celly S.p.A. in the parent company, which will make it possible to benefit from commercial and operating synergies: with the goal of accelerating the process of integration of employees, customers, suppliers and processes. Esprinet S.p.A. will shortly launch the necessary operations to go ahead with the rental of the company effective from the first quarter of 2021.

Vimercate, 12 November 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 30 September 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 30 September 2020 corresponds to the accounting documents, books and records.

Vimercate, 12 November 2020

The Manager responsible for preparing
the company accounting documents

(Pietro Aglianò)