Esprinet Group

esprinet®

Annual Report
2011

This report has been translated into the English language from the original
which was issued in Italian, solely for the convenience of international readers

Parent Company:

Esprinet S.p.A.
VAT number: IT 02999990969
Monza and Brianza Companies' Register and Tax number: 05091320159
Repository of financial and administrative information (R.E.A.) number: 1158694
Registered office and administrative HQ: Via G. Saragat 4, 20834 Nova Milanese (MB), Italy
Subscribed and paid-in share capital as at 31/12/2011: euro 7,860,651
www.esprinet.com - info@esprinet.com

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[1] Each booklet has a separate table of contents to facilitate the reader
[2] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Director's Report on Operations 2011

2011 Consolidated results overview

1. Letter from the Chairman

Dear Shareholders,

The Esprinet Group closed the 2011 financial year with net profits of 8 million euro, down 76% on the previous year and with a positive net financial position of 43 million euro, as against the 3 million euro of 31 December 2010 and the negative 51 million euro balance of 30 September 2011, all accompanied by sales of 2,096 million, or a 5% fall compared with the previous financial year.
The year's income was impacted by an approximately 20 million euro goodwill write-down, mainly relating to the Spanish operations. Net of this write-down the operating result would have been 43 million Euro, or a 22% fall compared with the previous year.
The Group has maintained its uncontested leadership in terms of market share in Italy and its ranking among Spain's top three distributors, closely dogging its two main multinational competitors.
Overall, the year saw a sharp slowdown in demand, especially in the consumer PC sector (desktops and notebooks), concentrated particularly in the first half of the year just closed. This had an impact on operating income in the first half, particularly in Spain, which was only partly compensated for by a growing second half recovery.
Despite this particularly complex market scenario our Group was able to guarantee operating returns still well above the sector average and was also able to reduce product stock levels, thereby creating excellent working capital and financial indebtedness levels in the last part of the year. We therefore believe that we will be even better prepared to face the challenges and the opportunities caused by the financial markets crisis in 2012.

Italian operations

The last two months of 2010 saw a sharp slowdown in demand, after what had been a somewhat brilliant financial year up to that point.
The slowdown continued markedly for the whole first half of 2011, in the private consumer PC sector, in particular.
The reasons for this slowdown are partly technical and are linked both to restructuring processes by some world-wide large-scale technology producers and to the so-called destocking activities operated by customers from the large-scale and specialized distribution sectors (a.k.a. as "retailers").
The 2010 Christmas campaign was not a particularly brilliant one and the majority of retailers had accumulated significant levels of unsold product stocks which were later used for sales in the early part of 2011. This resulted in the so-called destocking effect, which consequently reduced our sales potential during the same period.
This must be added to the effect of the 2011 restructuring operations of two of our main suppliers, HP and Acer, both of whom changed their top management and launched wide-ranging reorganization operations which impacted on the effectiveness of their organisations' sales and consequently also had a negative impact on our sell-out, given the traditional incidence of these operators within our "brand-portfolio".
The destocking operations ended substantially during the third quarter and HP's restructuring operations began to show the first signs of stabilisation in the last quarter.
The Acer situation remains complex, however, with effects which we believe will still make themselves felt for a certain part of 2012.
Luckily, overall demand from business customers, which accounts for over 75% of sales in Italy, has shown evidence of a substantial resistance, partly compensating for the fall in the consumer sales sector.
The total sales of our Italian operations fell over 10% in the first six months of 2011, therefore, followed by a +2% growth rate solely in the second half, which resulted in a 4% year-on-year fall.
Despite a customer remix aimed at the more profitable business sector, the pressure on PC margins, due particularly to the need of all producers to reduce anomalous stock levels in the distribution chain, caused a marked erosion of product profitability levels.
The structure of our operating costs was kept under control despite the significant investments made in a series of projects aimed at consolidating our presence in the mobile phone device sector, data center products and value-added services for large-scale distribution.

Careful credit management led to a reduction for the second year running in the overall level of losses, which means we can approach 2012, which is opening with worrying signals regarding the financial resistance of large swathes of Italian businesses, however, with cautious optimism.
The net financial position, closely linked to the absorption of working capital, improved considerably in the last quarter of the year, thanks to the return to normal inventory levels, attained after almost a year of intense operations.
The Comprel S.r.l. subsidiary further improved its profitability, even if the result was impacted negatively by a non-recurring goodwill write-down, the result of an forecast of its prospects, even when taking the seasonal nature of its business into account.
The Monclick S.r.l. subsidiary posted strong growth and its operating loss was linked for the greater part to the start-up of its activities in France, a market where it is believed new and interesting medium-term growth opportunities are to be found.

Spanish operations

2010 was a complex year for the Spanish economy in all sectors and the IT sector in particular.
The consumer crisis and the problems of the two producers, HP and Acer, as already mentioned in connection with our Italian operations, are events that also had an unfavourable impact on the Spanish market to an even greater degree.
The Spanish economic crisis, with unemployment rates reaching well over 20%, left a deep mark on the IT distribution scenario.
During 2011, the Spanish distribution market fell 14%, versus a 7% drop in our sales.
In a crisis scenario we saw three large-scale distribution chains close or undergo bankruptcy or insolvency proceedings, alongside the disappearance of numerous business retailers from the market.
Despite this market scenario and a proportion of retail sales out of the total Esprinet Iberica sales far outweighing those of Esprinet Italy, the trend in costs resisted and there was an increase in market shares.
The pressure on the gross sales margin was due particularly to the producers' need to reduce PC stock levels in the distribution chain, while the costs structure was further down-scaled to deal with the market turbulence resulting in some of the lowest fixed costs charged on the market.
Yet again credit quality was excellent, with losses in line with those of the previous year, even while customers were feeling the effects of wide-spread financial "stress".
The structural renegotiation of conditions of payment with some of the main producers and the reduction of inventory stocks to medium-normal levels meant that cash-flow needs could be stabilized at far lower levels that those of 2010, but the duration of the market crisis, the structural weakness of the sector in Spain and projected data also led to a goodwill write-down regarding our local operations.

New initiatives

During 2011, the Group consolidated a series of initiatives aimed at strengthening our presence in the strategic areas of sales to retailers, in the distribution of so-called "value-added" products and in the sale of mobile telephony equipment (smartphones and feature phones).
The first of the two initiatives, renamed "OK Retail", is an integrated suite of logistic – sales services and IT tools aimed at lending greater effectiveness and efficiency to retailers' business operations.
Some significant contracts signed both in Italy and Spain have begun to yield their first fruit and we are confident it will aid significantly in improving both sales and profits over time in this important market sector.
Our Group posted double-figure growth rates in 2011 in the distribution of "value-added" products, channelled in Italy through the totally owned V-Valley subsidiary, and signed distribution contracts for the high-end market of both IBM storage and servers at the end of the year.
"Value-added" sector operations are also planned to be launched in the second quarter of 2012 in Spain.
Finally, the smartphone sector growth resulting from the consolidation of the dedicated division is also to be noted.
We believe that the combined force of these projects, together with continual investment in the website and in training for the sales force dedicated to small-and medium-sized resellers, can aid in consolidating our operating profit levels, besides favouring the growth of business volumes in future years.

Conclusion

2012 will open in an uncertain macroeconomic scenario and with a recession in the short-term, even though we are confident that the extremely serious euro crisis will progressively improve.
We are expecting a 2012 characterized by a first half feeling the pressure of the scenarios outlined above, but also a year providing remarkable market consolidation prospects with possibilities for financially sound and well-organized operators such as our Group to seize interesting opportunities.
On this basis, we believe we can look forward to a new year with renewed enthusiasm and to continuing along the path of profits and sales growth.

As every year, I must thank all our customers and suppliers believing in our work and honouring us with their trust, day after day.
And a special thought is also reserved, as always, to the everyone working at our Group's companies, whose daily care, skill and honesty contribute to the growth of our shareholders' prosperity.

Thank you for investing in our Company.

Francesco Monti
Chairman of the Board of Directors

2. Summary of the Group's economic and financial results

The 2010 economic and financial results and those of the relative periods of comparison have been drawn up according to International Financial Reporting Standards ('IFRS') endorsed by the European Union and in force during the period.
In the table, in combination with IFRS defined measures, some 'alternative performance measures', not defined from IFRS, are presented. These 'alternative performance measures', consistently presented in previous reports and not intended as substitute of IFRS defined measures, are internally used by the management for measuring and controlling the Group's profitability, performance, asset structure and financial position.
As required by CESR (Committee of European Securities Regulators) recommendation n. CESR/05-178b, basis of calculation adopted are defined below the table.

(euro/000)	2011	%	2010	%	*% var. 11/10*	2009	%
Profit & Loss							
Sales	2,096,480	100.0%	2,205,174	100.0%	*-5%*	2,119,187	100.0%
Gross profit	121,332	5.8%	132,417	6.0%	*-8%*	132,691	6.3%
EBITDA (1)	47,218	2.3%	61,276	2.8%	*-23%*	61,423	2.9%
Operating income (EBIT)	23,632	1.1%	55,832	2.5%	*-58%*	55,664	2.6%
Profit before income tax	18,306	0.9%	48,897	2.2%	*-63%*	48,851	2.3%
Net income	7,967	0.4%	32,873	1.5%	*-76%*	32,164	1.5%
Financial data							
Cash flow (2)	11,220		36,692			36,795	
Gross investments	2,371		891			1,170	
Net working capital (3)	94,893		113,803			18,023	
Operating net working capital (4)	110,460		128,883			21,886	
Fixed assets (5)	95,047		117,869			121,705	
Net capital employed (6)	177,001		216,405			126,187	
Net equity	219,719		219,395			194,314	
Tangible net equity (7)	146,083		125,534			100,019	
Net financial debt (8)	(42,718)		(2,990)			(68,127)	
Main indicators							
Net financial debt / Net equity	(0.2)		(0.0)			(0.4)	
Net financial debt / Tangible net equity	(0.3)		(0.0)			(0.7)	
EBIT / Net finance costs	4.4		8.1			8.2	
EBITDA / Net finance costs	8.9		8.8			9.0	
Net financial debt / EBITDA	(0.9)		(0.0)			(1.1)	
Operational data							
N. of employees at end-period	961		966			924	
Average number of employees (9)	964		945			974	
Earnings per share (euro)							
- basic	0.16		0.64		*-75%*	0.63	
- diluted	0.16		0.64		*-75%*	0.63	

(1) EBITDA is equal to the operating income (EBIT) gross of amortisation and depreciation and accruals for risks and charges.
(2) Sum of consolidated net profit before minority interests and amortisation and depreciation.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of short-term net financial position.
(4) Analysed in detail in the paragraph *'Operating net working capital'*, it is the sum of trade receivables, inventory and trade payables.
(5) Non-current assets net of assets for derivative financial instruments.
(6) Equal to the sum of the net working capital plus fixed assets net of non-current liabilities except of financial liabilities.
(7) Equal to net equity less goodwill and intangible assets.
(8) Analysed in detail under the paragraph *'Net financial indebtedness and financial liabilities analysis'* in the *'Notes to the consolidated financial statements'*, it is the sum of borrowings and short-term financial liabilities net of cash and cash equivalents, assets/liabilities for financial derivatives and financial receivables from factoring companies.
(9) Average of the balance at period beginning and end of companies consolidated.

3. Share performance

Share performance

Esprinet S.p.A. ordinary shares (ticker: PRT IM) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange, since 27 July 2001.
The graph below illustrates the share performance since 3 January 2011:

As at 31 December 2011, the official closing price of the Esprinet share was 2.6142 euro, a -53.44% fall on its price at the beginning of the year (5,61 euro).
Compared with a placement price of 1.4 euro per share in July 2001, taking into account the 1:10 share split-up effected during 2005 and without considering the reinvestment of the dividends paid out in shares, growth was 86.73%.
The average quotation in 2011 was 4.2944 euro; the maximum official price reached during the year was 6.2854 euro, recorded on 18 February.
During the year, a dividend of 0.175 euro per share was distributed, a 4.07% dividend yield when compared with the average quotation of the year.

An average volume of 73,290 shares per day were traded during 2011, -51,39% less than the average volumes daily traded in 2010 (151,190). Volumes reached an all-time high (302,722 shares traded) in the session held on 14 February 2011. Average volumes daily traded were 134,211 shares in the same month.

As at 7 March 2012 the Esprinet share price was 3.9609 euro, a 47.03% increase since the beginning of the year (2.69 euro). Average daily trading up to the same day was 61.769 shares per day.

Call of Shareholders' Meeting

ESPRINET S.p.A.
Headquarters at Via G. Saragat 4, Nova Milanese (province of Monza and Brianza)
Share capital € 7,860,651.00, fully paid-up
Listed on the Register of Companies of Monza and Brianza at number 05091320159
Tax code 05091320159 - VAT number 02999990969 – Economic Administrative Index MB-1158694
Website: www.esprinet.com

Notice of Ordinary Meeting of Shareholders

The Ordinary Meeting will be held at the AtaHotel Executive, Viale Sturzo 45, Milan, at 10:30 a.m. on 28 April 2012 (first call), and if necessary a second meeting will be called at 10:30 a.m. on 9 May 2012, to discuss the following

Agenda

1. Financial statements for the year ending 31 December 2011:
    1.1. Approval of the financial statements for the year ending 31 December 2011, Directors' Report on Operations, Report of the Board of Statutory Auditors and Independent Auditing Firm. Presentation of the Consolidated Accounts for the year ending 31 December 2011.
    1.2. Appropriation of profits for the year.
2. Election of Board of Directors for 2012/2014:
    2.1. Election of directors.
    2.2. Election of Chairman.
    2.3. Directors' fees.
3. Election of Board of Statutory Auditors:
    3.1. Election of members.
    3.2. Election of chairman.
    3.3. Statutory Auditors' fees.
4. Remuneration Report: Decisions concerning the first section of this report as required by subparagraph 6 of article 123-*ter* of legislative decree 58/1998.
5. Proposal for the approval of a Long Term Incentive Plan, in relation to remuneration policies and in accordance with article 114-*bis* of legislative decree 58/1998, for the members of the company's Board of Directors and other executives for the period 2012/2013/2014. The object of the plan is the free allocation of ordinary shares in the Company ("performance stock grants") to beneficiaries designated by the Board of Directors, up to a maximum of 1,150,000 shares in the Company already in portfolio.
6. Proposal to authorise the sale and purchase of own shares, up to the maximum permitted number, with an 18-month deadline; simultaneous revocation of the authorisation for any unused portion, as granted by the Meeting on 27 April 2011.

INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL ON THE DATE OF THIS NOTICE

The share capital subscribed and paid by the Company amounts to € 7,860,651.00, represented by 52,404,340 ordinary shares, each with a nominal value of €0.15. All the shares have voting rights except for the 1,350,000 own shares held on the date of this notice, for which those rights are suspended. The number of own shares may have changed by the date of the Meeting, and any changes will be communicated at the start of the session.
The share capital structure is available on the Company's website www.esprinet.com, under the Share Information heading in the section Investor Relations.
The shares are registered, indivisible, may be freely transferred and are subject to the provisions of the laws applicable to joint ownership.

ENTITLEMENT TO ATTEND THE MEETING

By law, anyone whose representative has sent the required confirmation of the right to attend may participate and vote at the Meeting. The confirmation must be given on the basis of the end-of-day records on the seventh trading day prior to the date set for the first call (19 April 2012). Any credit or debit transactions reaching the accounts after that deadline will not be considered for the purposes of entitlement to attend or vote at the Meeting, therefore, anyone acquiring shares in the Company after that date will not be able to participate or vote. The confirmations from the licensed intermediaries, must be sent to the Company by the end of the third trading day prior to the date set for the first call. Anyone whose confirmation is sent to the Company after that deadline, but before the start of the Meeting held at the first or second call, will however be able to attend and vote. Communications received in accordance with the above conditions will also be valid for any meetings called after the first one.

AMENDMENT TO THE AGENDA

In accordance with article 126-*bis* of legislative decree 58/1998, any shareholders who, individually or collectively, represent at least one-fortieth of the share capital may request an amendment to the list of the items on the Agenda, within 10 days from publication of this Notice. Their request must contain details of the proposed issues.

The request must be submitted in writing to the company's head office at Via G. Saragat 4, 20834 - Nova Milanese (MB), for the attention of the Corporate and Legal Affairs Office, or alternatively may be sent by certified e-mail, to the following address: esprinet@pec.inet.it. It must be accompanied by specific confirmation of share ownership, issued by the intermediaries holding the accounts in which the requesting shareholders' shares are registered. The requesting shareholders must also submit details of the items they wish to discuss by the above deadline.

Amendments will not be permitted if they relate to matters which the Meeting is required by law to discuss at the proposal of the directors, or on the basis of a plan or report submitted by the directors, other than those referred to in the first subparagraph of article 125-*ter* of legislative decree 58/1998. The amended list of the items on the Agenda, together with any comments by the Board of Directors, will be published in the ways stipulated by law.

RIGHT TO ASK QUESTIONS ABOUT THE ITEMS ON THE AGENDA

Under the terms of article 127-*ter* of legislative decree 58/98, shareholders may ask questions about the items on the Agenda even prior to the Meeting, but in any case no later than the end of the second trading day prior to the date of the Meeting. Any questions should be sent by registered post to the Company's head office at Via G. Saragat 4, 20834 - Nova Milanese (MB), for the attention of the Corporate and Legal Affairs Office, or by certified e-mail to the following address: esprinet@pec.inet.it.

Any shareholders wishing to exercise this right must provide identification details (also by registered post), in the form of a specific communication issued by the intermediaries holding the accounts in which their shares are deposited, or in the same communication issued in relation to their entitlement to attend and vote at the Meeting.

Replies to questions received prior to the Meeting will be given during the Meeting itself, at the latest.

VOTING BY PROXY

Anyone entitled to attend the Meeting may be represented by proxy, in accordance with the regulations in force, and for this purpose may use the proxy form available on the Company's website (*www.esprinet.com*, Investor Relations – Corporate Documentation – 2012 Meeting) or from the head office. The chairman of the Meeting is responsible for verifying the proxies, and the right to attend the Meeting.

Proxies can also be sent to the certified e-mail address *esprinet@pec.inet.it*.

Prior notification of the proxy document does not exempt the delegate from his/her obligation to certify the authenticity of the document and the delegating individual's identity, when the participants' right to attend is checked before the Meeting.

In accordance with regulations in force, proxies can also be granted to the Company's designated representative under article 135-*undecies* of the TUF, the lawyer Andrea De Costa, (who may be substituted by Matteo Sant'Ambrogio), together with voting instructions in relation to all or some of the items on the Agenda. For this purpose the shareholder must sign the proxy form available on the Company's website (*www.esprinet.com*, Investor Relations - Corporate Documentation - 2012 Meeting),

or from its head office, but the original form must be sent to the legal representative at Via Agnello 18, 20121 Milan, by the end of the second trading day prior to the date set for the first call (i.e. by 26 April 2012). The proxy will only be valid for those proposals in relation to which voting instructions have been given.
The proxy and voting instructions may be revoked at any time until 26 April 2012.

ELECTION OF BOARD OF DIRECTORS
Under the Company's articles of association, the Board of Directors is elected according to the list system. The rules and procedures concerning lists of candidates, and the required documentation, can be found in article 13) of the articles of association which can be viewed under the heading *Statuto* in the Corporate Governance section on the company's website.
The list of candidates, together with the related documentation, must be deposited at the Company's head office, or sent by certified e-mail to the address esprinet@pec.inet.it, by 3 April 2012. Lists may be deposited by shareholders who can demonstrate, by means of a specific communication issued by a licensed intermediary, that they hold at least 2.5% of the share capital, either individually or collectively.
The candidates submitted for election to the Board must be listed in progressive order, and must meet the requirements stipulated by the company's articles of association, and by law.
Under the terms of article 13 of the Articles, any shareholders intending to submit a list must submit the following documents at the same time: (i) declarations of acceptance of the candidacy (ii) declarations in which each candidate, under his own liability, confirms the absence of any grounds for disqualification or incompatibility, and that he meets the requirements for the respective position (ii) a CV detailing the personal and professional characteristics of each candidate, if necessary with a declaration of independence from any candidates meeting the requirements as specified below.
The candidates may only be named on one list, otherwise they will be disqualified.
In order to prove ownership of the number of shares necessary for submission of a list, the shareholders must deposit a copy of the specific communication concerning ownership of the required number of shares, issued by the authorised intermediaries at the time the list was deposited with the Company. This communication may be provided up to 21 days after the list itself was deposited.
The lists must indicate those candidates meeting the independence requirements as stipulated in the law governing the directors of listed on the Stock Exchange and specifically, the independence requirements described in article 3 of the Code of Self-Governance applicable to companies listed on Borsa Italiana S.p.A. as approved by the Corporate Governance Committee in December 2011, and the joint provisions of article 147-*ter* (4), and article 148(3) of legislative decree 58/98.
Any shareholders intending to submit a "minority list" are asked to take into account the recommendations made by CONSOB in its communication number DEM/9017893 dated 26 February 2009.
Any lists or candidacies which do not meet all the statutory provisions will be considered ineligible.
The lists submitted will be published at the Company's head office, with Borsa Italiana S.p.A., and on the website *www.esprinet.com* (Investor Relations -Corporate Documentation – 2012 Meeting), 21 days before the Meeting.

ELECTION OF BOARD OF STATUTORY AUDITORS
In accordance with the Company's articles of association, the Board of Statutory Auditors is elected according to the list system. The rules and procedures concerning lists of candidates and the necessary documentation can be found in article 19 of the company's articles of association, available on the company's website (Corporate Governance, under the heading *Statuto*).
The list of candidates, together with the related documentation, must be deposited at the Company's head office, or sent by certified e-mail to the address esprinet@pec.inet.it, by 3 April 2012. Lists may be deposited by shareholders who can demonstrate, by means of a specific communication issued by a licensed intermediary, that they hold at least 2.5% of the share capital, either individually or collectively.
If only one list, or lists which are connected within the meaning of the applicable regulations, have been submitted by 3 April 2012, further lists may be submitted up until 6 April 2012. In such a case, the minimum shareholding required will be reduced to 1.25% of the share capital.
Lists for the election of the Board of Statutory Auditors consist of two sections dedicated to the candidates, listed in progressive order, for the positions of permanent auditors and alternate auditors. The lists may include candidates who fall within the legal limits on the holding of multiple executive positions, who meet the requirements of integrity, professionalism and independence and who are listed on the Register of Accounts Auditors. Candidates may only be named on a single list, otherwise they

will be disqualified. The first candidate on the list who obtained the second-highest number of votes at the Meeting will be elected as Chairman of the Board of Statutory Auditors.
Under the above-mentioned article 19 of the Articles, any shareholders wishing to submit a list must also submit a CV for each candidate, together with a declaration in which each candidate accepts the nomination and certifies, under his own liability, the absence of any grounds for disqualification or incompatibility, and that he meets the legal requirements for the position, in particular the independence requirement.
Any shareholders intending to submit a "minority list" are asked to take into account the recommendations made by CONSOB in its communication number DEM/9017893 dated 26 February 2009.
Any lists or candidacies which do not meet all the statutory provisions will be considered ineligible.
The lists submitted will be published at the Company's head office, with Borsa Italiana S.p.A., and on the website *www.esprinet.com* (Investor Relations -Corporate Documentation – 2012 Meeting), 21 days before the Meeting.

DOCUMENTATION
Documentation relating to the Meeting will be made available to the public by the legal deadline, in the ways stipulated by law. The shareholders and anyone with voting rights may obtain a copy of the documentation which will be available from the company's head office (from Mondays to Fridays between 10 a.m. and 1 p.m., and from 3 p.m. to 6 p.m.), from Borsa Italiana S.p.A. and on the Company's website www.esprinet.com, Investor Relations – Corporate Documentation – 2012 Meeting).
The Directors' Reports on all the items on the Agenda will also be published at the same time as this Notice, while the annual financial report and other documents referred to in article 154-*ter* of the Finance Consolidation Act (TUF), and the Remuneration Report will be published at least 21 clear days prior to the Meeting.

Those authorised to attend and vote are invited to arrive at least one hour before the start of the Meeting, in order to facilitate the registration process.

Nova Milanese, 19 March 2012

On behalf of the Board of Directors
The Chairman
Francesco Monti

Corporate Governance

1. Company Officers

Board of Directors:

(Mandate expiring with approval of accounts for the year ending 31 December 2011)

Chairman	Francesco Monti	
Deputy Chairman	Maurizio Rota	
Chief Executive Officer	Alessandro Cattani	
Director	Giuseppe Calì	(IAC)
Director	Stefania Calì	
Director	Valerio Casari	
Director	Andrea Cavaliere	(ID) (IAC)
Director	Mario Massari	(ID) (IAC) (CC)
Director	Angelo Miglietta	(ID) (CC)
Director	Marco Monti	
Director	Matteo Stefanelli	
Director	Paolo Stefanelli	(CC)
Secretary	Paolo Fubini	Fubini Jorio Cavalli Firm

Notes:
ID: Independent Director
IAC: Member of the Internal Audit Committee
CC: Member of the Compensation Committee

Board of Statutory Auditors:

(Mandate expiring with approval of accounts for the year ending 31 December 2011)

Chairman	Giorgio Razzoli
Permanent Auditor	Emanuele Calcaterra
Permanent Auditor	Mario Conti
Alternate Auditor	Silvia Santini
Alternate Auditor	Maurizio Rusconi

Independent Auditors:

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

Reconta Ernst & Young S.p.A.

2. Corporate Governance system

Esprinet S.p.A. adheres to and complies with the Corporate Governance Code for Italian Listed Companies (the Code), adapted and supplemented in accordance with the Group's characteristics.
During 2010 and 2011 the aforementioned Code was supplemented and amended which partly changed its appearance compared with the version referred to in the previous year's Report on Corporate Governance. The current version was finally approved in December 2011.
During 2011 and the period between January 1st 2012 and the time this report was drafted, the Company decided not to comply with the voluntary recommendations of the 2011 Code, since the expiry date for applying the amendments coincided with the closing date of the year beginning in 2012 (and therefore 31 December 2012 in this specific case).
Given the fact that the present Board's term of office is about to expire, the Company followed the Appointments and Compensation Committee's advice and highlighted the main guide lines to be implemented in any changes or supplements made by the new Board to the compensation policy, as per the enforcement of the principles and criteria provided for by the 2011 Code regarding the compensation of executive directors and key managers expected to come into force at the start of 2012.
The outgoing Board decided not to make any changes to the Code with regard to the principles governing the composition of the internal committees, leaving the task to the new Board which will take office after the following meeting of the assembly.

In compliance with the legal obligations of transparency, a "Corporate Governance Report" is drafted every year with a general description of the corporate governance system adopted by the Group, as well as information regarding its ownership structure, its organisational model ex Legislative Decree No. 231/2001 and its degree of adherence to the Corporate Governance Code for Italian Listed Companies. It also includes the main governance practices used and features of the risk management and internal auditing systems regarding the financial reporting process.
The "Report on Corporate Governance and ownership structure" is available under *Investor Relations at* Company website (www.esprinet.com).
The Corporate Governance Code for Italian Listed Companies can be consulted on the Borsa Italiana S.p.A. site at www.borsaItaliana.it.

Activities and structure of the Esprinet Group

1. Description of the activities

Esprinet S.p.A. and its subsidiaries (the 'Esprinet Group' or the 'Group') operate in Italy and Spain.
In Italy the Group is active within the following three business areas:

- 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics;
- 'business-to-consumer' (B2C) distribution of IT and consumer electronics;
- 'business-to-business' (B2B) distribution of microelectronic components.

In Spain the Group operates solely in B2B distribution of Information Technology (IT) and consumer electronics.

In the Italian market, the distribution of IT products (hardware, software, value-added services) and consumer electronics constitutes the Group's primary business.
Besides the more traditional IT products (desktop PCs, notebooks, printers, copiers, servers, standard software etc.) the Group also distributes consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), state-of-the-art digital and entertainment products such as photo cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.
The 'Sales Analysis' section provides a more detailed description of the main product categories marketed.

Distribution is either to resellers ('business-to-business', including large-scale retail traders/operators), or, solely in Italy and France and only through the subsidiary Monclick S.r.l., to private consumers ('business-to-consumer').
Monclick operates exclusively in the consumer IT and electronics on-line sales sector, through its web-site, www.monclick.it.

In Italy, running alongside this activity is the distribution of microelectronic components (semiconductors – referred to as 'active' devices, 'passive' semiconductors, connections and displays) undertaken by the Comprel S.r.l. subsidiary.

Overall, B2B distribution of technology in Italy accounted for 71.9% of total sales (1,507.1 million euro), B2B distribution of micro-electronic components 1.8% (38.6 million euro) and B2C distribution activities 1.4% (30.5 million euro) in 2011.
Turnover in Spain was entirely due to B2B distribution of technology, the core business, and accounted for 24.9% of the total group sales (520.3 million euro).

'Business-to-business' (B2B) distribution of IT and consumer electronics

The Esprinet Group distributes branded IT products (hardware and software) pitching itself at a customer base made up of resellers that in turn target both consumer and business users.
Its markets in geographical terms are Italy and Spain.
The range marketed by the Group consists of approx. 600 brands and services supplied by approx. 180 technology manufacturers (vendors), including all the world's leading technology manufacturers (HP, Acer, Samsung, Microsoft, Epson, Xerox, Toshiba, Sony, Apple, IBM and Lenovo to name just a few).
Esprinet has also been distributing house-branded (Nilox) products (mainly Pc accessories), commissioned by third parties, both in Italy and in Spain.

Customers, made up of the various types of IT resellers present in the Italian and Spanish markets, range from value-added resellers (VAR) to system integrators/corporate resellers, from dealers to shops (independent and/or affiliated stores), from major general and/or specialist retailers to sub-distributors.
Total customers in 2011 were approx. 39,000, approx. 28,000 of which in Italy and approx. 11,000 in Spain.

In recent years, Esprinet has also increased its presence in the office automation area by going on to defend other special customer segments (such as the suppliers and wholesalers of office items and/or supplies, as well as office automation specialists) in a more decisive fashion.

Logistics activities are carried out at the three main logistics centres at Cambiago (MI), Cavenago (MB) and Zaragoza (Spain), all leased premises, totalling approx. 78.000 sqm (approx. 56.000 sqm in Italy and 22.000 sqm in Spain).

'Business-to-consumer' (B2C) distribution of IT and consumer electronics

The Esprinet Group has been selling to private consumers on the on-line IT and consumer electronics market through the fully owned subsidiary company Monclick S.r.l. (www.monclick.it), since May 2005.
Monclick is characterised as being a 'pure' e-tailor, since products are sold exclusively through the Internet channel and delivery is made to the customer's domicile address by-passing sale points and/or physical collection.
The products marketed are included essentially in the following categories: personal computing, printers, audio-video, accessories, photography, telephony, air-conditioning, small and large electric household appliances.

'Business-to-business' (B2B) distribution of microelectronic components

The Esprinet Group is one of the major operators in Italy in the distribution and marketing sector of electronic components for industrial applications through Comprel S.r.l., its fully owned subsidiary.
The products marketed refer essentially to the following families: semiconductors (so-called 'active' devices), passive components, connections, displays and sub-systems.

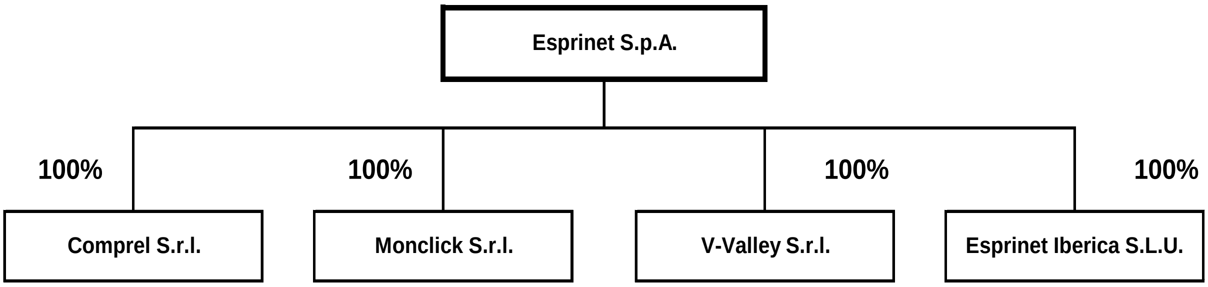
The business activity consists in purchasing micro-electronic components such as micro-processors, memories or connecting devices, in addition to display sub-systems and single board computer products from manufacturers operating worldwide, and reselling to companies directly involved in the design and production of electronic equipment (so-called 'Original Equipment Manufacturers-OEMs') or to operators

that are typically only assigned production activities (so-called 'Contract Electronic Manufacturers-CEMs').
Part of the trade flow is also directed towards the 'retail' or 'sub-distribution' channel.
The customer base is mainly represented by manufacturers operating in the following sectors: industrial automation, telecommunications, automotive, consumer, IT and electro-medical.

Today, Comprel has approximately 90 brands in its products portfolio which includes, in particular, the producers of specialities (or so-called 'designed' products), identified as 'niche' products with a high technological content, non-standard, which require technical expertise in the promotion and designing stages and supplementary commitment to generate demand compared with those of 'commodity' products.
The main brands distributed include Renesas, Kingston, Westcode, Au Optronics, Ixys, Tyco, Advantech, Sauro, Winstar, PreciDip, Lattice, CMO, Digi, Telit and Moxa.

2. Group structure

The next chart illustrates the structure of the Esprinet Group as at 31 December 2011:



In legal terms the parent company, Esprinet S.p.A., was formed in September 2000 following the merger of the two leading distributors operating in Italy: Comprel S.p.A. and Celomax S.p.A..
The Esprinet Group later assumed its current composition as a result of the carve-out from the parent company of micro-electronic components and 'high-value' products distribution activities, the start-up of Monclick, the acquisitions and mergers through incorporation made between 2005 2007.

References to Subgroups Italy and Spain can be found in next comments and tables.
As at 31 December 2010, besides the Esprinet S.p.A. parent company, the former includes Comprel S.r.l., Monclick S.r.l. and V-Valley S.r.l., the latter established on 8 June 2010, all directly controlled companies governed by Italian law.
At the same date, the Subgroup Spain is made up solely of Esprinet Iberica S.L.U..

Details of subsidiary companies are provided below.

Subgroup Italy

Comprel S.r.l.

Established in June 2003, the company is headquartered at Via Saragat 4, Nova Milanese (MB) and is 100%-owned by Esprinet S.p.A.

Its core business concern the distribution of semiconductors ('active' devices), passive components, connections, displays and subsystems, activity transferred from Esprinet in 2003.

Monclick S.r.l.

Established in January 2005, the company is headquartered at Via Assunta 61, Nova Milanese (MI) and is 100%-owned by Esprinet S.p.A.

Its mission is to develop on-line sales of 'consumer electronics' products (telephony, photographic equipment, games, audio/video devices, IT equipment, and domestic appliances) to private consumers against cash payments, expressly excluding both the opening of bricks-and-mortar outlets and the use of the Esprinet cash & carry network.

V-Valley S.r.l.

Established in June 2010 as Master Team S.r.l. and named V-Valley S.r.l. in September, the company is headquartered at Via Saragat 4, in Nova Milanese (MB), and is 100%-owned by Esprinet S.p.A..

In this company, in fact active since December 2010, the distribution of 'high-value' products and solutions (high-end servers, networking and storage, virtualization, security software, bar-code scanning, mainly) has been concentrated.

Subgroup Spain

Esprinet Iberica S.L.U.

Originally established by the Group as the non-operating company governed by Spanish law to aid in the Spanish acquisitions effected between the end of 2005 and the end of 2006, due to the mergers through incorporations made in 2007, Esprinet Iberica is now the sole legal entity operating in Spain.
Esprinet Iberica's offices and warehouses are in Zaragoza, only approx. 300 km from all the main cities in Spain (Madrid, Barcelona, Bilbao and Valencia) which total over 80% of Spain's IT consumption.

Structure and target market trends

1. B2B distribution of IT and consumer electronics

The IT distribution chain

Generally speaking, IT and electronic products are distributed in two different ways: direct ('Tier 1') and indirect ('Tier 2').

The former enables the suppliers to reach their technology end-users directly, while the latter makes use firstly of an intermediary figure or distributor and, secondly, of 'resellers'. Very briefly the subjects making up the distribution chain are:

- 'vendors': technology and/or IT products manufacturers who operate under their own brand;
- 'distributors': operators supplying logistics services, storage, credit and marketing. In turn, distributors can be divided into:
  (i) wide-range distributors, identified by their wide range and high turnover volumes;
  (ii) specialised distributors, the reference point for specific technology for products and services, such as intermediate systems, networking products, Internet, consultancy training and after-sales services;
- 'resellers': mixed operators in terms of size, profits and organisational structures, business models and ways of approaching the end-user.

'Resellers' are traditionally coded in terms of their customer base and type of services or answers offered together with the sales of information systems (consultancy, installation, infrastructure production, systems support, outsourcing, after-sales service, and training).

They are usually identified as per the following categories:

VAR ('Value Added Reseller')	Large-scale retail and specialist sectors
Corporate Reseller	Sub-distribution
System Integrator	Computer shop
Dealer	Shop on-line
Office automation products and consumables specialist	

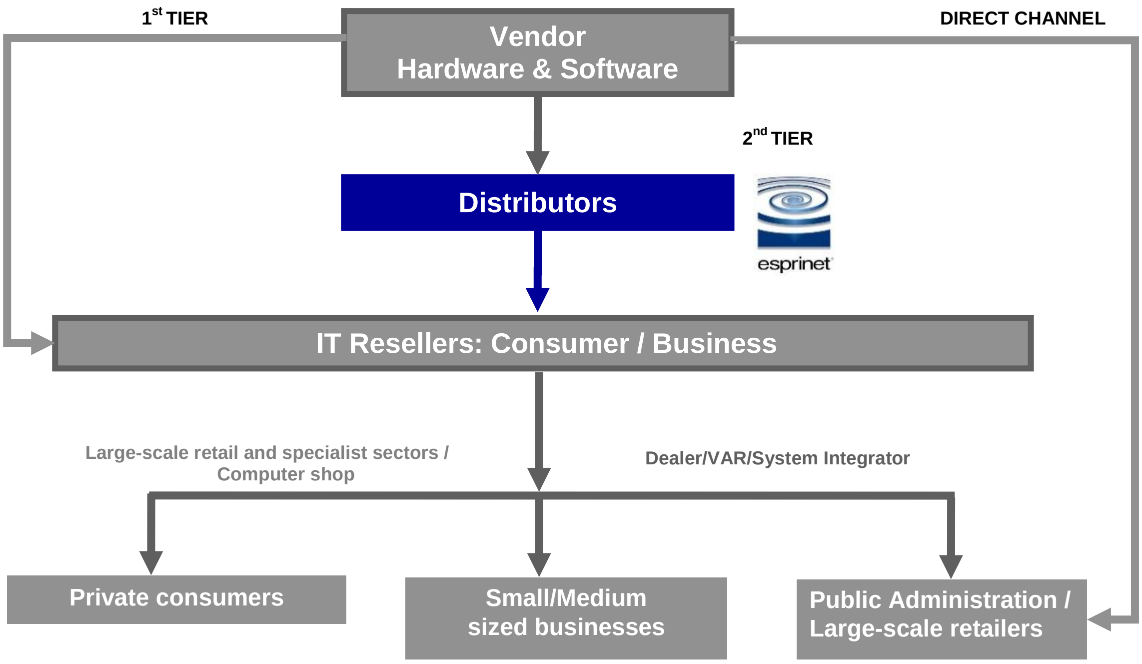
The individual sectors of the business system described above can be further defined in two different ways:

a) the so-called 'addressed' market, which is the total volume of IT product sales made by distributors or effectively passing through the so-called 'indirect channel' (that is, the sales flow that does not pass directly from the producer to the retailer or from the producer to the IT end-user);
b) the so-called 'addressable' market, which is the volume of IT product sales which can be made by distributors or effectively moved through the so-called 'indirect channel' (with the sole exclusion of hardware equipment such as mainframes or application software such as ERP etc., which by their very nature cannot be intercepted by distributors.).

It follows that the size of the sector must therefore be considered by analysing:

- IT demand (end-user consumption);
- the size of the distribution sector (that is the actual value of the sales effected by distributors or the value of the sales that can be guided by distributors according to the intrinsic nature of the products themselves).

The chart below illustrates the typical IT products distribution chain:



Italy

IT and electronics consumptions

During 2011 the Italian Information Technology market, measured by considering end-user IT consumption, fell from 21.3 billion euro to 20.5 billion euro, a -3.8% drop compared with the previous year. This decrease is due to the Hardware sector (-7.3%) and, less, to the Services one (-2.9%), whereas a rise was registered in the Software sector (+0.8%).

The following tables summarise IT spending trends in Italy in the 2003/2011 period:

(euro/million)	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hardware	7,812	8,031	8,520	8,859	9,185	9,101	8,080	8,133	7,539
Software	3,533	3,544	3,578	3,700	4,039	4,165	4,005	3,936	3,994
Services	10,372	10,084	9,900	10,024	10,269	10,380	9,772	9,212	8,944
Totale IT	**21,717**	**21,659**	**21,998**	**22,583**	**23,493**	**23,646**	**21,857**	**21,281**	**20,477**

Var. %	03 vs 02	04 vs 03	05 vs 04	06 vs 05	07 vs 06	08 vs 07	09 vs 08	10 vs 09	11 vs 10
Hardware	-4.0%	2.8%	6.1%	4.0%	3.7%	-0.9%	-11.2%	0.7%	-7.3%
Software	-1.9%	0.3%	1.0%	3.4%	9.2%	3.1%	-3.8%	-1.7%	1.5%
Services	-3.7%	-2.8%	-1.8%	1.3%	2.4%	1.1%	-5.9%	-5.7%	-2.9%
Totale IT	**-3.5%**	**-0.3%**	**1.6%**	**2.7%**	**4.0%**	**0.7%**	**-7.6%**	**-2.6%**	**-3.8%**

Source: Sirmi, January 2012.

If Esprinet target market prospects are widened to include Information & Communication Technology, and also TLC (fixed/mobile services and devices), Consumer Electronics and Office Products, the market size may be illustrated as follows:

(euro/million)	2008	2009	*09 vs 08*	2010	*10 vs 09*	2011	*11 vs 10*
Hardware	9,101	8,080	*-11.2%*	8,133	*0.7%*	7,539	*-7.3%*
Software	4,165	4,005	*-3.8%*	3,936	*-1.7%*	3,994	*1.5%*
Services	10,380	9,772	*-5.9%*	9,212	*-5.7%*	8,944	*-2.9%*
Sub-total IT	**23,646**	**21,857**	***-7.6%***	**21,281**	***-2.6%***	**20,477**	***-3.8%***
Fixed TLC	18,516	17,856	*-3.6%*	17,039	*-4.6%*	16,306	*-4.3%*
Mobile TLC	22,602	22,427	*-0.8%*	21,958	*-2.1%*	21,528	*-2.0%*
Sub-total TLC	**41,118**	**40,283**	***-2.0%***	**38,997**	***-3.2%***	**37,833**	***-3.0%***
Consumer electronics & office	9,247	8,594	*-7.1%*	8,407	*-2.2%*	8,322	*-1.0%*
Total ICT	**74,011**	**70,734**	***-4.4%***	**68,685**	***-2.9%***	**66,632**	***-3.0%***

Source: Sirmi, January 2012.

The following is a breakdown of the main dynamics per single market segment by limiting the analysis to the areas which provide a better approximation of the eligible market for a distributor:

Hardware	11 vs 10	Software	11 vs 10
Large Systems:	-26.0%	System software:	1.3%
Sistems:	-24.8%	Middleware e tools:	1.9%
PCs (servers + clients):	-8.7%	Applications:	0.8%
Printers:	-5.9%		
Storages:	-2.1%		
Networking Hardware:	-4.8%		

Source: Sirmi, January 2012

The distribution industry: dimensions and trends

In this paragraph, industry dimensions and trends have been measured by taking the total IT product sales actually made by distributors operating in Italy as the definition of the relevant industry.

During 2011 the IT distribution industry posted a -3.6% fall on 2010. The table below provides a summary of the market positions of the top 20 IT distribution concerns[1].

	(euro/million)			(Market share)		
	2009	2010	2011	2009	2010	2011
1 ESPRINET GROUP	1,609	1,643	1,576	24.5%	24.3%	24.0%
2 COMPUTER GROSS ITALIA	578	660	710	8.8%	9.8%	10.8%
3 INGRAM MICRO	499	669	665	7.6%	9.9%	10.1%
4 TECH DATA	541	597	602	8.2%	8.8%	9.2%
5 DATAMATIC GRUPPO	366	390	378	5.6%	5.8%	5.8%
6 CDC	318	345	338	4.8%	5.1%	5.1%
7 ATTIVA	125	172	207	1.9%	2.5%	3.1%
8 BREVI	164	170	150	2.5%	2.5%	2.3%
9 LEADER	67	73	71	1.0%	1.1%	1.1%
10 ITWAY GROUP	68	71	68	1.0%	1.0%	1.0%
11 EXECUTIVE	65	66	65	1.0%	1.0%	1.0%
12 AVNET	138	100	57	2.1%	1.5%	0.9%
13 BRAIN TECHNOLOGY	64	60	57	1.0%	0.9%	0.9%
14 ICOS	52	57	55	0.8%	0.8%	0.8%
15 EDSLAN	43	50	55	0.7%	0.7%	0.8%
16 ELITE COMPUTER INDUSTRIE	52	53	52	0.8%	0.8%	0.8%
17 SIDIN	45	46	47	0.7%	0.7%	0.7%
18 COMETA	54	50	45	0.8%	0.7%	0.7%
19 MAGIRUS	41	43	45	0.6%	0.6%	0.7%
20 SNT TECHNOLOGIES	46	54	44	0.7%	0.8%	0.7%
Top 20 distributors	**4,932**	**5,368**	**5,286**	**75.1%**	**79.4%**	**80.5%**
Total market	**6,565**	**6,761**	**6,570**	**100.0%**	**100.0%**	**100.0%**
Var % top 20 distributors	***-4.8%***	***8.8%***	***-1.5%***			

Source: Sirmi, January 2012.

The industry also saw a consolidation in the market share collectively held by the industry's top 20 distributors, which rose from 79.4% in 2010 to 80.5% in 2011.
The Esprinet Group confirmed its own leadership in this environment thanks to its 24% penetration, twice that of the Italian market's second player.

Spain

IT and electronics consumption

The Spanish IT market posted a 6.3% fall on the previous year during 2011, down from 22.7 billion euro to 21.3 billion euro.

This result is mainly due to the sharp fall in the Hardware sector (-14.7%) while Services and Software remained substantially stable (+0.2% and –0.7%, respectively).

[1] All mainly IT distributors have been considered in the Sirmi survey of distributors operating in Italy (approx. 160 out of the over 200 surveyed).
Revenues of companies with fiscal year different from the solar year have been estimated by Sirmi for purposes of homogeneity.
Each company has been ranked on the basis of its company perimeter in the single year, disregarding any latest acquisitions/transfers.

(euro / million)	2009	2010	2011	10 vs 09	11 vs 10
Hardware	8,189	9,649	8,229	17.8%	-14.7%
Software	2,824	2,920	2,901	3.4%	-0.7%
Services	10,456	10,125	10,142	-3.2%	0.2%
Total IT	**21,469**	**22,694**	**21,271**	**5.7%**	**-6.3%**

Source: IDC, January 2012

The distribution industry: size and trend

The overall value of sales in IT products actually effected by distributors operating in Spain has been used to indicate the industry size and trend in this paragraph.

The following table summarizes the market positions of the top 20 Spanish IT distribution[2] operators:

		(euro / million)			(Market share)		
		2008	2009	2010	2008	2009	2010
1	Tech Data	780	702	772	14.4%	14.1%	14.8%
2	Ingram Micro	530	462	649	9.8%	9.3%	12.4%
3	Esprinet Iberica	592	511	562	10.9%	10.2%	10.8%
4	Vinzeo Informatica(1)	419	395	456	7.7%	7.9%	8.7%
5	Adimpo	306	310	339	5.6%	6.2%	6.5%
6	Teduinsa	233	207	285	4.3%	4.2%	5.5%
7	Investronica	260	186	258	4.8%	3.7%	5.0%
8	Diasa Informatica	216	182	182	4.0%	3.6%	3.5%
9	GTI	176	160	153	3.2%	3.2%	2.9%
10	MCR Info Electronic	113	117	129	2.1%	2.3%	2.5%
11	Diode	190	151	122	3.5%	3.0%	2.3%
12	PC-Online	51	110	115	0.9%	2.2%	2.2%
13	Afina	55	36	80	1.0%	0.7%	1.5%
14	Santa Barbara	65	64	70	1.2%	1.3%	1.3%
15	Megasur	61	85	66	1.1%	1.7%	1.3%
16	Depau Sistemas	56	57	56	1.0%	1.1%	1.1%
17	Activa 2000	59	55	51	1.1%	1.1%	1.0%
18	Magirus	41	44	50	0.8%	0.9%	1.0%
19	UFP (Group)	45	46	47	0.8%	0.9%	0.9%
20	DMI Computer	61	53	44	1.1%	1.1%	0.8%
	Top 20 distributors	**4,306**	**3,931**	**4,487**	**79.3%**	**78.8%**	**86.0%**
	Total market	**5,428**	**4,991**	**5,217**	**100.0%**	**100.0%**	**100.0%**
	Var % top 20 distributors		***-8.7%***	***14.1%***			

Source: Ametic, IT Distri, Context, company balance sheets, company reports, specialised press, Esprinet management estimates and processing.
(1) Includes solely IT distribution operations.

[2] The values illustrated in the table are the latest available.

2. B2C distribution of IT and consumer electronics

The Consumer Electronics sector in the Traditional and Online Markets

The 2011 trading year saw an overall fall in sales volumes in the consumer electronics market. The table below shows the difference between 2011 and 2010 in the main product sectors, both in terms of the traditional market (that is, where goods are physically present at sales points) and the online market.

(euro / million)	31/12/11	%	31/12/10	%	Var. 11/10
CE – traditional	2,737	24.1%	3,507	28.7%	-22.0%
CE – e-commerce	210	1.9%	254	2.1%	-17.3%
Photo – traditional	438	3.9%	484	4.0%	-9.5%
Photo – e-commerce	48	0.4%	52	0.4%	-7.9%
IT – traditional	2,491	21.9%	2,399	19.7%	3.8%
IT – e-commerce	223	2.0%	200	1.6%	11.2%
Telecom – traditional	2,341	20.6%	2,249	18.4%	4.1%
Telecom – e-commerce	82	0.7%	66	0.5%	24.3%
Media Storage – traditional	203	1.8%	231	1.9%	-12.0%
Media Storage – e-commerce	7	0.1%	7	0.1%	-0.2%
MDA – traditional	1,390	12.2%	1,534	12.6%	-9.4%
MDA – e-commerce	62	0.5%	54	0.4%	16.1%
SDA – traditional	951	8.4%	980	8.0%	-3.0%
SDA – e-commerce	34	0.3%	33	0.3%	3.9%
Home comfort – traditional	139	1.2%	150	1.2%	-7.3%
Home comfort – e-commerce	5	0.0%	6	0.0%	-22.3%
Total market	**11,361**		**12,206**		**-6.9%**
Relating to the traditional market	***10,690***		***11,535***		***-7.3%***
Relating to the e-commerce market	***670***		***671***		***-0.2%***

Source: GFK, Internet Sales, December 2011

In general, the traditional market posted a 7.3% drop, while the online market revealed a substantial consolidation of the 2010 data (-0.2%).
The sectors that suffered most were the CE[3] and Photo sector, in both markets, and the Major Domestic Appliances sector but solely in the traditional market. Both the IT and telecom sectors posted positive results, however.

3. B2B distribution of micro-electronic components

Industry structure

In general, distribution methods for electronic components are divided into direct and indirect systems.

The former enable the manufacturers to reach the end consumer directly, while the latter foresee the use of first level intermediaries (distributors), similarly to what occurs in the IT distribution chain.

Very briefly, the following parties are involved in the distribution process:

- manufacturers of electronic components or sub-systems that operate with their own brand;
- distributors that provide logistic, storage, credit and marketing services.

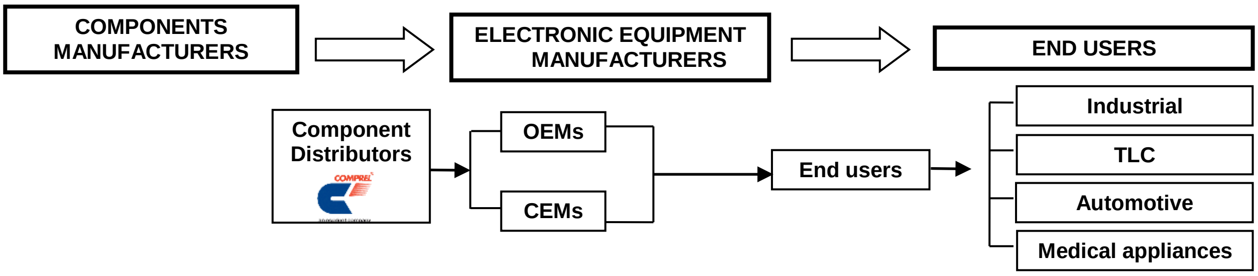
[3] CE: Consumer Electronics / MDA: Major Domestic Appliances / SDA: Small Domestic Appliances / IT: Information Technology / TC: Telecommunication.

Producers can be divided into the following categories:

- OEM: 'Original Electronic Manufacturer', manufacturers that control the entire process, from the design stage to marketing the product.
- CEM: 'Contract Electronic Manufacturer', manufacturers that manage part of the production process in outsourcing mode on behalf of the OEMs.

Finally, part of the business flow is directed to the retail or sub-distribution channel, in other words, to those operators that engage in brokerage activities focusing on a lower level customer-base.

The following is a typical 'go-to-market' chart illustrating the Italian micro-electronic products market:



The sales dynamics based on distributors, on the one hand reflects the propensity of producers to delegate a series of activities to distributors (logistics, credit facilities, marketing or sales) and, on the other hand, the need of the producers-customers to have access not only to a broad range of products but also to consulting services.

According to Assodel surveys there are approx. a hundred in distributors in Italy. Recent years have seen a concentration of market shares, but there has been no significant change in the total number of distributors.
This situation mainly depends on the need to reach size levels in the case of so-called 'commodities' products, so that economies of scale can be achieved, and to keep the more specific and focussed approach that medium-sized distributors concentrating on market niches typically have towards so-called 'designed' products.

Market and distribution industry dimensions

The overall value of the electronic components and sub-systems market addressed by Comprel in terms of sales to end-users is estimated at around 3 billion euro.
The expansion of the product range into the sub-systems for industrial applications business, which has characterised Comprel's business policy in the past two years, has also widened the horizons of the target market, however.

Market information is provided by data collected by Assodel (Association of Electronic Distributors) for the traditional micro-electronic components sector.

The total semiconductor market

According to the Assodel surveys, in 2011 the Italian market recorded an overall demand of semiconductors, 703 million euro of which through distribution channels.
The total market value at this year-end virtually maintained the 42.6% growth of the 2010 consolidated results.

The signs of recovery revealed at the end of 2009 and which were confirmed during the 2010 trading year, were further affirmed in the first half of 2011, but gave way to a slowdown in the second half, justified among other things by a realignment of inventory involving the entire chain after a long period of growth, which was also punctuated by events, such as the earthquake in Japan, which temporarily contaminated the normal environment of supply and demand.

The distribution channel accounted for 70% of the total market compared with that passing through the direct supplier channel in 2011.

The distribution market (semiconductors-LCD-IP&E)

The following table breakdowns the Italian market in terms of product type within the sample of Assodel members during the 2004/11 period.

(euro/000)	2004	2005	2006	2007	2008	2009	2010	2011
Discrete devices	127,742	121,956	122,681	135,710	118,342	78,008	125,858	139,605
Opto	61,310	70,865	75,710	83,223	69,675	50,824	73,875	71,734
Analogue	136,884	128,915	154,579	166,306	161,728	119,859	177,704	183,622
Bipolar and Logics	100,610	87,966	124,947	73,755	61,151	47,674	64,166	57,858
Memories	92,299	96,176	88,329	81,761	53,890	44,335	54,540	50,052
Micro	223,489	249,776	223,293	214,919	197,458	133,046	176,856	190,105
Sensors	4,573	6,137	5,291	6,320	6,115	2,888	7,414	10,102
LCD	32,282	32,311	46,807	46,291	37,384	21,947	28,641	28,566
Tot. Semiconductors & LCDs	**779,189**	**794,102**	**841,637**	**808,285**	**705,743**	**500,590**	**711,064**	**731,644**
Condensers	73,795	73,459	86,467	84,979	78,357	58,977	82,004	87,490
Resistors	31,069	28,189	30,479	31,673	29,179	20,629	28,965	29,790
Other Passive devices	30,604	29,472	28,273	27,380	25,918	20,238	31,602	29,191
Connectors	54,930	59,326	69,376	72,733	68,875	40,764	65,382	67,847
Elettromechanical devices	69,590	66,573	80,395	88,016	81,634	56,577	68,411	80,323
Tot. IP&E	**259,988**	**257,019**	**294,990**	**304,781**	**283,963**	**197,185**	**276,364**	**294,641**
Tot. Electronic Components	**1,039,177**	**1,051,121**	**1,136,627**	**1,113,066**	**989,706**	**697,775**	**987,428**	**997,219**
Var. % Semicond. and LCDs	-	*1.9%*	*6.0%*	*-4.0%*	*-12.7%*	*-29.1%*	*42.0%*	*2.9%*
Var. % IP&E	-	*-1.1%*	*14.8%*	*3.3%*	*-6.8%*	*-30.6%*	*40.2%*	*6.6%*
Var. % Total	**-**	***1.1%***	***8.1%***	***-2.1%***	***-11.1%***	***-29.5%***	***41.5%***	***1.0%***

Source: Assodel (National Association of Electronic Distributors).

The total Assodel market, which also includes passive electronic components and LCD Displays, totalled sales of 997 million euro, or a 1% rise.

The Assodel sample accounts for about 90% of the overall semiconductors sales managed via the distribution industry and approximately 50% of the Italian distributors' market of passive components, connections and electromechanical devices.

After the sharp fall recorded in 2002, the market surveyed by Assodel showed a growth trend from 2003 to 2006, followed by an inversion in the same trend from 2007 on, which continued for almost all of 2009.

The weak signs of recovery seen in the fourth quarter of 2009 were then confirmed by a decidedly positive 2010 which saw sales levels recover to 2008 levels for both product types.

The 2011 trading year saw the consolidation of the market value recorded in 2010, in line with pre-crisis values.

Group and Esprinet S.p.A. economic and financial results

Please note that the 2011 economic and financial results and those of the relative period of comparison have been drawn up according to IFRSs.

1. Income trend

A) Esprinet Group financial highlights

The Group's main economic results as of 31 December 2011 are as follows:

(euro/000)	2011	%	2010	%	Var.	Var. %
Sales	**2,096,480**	100.00%	**2,205,174**	100.00%	**(108,694)**	*-5%*
Cost of sales	(1,975,148)	-94.21%	(2,072,757)	-94.00%	97,609	*-5%*
Gross profit	**121,332**	**5.79%**	**132,417**	**6.00%**	**(11,085)**	***-8%***
Sales and marketing costs	(38,281)	-1.83%	(34,605)	-1.57%	(3,676)	*11%*
Overheads and administrative costs	(39,593)	-1.89%	(41,980)	-1.90%	2,387	*-6%*
Adjusted income (Ebit) recurring	**43,458**	**2.07%**	**55,832**	**2.53%**	**(12,374)**	***-22%***
Goodwill impairment	(19,826)	-0.95%	-	-	(19,826)	*-100%*
Operating income (Ebit)	**23,632**	**1.13%**	**55,832**	**2.53%**	**(32,200)**	***-58%***
Finance costs - net	(5,326)	-0.25%	(6,935)	-0.31%	1,609	*-23%*
Profit before income tax	**18,306**	**0.87%**	**48,897**	**2.22%**	**(30,591)**	***-63%***
Income tax expenses	(10,339)	-0.49%	(16,024)	-0.73%	5,685	*-35%*
Net income	**7,967**	**0.38%**	**32,873**	**1.49%**	**(24,906)**	***-76%***
Earnings per share - basic (euro)	0.16		0.64		(0.48)	*-75%*

- Consolidated sales of 2011 were 2,096 million euro (-5% or -108.7 million euro) compared to 2,205 million euro of 2010;
- Consolidated gross profit of 2011 was 121.3 million euro, decreasing by -8% (-11.1 million euro) compared to 2010 due to both the reduction in sales and the gross profit margin decrease to 5.79% from 6.00%;
- Adjusted consolidated operating income (EBIT) of 2011, i.e. net of goodwill write-downs arising from the impairment test (amounting to 19.8 million euro), was 43.4 million euro decreasing by -22% compared to 2010 with EBIT margin reduced to 2.07% from 2.53% mainly due to a lesser absorption of the operating leverage due to lower sales, as operating expenses grew only by 1.3 million euro (+2% to 77.9 from 76.6 million euro). Not considering non-recurring expenses, mainly related to the optimization of the Spanish structure (0.5 million euro), extra goodwill impairment, operating costs should have grown only by +1%;
- Net of goodwill impairment loss, EBIT decreased by -32.2 million euro to 23.6 million euro (1,13% on sales). The abovementioned loss was due to the lower cash flow generation expected mainly for the Spanish operations, due to both the new macro-economic scenario and the higher discount rate connected to higher risk-reward requests given the particular historical environment;
- Consolidated profit before income taxes of 2011 equal to 18.3 million euro (0.87% on sales) had a lower decrease, compared to the 2010, vs. EBIT figures thanks to lower net financial charges (-1.6 million euro or -23%), due to both an improvement in the foreign exchange management and to a financing source remix resulting in a more efficient loan sourcing.
- Given the above mentioned effects, consolidated net income of 2011 reduced to 8.0 million euro from 32.9 million euro of 2010; net of impairment loss, adjusted consolidated net income was 25.2 million euro (-23% compared to the previous year);
- Basic earnings per share of 2011 was 0.16 euro, -75% compared to 2010;

(euro/000)	31/12/11	%	31/12/10	%	Var.	Var. %
Fixed assets	95,047	53.70%	117,869	54.47%	(22,822)	-19%
Operating net working capital	110,460	62.41%	128,883	59.56%	(18,423)	-14%
Other current assets/liabilities	(15,567)	-8.79%	(15,080)	-6.97%	(487)	3%
Other non-current assets/liabilities	(12,939)	-7.31%	(15,267)	-7.05%	2,328	-15%
Total assets	**177,001**	**100.00%**	**216,405**	**122.26%**	**(39,404)**	**-18%**
Short-term financial liabilities	48,896	27.62%	51,473	23.79%	(2,577)	-5%
Current financial (assets)/liabilities for derivatives	952	0.54%	1,624	0.75%	(672)	-41%
Financial receivables from factoring companies	(13,804)	-7.80%	(15,486)	-7.16%	1,682	-11%
Cash and cash equivalents	(115,921)	-65.49%	(102,363)	-47.30%	(13,558)	13%
Net current financial debt	(79,877)	-45.13%	(64,752)	-29.92%	(15,125)	23%
Borrowings	36,239	20.47%	60,249	27.84%	(24,010)	-40%
Non-current financial (assets)/liabilities for derivatives	920	0.52%	1,513	0.70%	(593)	-39%
Net financial debt (A)	(42,718)	-24.13%	(2,990)	-1.38%	(39,728)	1329%
Net equity (B)	219,719	124.13%	219,395	101.38%	324	0%
Total sources of funds (C=A+B)	**177,001**	**100.00%**	**216,405**	**100.00%**	**(39,404)**	**-18%**

- Consolidated net working capital as of 31 December 2011 was 110.5 million euro (5% on sales) compared to 128.9 million euro as of 31 December 2010 (6%). Such a result was connected to a better turnover of the stock as consequence of the reduction of the stock level compared to the situation occurred at the end of the preceding fiscal year;

- Consolidated net financial position as of 31 December 2011 was positive by 42.7 million euro compared to the cash surplus of 3.0 million euro as of 31 December 2010 while showing an even better result sequentially compared to the net financial position negative by 51.4 million euro as of 30 September 2011, with an improvement of 94.2 million euro;
  The reduction of net financial position was connected to a trend of decrease of working capital needs which is fully represented in the average level of working capital, mainly thanks to lower average level of stock. Consolidated net working capital was influenced even by unusual events compared to the average level of working capital. Furthermore, the level of net working capital was affected by a 'without-recourse' sale of account receivables from selected segments of customer. Such a program is aimed at transferring risk and reward to the buyer while receivables thus sold are stripped out by balance sheet according to IAS 39.
  The impact on financial debt was approximately equal to 179 million euro as of 31 December 2011 (approx. 171 million as of 31 December 2010);

- Consolidated net equity as of 31 December 2011 was influenced by the abovementioned goodwill impairment loss, even if being a non-cash item, amounted to 219.7 million euro, in line with 219.4 million euro as of 31 December 2010.

B) <u>Financial highlights by geographical area</u>

B.1) Subgroup Italy

The main economic results as of 31 December 2011 for the Italian subgroup (Esprinet, Comprel, Monclick and V-Valley) are hereby summarized:

(euro/000)	2011	% (1)	2010	% (1)	Var.	Var. %
Sales to third parties	1,576,144		1,642,886		(66,742)	-4%
Intercompany sales	45,352		51,645		(6,293)	-12%
Sales	**1,621,496**		**1,694,531**		**(73,035)**	-4%
Cost of sales	(1,521,466)		(1,586,703)		65,237	-4%
Gross profit	**100,030**	**6.35%**	**107,828**	**6.56%**	**(7,798)**	**-7%**
Sales and marketing costs	(32,763)	-2.08%	(29,311)	-1.78%	(3,452)	12%
Overheads and administrative costs	(30,108)	-1.91%	(32,630)	-1.99%	2,522	-8%
Adjusted income (Ebit) recurring	**37,159**	**2.36%**	**45,887**	**2.79%**	**(8,728)**	**-19%**
Goodwill impairment	(2,044)	-0.13%	-	-	(2,044)	-100%
Operating income (Ebit)	**35,115**	**2.23%**	**45,887**	**2.79%**	**(10,772)**	**-23%**

(1) Measured on 'Sales to third parties'.

- sales to third parties were 1,576.1 million euro, reducing by -4% compared to 1,642.9 million euro of 2010;
- gross profit was 100.0 million euro, reducing by -7% compared to 107.8 million euro of 2010
- Adjusted income (Ebit) recurring was equal to 37.2 million euro, reducing by -19% compared to the previous year, with adjusted EBIT margin reducing from 2.79% to 2.36% mainly as consequence of both gross profit margin decrease and increase of operating costs (+1% equal to 0.9 million euro);
- net of goodwill impairment loss, EBIT is equal to 35.1 million euro, reducing of -23% compared to 2010, with EBIT margin decreasing from 2.79% to 2.23%;

(euro/000)	31/12/11	%	31/12/10	%	Var.	Var. %
Fixed assets	87,315	55.28%	105,010	64.70%	(17,695)	-17%
Operating net working capital	78,512	49.71%	71,110	43.81%	7,402	10%
Other current assets/liabilities	2,797	1.77%	(1,870)	-1.15%	4,667	-250%
Other non-current assets/liabilities	(10,684)	-6.76%	(11,944)	-7.36%	1,260	-11%
Total assets	**157,940**	**100.00%**	**162,306**	**100.00%**	**(4,366)**	**-3%**
Short-term financial liabilities	34,777	22.02%	34,981	21.55%	(204)	-1%
Current financial (assets)/liabilities for derivatives	381	0.24%	650	0.40%	(269)	-41%
Financial receivables from factoring companies	(13,804)	-8.74%	(15,486)	-9.54%	1,682	-11%
Financial (receivables)/debts vs. group companies	(30,000)	-18.99%	-	0.00%	(30,000)	-100%
Cash and cash equivalents	(66,510)	-42.11%	(101,584)	-62.59%	35,074	-35%
Net current financial debt	(75,156)	-47.59%	(81,439)	-50.18%	6,283	-8%
Borrowings	14,939	9.46%	24,848	15.31%	(9,909)	-40%
Non-current financial (assets)/liabilities for derivatives	368	0.23%	605	0.37%	(237)	-39%
Net financial debt (A)	(59,849)	-37.89%	(55,986)	-34.49%	(3,863)	7%
Net equity (B)	217,789	137.89%	218,292	134.49%	(503)	0%
Total sources of funds (C=A+B)	**157,940**	**100.00%**	**162,306**	**100.00%**	**(4,366)**	**-3%**

- net working capital as of 31 December 2011 was 78.5 million euro or 5% on 2010 sales, reducing by 7.4 million euro compared to 31 December 2010;
- as consequence, net financial position as of 31 December 2011 improved to a surplus of cash of 59.8 million euro compared to the surplus in cash of 56.0 million euro as of 31 December 2010. The positive impact due to 'without-recourse' sales of account receivables was at the same date approx. 87 million euro (approx. 82 million euro as of 31 December 2010).

B.2) Subgroup Spain

The main economic results as of 31 December 2011 for the Spanish subgroup are hereby summarized:

(euro/000)	2011	%	2010	%	Var.	Var. %
Sales to third parties	520,336		562,288		(41,952)	-7%
Intercompany sales	-		-		-	0%
Sales	**520,336**		**562,288**		**(41,952)**	-7%
Cost of sales	(499,033)		(537,642)		38,609	-7%
Gross profit	**21,303**	**4.09%**	**24,646**	**4.38%**	**(3,343)**	***-14%***
Sales and marketing costs	(5,135)	-0.99%	(5,001)	-0.89%	(134)	3%
Overheads and administrative costs	(9,864)	-1.90%	(9,643)	-1.71%	(221)	2%
Adjusted income (Ebit) recurring	**6,304**	**1.21%**	**10,002**	**1.78%**	**(3,698)**	***-37%***
Goodwill impairment	(17,782)	-3.42%	-	-	(17,782)	-100%
Operating income (Ebit)	**(11,478)**	**-2.21%**	**10,002**	**1.78%**	**(21,480)**	***-215%***

- sales were 520.3 million euro, -7% compared to 562.3 million euro of 2010;
- gross profit was 21.3 million euro, -14% compared to 24.6 million euro of 2010 as a result of both the decrease of sales and the worsening in gross profit margin from 4.38% to 4.09%;
- adjusted operating income (EBIT) of 2011 was positive at 6.3 million euro, showing a decrease of 3.7 million euro (-37%) compared to 10.0 million euro of 2010 with adjusted EBIT margin reducing to 1.21% from 1.78% due to lower gross profit and, even if minimal, higher operating costs (+2% or +0.3 million euro – showing a substantial stable situation net of restructuring charges);
- net of goodwill impairment loss (amounting to 17.8 million euro), EBIT was negative at 11.5 million euro;

(euro/000)	31/12/11	%	31/12/10	%	Var.	Var. %
Fixed assets	68,566	85.72%	87,428	67.90%	(18,862)	-22%
Operating net working capital	32,045	40.06%	57,866	44.94%	(25,821)	-45%
Other current assets/liabilities	(18,364)	-22.96%	(13,210)	-10.26%	(5,154)	39%
Other non-current assets/liabilities	(2,255)	-2.82%	(3,322)	-2.58%	1,067	-32%
Total assets	**79,992**	**100.00%**	**128,762**	**100.00%**	**(48,770)**	***-38%***
Short-term financial liabilities	14,119	17.65%	16,492	12.81%	(2,373)	-14%
Current financial (assets)/liabilities for derivatives	571	0.71%	974	0.76%	(403)	-41%
Financial receivables from factoring companies	-	0.00%	-	0.00%	-	0%
Financial (receivables)/debts vs. group companies	30,000	37.50%		0.00%	30,000	100%
Cash and cash equivalents	(49,411)	-61.77%	(779)	-0.60%	(48,632)	6243%
Net current financial debt	(4,721)	-5.90%	16,687	12.96%	(21,408)	-128%
Borrowings	21,300	26.63%	35,401	27.49%	(14,101)	-40%
Non-current financial (assets)/liabilities for derivatives	552	0.69%	908	0.71%	(356)	-39%
Net financial debt (A)	17,131	21.42%	52,996	41.16%	(35,865)	-68%
Net equity (B)	62,861	78.58%	75,766	58.84%	(12,905)	-17%
Total sources of funds (C=A+B)	**79,992**	**100.00%**	**128,762**	**100.00%**	**(48,770)**	***-38%***

- net working capital as at 31 December 2011 amounted to 32.0 million euro, or 6% of sales, up 25.8 million euro compared to 31 December 2010
- the net financial position as at 31 December 2011 was negative at 17.1 million euro, with an improvement (-68% or -35.9 million euro) compared to 53.0 million euro as at 31 December 2010. The positive impact of the 'without-recourse' sale of accounts receivable was approx. 92 million (approx. 89 million euro as at 31 December 2010).

C) Esprinet S.p.A. financial highlights

The Esprinet S.p.A. financial highlights are as follows:

(euro/000)	2011	%	2010	%	Var.	Var. %
Sales	**1,580,742**	100.00%	**1,655,253**	100.00%	**(74,511)**	-5%
Cost of sales	(1,491,518)	-94.36%	(1,557,667)	-94.10%	66,149	-4%
Gross profit	**89,224**	**5.64%**	**97,586**	**5.90%**	**(8,362)**	**-9%**
Sales and marketing costs	(26,250)	-1.66%	(22,883)	-1.38%	(3,367)	15%
Overheads and administrative costs	(26,910)	-1.70%	(29,914)	-1.81%	3,004	-10%
Adjusted income (Ebit) recurring	**36,064**	**2.28%**	**44,789**	**2.71%**	**(8,725)**	**-19%**
Goodwill impairment	-	0.00%	-	-	-	0%
Operating income (Ebit)	**36,064**	**2.28%**	**44,789**	**2.71%**	**(8,725)**	**-19%**
Finance costs - net	(2,254)	-0.14%	(3,292)	-0.20%	1,038	-32%
(Cost) income from invesments	(13,734)	-0.87%	-	0.00%	(13,734)	-100%
Profit before income tax	**20,076**	**1.27%**	**41,497**	**2.51%**	**(21,421)**	**-52%**
Income tax expenses	(11,423)	-0.72%	(14,149)	-0.85%	2,726	-19%
Net income	**8,653**	**0.55%**	**27,348**	**1.65%**	**(18,695)**	**-68%**

- sales were 1,580.7 million euro, reducing by -5% compared to 1,655.2 million euro of 2010;
- gross profit was 89.2 million euro, reducing by -9% (or -8.4 million euro) compared to 97.6 million euro of 2010 due to the decrease of gross profit margin from 5.90% to 5.64%;
- operating income (EBIT) was 36.1 million euro, -19% compared to 2010 with EBIT margin reducing to 2.28% from 2.71% of 2010 due to higher operating costs (from 52.8 million euro to 53.1 million euro);
- profit before income taxes was 20.1 million euro, down -52% compared to 41.5 million euro of 2010, due to both lower EBIT and, mainly, the impairment loss of the investment in the subsidiary Esprinet Iberica S.L.U.;
- net income was 8.6 million euro, down -68% (or -18.7 million euro) compared to the previous year.

(euro/000)	31/12/11	%	31/12/10	%	Var.	Var. %
Fixed assets	87,051	58.46%	102,609	67.12%	(15,558)	-15%
Operating net working capital	44,856	30.12%	58,477	38.25%	(13,621)	-23%
Other current assets/liabilities	25,928	17.41%	1,548	1.01%	24,380	1575%
Other non-current assets/liabilities	(8,931)	-6.00%	(9,752)	-6.38%	821	-8%
Total assets	**148,904**	**100.00%**	**152,882**	**100.00%**	**(3,978)**	**-3%**
Short-term financial liabilities	26,758	17.97%	27,673	18.10%	(915)	-3%
Current financial (assets)/liabilities for derivatives	381	0.26%	650	0.43%	(269)	-41%
Financial receivables from factoring companies	(13,545)	-9.10%	(15,486)	-10.13%	1,941	-13%
Financial (receivables)/debts vs. group companies	(30,000)	-20.15%	-	0.00%	(30,000)	-100%
Cash and cash equivalents	(65,105)	-43.72%	(99,974)	-65.39%	34,869	-35%
Net current financial debt	(81,511)	-54.74%	(87,137)	-57.00%	5,626	-6%
Borrowings	14,939	10.03%	24,848	16.25%	(9,909)	-40%
Non-current financial (assets)/liabilities for derivatives	368	0.25%	605	0.40%	(237)	-39%
Net financial debt (A)	(66,204)	-44.46%	(61,684)	-40.35%	(4,520)	7%
Net equity (B)	215,108	144.46%	214,566	140.35%	542	0%
Total sources of funds (C=A+B)	**148,904**	**100.00%**	**152,882**	**100.00%**	**(3,978)**	**-3%**

- operating net working capital as of 31 December 2011 was 44.9 million euro (or 2.8% on 2011 sales), growing by 13.6 million euro compared to 2010, when it was equal to 3.5% on 2010 sales;

- net financial position as of 31 December 2011 was positive by 66.2 million euro, with an improvement of 4.5 million euro compared to 61.7 million euro as of 31 December 2010; The impact of 'without-recourse' sales of account receivables was approx. 86 million euro compared to approx. 81 million euro as of 31 December 2010;
- net equity as of 31 December 2011 amounted to 215.1 million euro.

2. Operating net working capital

The table below details the operating net working capital indicators as at 31 December 2011 compared with those of the previous year:

(euro/000)	31/12/11			31/12/10		
	Group	Italy	Spain	Group	Italy	Spain
Trade receivables [a]	**263,185**	**207,234**	**55,951**	**238,026**	**179,083**	**58,943**
Trade receivables net of VAT (1)	218,684	171,268	47,416	200,049	149,236	50,813
Sales	2,096,480	1,576,144	520,336	2,205,174	1,642,886	562,288
[A] Days Sales Outstanding - DSO (2)	38	40	33	33	33	33
Inventory [b]	**217,315**	**163,247**	**54,068**	**282,559**	**203,453**	**79,106**
[B] Days Sales of Inventory - DSI (3)	40	39	43	50	47	59
Trade payables [c]	**370,040**	**291,969**	**78,071**	**391,702**	**311,426**	**80,276**
Trade payables net of VAT (1)	307,459	241,297	66,162	328,725	259,522	69,203
Cost of sales	1,975,148	1,521,466	453,682	2,072,757	1,586,703	486,054
Total SG&A	77,874	63,254	14,620	76,585	61,941	14,644
[C] Days Payable Outstanding - DPO (4)	55	56	52	56	57	50
Operating net working capital [a+b-c]	**110,460**	**78,512**	**31,948**	**128,883**	**71,110**	**57,773**
Cash Conversion Cycle (days) [A+B-C]	**23**	**23**	**24**	**27**	**23**	**42**
Operating net working capital / Sales	**5.3%**	**5.0%**	**6.1%**	**5.8%**	**4.3%**	**10.3%**

(1) Net of VAT calculated by applying the ordinary 21% rate in the case of Subgroup Italy (20% in 2010) and 18% in the case of Subgroup Spain (16% in 2010).
(2) (Trade receivables net of VAT / Sales and services) * 365.
(3) (Inventory / Cost of sales) * 365.
(4) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

The level of operating net working capital as at 31 December 2011 shows a decrease versus that of the previous year-end (110.5 million euro versus 128.9 million euro at 31 December 2010) and a 4-day improvement in the duration of the cash conversion cycle of the Group.

The operating net working capital level existing as at 31 December, calculated as described in the notes to the table above, shows a substantial stability in the duration of the Subgroup Italy's cash conversion cycle (23 days) and a worsening of the operating net working capital / sales ratio from 4.3% to 5.0%.
The stability of the cash conversion cycle in the two years since the reduction in inventory turnover times (from 47 to 39 days, a return to the levels at the closing of 2009, before the unexpected slowdown in sales at the end of 2010 caused the inventory increase) was annulled by the worsening from 33 to 40 days in the average number of days needed to collect receivables from customers and a reduction, even if minimum, in payment times to suppliers (from 57 to 56 days).
By the same calculations, however, Subgroup Spain's cash conversion cycle improved from 42 to 24 days. The 18-day improvement is almost entirely due a lower inventory turnover rate (from 59 to 43 days) and an improvement in average payment times granted by suppliers to Esprinet Iberica (from 50 to 52 days).

During 2011, the 'without-recourse' sale of account receivables revolving program, focussing on the large-scale distribution sector in particular, continued as part of the processes concentrating on the management of operating net working capital both in Italy and in Spain.
The overall effect of these programs on the level of financial debt at year-end was approx. 179 million euro (almost in line with the approx. 171 million euro at 31 December 2010).
The following table illustrates the Esprinet S.p.A. working capital trend in the last two financial years:

(euro/000)	Esprinet S.p.A.	
	31/12/11	31/12/10
Trade receivables [a]	**174,536**	**165,656**
Trade receivables net of VAT (1)	144,245	138,047
Sales (2)	1,460,060	1,579,720
[A] Days Sales Outstanding - DSO (3)	36	32
Inventory [b]	**158,097**	**199,067**
[B] Days Sales of Inventory - DSI (4)	39	47
Trade payables [c]	**287,777**	**306,246**
Trade payables net of VAT (1)	237,832	255,205
Cost of sales (5)	1,491,315	1,557,461
Total SG&A (6)	54,909	55,048
[C] Days Payable Outstanding - DPO (7)	56	58
Operating net working capital [a+b-c]	**44,856**	**58,477**
Cash Conversion Cycle (days) [A+B-C]	**19**	**21**
Operating net working capital / Sales	**3.1%**	**3.7%**

(1) Net of VAT measured by applying the ordinary 21% (20% in 2010).
(2) Net of intercompany sales amounting to 120.7 million euro (75.5 million euro in 2010).
(3) (Trade receivables net of VAT / Sales and services) * 365.
(4) (Inventory / Cost of sales) * 365.
(5) Net of intercompany costs amounting to 0.2 million euro (same amount in 2010).
(6) Net of intercompany costs and re-charges of 1.7 million euro (2.2 million euro in 2010).
(7) [Trade payables net of VAT / (Purchases, costs for services + operating costs)] * 365.

During 2011 the overall duration of the Esprinet S.p.A. cash conversion cycle fell from 21 to 19 days, a fall from 3.7% in 2010 to 3.1% in 2011 in the operating net working capital / sales ratio. This improvement is mainly due to lower inventory turnover rates (down from 47 to 39 days) counterbalanced by slightly worse than average delayed payments obtained from suppliers (from 58 to 56 days) and also by a slight worsening (from 32 to 36 days) in customers' average payment times.
The total effect of these programs (without-recourse sale of account receivables revolving programs, focussing particularly on selected customer sectors) on the level of financial debt at year-end was approx. 86 million euro versus the approx. 81 million euro at 31 December 2010.

3. Net financial position

The tables below show the contributions of Subgroup Italy and Subgroup Spain to the Group's net financial position (or 'net financial debt' or 'net financial indebtedness') as at 31 December 2011:

(euro/000)	31/12/11			31/12/10			Var. Group
	Italy	Spain	Group	Italy	Spain	Group	
Short-term financial liabilities	34,777	14,119	48,896	34,981	16,492	51,473	(2,577)
Current financial (assets)/liabilities for derivatives	381	571	952	650	974	1,624	(672)
Financial receivables from factors	(13,804)	-	(13,804)	(15,486)	-	(15,486)	1,682
Financial (receivables)/debts vs. group companies	(30,000)	30,000	-	-	-	-	-
Cash and cash equivalents	(66,510)	(49,411)	(115,921)	(101,584)	(779)	(102,363)	(13,558)
Net current financial debt	**(75,156)**	**(4,721)**	**(79,877)**	**(81,439)**	**16,687**	**(64,752)**	**(15,125)**
Borrowings	14,939	21,300	36,239	24,848	35,401	60,249	(24,010)
Non-current financial (assets)/liabilities for derivatives	368	552	920	605	908	1,513	(593)
Net financial debt	**(59,849)**	**17,131**	**(42,718)**	**(55,986)**	**52,996**	**(2,990)**	**(39,728)**

The Group's net financial situation at year-end showed a 42.7 million euro cash surplus, up 39.7 million euro versus the 3.0 million euro surplus recorded at 31 December 2010. This was mainly due to the cash flow generated by the year's operations (50.7 million euro) despite the payment of the 8.9 million euro dividend on the 2010 profits.

The following table shows the trend in the relative weight of the individual companies making up the Esprinet Group:

(euro/000)	31/12/11				31/12/10			
	Esprinet	**Comprel**	**Monclick**	**V-Valley**	**Esprinet**	**Comprel**	**Monclick**	**V-Valley**
Short-term financial liabilities	26,758	7,899	11	109	27,673	7,302	6	-
Current financial (assets)/liabilities for derivatives	381	-	-	-	650	-	-	-
Financial receivables from factors	(13,545)	-	-	(258)	(15,486)	-	-	-
Financial (receivables)/debts vs. group companies	(30,000)	-	-	-	-	-	-	-
Cash and cash equivalents	(65,105)	(242)	(956)	(207)	(99,974)	(453)	(1,139)	(18)
Net current financial debt	**(81,511)**	**7,657**	**(945)**	**(356)**	**(87,137)**	**6,849**	**(1,133)**	**(18)**
Borrowings	14,939	-	-	-	24,848	-	-	-
Non-current financial (assets)/liabilities for derivatives	368	-	-	-	605	-	-	-
Net financial debt	**(66,204)**	**7,657**	**(945)**	**(356)**	**(61,684)**	**6,849**	**(1,133)**	**(18)**

Its role as IT production chain distributor means that the level of net financial indebtedness of the Esprinet Group is heavily influenced by the typical working capital needs related to the performance of its activities. This level fluctuates dramatically not only along the calendar year but also during each month, due not only to the seasonable nature of the business, but for the most part also to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.
For this reason, the figure resulting at the end of the period, as at 31 December 2011, or at the end of each month or quarter, is not totally representative of the average net financial indebtedness customarily observable during the same period.

Significant events occurring during the period

The most significant events occurring during the period are briefly described as follows.

Esprinet S.p.A. shareholders' meeting

27 April 2011, the Esprinet S.p.A. shareholders' meeting approved the 2010 financial statements as at 31 December 2010 and the distribution of a gross dividend of 0.175 euro per ordinary share.
Payment of the total 8.9 million euro dividend was effected 5 May 2011.

The meeting also authorized the Board of Directors to purchase and dispose of own shares subject to prior revocation of the former authorization of the 27 April 2010 meeting.

The proposed plan is a repetition of the pre-existing "buy-back" plan and comprises a maximum of 10,480,000 ordinary Esprinet S.p.A. fully paid-up shares with a nominal value of 0.15 euro each, or 20% of the share capital, taking into account the Company's own shares. It should be noted, however, that no purchasing operations and/or disposal of own shares had been effected by the Company in terms of the previous authorization.

Loans from Esprinet S.p.A. to Esprinet Iberica S.L.U.

As requested by the totally owned subsidiary Esprinet Iberica S.L.U. and as stipulated in the 14 June 2010 agreement, 17 June 2011 Esprinet. S.p.A. granted a 1-year interest-bearing renewable 30 million euro loan to the former.

Tax disputes pending

At the end of December 2011, Esprinet S.p.A. received two notifications of inspection regarding IRES (corporation income tax) and IRAP (regional tax on productive activities) in 2005 respectively, for the recovery of taxation of costs sustained for suppliers resident in countries or areas with a privileged tax regime. Further details regarding the Company's position can be found under *Developments in Group and Esprinet S.p.A. legal and tax-related disputes.*

Subsequent events

No significant events occurred after the end of the financial year.

Outlook

2011 was a very difficult year for durable and semi-durable goods consumption, given the generalised fall in private IT and consumer electronics consumption and the substantial situation of waiting regarding corporate investments.
Italy recorded a 3.6% fall (Source: Sirmi, February 2012), while the larger GfK product category survey of the technical consumer equipment market revealed a 7.5% drop.
In Spain the IDC data (February 2012) showed a fall of 11% (9% in Italy) in the "addressable" market, regarding products moving through the distribution channel.
There was an overall 3.6% fall in the distribution sector according to Sirmi and 4% according to GTDC-Context in 2011 in Italy, while Spain posted an even greater fall (-14%).
In this scenario the Group focussed successfully on reducing the average level of stock and the progressive stabilisation of operating profitability by reinforcing investments in some promising areas such as the 'value-added' products sector for medium-sized companies (V-Valley) and large-scale distribution services (Ok Retail).
The expected results of these initiatives, combined with the weakness of some direct competitors – which caused an important multinational player in the sector to close its Italian operations – could lead to the acquisition of further market shares. In addition, in order to counterbalance analysts' expectations of a weak market for the entire 2012, due mainly to fiscal austerity measures put into place to rebalance the state accounts both in Italy and in Spain, the Group enlarged its product range through the inclusion of vendors particularly interested in the market coverage guaranteed by Esprinet.
While earlier in the process some vendors appeared to be able to reorganise rapidly in response to changed market scenarios, the subsequent demand is still frustrated by the uncertainties regarding the time and the speed needed for the Eurozone to overcome the crisis.
The hoped-for macroeconomic improvement, on one hand, and the technological innovation which is a continual distinguishing mark of its specific market, on the other (the expected launch of Windows 8 during the year, for example) could be the catalysts needed to trigger the demand in technology from private consumers and businesses.
The Group confirms its forecast of particular stress, related to the difficult economic situation foreseen for the national economies, for the first quarter of this year. It would prefer to wait for the end of the same quarter, however, for a more accurate view of the trend of the whole current fiscal year, in order to evaluate the effects on demand of the fiscal policies and measures aimed at restarting the economy introduced in recent weeks, as well as measures taken at a European level to shore up the resistance of the euro area.
As always, the greatest attention shall be given to the main risks inherent in the Group's core business, which must be continually safeguarded through further improvement in demand planning management procedures and ever more appropriate customer credit ratings.
This last risk shall be the subject of a greater focus than normally applied, especially in light of the existing credit crunch, mainly to the detriment of small-to medium-sized businesses.

Human Resources

Principles

Human resources are considered of primary importance in pursuing Group objectives. The Esprinet Group's HR management and development model mainly aims to motivate and valorise all employees by enhancing their skills and according to its business development strategy.

Although within a context where the rationalization of costs is paramount, these objectives are achieved, mainly, through the use of the following instruments:

- training targeted and adequate to management needs;
- selection of the best resources coming from the main national schools and universities and constant attention to internal mobility;
- a compensation system based on principles of selectivity and meritocracy linked to the achievement of individual objectives.

Employment

	Executives	Clerks and middle managers	Workers	Total	Average [(1)]
			31 December 2011		
Esprinet S.p.A.	19	603	2	**624**	
Comprel S.r.l.	2	57	-	**59**	
Monclick S.r.l.	1	38	-	**39**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**22**	**698**	**2**	**722**	**714**
Esprinet Iberica	**1**	**200**	**38**	**239**	**250**
Esprinet Group	**23**	**898**	**40**	**961**	**964**
			31 December 2010		
Esprinet S.p.A.	15	602	2	**619**	
Comprel S.r.l.	2	57	-	**59**	
Monclick S.r.l.	1	27	-	**28**	
V-Valley S.r.l.	-	-	-	**-**	
Subgroup Italy	**18**	**686**	**2**	**706**	**689**
Esprinet Iberica	**1**	**219**	**40**	**260**	**256**
Esprinet Group	**19**	**905**	**42**	**966**	**945**
Var Group 31/12/11 - 31/12/10	4	(7)	(2)	(5)	19
Var %	*21%*	*-1%*	*-5%*	*-1%*	*2%*

[(1)] Average of the balance at year-beginning and at year-end.

As at 31 December 2011 the number of employees fell by 5 units (from 966 to 961) units, reversing the previous year's trend when there was a 42-unit payroll rise.l

In 2011, on the other hand, the average number of employees rose by 19 to 964 from the 945 units of the previous year.

Subgroup Italy's labour force increased by 16 units over the previous year. The increase was due to the creation of new business projects and, specifically in the case of Monclick S.r.l., to the insertion of new professional figures in both the Marketing and Customer Care sectors in support of the company's expansion into the French Market.
The Esprinet S.p.A. sales structure was also boosted: two Cash & Carry outlets were opened at Brescia and Bergamo, respectively, and the Nilox, Ok Retail and V-Valley business areas were reinforced.

The sharp fall in demand and the consequent sales losses in the Spanish technological distribution market in 2011 meant the Esprinet Iberica structure had to be downsized in order to limit any negative impact on the company's profitability.
The restructuring and reorganisation process of the labour force – begun in 2009 and only partially suspended in 2010 - was consequently resumed with the aim of improving competitiveness and profitability.
In particular measures were taken to:

- adapt the organisational structure to Spanish market needs through downsizing and lowering costs as per the reduced business volumes;
- create a structure more suited to the market needs of agility and flexibility by re-organising the sales area taking into account staff characteristics and available means and by rationalising the staff set-up and the hierarchy.

Recourse to the ERE (Expediente de Regulaciòn de Empleo) used to reduce the labour force at the Zaragoza premises was a consequence of the organisational and production changes made.

The table below illustrates substantially stable turnovers regarding both Esprinet and Comprel, while the start-up of the sales project in the French market meant that the rise in Monclick's new employees far outnumbered any fall.

Subgroup Italy generally hired both young neo-graduates and professionally experienced personnel, the latter in order to cover key positions in new business start-ups.

	Headcount 31/12/2010	Increase	Decrease	Headcount 31/12/2011
Esprinet S.p.A.	619	86	81	624
Comprel S.r.l.	59	9	9	59
Monclick S.r.l.	28	18	7	39
V-Valley S.r.l.	-	-	-	-
Subgroup Italy	**706**	**113**	**97**	**722**
Esprinet Iberica 2011	**260**	**20**	**41**	**239**
Total Group 2011	**966**	**133**	**138**	**961**
Total Group 2010	924	110	68	966

The table below highlights a substantial same-distribution of genders: women employees are in fact 57% of the total (in line with the 58% of the previous year).
At year-end graduates were 32.2% of the total, a slight increase on the previous year's total.
The percentage of high-school leavers fell to 59.7% from the 60.5% of 2010.

	31/12/2011								31/12/2010	
	Italy					Spain				
	Esprinet S.p.A.	Comprel S.r.l.	Monclick S.r.l.	V-Valley S.r.l.	Total Italy	Esprinet Iberica S.L.U.	Group	%	Group	%
Men	276	42	23	-	**341**	**74**	**415**	*43.2%*	**404**	*41.8%*
Women	348	17	16	-	**381**	**165**	**546**	*56.8%*	**562**	*58.2%*
Total	**624**	**59**	**39**	**-**	**722**	**239**	**961**	***100%***	**966**	***100%***
Graduation	175	17	17	-	**209**	**101**	**310**	*32.3%*	**300**	*31.1%*
High-school certificate	406	37	22	-	**465**	**109**	**574**	*59.7%*	**584**	*60.5%*
Secondary-school cert.	43	5	-	-	**48**	**29**	**77**	*8.0%*	**81**	*8.4%*
Other	-	-	-	-	**-**	**-**	**-**	-	**1**	*0.1%*
Total	**624**	**59**	**39**	**-**	**722**	**239**	**961**	***100%***	**966**	***100%***

Training

The highly competitive context of the Group's operations and the constant need for professional updating mean that the training lever is a highly strategic variable.

During 2011 the Group effected 10,282 training hours, including those involving internal resources as teachers and testimonials.
In particular, 3,692 training hours were effected in Italy. The training featured focused interventions divided into six macro areas: the 'Linguistic' area, the 'Behavioural' area, the 'Induction' area (newly-hired), the 'IT' area, the 'Managerial' area and the 'Technical' area. In the case of the linguistic area, besides the usual 1-on-1 and group lessons, "full immersion" residential courses were also effected in 2011.
The majority of the training hours effected were aimed at making up for the training needs left over from the previous year (especially in the IT area) and also at starting new specific-needs courses as requested by the management of some structures (in particular the safe driving course organised together with the "Internal Audit" department and the "Inside Sales Esprinet" course, purpose-designed for the "Customer Business" and "Office Channel" sales structures).

In Spain, during 2011, 6,590 training hours were effected, a slightly lower number than in 2010 (considering the average number of employees, the 26.65 average of training hours in 2010 fell to a

26.36 average in 2011). This was mainly due to the postponement of some training courses, made necessary by company reorganisation.
The 2011 training programmes concentrated on the following areas: internal training (in particular a new internal course for sales staff, begun in November which will be re-proposed in 2012), managerial development, skills development, professional updating, (in particular the courses aimed at certifications necessary for selling new technological products and services), linguistic and "safety & security".
In some cases the Spanish training initiatives were also financed through the European Social Fund, the State and the Welfare Institution (*Fundación Tripartita)*, and through cooperation agreements with various institutions in the "Comunità Autonoma di Aragona" and industry associations.

Recruitment

During 2011, recruiting activities regarding the best candidates from the most significant schools and universities also continued in both countries, despite the extremely uncertain global economic situation.
Esprinet S.p.A. continued its collaboration with the three main Milan universities - the Politecnico, Bocconi and Cattolica - aimed at employing neo- and undergraduates. During 2011, 47 interns were inserted and, except in the case of the 11 still existing in 2012, 72% were hired, generally with 12-month employment contracts, potentially transformable into full-time contracts.

Interns are mainly inserted through ads placed on the sites of the above-mentioned universities, while Esprinet has been using head-hunting companies and, from this year on, also social networks, such as Linkedin, for more senior profiles. Selection methods vary according to the profile required and generally consist in personal interviews with the HR management and the line manager or an assessment process using company presentations and group tests in the case of neo-graduates.

Esprinet Iberica's successful recruitment programme for neo-graduates via internship agreements stipulated with the main national and local Business Schools (Esic, Columbus, Kühnel and Feuz), is based on a continuation and development of pre-existing internship agreements.
During 2011, 36 internships were effected: these were mainly candidates with specialised post-graduate masters degrees and over 20% were hired in 2011 when the internships were changed into labour contracts.
Alongside the internship agreements designed to hire neo-graduates, agreements regarding compulsory training courses with the main professional training schools in the province of Zaragoza also exist. Of the 10 trainees inserted during the year, approx. 20% were hired at the end of the training course.

Development and 'compensation'

The variable staff promotion policy is linked to a performance-related assessment of the achievement of individual objectives agreed at the beginning of the year.
Professional and managerial development are organised to valorise the skills and aptitudes for the organisation's most deserving staff members. In addition to the vertical development courses, inter-company and inter-role job rotation to further enhance employees' professional and technical expertise and also international transfers intended to enrich staff both professionally and technically were also effected.
The Esprinet Group in Italy also reviewed its compensation policy regarding both fixed and variable compensation. This plan involved approx. 15% of Esprinet S.p.A., 47% of Monclick S.r.l. and 59% of Comprel S.r.l. employees.
The greater responsibility of executives and other key managerial figures in making strategic decisions and the weight of their contribution to results has resulted in the implementation of a long-term compensation plan for the 2010-2012 three-year period.

Organisation

In 2011 Esprinet S.p.A. boosted some business areas which involved significant organisational changes:

- OK Retail - the structure which supplies value-added solutions and offers services guaranteeing greater efficiency for business, specifically in the case of the Retail world and industry. Ok Retail represents a change of considerable scope for Esprinet which thus takes on the role of value-added distributor to consumers;

- V-Valley - the Group's new company entirely dedicated to value, within a strategy increasingly based on its proximity to customers and anticipation of their needs. The totally-owned company has positioned itself on the market as the new value distribution reference point by offering specialisation, flexibility and a unique solutions range. The organisation has been structured in terms of vertical technologies and comprises highly qualified and specialised staff able to support customers throughout all phases of the sales process;
- Nilox – now with a new sales management for the development of this brand's innovative business strategy and a product range focussing more closely on leisure and sports-related market favorites, following years of experience in PC components and consumer electronics.
- Cash & Carry – two new outlets opened at Brescia and Bergamo. Esprinet S.p.A.'s significant investment in the Cash&Carry network is part of a strategy intended to boost the network and guarantee better service, operating in closer contact with the dealers working in the area.

During 2011, the great changes that occurred in the Spanish distribution market led to a profound reorganisation in Esprinet Iberica, its sales structure in particular.
The result of the reorganisation is the present sales structure, with one sole person responsible for sales and in charge of one sole level below.

Insertion of disabled people

In 2011, Esprinet S.p.A. stipulated an agreement for the duration of 2 and a half years with the Province of Monza and Brianza concerning the insertion of 2 disabled people.
In compliance with Law No. 68/99 regarding the insertion of disabled people in the workplace in Italy, Esprinet S.p.A. and, since 2010, also Comprel S.r.l., made use of the possibility of partial exemption by payment of a quota to the Regional Fund for the Employment of Disabled People.

In 2011, Esprinet Iberica fully complied with the law governing the compulsory hiring of disabled people without any recourse to alternative solutions regarding the failure to insert disabled people.

Health, safety and environment

General principles and actions undertaken

The respect for the environment and the protection of health and safety at work has always been at the basis of Esprinet Group operations. It is the Group's precise intention to further maintain, consolidate and improve the leadership position won in its own sector, by continuing to propose innovation in processes and in service to its customers and by simultaneously paying constant attention to safety, to individuals' and collective health by respecting the law and the surrounding environment.

In order to achieve these objectives, the Group has established, documented, implemented and maintained an Integrated Environment, Health and Safety Management System in the workplace.
During 2011, Esprinet S.p.A. received Certification of its Integrated System from the BSI Certification Company, a certification body of international standing, alongside the renewal of the Quality certification (ISO 9001), and also certification as per the ISO 14001 standard (Environment) and OHSAS 18001 (Security).

The following is a list of the tools considered essential for:
- the pursuit of continuous improvement;
- the reduction of accidents and illnesses in the workplace;
- the minimisation of environmental impact caused by the Group's activities.

Training and involvement

The Group is aware of the role of primary importance played by staff. It is therefore strongly committed to promoting the active involvement, responsibility and professional growth of all staff in information, training, and awareness-raising activities regarding the 'environment, health and safety' policy followed and the consequent improvement targets, all of which is therefore considered essential.

To this end continuous information, education and training activities involving both newly and already hired staff are undertaken.

Identification and evaluation of risks in the workplace and the environmental impact of operations

The Esprinet Group manages a continuous risk evaluation and mitigation system of significant safety and environmental risks, both direct and indirect or linked to operations, products, services or equipment.
Each risk is assessed in terms of suitable prevention and mitigation measures, which are in turn monitored in terms of their application and effectiveness eventually leading to any improvements that might be needed.

Compliance with laws and other regulations

Compliance with laws and regulations issued to protect workers' health and safety and for the respect of the environment are values inseparable from the Group's strategic action.

Concluding conduct

The correct management, maintenance and regular checking of plants and equipment is one of the ways that the Group runs 'health, safety and environmental' policies together with checks on any possible use and/or disposal of chemical preparations or compounds whether dangerous or otherwise. This is also outsourced to qualified suppliers accurately selected for their technical/professional expertise and for their products and services which significantly eliminate or reduce the environmental, health or safety risks. These are just some of the methods used by the Group to implement its " environment, health and safety" policies.

Effective communication

The Group recognises the importance of the role of 'communication' for all interested parties (personnel, suppliers, contractors and sub-contractors) as the basic element for managing responsibility correctly within the health, safety and environmental protection context.

Audit

Both internal and external audits are an effective tool. They form the basis of company culture and are what determine the performance checks and supervision, including that regarding health, safety and environment.

Membership of waste disposal consortia

The Italian companies of the Group have been members of the Ecor'it consortium, which manages products defined by the regulation regarding the disposal of electric, electronic, cells and batteries waste.
Esprinet Iberica, the Spanish subsidiary, is a member of the Ecotic, Ecopilas and Ecoembes consortia and of the Erp, Ecophilas and Ponto Verde consortia in the case of Portuguese operations.
Italian companies have also adhered to SISTRI (the waste traceability checking system), founded in 2009 by the Ministry for the Environment and Protection of Land and Sea for computerizing the whole special waste production chain nationally.

Disclosure as per Legislative Decree 32/2007 and its interpretation

In the case of the document approved on 14 January 2009 by the National Council of Accountants and Accounting Experts (Cndcec), aimed at supporting the first application of Legislative Decree 32/2007 concerning information regarding the environment and staff, the following has to be noted:

'Compulsory' disclosure

In the case of staff, during 2011 no deaths, or serious or very serious accidents, or professional illnesses reported by employees or ex-employees, or 'mobbing' trials, where the companies of the Group were found guilty definitively, occurred.
In the case of the environment, during 2011 no significant damages to the environment, or fines or definitive penalties were charged to the company for environmental crimes or damages, nor was any emission of greenhouse gasses reported.

'Voluntary' disclosure

In the case of staff, the section 'Human Resources' and the 'General principles and action undertaken' of this chapter provide a complete picture of the policies pursued.
The 'pure' IT products distribution activities (hardware, software and services) and consumer electronic products, undertaken at the three main sites at Cambiago and Cavenago in Italy (approx. 56.000 sqm), and at Zaragoza in Spain (approx. 22.000 sqm), do not create any special problems for the environment, Nevertheless the Group constantly monitors the use of energy at its various premises and has adopted strict disposal procedures for any type of waste.

Main risks and uncertainties facing the Group and Esprinet S.p.A.

Risk classification

Esprinet Group and Esprinet S.p.A. activities are exposed to risk factors able to influence their economic and financial situation.
Esprinet S.p.A. and the Esprinet Group identify, assess and manage risks in compliance with internationally recognised models and techniques such as 'Enterprise Risk Management - Integrated Framework (CoSo 2)'.

In particular, during the second half of 2009 a revision and refresher plan for the identification, recording, management and monitoring system of the main company risks using the support of outside consultants terminated.
The main result of the plan was the definition of an operational and organizational framework able to manage risks and monitor its adequacy in time (the so-called 'ERM-Framework'). This framework hinges on the methodological model for the creation of an effective risk management system able to involve the actors in the internal audit system at various levels, who are charged with different key roles according to the various control activities.
Today the Group uses an identification, assessment, management and monitoring system of the company's main risks based on a process which involves the performance of the following tasks, at least annually.

- risk scoring and risk assessment of the main company risks;
- identification of 'risk management' priorities;
- identification of a 'risk strategy' and its transfer into action plans orientated to strengthening, improving and monitoring the checking facilities of the risks identified.

The ultimate purpose of the system described is to maintain the risk level within the acceptability threshold defined by the administrative body and supply reasonable support to the furtherance of company objectives.

The result of these operations has lead the Company to define an operational action plan for 2011 including an audit plan of risks already effectively checked on and a plan of measures aiming at improvements in the case of other risks not properly managed.

The new risk classification is as follows:

- strategic risks
- operational risks
- compliance risks;
- financial risks;
- legal and fiscal risks.

The annual revision of the company's main risks has substantially confirmed the map of the risks that emerged when the ERM-Framework was launched.
The following is a brief description of the main risks, these last assessed without taking into consideration the response actions put into force or planned by the Group to bring the seriousness of the risk within acceptable levels.

Strategic risks

Inadequate response to unfavourable macro-economic scenarios

The Group's economic and financial situation is influenced by various factors which make up the macro-economic contexts of the markets where the Group operates (Italy and Spain).
These include, but not only, GDP performance, consumer and business confidence levels, the inflation rate, interest rate trends, the cost of raw materials prime and unemployment rates.

During 2008 and 2009 the economic recession triggered by the financial crisis had a strong impact on IT consumption and investment by businesses and private people.

The early part of 2010 saw a recovery in demand followed by a sharp slowdown in family consumption in the months of November and December and by a slowdown in purchases which continued to be very marked for the whole first half of 2011 in the Private Consumer PC sector, partially counterbalanced by the solidity of Business customers.

2012 has opened in an uncertain macroeconomic scenario and with a short-term recession, although there is some confidence that the extremely serious Euro crisis is gradually coming to an end.
The analysts forecast a 2012 characterised by a first part of the year under pressure, but also a year of great opportunities for market consolidation offering financially sound and well-organised operators, like our Group, the possibility to grasp every opportunity.

However it is not certain that market performance will really follow the analysts' expectations and that we will see an inversion of the trend in the following months. The period of time needed for a return to normal market conditions remains uncertain, therefore.
Should the current situation of weakness and uncertainty extend significantly, the Group's activities, strategies and prospects could be conditioned negatively with a consequent negative impact on the financial assets, economic, and financial situation.

Inadequate response to customers' and suppliers' demands

Due to its intermediary role within the IT production chain, the Esprinet Group's success largely depends on its ability to address, interpret and satisfy customers' and suppliers' demands.
This ability translates into a value proposition both at the source and later on in the sales process which differentiated itself from the competition through its adequate and historically superior profitability conditions compared both with its direct and indirect competitors.
Should the Esprinet Group be unable to maintain and renew this value proposition, that is, to develop more innovative offers and competitive services compared than those of its main competitors, the Group's market shares could fall significantly causing a negative impact on its economic and financial position.

Competition

The nature of the Group's trade brokering activities means it operates in highly competitive sectors, both in Italy and in Spain.
The Group has therefore to operate in a highly competitive context and to compete in the various geographical markets against both strongly rooted local operators and multinational companies significantly larger than the group and with considerably greater resources.

Competition in the IT distribution and electronic consumables sector, the Group's main activity, is measured in terms of prices, availability, quality and variety of products and associated logistic services and pre and after-sale assistance.
The degree of competition is also heightened by the fact that the Group acts as a broker between the large world-wide suppliers of technology and resellers of IT/electronic consumables, which include operators with high contractual power, including the major retail chains, often with the potential to open supply chains directly with the producers.

The Group also competes with multinational groups of extremely high financial standing, both in Italy and in Spain.

Should the Esprinet Group be unable to deal effectively with the external situation in question there could be a negative impact on the Group's prospects and operations, as well as on its economic results and financial position.
Moreover, the Group is also exposed to competition from alternative distribution models, whether current or potential, such as those based on direct sales to the user by the producer, even if all the limits of these alternative distribution models have been revealed during the last two-year period.
If the 'de-intermediation' situation, already affecting the Group in the markets where it operates, accelerates in the next years, even though not caused by any empiric or economically rational facts, the Esprinet Group could suffer negative repercussions on its economic and financial position.

Price changes

The technological sector is typified by a heavily deflationary price trend linked to high product obsolescence and strong market competition, besides mainly economic factors linked to the long-term weakness of the USA dollar and the Chinese currency, pegged to the USA dollar for considerable time, which are the two main functional currencies for IT products.

The Group is therefore exposed to the risk of falls in IT and electronic product unit prices, if the gross profit margin formed by the difference between the sales prices to retailers and purchasing costs applied by suppliers falls in absolute value when prices applied to the end consumer are lowered. This occurs since it is difficult to pass the higher costs caused by the lowering of prices on to customers in a sector as highly competitive as the distribution sector.

Despite the fact that this risk is lessened by the Group's capacity to limit overheads/fixed costs levels and productivity standards at various levels, thus reducing process costs chiefly linked to physical drivers (e.g. number of transactions, number of products moved in warehouses or forwarded by courier), and despite the fact that the percentile value of the gross sales margin is to some extent independent of reductions in the single prices of products, it is not possible to provide assurances regarding the Group's ability to deal with the technological sector's deflation rates in an economic fashion.

Business combinations

As an integral part of its strategy for growth, the Group periodically acquires assets (divisions of a company and/or company shareholdings) which are highly compatible in strategic terms with its own area of business.
Between 2001 and 2004, the main acquisitions on the Italian market were two distributors, Pisani and Assotrade, which were successfully integrated in the periods following the two operations as shown by the economic and financial performance of the Esprinet Group.
During the course of 2005, as part of a project to expand outside Italy, the acquisition of Memory Set, Spain's second-largest distributor, was finalised.
In December 2006, the acquisition of Actebis Computer S.p.A., the sixth ranking IT Italian distributor was finalised.
Finally, again in December 2006 the acquisition of UMD S.A.U., the fourth ranking Spanish distributor was finalised.

Such operations, as any other future operation of the same type, run the risk of not being able to activate expected synergies either fully or in part, that is the risk that the explicit and/or implicit costs of integration might outweigh the benefits of the acquisition.
Integration problems are increased by the fact that the companies acquired have to operate in countries and markets other than those where the Group has always operated and which involve specific business and regulatory issues different from those met with so far by the Group.
Such problems arise from the need to align them to standards and policies mainly regarding internal auditing, reporting, information management and data protection procedures, besides to the implementation of suitable coordination and organisational mechanisms between the companies acquired and the rest of the Group.

In 2007, during the merging process of the different Spanish companies into the new Esprinet Iberica sole company, some problems related to the unification of It systems, organisational procedures and operational mechanisms emerged despite no significant problems having emerged during the preliminary merger operations.

The resulting negative repercussions on the continuity and stability of business relationships had a negative impact on customer service levels causing a significant fall both in selling volumes and in unit gross profits.
This situation lasted for a considerable period of time, actually impacting negatively on the Spanish subsidiary's financial results during the 2007 and 2008 fiscal years.
From the second half of 2008 on a series of restructuring operations were put into place. Mainly focussed on rationalising the costs structure, they enabled to achieve a level of profitability higher than the industry average as approximated from the sample of comparable listed companies that the Company uses for its assessment on the cost of capital.

It is impossible to give any guarantees about the Group's future success in concluding further acquisitions, however. Nor is it possible to repeat a 'turnaround' to the extent of the one in Spain in the event of an unfavourable merger of a taken-over business.
Nor is it possible, moreover, to provide any guarantees regarding the ability of the Group to maintain the competitive positioning of any purchasing targets or to repeat its business model and proposal system successfully.

Operating risks

Dependency on IT systems

The Esprinet Group is strongly dependent on its IT systems in the performance of its activities.
In particular, the viability of its business depends to some extent on the capacity of the IT systems to store and process enormous volumes of data and guarantee elevated standards of performance (speed, quality, reliability and security) that are stable over time.
The critical nature of the IT systems is also heightened by the fact that the Group, because of its business model, relies on Internet for a consistent part of its business, both as an instrument for the transmission of information to its clients, and order-processing and marketing intelligence. Other critical factors are the connections in EDI mode to the IT systems of many vendors, as well as the remote connection to the cash & carry network active in the country.

The Group has invested remarkable resources in the prevention and mitigation of risks linked to its dependency on IT systems and in the improvement of the IT security level (such as the continual maintenance of the hardware installed and the updating of the relative software, the stipulation of insurance policies against damages caused indirectly by possible system crashes, the housing of the data centre in safe environments, the construction of anti-intrusion and anti-virus defences, the continual backup of memory-resident data and the provision of business continuity and disaster recovery plans).
Despite this, the possibility that the Group might have to suspend or interrupt its sales activities due to systems malfunctioning or actual black-outs cannot be totally excluded.
It is similarly impossible to guarantee that the IT systems of companies and/or businesses acquired will satisfy the Group's minimum reliability and safety requirements at the time of the acquisition.

Medium-/long-term interruptions of logistics chain

The Group's sales activities strongly depend on the correct functioning and efficiency of the logistics chain, thanks to which the products are able to reach their reference markets.
These logistics chains have reached high levels of complexity and the journey of the goods from the factories where the IT and electronic products sold are produced to the end customers could be subject to interruptions due to natural, political and operational events such as natural disasters, changes in trade relations between governments, trade restrictions and embargoes or operators' financial soundness in the various transport and storage stages.
Any unfavourable events in these areas are likely to cause long-term interruptions, which could have a significantly negative impact on the Group's prospects and financial position.

Dependency on suppliers and risk of non-observance of extra-contractual agreements

Overall, the Group has direct contacts with about 200 leading vendors of technology, including IT, electronic consumables and micro-electronic components vendors.
The Group has always focused on the distribution of branded goods, earnings from the sale of own-brand products (accessories, consumables, Nilox micro-computer components) being negligible.

In most cases, trading contacts with the vendors are governed by contracts and/or agreements generally renewed every year.
Despite the high number of vendors in its portfolio, the Esprinet Group presents a certain degree of risk concentration in that the incidence of the first 10 suppliers in the 'core-business' of the B2B distribution of technology, accounted for 97% of consolidated sales, is greater than 71% of the total (72% in 2010).
A consequence of this situation is that the Group is exposed to the risk of the non-renewal of current distribution contracts and/or inability to replace these contracts effectively.
The Group is also exposed to the risk of significant changes in the terms and conditions of contracts drawn up with vendors, particularly regarding amounts regarding premiums for the attainment of targets, or the very level and nature of these targets, the sums for co-marketing and development, the policies for protection of the economic value of the stock and commercial returns, payment terms and associated discounts. These variations, if negative, are likely to have a negative impact on the assets and on the Group's economic and financial results.
Traditionally, however, the Group has been able to negotiate contractual conditions with its counterparts providing a long historical series of positive economic results. The degree of partnership attained with the majority of its suppliers also laid the foundations for significantly consolidated collaborations with the most important suppliers over the years, something also due to the use and maintenance of direct communication channels.

Dependency on suppliers of critical services

The Group's logistics model is based upon the direct warehousing handling and collections and the outsourcing of haulage and delivery services. These activities are of critical importance to the value chain for IT and electronic consumables distributors.
In the case of the first of the activities mentioned, the Group makes use of two porters' co-operatives in Italy. Transport activities are contracted out, both in Italy and in Spain, to independent outside shippers.
The interruption of contractual relations with the above-mentioned suppliers of services, or a significant reduction in the level of quality and efficiency of the services provided, could have a significant negative impact on the Group's economic and financial results.
These suppliers and the relative industry are continually monitored in order to mitigate any related risk.

Low profit margins

The result of the high level of competition to which the Group is submitted is a low profit margin (gross trading margin and net operating result) in relation to earnings.
These low margins tend to amplify the effects of unexpected variations in sales levels and operating costs on profitability that can be also negatively impacted from any incorrect decisions concerning the products pricing and the management of discount policies.
It is impossible to guarantee that the Group will also be able to manage its pricing policies with the same care and prudence in the future, in difficult economic situations.
Product margins and customers and the search for the best mix in suppliers and clientele are continually monitored, however, in order to mitigate any possible related risk.

Reduction in value of inventory

The Group is subject to the risk of a reduction in the value of unsold stock as a result of lowered list prices on the part of vendors and economic or technological obsolescence.

With reference to the first risk, it is usual within the sector for the vendors to set up forms of total and/or partial protection, contractual or otherwise, of the financial value of stock in the above-mentioned cases for the benefit of the distributors with direct supply contacts.
Nevertheless, cases of non-fulfilment on the part of the vendors or the failure to activate non-contractual protection can occur.
Further, these protective clauses also come into force solely under certain conditions and are therefore totally controlled and by purchase planning ability in function of market potentiality.
It is not possible to give guarantees regarding the Group's future ability to manage stock levels so that even limited risks of stock devaluation are avoided, or failure to activate the contractual protection provided in the case of the majority of the product suppliers.

The main risk mitigation methods depend on the constant ability to minimise stock levels also due to the support of expert inventory management and demand planning systems based on availability indicators and consequently customer satisfaction, together with the constant monitoring of existing contractual agreements, in terms of the consolidated practice of the sector which traditionally believes that suppliers are also likely to protect the value of stock.

Dependency on key managers

The activity and development of the Esprinet Group is characterised by a significant dependence on the contribution of some key management staff, particularly that of the Chief Executive Officer, other executive Directors, and of the 'front line' management and/or heads of functions acting in the geographical markets where the Group operates: Italy and Spain.
The Group's success therefore depends to a large extent on the professional and personal ability of such key figures.
The loss of the services of some of the managers without any suitable replacement, together with the inability to attract and keep new qualified resources, could therefore have negative effects on the Group's prospects, operations and financial results.
The main methods used by the Group to deal with the risk in question comprise professional development and employee retention policies. The latter are part of a compensation system which includes the use of long-term incentive plans as well as continual training activities.

Physical destruction of company assets and products assigned for sale

Premises and products stored in warehouses are subject to risks linked to events such as earthquakes, floods, fire, theft and destruction.
These events could cause a significant fall in the value of the damaged assets and an interruption in the Group's operational ability, even for extended periods of time.
In the impossibility of excluding such events occurring and the damage caused by the same, and while bearing in mind the management and mitigation policies for these risk categories in terms of physical safety and fire prevention basically effected by transferring the risks to insurance companies, no guarantees regarding the negative impacts that could affect the Group's the financial position can be given.

Fraud perpetrated by employees

Bearing in mind the high number of transactions effected, the intensive use of IT systems both for operations and for interfacing with customers and suppliers, besides the high unit value of some transactions, significant economic damage could be generated by disloyal employees' conduct.
The Esprinet Group is committed to reducing the likelihood of such fraudulent conduct occurring by means of duty segregation techniques, IT systems access management, the introduction of procedures and checks and the circulation of the code of ethics.
However, it is not possible to give any guarantees about unfavourable impacts on the Group's financial position which could derive from fraudulent activities of the kind described.

Reliability of the administrative-accounting system

Strategic and operational decisions, the planning and reporting system, as well as the process of external communication of data and economic and financial information is based on the reliability of the administrative-accounting information generated and processed within the Group. The correctness of this information also depends on the existence of organisational procedures, rules and organisation, on employees' professional expertise and on the effectiveness and efficiency of IT systems.

The Group is committed to maintaining a high level of control over all the procedures that generate, process and circulate economic and financial information. These procedures and the underlying IT systems are subject to regular audits and checks by various actors of the Internal Audit System and are constantly updated even when solutions to '*Non Conformity'* situations have been applied.

Compliance risks

The Esprinet Group is exposed to the risk of violating numerous laws, rules and regulations, including tax laws, which govern its operations.

Legal and tax disputes

As of the drafting date of these financial statements some legal and tax disputes involving some of the companies within the Group are still pending. These could potentially influence the economic and financial results.
Although the sums paid into the relative risk provisions are deemed sufficient to cover any liabilities arising from pending disputes, it cannot be excluded that in the case of a negative result being worse than expected, a negative effect may reflect on the Group's economic, asset and financial results.

Legal disputes

The type of legal disputes to which the Group is exposed can be divided essentially into two main groups: disputes of a commercial nature (having as the object the nature and/or quantity of goods supplied, the interpretation of contractual clauses and/or the supporting documentation) and other of various kinds.
The risks associated with the first type of dispute are the object of accurate monthly analyses together with the Group's legal advisors and the consequent financial impacts are reflected in the *Bad debt provision*.
The 'other disputes' refer to various types of claims made against companies within the Group due to supposed infringements of laws or contracts.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the *Provision for risks and charges.*

Tax disputes

It cannot be excluded that the Group may have to pay liabilities as a result of tax disputes of various kinds. In such case the Group could be called on to pay extraordinary liabilities with consequent economic and financial effects.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the *Provision for risks and charges*.
For risks and the main developments of disputes in course please see '*Significant events occurred during the period'.*

Financial risks

Esprinet Group's activities are exposed to a series of financial risks able to influence its financial assets, profits and cash flows through their impact on existing financial operations.
These risks may be summarised as follows:
a) credit risk;
b) liquidity risk;
c) market risk (foreign exchange risk, interest rate risk and other price risks).

The overall responsibility for the creation and supervision of a financial risk management system for the Group is, within the Internal Control System, up to the Board of Directors, to which the various organisational units responsible for actually managing the single types of risk report.
These units, substantially belonging to the Finance and Treasury departments, within the guidelines traced out by the Board in the case of each specific risk, define the instruments and techniques necessary for the relevant cover and/or transfer to third parties (insurance) and assess risks that are neither covered nor insured.
The Group has consolidated practices, operational procedures and risk management policies, which are continually adapted to changing environmental and market conditions, which are able to identify and analyse the risks to which the Group is exposed, to define appropriate controls and constantly monitor the same limits.
Further information regarding risks and financial instruments pursuant to IFRS 7 can be found under *'Disclosure on risks and financial instruments'* in the *'Notes to the consolidated financial statements'.*
The degree of the Group's exposure to the various categories of financial risk identified is detailed in next paragraphs.

Credit risk

Credit risk is the risk that the Group might suffer a financial loss through the effects of the non-fulfilment of an obligation to pay by a third party.

Esprinet Group's exposure to credit risk depends on the class of financial instruments, even if it is essentially linked to the option of deferred payments granted to clients in relation to sales of products and services in the markets where the Group operates.

Management strategies dealing with this risk are as follows:
- in the case of cash and cash equivalents and financial derivatives assets, the choice of leading national and international banks;
- in the case of trade receivables, the transfer of the risk, within the limits of the credit negotiated and with the aim of reaching an optimum balance of costs and benefits, to leading insurance and/or factoring companies as well as applying special checking procedures regarding the assignment and periodical review of lines of credits to customer, besides requiring collateral in the case of customers whose ratings are insufficient to guarantee operations.

Group policies include a strict hierarchically organised authorisation mechanism to deal with trade receivables, starting at the Credit Committee and on up gradually involving the Chairman, the Deputy Chairman and the Chief Executive Officer until the Board of Directors, in cases where the limits of the line of credit granted independently by the Group exceed the corresponding credit facilities granted by the insurance company.
Customer credit risk is monitored by grouping the same according to sales channels, the aging of the credit, the existence or otherwise of any previous financial difficulties or disputes and any legal or receivership proceedings underway.
Customers classified as 'high risk' are inserted in a strictly-checked list and any future orders are filled solely against advance payment.
The Group usually accrues estimated impairment of trade receivables quantified on the basis of analyses and write-downs of each single position to a bad-debt provision, after taking into account the benefits provided by the insurance.

In the case of credit risk concentration, the following table shows the incidence of the top 10 and 30 clients on consolidated sales as at 31 December 2011:

Entity	Country	% top 10 customers	% top 30 customers
Esprinet S.p.A.	Italy	22%	37%
Comprel S.r.l.	Italy	22%	40%
Monclick S.r.l.	Italy	10%	12%
V-Valley S.r.l.	Italy	36%	59%
Esprinet Iberica S.L.U.	Spain	45%	56%
Gruppo		**23%**	**34%**

In the case of the Spanish subsidiary, the greater part of sales performance tends to be due more to structural factors – the greater weight given to IT consumption both by large-scale generalist retailers and IT specialists compared than in Italy – rather than to issues linked to any specific competitive positioning.
The incidence of the top 10 and 30 clients on the Esprinet Group's sales is approx. 23% and approx. 34% respectively, thus both of them in line with 2010.

Liquidity risk

Liquidity risk is the risk the Group may encounter difficulty in meeting obligations associated with its financial instruments.
The policy is therefore one of maximum prudence to avoid, at the occurrence of unexpected events, to have to sustain excessive charges or even see one's reputation compromised in the market.

The Group's policy essentially involves cash flow planning activities and the maintenance of consistent amounts of unused lines of credit in Italy and in Spain of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources also to finance working capital.
As at 31 December 2011 the Group had unused credit lines of almost 314 million euro (326 million euro at 31 December 2010), or approx. 79% (approx. 76% as at 31 December 2010) of the total of the existing credit lines.

No specific costs are involved in maintaining these credit lines except for 'committed' revolving credit of 25.0 million euro where the payment of a commission for failure to use it is foreseen.

The Group's financial needs are largely covered by two Senior Loans of 7-years duration which are one of the pillars of the liquidity risk management and which are subject to the strict observance of some covenants the non-compliance with which gives the issuing pool of banks the right to demand the immediate reimbursement of the same loans.
As at 31 December 2011, according to management estimates as is clearer in the next paragraph '*Loans and loan covenants*' under '*Other significant information'* in the '*Notes to the consolidated financial statements'*, such covenants have been fully met.
While the existence of a covenant structure allows the Group to dispose of a stable funding structure not subject to any cancellation and/or unilateral downsizing as per international contractual practice, on one hand, on the other it introduces elements of instability linked to the possible violation of one or more of the threshold financial parameters, failure to observe which exposes the Group to the risk of the advance reimbursement of the borrowed sums.
In fact the Group regularly effects stress tests simulating situations which would arise in the case of violations of the parameters and the consequent obligation of advance reimbursement of the senior loans. Bearing in mind its increasingly high equity and unusual sources-uses structure, the most recent simulations have resulted in favourable outcomes regarding the Group's ability to make up for the loss of the senior loans by drawing on the unused short-term reserves of mostly self-liquidating loans.

Market risk: the currency risk

Currency risk is the risk of fluctuations in the value of a financial instrument as a result of variations in foreign exchange rates.
In this regard, it should be noted that only a residual part of the products purchased by the Esprinet Group are expressed in currencies other than euro.

During 2011 these purchases were mainly in US dollars and amounted to 3.5% of the Esprinet Group's total purchases (4.0% in 2010).
The possibility that parity of exchange - and the euro/USA dollar in particular– may be modified in the period running between the time of invoicing in foreign currency and the time of payment, determines the Group's exposure to foreign exchange risk.

Given that the Group has no other financial assets and liabilities or loans in foreign currency, its exposure to this type of risk is limited.
Given the potentially modest impact involved, the policy adopted so far has consisted in the restraint of such risk type, without the activation of any specific form of cover, especially through the use of hedging instruments.

Market risk: the interest rate risk

Interest rate risk comprises the risk of fluctuations in the fair value and/or in the future cash flows of a financial instrument as a result of variations in market interest rates.
All of the loans obtained by the Esprinet Group provide for index-linked interest rates based on referential rates, and in particular on the 'Europe Interbank Offered Rate' or Euribor.

The Group, as a result of specific contractual commitments assumed with the banks financing the Memory Set acquisition, decided to partially hedge itself against the interest rate risk on the loans obtained by allowing the same banks the right to be 'preferential' counterparts – ceteris paribus - of the future hedging operations.
The aim of the hedging activity regarding interest rate risk is to fix the funding cost of the middle-term floating-rate loans (hedged items).

During 2006 and 2007 this result was achieved by entering in two 'IRS - Interest Rate Swap' contracts (hedging instruments), signed with banks of high standing, that enabled the Group the floating rate to be received and the fixed rate to be paid on a portion (approx. 60%) of its loans' principal.
These hedging transactions qualify for cash flow hedge accounting and are so recognised in the consolidated financial statements.

Market risk: the other price risks

Other price risks include the risk of fluctuations in the fair value of marketable securities due to variations in the market price arising both from specific factors related to the individual security or its issuer and from factors able to influence the total securities traded in the market place.
The Esprinet Group does not own any securities negotiable in active markets and consequently is not exposed to this type of risk in any way.

Other important information

1. Research and development activities

Group companies did not incur in any research and development costs during the year.

2. Number and value of own shares

As at 31 December 2011 Esprinet S.p.A. held a total No. 1,350,000 own ordinary shares, or 2.576% of the share capital, all acquired during 2007 at an average price of 11.06 euro per share before commissions, following the resolution of the shareholders' meeting of 26 April 2007.

3. Relationships with related parties

The related parties of the Esprinet Group have been defined as per IAS 24.

Group operations with related parties were effected in compliance with current laws and according to mutual economic advantage.
In case of products sold to individuals, these sales are made under the same conditions as those usually applied to employees.

During the year relationships with related parties consisted essentially in the sales of products and services at market conditions, including the leasing of real estate, between Group's entities and associates or companies where the key management personnel of Esprinet S.p.A. - shareholders or directors or key manager - play important roles.
Greater details of these operations, the total value of which is not material compared with the total volume of the Group's activities, can be found under '*Relationships with related parties'* in the '*Notes to the consolidated financial statements'*.
Relationships with key managers result from the recognition of the payments for services rendered by the same, the quantification of which can be found under '*Emoluments to board members and key managers'* in the '*Notes to the consolidated financial statements'*.

In the case of Consob Regulation No. 17221 of 12/03/2010 and successive amendments and supplements, please note that Esprinet S.p.A. approved and implemented the management procedure regarding operations with related parties, further details of which may be found in the "*Esprinet S.p.A Corporate Governance Report.*".
This procedure is similarly available at www.esprinet.com, under *Investor Relations*.

4. Shares of the parent company Esprinet S.p.A held by board members, statutory auditors and key managers

Name	Office	No. of shares at 31/12/10	No. of shares purchased	No. of shares sold	No. of shares at 31/12/11
Francesco Monti	Chairman	8,232,070	-	-	8,232,070
Maurizio Rota	Deputy Chairman	2,514,310	-	-	2,514,310
Alessandro Cattani	Chief Executive Officer	500,000	-	-	500,000
Giuseppe Calì	Director	7,732,000	-	-	7,732,000
Stefania Calì	Director	53,970	-	-	53,970
Valerio Casari	Director	-	-	-	-
Andrea Cavaliere	Director	-	-	-	-
Mario Massari	Director	-	-	-	-
Angelo Miglietta	Director	-	-	-	-
Marco Monti	Director	-	-	-	-
Matteo Stefanelli	Director	-	-	-	-
Paolo Stefanelli	Director	7,730,500	-	-	7,730,500
Total Board of Directors		**26,762,850**	**-**	**-**	**26,762,850**
Giorgio Razzoli	Chairman	-	-	-	-
Emanuele Calcaterra	Permanent Auditor	-	-	-	-
Mario Conti	Permanent Auditor	-	-	-	-
Total Statutory Auditors		-	-	-	-
Total key managers		**1,067,618**	**-**	**-**	**1,067,618**

In compliance with CONSOB Resolution 11971 dated 14 May 1999, the previous table provides details of share dealing effected during the year by Esprinet S.p.A. Directors, Statutory Auditors and key managers, reminding that the company organisation structure does not include a General Manager.
Further details can be found in the '*Notes to the consolidated financial statements'* under '*Emoluments paid to board members, statutory auditors and key managers'.*

5. Business combinations

No business combinations were effected during the year.

6. Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:
- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/2003;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.

Starting from fiscal year 2005, Esprinet S.p.A. and its subsidiaries Comprel S.r.l. and Monclick S.r.l. have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR - *Italian Income Tax Code*), which enables Corporate Income Tax (IRES) to be determined on the tax base resulting from the algebraic sum of the positive and negative tax bases of the single companies.

This option was renewed in April 2008 (2008-2010) and suitably adjusted 25 June 2010 with the entry of V-Valley S.r.l., another Group company.

7. Atypical and/or unusual operations

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

8. Additional information required by Bank of Italy and Consob

In compliance with the Supervisory Authorities document no. 2 of 6 February 2009 and the successive specifications of 3 March 2010, requiring the drafters of financial reports to supply adequate disclosure on some themes, the relevant sections satisfying the applicable requests in question the Group are as follows:

1. disclosure about entity's going concern, '*Notes to the consolidated financial statements'* - paragraph 'Accounting principles and *valuation criteria'*;
2. disclosure concerning financial risks, '*Directors' Report on Operations'* - paragraph '*Main risks and uncertainties facing the Group and Esprinet S.p.A.'* - and '*Notes to the consolidated financial statements'* - section '*Disclosure on risks and financial instruments'*;
3. disclosure on tests to assess if there is any impairment of assets, '*Notes to the consolidated financial statements'* - paragraph '*Notes to the balance sheet items*' item '*Goodwill'*;
4. disclosure about uncertainties when using estimates, '*Notes to the consolidated financial statements'* - paragraph '*Main accounting definitions and estimates';*
5. disclosure on financial liabilities type clauses, *Notes to the consolidated financial statements'* - paragraph *'Loans and loan covenants';*
6. disclosure concerning 'fair value hierarchy', '*Notes to the consolidated financial statements'* - paragraph *'Financial instruments pursuant to IAS 39: classes of risk and fair value'.*

The information required by Consob communication No. DEM/11012984 of 24 February 2011 'Request for information pursuant to Art. 114, paragraph 5, of Legislative Decree No. 58 of 24 February 1998, regarding c*ompensation for advance termination of employment..'* can be found in the '*Esprinet S.p.A. Corporate Governance Report'*.

9. Share incentive plans

Share incentive policies aimed at strengthening managers' loyalty are considered essential for the achievement of the Group's operating aims. Consequently, on 27 April 2010 the Esprinet S.p.A. shareholders' meeting approved the proposal of the Compensation Committee for a 'Long Term Incentive Plan' for members of the Boards of Directors of the Company and/or its subsidiaries and also for the Company's employees and/or its subsidiaries' employees, valid for the 2010/2011/2012 three-year period and regarding the stock grant of a maximum number of 200,000 ordinary Esprinet S.p.A. shares to beneficiaries, to be determined by the Board.
The ordinary Esprinet S.p.A shares, of the face value of 0.15 euro each, are already held in the Esprinet S.p.A. portfolio.

The stock grant was assigned on 30 April 2010 with maturity deferred up to the 'approval' date of the Group's consolidated financial statements for the fiscal year 2012.
The exercise rights of the stock grant are conditional on the achievement of the Group's income targets in 2010-2012, as well as on the permanence of the beneficiary in the Group until the 'approval' date of the Group's consolidated financial statements for the fiscal year 2012.

The Plan has been entered at its 'fair value' using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield (calculated according to the last dividend distributed to shareholders) and the risk-free interest rate into account.
The main information items used in reporting the value of the stock grant are summarized as follows:

Allocation date	30/04/10
Vesting date	30/04/13
Expiry date	30/05/10
Total number of stock grant	200,000
Total number of stock grant allocated [(1)]	183,333
Unit fair value (euro)	7.11
Total fair value (euro)	1,303,115
Risk-free interest rate (BTP 3 years) [(2)]	1.8%
Implied volatility (260 days) [(2)]	43.6%
Duration (years)	3
Spot price [(3)]	7.62
Dividend yield	2.3%

(1) Reduced to No. 190,000 due to the employment termination by some of the beneficiaries.
(2) Source: Bloomberg, 30 April 2010.
(3) Official price of Esprinet S.p.A. shares at assignment date.

Costs entered in the income statement relating to the plan totalled 457 thousand euro in 2011.

10. Net equity and result reconciliation between Group and parent company

In compliance with Consob communication no. DEM/6064293 of 28 July 2006 the reconciliation between Group net equity and result of the period together with the relative data of the parent company, Esprinet S.p.A., is illustrated in the table below:

(euro/000)	**Net income/(loss)**		**Equity**	
	31/12/11	**31/12/10**	**31/12/11**	**31/12/10**
Esprinet S.p.A. separate financial statements	**8,653**	**27,348**	**215,108**	**214,566**
Consolidation adjustments:				
Consolidated subsidiaries' net equity and result	(14,418)	5,565	68,486	82,410
Esprinet S.p.A.'s investments in consolidated subsidiaries carrying amount	13,734		(65,714)	(79,423)
Goodwill from Esprinet Iberica S.L.U. business combination			1,040	1,040
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	(3)	(40)	(68)	(65)
Other movements			867	867
Consolidated net equity and result	**7,967**	**32,873**	**219,719**	**219,395**

11. Other information

The System Security Planning Paper (SSPP) foreseen by Legislative Decree 196/2003 was drawn up and applied by the Company in keeping with deadlines and procedures originally laid down by law.

On 28 June 2004, the Esprinet S.p.A. Board of Directors appointed the company's Chief Executive Officer, Alessandro Cattani, as the executive responsible for protecting personal data. Mr Cattani was, however, vested with the particular ability to delegate all his powers and responsibilities to those company executives and employees operating as data-processing managers, in accordance with their respective areas of responsibility.
This document is updated annually in compliance with the regulations.

Proposal of approval of the Financial Statements and allocation of the 2011 profits

Dear Shareholders,
at the end of our illustration of the Esprinet S.p.A. financial statements (separate financial statements) and the Group consolidated financial statements as at 31 December 2011, together with the Directors' report on operations, we hereby present you with our proposal for the allocation of the positive result posted for the year by Esprinet S.p.A..

In seeking your approval of our operations, by assenting to our draft Financial Statements, as well as to our Report on operations and the Notes to the financial statements, we propose to allocate the Company's net profit of 8,652,754 euro as follows:

- a dividend of 0.089 euro gross to each one of the Company's ordinary shares in circulation, excluding therefore any of its own shares held by the Company in its portfolio at the coupon detachment date;

- any remaining amount to the Extraordinary Reserve.

Nova Milanese, 14 March 2012

For and on behalf of the Board of Directors
The Chairman
Francesco Monti

Esprinet Group
Consolidated Financial Statements
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ESPRINET GROUP

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)	Note	31/12/11	related parties [1]	31/12/10	related parties [1]
ASSETS					
Non-current assets					
Property, plant and equipment	**1**	6,432		7,078	
Goodwill	**2**	73,219		93,045	
Intangible assets	**3**	417		816	
Deferred income tax assets	**6**	12,934		14,984	
Receivables and other non-current assets	**9**	2,045	1,711	1,946	1,611
		95,047	**1,711**	**117,869**	**1,611**
Current assets					
Inventory	**10**	217,315		282,559	
Trade receivables	**11**	263,185	3	238,026	3
Income tax assets	**12**	4,440		2,866	
Other assets	**13**	19,473	312	21,786	307
Cash and cash equivalents	**17**	115,921		102,363	
		620,334	**315**	**647,600**	**310**
Non-current assets held for sale	**18**	**-**	**-**	**-**	**-**
Total assets		**715,381**	**2,026**	**765,469**	**1,921**
EQUITY					
Share capital	**19**	7,861		7,861	
Reserves	**20**	203,891		178,661	
Net income	**21**	7,967		32,873	
		219,719	**-**	**219,395**	**-**
Non-controlling interests		-	-	-	-
Total equity		**219,719**	**-**	**219,395**	**-**
LIABILITIES					
Non-current liabilities					
Borrowings	**22**	36,239		60,249	
Derivative financial liabilities	**23**	920		1,513	
Deferred income tax liabilities	**24**	5,151		6,670	
Retirement benefit obligations	**25**	4,473		4,745	
Provisions and other liabilities	**26**	3,315		3,852	
		50,098	**-**	**77,029**	**-**
Current liabilities					
Trade payables	**27**	370,040	27	391,702	
Short-term financial liabilities	**28**	48,896		51,473	
Income tax liabilities	**29**	39		1,231	
Derivative financial liabilities	**30**	952		1,624	
Provisions and other liabilities	**32**	25,637		23,015	
		445,564	**27**	**469,045**	**-**
Total liabilities		**495,662**	**27**	**546,074**	**-**
Total equity and liabilities		**715,381**	**27**	**765,469**	**-**

(1) For further details regarding related parties please see the section *'Relationships with related parties'* in the *'Notes to the consolidated financial statements'*.

Consolidated separate income statement

The Group's separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'. It also includes the information required pursuant to Consob Resolution No. 15519 of 27 July 2006:

(euro/000)	Note	2011	non-recurring	related parties (1) (2)	2010	non-recurring	related parties (1) (2)
Sales	33	**2,096,480**		35	**2,205,174**		124
Cost of sales		(1,975,148)	-	(4,218)	(2,072,757)	(240)	(4,003)
Gross profit	35	**121,332**	**-**		**132,417**	**(240)**	
Sales and marketing costs	37	(38,281)			(34,605)		
Overheads and administrative costs	38	(59,419)	(20,336)	(447)	(41,980)	(15)	(437)
Operating income (Ebit)		**23,632**	**(20,336)**		**55,832**	**(255)**	
Finance costs - net	42	(5,326)			(6,935)		
Profit before income tax		**18,306**	**(20,336)**		**48,897**	**(255)**	
Income tax expenses	45	(10,339)	2,793		(16,024)	54	
Profit for the period		**7,967**	**(17,543)**		**32,873**	**(201)**	
Non-controlling interests		-			-		
Net income	46	**7,967**	**(17,543)**		**32,873**	**(201)**	
Earnings per share - basic	46	0.16			0.64		
Earnings per share - diluted	46	0.16			0.64		

(1) For further details regarding related parties please see the section *'Relationships with related parties'* in the *'Notes to the consolidated financial statements'*.

(2) Emoluments to key managers excluded.

Consolidated statement of comprehensive income

(euro/000)	2011	2010
Net income	**7,967**	**32,873**
Other comprehensive income:		
- changes in 'cash flow hedge' equity reserve	1,202	889
- taxes on changes in 'cash flow hedge' equity reserve	(367)	(276)
Other comprehensive income	**835**	**613**
Total comprehensive income	**8,802**	**33,486**
- of which, attributable to owners of the parent	8,802	33,486
- of which, attributable to non-controlling interests	-	-

Consolidated statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Group net equity	Non controlling interests	Total net equity
Balance at 31 December 2009	**7,861**	**169,224**	**(14,935)**	**32,164**	**194,314**	**-**	**194,314**
Total comprehensive income/(loss)	**-**	**613**	**-**	**32,873**	**33,486**	**-**	**33,486**
Allocation of 2009 net income/(loss)	-	23,230	-	(23,230)	-	**-**	**-**
Dividend payment	-	-	-	(8,934)	**(8,934)**	-	**(8,934)**
Transactions with owners	-	23,230	-	(32,164)	**(8,934)**	**-**	**(8,934)**
Increase/(decrease) in 'stock option' plan reserve	-	529	-	-	**529**	-	**529**
Balance at 31 December 2010	**7,861**	**193,596**	**(14,935)**	**32,873**	**219,395**	**-**	**219,395**
Total comprehensive income/(loss)	**-**	**835**	**-**	**7,967**	**8,802**	**-**	**8,802**
Allocation of 2010 net income/(loss)	-	23,938	-	(23,938)	-	**-**	**-**
Dividend payment	-	-	-	(8,935)	**(8,935)**	-	**(8,935)**
Transactions with owners	-	23,938	-	(32,873)	**(8,935)**	**-**	**(8,935)**
Increase/(decrease) in 'stock grant' plan reserve	-	457	-	-	**457**	-	**457**
Balance at 31 December 2011	**7,861**	**218,826**	**(14,935)**	**7,967**	**219,719**	**-**	**219,719**

Consolidated statement of cash flows[1]

(euro/000)	2011	2010
Cash flow provided by (used in) operating activities (D=A+B+C)	**50,737**	**(55,276)**
Cash flow generated from operations (A)	**46,312**	**60,542**
Operating income (EBIT)	23,632	55,832
Depreciation, amortisation and other fixed assets write-downs	23,198	4,212
Reversal of impairment loss on non-current assets held for sale	-	(138)
Net changes in provisions for risks and charges	(537)	366
Net changes in retirement benefit obligations	(438)	(259)
Stock option/grant costs	457	529
Cash flow provided by (used in) changes in working capital (B)	**21,136**	**(92,767)**
Inventory	65,244	(77,714)
Trade receivables	(25,159)	27,259
Other current assets (*)	(943)	5,736
Trade payables	(21,904)	(56,633)
Other current liabilities	3,898	8,585
Other cash flow provided by (used in) operating activities (C)	**(16,711)**	**(23,051)**
Interests paid, net	(3,721)	(3,838)
Foreign exchange (losses)/gains	(348)	(1,561)
Income taxes paid	(12,642)	(17,652)
Cash flow provided by (used in) investing activities (E)	**(2,060)**	**(630)**
Net investments in property, plant and equipment	(2,237)	(661)
Net investments in intangible assets	(90)	(193)
Changes in other non-current assets and liabilities	267	224
Cash flow provided by (used in) financing activities (F)	**(35,119)**	**(58,471)**
Repayment/renegotiation of medium/long-term borrowings	(24,280)	(30,284)
Net change in gross short-term financial liabilities	(3,156)	(17,503)
Net change in financial assets and derivative instruments	417	(2,363)
Dividend payments	(8,935)	(8,934)
Increase/(decrease) in 'cash flow hedge' equity reserve	835	613
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**13,558**	**(114,377)**
Cash and cash equivalents at year-beginning	**102,363**	**216,740**
Net decrease (increase) in cash and cash equivalents	**13,558**	**(114,377)**
Cash and cash equivalents at year-end	**115,921**	**102,363**

(*) Including net income from the sale of the Derio premises classified as 'Non-current assets held for sale', with reference to 2010 figures.

[1] No effects of relationships with related parties have been considered significant.

Notes to the consolidated financial statements

1. General information

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (the 'Esprinet Group' or the 'Group') operate in Italy and Spain.
In Italy, the Group is active within the following three business areas:

- 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics;
- 'business-to-consumer' (B2C) distribution of IT and consumer electronics;
- 'business-to-business' (B2B) distribution of microelectronic components.

In Spain the Group operates solely in the B2B distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Nova Milanese (Monza e Brianza).
Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the 'STAR' segment (segment of securities with high qualification) of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange, since 27 July 2001.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The consolidated financial statements of the Esprinet Group as at 31 December have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union.
The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria are applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analysed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.
The figures presented 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.

2.3 Consolidation criteria and methods

The consolidated financial statements originate from the annual accounts for its operating year produced by the parent company Esprinet S.p.A. and from figures for the year, approved by their respective Boards of Directors, relating to the respective dates on which controlling stakes were acquired in those companies in which the parent company holds control, be it directly and/or indirectly.
Wherever necessary, the subsidiaries' accounts have been suitably adjusted to ensure consistency with the accounting principles used by the parent company.

The table below lists companies included in the consolidation perimeter as at 31 December 2011, all consolidated on a line-by-line basis.

Company name	Head office	Share capital (euro) [1]	Group Interest	Shareholder	Interest held
Holding company					
Esprinet S.p.A.	Nova Milanese (MB)	7,860,651			
Subsidiaries directly controlled					
Comprel S.r.l.	Nova Milanese (MB)	500,000	100.00%	Esprinet S.p.A.	100.00%
Monclick S.r.l.	Nova Milanese (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Nova Milanese (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spagna)	55,203,010	100.00%	Esprinet S.p.A.	100.00%

(1) Sources are draft financial statements at 31 December 2011 drawn up in accordance with local accounting policies.

The most significant consolidation criteria adopted when preparing the Group's consolidated financial statements are presented below.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to decide the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
Any effects of transactions between Group companies on the Group's assets and profits, unrealized gains and losses and dividends included, are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the transferred asset.
Changes in a parent's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group.
The cost of an acquisition is the aggregate of the acquisition-date fair value of the consideration transferred and of the amount of any non-controlling interest (or 'NCI') in the acquiree.
A non-controlling interest can be measured at fair value or at the NCI's proportionate share of net assets of the acquiree (option available on a transaction by transaction basis).
Any costs directly attributable to the combination (except costs of issuing debt or equity instruments) are expensed in administrative costs.
In the case of business combination achieved in stages, on the date that control is obtained the fair values of the acquired entity's assets and liabilities, including goodwill, are measured; any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss.
Contingent consideration is measured at the acquisition date fair value.

Goodwill is measured as the difference between the cost of an acquisition and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the difference above is negative, the resulting gain is recognized as a bargain purchase in profit or loss.

The 'purchase method' was used to account acquisition of subsidiaries by the Group until 2009 included. Costs directly attributable to the acquisition were included in the cost of the acquisition. Minority interests consisted of the share of the net assets of the acquired entity. Business combinations achieved in stages were treated separately at the date of each transaction, with no impact on the previous goodwill may be accounted.

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with parties outside the Group itself.
The share of equity attributable to outside shareholders of subsidiary companies included in the consolidated accounts is carried separately under the equity item '*Non-controlling interests*', precisely created for this purpose. The share of net income attributable to non-controlling shareholders is reported separately in the consolidated separate income statement under the item '*Non-controlling interests*' whereas, their share of comprehensive income is shown in the statement of comprehensive income under the item *'Total comprehensive income attributable to non-controlling interests'.*
Losses are attributed to non-controlling shareholders even if they make negative the non-controlling interests balance.

Associated companies

Group investments in associates are assessed using the net equity method. Associates are companies over which the Group has significant influence, even though they are not subsidiaries or part of a joint-venture.
Financial statements of associates are used by the Group for the application of the net equity method of accounting.
The closing of accounts of associates and of the Group take place at the same date and by using the same accounting principles.
Group investments in associates are recorded in the statement of financial position at the cost increased or decreased by the post-acquisition changes in the Group's share of its associates' net profit and eventually decreased by any possible loss of value. Goodwill relating to an associate is included in the carrying amount of the investment and its amortization or impairment are not permitted.
The separate income statement reflects the Group's share of its associates' net profit/loss except the quotas of profits and losses resulting from transactions between the Group and the associate which are eliminated.
If an associate adjusts a movement directly taking it to equity, the Group also adjusts its share subsequently and reports it, where applicable, in the statement of changes in equity.
At each reporting date, after application of the equity method the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate. In the case the impairment loss occurred, the Group measures it by comparing the recoverable amount and the carrying amount of the investment, and recognize this loss in the separate income statement under 'share of profits/losses of associates'.

Intercompany dividends

Dividends distributed among Group companies are eliminated from the consolidated income statement.

2.4 Changes to the Group's consolidation area

No changes in the consolidation area have been made versus 31 December 2010.

2.5 Changes in accounting estimates and reclassifications

No changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, and no reclassifications have been made in 2011.

2.6 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income. They include goodwill, when it is acquired for a consideration.

Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item *'Industrial and other patent rights'* is amortized within three years.
Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test.
The Impairment test is described below in the section entitled '*Impairment of non-financial assets*'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years. This reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Property, plant and equipment

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.

Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortized over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.
Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.

Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	from 3% to 18%
Conditioning plants	from 3% to 15%
Telephone systems and equipment	10% - 20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7.1% to 20%
Electronic office machines	20% - 25%
Furniture and fittings	from 10% to 20%
Other assets	8.3% - 21.8%

If there are indications of a decline in value, assets are subjected to an impairment test in the manner described below under the section '*Impairment of non-financial assets*'.

When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. This reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed.
The liabilities in question are entered under *'Financial liabilities'*.

The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemized as operating leasing. The earnings (costs) emerging from operating leasing are entered in linear fashion in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred.

In the case of goodwill and other assets with indefinite lives or assets that are not available for use, this test must be conducted at least annually. In the case of goodwill and other assets with indefinite lives or assets that are not available for use, this test must be conducted at least annually.
In the case of goodwill, the Group carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater.
Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life.
CGUs have been identified within the Group's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item *'Income taxes'*.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.).
The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value.
The amortization is carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item *'Finance income/(cost)'* and the Shareholders' Equity item *'Other reserves'* respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.
Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.

At each reporting date the Group assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realizable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Group concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.

The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to promote the brands being distributed and to develop the sales channels utilized. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.
Obsolete and surplus stock and stock characterized by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortized cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortized cost method).
The amount obtained using the amortized cost method, is then reduced to the realizable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.

Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. For further information please refer to the heading *'Income taxes'*.

Other current assets

Other current assets are stated at the lesser of the cost and the net realizable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Non-current assets held for sale

A non-current asset held for sale (or assets of a disposal group) is an asset whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. As consequence a non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell, and depreciation on such asset ceases.
It is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale is highly probable.

Net equity

Own shares

Where existing, own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Financial liabilities

Financial liabilities are recognized in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.
Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.

The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when: (the) there is the probable existence of an obligation, be it actual, legal or implicit, due to past events; (ii) it is probable that the fulfilment of the obligation be against payment; (iii) the amount of the obligation can be reasonably ascertained. The provisions are stated at the value that represents the best estimate of the year. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are actualized; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item *'Finance costs'*.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.
In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed.

Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.
Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.
Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method. Actuarial profits and losses deriving from changes to actuarial hypotheses are entirely reported in the year's separate income statement.

Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial hypotheses linked to salary increases and the revision of financial-type hypotheses.
This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction. They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.

Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.
The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that of the provisions.

For further details regarding trade payables please see '*Definitions*' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.
Revenues are recognized at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.
Costs are recognized when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.
The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements.
Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Group operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Earnings per share

Basic

Basic earnings per share are calculated by dividing the Group's year-end profit by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as own shares.

Diluted

The diluted profit per share is calculated by dividing the Group's year-end profit by the weighted average of ordinary shares in circulation during the accounting period, excluding any own shares. For the purposes of the calculation of the diluted profit per share, the weighted average of the shares in circulation is modified by assuming the exercising by all owners of rights that potentially having diluting effects, while the net result of the Group is adjusted to take into account any effects, net of taxes, of the exercising of said rights. The result per diluted share is not calculated in the case of losses, in that any diluting effect would determine an improvement in the result per share.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes and is stated in the form of a counterparty in the *'Reserves'*.

Income taxes

Current income taxes are calculated with an estimate of taxable income for each company of the Group; the forecast payable is stated in the item '*Current income tax liabilities*' but, if surplus accounts have been paid, the receivable is stated in the item '*Current income tax assets*'.
Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.

Deferred and advance income taxes are calculated using the '*liability method*' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognized for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.
Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item '*Deferred income tax assets*'; if it is negative, it is stated in the item '*Deferred income tax liabilities*'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which each Group's entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the Group's functional and presentation currency.

Currency transactions and balances

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions.
Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement.
Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates), the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging instrument recognized directly in equity from the period when the hedge was effective shall remain separately recognized in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under '*Other significant information'*.

2.7 Critical accounting estimates and definitions

2.7.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.

This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).

Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarized in the following categories:

- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

The Esprinet Group further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.

As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.

In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier.
More in particular, the intervals in deferral of payments set out in the invoices range from a minimum of 7 to a maximum of 120 days, and in only one case is cash payment required.
In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.
In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.

This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.7.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Financial debt

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.

As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
Liabilities towards a seller in the case of the acquisition of shareholdings with deferred payment do fall into this category.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.7.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.

Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Esprinet Group, should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the 'value in use' of the Cash Generating Units ('CGUs') to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Group's organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

'Fair value' of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the two IRS - Interest Rate Swap contracts signed in November 2007 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'.
Since it fully complies with International Accounting Standard 39 regarding 'hedge accounting' (formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) both of the two derivative contracts have been subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity, the ineffective portion of the gain or loss on the hedging instrument has been recognised in the separate income statement.
Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plan started during 2010 in favour of some managers of Esprinet S.p.A. and its subsidiaries, the operation of which is better illustrated in the paragraphs *'Share incentive plans'* and *'Share capital'*.
The cost of this plan has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.
Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the Group until the vesting date of the plan – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.

Credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Group, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Group has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
The possibility of differences emerging from between the estimated sums and those actually received in the final statement of financial position cannot be excluded, however.

Depreciation and amortisation of fixed assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life. Useful life is defined as the period in which the activities will be used by the Group.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes. As a result, the actual economic life may differ from the estimated useful life.
The validity of the expected useful life in terms of its asset category is regularly checked by the Group.
This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of encashment of receivables, the Group makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual value of encashment of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.

Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Group’s debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Group usually effects forecasts regarding the value of encashment of obsolete, surplus or slow-moving warehouse stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.
The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.
The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Group makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
The estimate is the result of a complex process including the involvement of legal and tax consultants and which also includes personal opinions on the part of the Group's management.
The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 39.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Taxes

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.

Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability.
Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.

The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.8 Recently issued accounting standards

The IASB (*International Accounting Standard Board*) and the IFRIC (*Financial Reporting Interpretation Committee*) have approved some variations of IFRS (*International Financial Reporting Standards*) and some interpretations, some of which already endorsed and published in the Official Journal of the European Union, applicable starting 1 January 2011.
Changes (new or revised accounting principles, additions to accounting principles, new interpretations) specifically significant for the Group are as follows.

Insignificant variations applicable from 1 January 2011[2]:

IAS 32 – 'Financial instruments: presentation'. The amendment requires that, provided certain conditions are met, rights issues (rights, options or warrants) denominated in a currency other than the functional currency of the issuer, are classified as equity instead of derivative liabilities. The amendment is effective for annual periods beginning on or after 1 February 2010.

IAS 24 – 'Related party disclosures'. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

IFRIC 14 – "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendment to the interpretation permits an entity subject to minimum funding requirements and that makes an early payment of contributions to cover those requirements, to treat the benefit of such an early payment as an asset.

IFRIC 19 – 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies that when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability, such equity instruments are part of the consideration paid to extinguish the financial liability and they are measured at their fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The interpretation is effective for annual periods beginning on or after 1 July 2010.

IFRS 1 – 'First-time adoption of IFRS'. The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by the amendment to *IFRS 7 – 'Financial instruments: disclosures'* in response to the financial crisis of that time.

Improvements to IFRS. 6 May 2010 the IASB issued a series of necessary but non-urgent amendments to the IFRS which were presented in one sole provision. The changes refer to the following principles:
IFRS 1 – 'First-time adoption of IFRS';
IFRS 3 – 'Business combinations';

[2] 'Significant' means to those principles and interpretations regarding Group operations and which could lead to significant amounts being reported.

IFRS 7 - 'Financial instruments: disclosures';
IAS 1 - 'Presentation of Financial Statements';
IAS 27 - 'Consolidated and Separate financial statements';
IAS 34 - 'Interim financial reporting';
IFRIC 13 - 'Customer loyalty programmes'.

Insignificant variations applicable from 1 January 2012:

IAS 12 – 'Income taxes'. IAS 12 allows an entity to recognise deferred taxes on an asset only if the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery of the carrying amount of an asset classified as Investment property and measured using the fair value model will normally be through sale and not through use. The amendment also incorporates into IAS 12 the guidance previously contained in *SIC 21 – 'Income taxes – Recovery of revalued non-depreciable assets'* which has been accordingly withdrawn.

Significant variations applicable from 1 January 2013:

IAS 19 – 'Employee benefits'. The amendment eliminates the option to defer the recognition of actuarial gains and losses by the 'corridor method', orders the recognition of these gains and losses in 'other comprehensive income of the ' without a subsequent transfer in the separate income statement and requires additional disclosures to be given.
The amendment is significant for the Esprinet Group about the recognition of actuarial gains and losses in 'other comprehensive income' and no more in the separate income statement.

Insignificant variations applicable from 1 January 2013:

IFRS 10 – 'Consolidated financial statements' and *IAS 27 – 'Consolidated and Separate financial statements'.* The new IFRS 10 replaces the *SIC-12 – 'Consolidation – Special purpose entities'* interpretation and parts of *IAS 27 – 'Consolidated and Separate financial statements'* that is renamed *'Separate financial statements'* and regulates only the accounting treatment of investments in the separate financial statements. IFRS 10 identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company, and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 – 'Joint arrangements' and *IAS 28 – 'Investments in Associates'.* The new IFRS 11 supersedes *IAS 31 – 'Interests in Joint Ventures'* and the *SIC-13 – 'Jointly controlled entities – Non-monetary contributions by venturers*' interpretation. The new standard provides the criteria for identifying joint arrangements by focusing on the rights and obligation arrangements, rather than its legal form and requires a single method to account for interests in jointly controlled entities, the equity method. IAS 28 has been consequently amended to include accounting for investments in jointly controlled entities in its scope of application.

IFRS 12 – 'Disclosure of interests in Other Entities'. The new standard indicates disclosure requirements for all forms of interests in other entities, including subsidiaries, joint ventures, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 – 'Fair value measurement'. The new standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 1 – 'Presentation of Financial Statements'. The amendment requires companies to group together items within 'other comprehensive income' that may be reclassified to profit or loss section of income statement.
The amendment is effective for annual periods beginning on or after 1 July 2012.

IFRIC 20 Interpretation – "Stripping Costs in the Production Phase of a Surface Mine".
The Interpretation clarifies the requirements for accounting for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) in the production phase of a surface mine. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

IFRS 7 – "Financial Instruments - Disclosures". The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. Entities are required to apply the amendments for annual reporting periods beginning on or after 1

January 2013, and interim periods within those annual periods. The required disclosures should be provided retrospectively.

IAS 32 – “Financial Instruments – Presentation” to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

3. Segment information

3.1 Introduction

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group);
b) whose operating results are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which discrete financial information is available.

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

The B2B IT and consumer electronics distribution is aimed at professional dealers, including large-scale distributors/retailers, and regards traditional IT products (desktop PCs, PC notebooks, printers, photocopiers, servers, standard software, etc.), consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), state-of-the-art digital and entertainment products such as photo cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.

Solely in Italy, the Group is also marginally active in the business-to-consumer (B2C) IT and consumer electronics distribution and business-to-business (B2B) micro-electronic components distribution business segments.
The former consists mainly in selling products for personal computing, printers, audio-video, accessories, photography, telephony, air-conditioning and small and large electric household appliances to private customers on-line exclusively via the www.monclick.it web-site.
B2B micro-electronic components distribution consists in purchasing micro-electronic components, such as semiconductors (so-called “active” devices), passive components, connections, displays and sub-systems for industrial applications from manufacturers operating worldwide. It then resells them to companies directly involved in the design and production of electronic equipment (so-called ‘Original Equipment Manufacturers-OEMs’) or to operators that are typically only assigned production activities (so-called ‘Contract Electronic Manufacturers-CEMs’).

A ‘geographical segment’ is engaged in providing products or services within a particular economic environment that are 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 assets balances of the business segments where the Group operates in Italy.

3.2 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)	2011										
	Italy						Spain		Not allocated	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2C	Electr. Comp. Distr.	Elim. and other	Total	% (1)	Distr. IT & CE B2B	% (1)			
Sales to third parties	1,507,033	30,491	38,621		1,576,144		520,336				2,096,480
Intersegment sales	73,701			(28,349)	45,352					(45,352)	-
Sales	1,580,734	30,491	38,621	(28,349)	1,621,496		520,336		-	(45,352)	2,096,480
Cost of sales	(1,491,520)	(27,035)	(31,254)	28,343	(1,521,466)		(499,033)			45,351	(1,975,148)
Gross profit	**89,214**	**3,456**	**7,367**	**(7)**	**100,030**	*6.35%*	**21,303**	*4.09%*	**-**	**(1)**	**121,332**
Sales and marketings costs	(25,542)	(2,480)	(4,624)	(117)	(32,763)	*-2.08%*	(5,135)	*-0.99%*		(383)	(38,281)
Overheads and administr. costs	(27,283)	(1,527)	(1,422)	124	(30,108)	*-1.91%*	(9,864)	*-1.90%*		379	(39,593)
EBIT-recurring	**36,389**	**(551)**	**1,321**	**-**	**37,159**	*2.36%*	**6,304**	*1.21%*	**-**	**(5)**	**43,458**
Goodwill write-down			(2,044)	-	(2,044)	*-0.13%*	**(17,782)**	*-3.42%*		**-**	**(19,826)**
Operating income (Ebit)	**36,389**	**(551)**	**(723)**	**-**	**35,115**	*2.23%*	**(11,478)**	*-2.21%*	**-**	**(5)**	**23,632**
Finance costs - net											(5,326)
Profit before income tax											**18,306**
Income tax expenses											(10,339)
Profit for the period											**7,967**
Non-controlling interests											-
Net income											**7,967**
Depreciation and amortisation	2,028	14	2,105	53	**4,200**		**18,730**			268	**23,198**
Other non-cash items	2,269	99	317	-	**2,685**		**-**			-	**2,685**
Investments					**2,213**		**158**			-	**2,371**
Total assets					**588,150**		**228,623**			(101,392)	**715,381**

(euro/000)	2010										
	Italy						Spain		Not allocated	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2C	Electr. Comp. Distr.	Elim. and other	Total	% (1)	Distr. IT & CE B2B	% (1)			
Sales to third parties	1,580,086	26,022	36,777		1,642,886		562,288				2,205,174
Intersegment sales	75,950			(24,305)	51,645					(51,645)	-
Sales	1,656,036	26,022	36,777	(24,305)	1,694,531		562,288		-	(51,645)	2,205,174
Cost of sales	(1,558,439)	(22,585)	(29,948)	24,269	(1,586,703)		(537,642)			51,588	(2,072,757)
Gross profit	**97,597**	**3,437**	**6,829**	**(35)**	**107,828**	*6.56%*	**24,646**	*4.38%*	**-**	**(57)**	**132,417**
Sales and marketings costs	(22,883)	(1,922)	(4,462)	(44)	(29,311)	*-1.78%*	(5,001)	*-0.89%*		(293)	(34,605)
Overheads and administr. costs	(29,935)	(1,093)	(1,681)	79	(32,630)	*-1.99%*	(9,643)	*-1.71%*		293	(41,980)
EBIT-recurring	**44,779**	**422**	**686**	**-**	**45,887**	*2.79%*	**10,002**	*1.78%*	**-**	**(57)**	**55,832**
Goodwill write-down	-	-	-	-	-	*0.00%*	-	*0.00%*		-	-
Operating income (Ebit)	**44,779**	**422**	**686**	**-**	**45,887**	*2.79%*	**10,002**	*1.78%*	**-**	**(57)**	**55,832**
Finance costs - net											(6,935)
Profit before income tax											**48,897**
Income tax expenses											(16,024)
Profit for the period											**32,873**
Non-controlling interests											-
Net income											**32,873**
Depreciation and amortisation	2,409	22	69	48	**2,548**		**1,276**			250	**4,074**
Other non-cash items	3,219	78	520	-	**3,817**		**-**			-	**3,817**
Investments					**462**		**429**			-	**891**
Total assets					**616,283**		**227,771**			(78,586)	**765,469**

(1) Measured on 'Sales to third parties'.

Statement of financial position by operating segments

(euro/000)	31/12/11							
	Italy					Spain	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2C	Electr. Comp. Distr.	Elim. and other	Total Italy	Distr. IT & CE B2B		
Assets								
Non-current assets								
Property, plant and equipment	5,157	28	76	-	5,261	1,171	-	6,432
Goodwill	10,625	-	2,126	867	13,618	58,561	1,040	73,219
Intangible assets	217	1	1	-	219	198	-	417
Investments in subsidiaries	65,715	-	-	(3,812)	61,903	-	(61,903)	-
Deferred income tax assets	3,396	23	1,032	-	4,451	8,453	29	12,934
Receivables and other assets	1,941	-	3	(81)	1,863	183	-	2,045
	87,051	**52**	**3,238**	**(3,026)**	**87,315**	**68,566**	**(60,834)**	**95,047**
Current assets								
Inventory	158,097	213	4,937	-	163,247	54,165	(97)	217,315
Trade receivables	192,960	3,266	11,008	-	207,234	55,951	-	263,185
Income tax assets	4,401	30	-	-	4,431	9	-	4,440
Other assets	62,941	391	453	(4,373)	59,413	521	(40,461)	19,473
Cash and cash equivalents	65,312	956	242	-	66,510	49,411	-	115,921
	483,711	**4,856**	**16,640**	**(4,373)**	**500,835**	**160,057**	**(40,558)**	**620,334**
Non-current assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**570,762**	**4,908**	**19,878**	**(7,399)**	**588,150**	**228,623**	**(101,392)**	**715,381**
EQUITY								
Share capital	7,881	100	500	(620)	7,861	54,693	(54,693)	7,861
Reserves	198,587	598	5,459	(2,325)	202,320	21,541	(19,970)	203,891
Net income for the period	8,879	(442)	(829)	-	7,608	(13,373)	13,732	7,967
	215,347	**256**	**5,130**	**(2,945)**	**217,789**	**62,861**	**(60,931)**	**219,719**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity	**215,347**	**256**	**5,130**	**(2,945)**	**217,789**	**62,861**	**(60,931)**	**219,719**
LIABILITIES								
Non-current liabilities								
Borrowings	14,939	-	-	-	14,939	21,300	-	36,239
Derivative financial liabilities	368	-	-	-	368	552	-	920
Deferred income tax liabilities	2,282	4	728	-	3,014	2,137	-	5,151
Retirement benefit obligations	3,854	217	402	-	4,473	-	-	4,473
Provisions and other liabilities	2,795	29	454	(81)	3,197	118	-	3,315
	24,238	**250**	**1,584**	**(81)**	**25,991**	**24,107**	**-**	**50,098**
Current liabilities								
Trade payables	287,929	349	3,691	-	291,969	78,071	-	370,040
Short-term financial liabilities	26,867	11	7,899	-	34,777	44,119	(30,000)	48,896
Income tax liabilities	15	-	24	-	39	-	-	39
Derivative financial liabilities	381	-	-	-	381	571	-	952
Provisions and other liabilities	15,985	4,042	1,550	(4,373)	17,204	18,894	(10,461)	25,637
	331,177	**4,402**	**13,164**	**(4,373)**	**344,370**	**141,655**	**(40,461)**	**445,564**
Total liabilities	**355,415**	**4,652**	**14,748**	**(4,454)**	**370,361**	**165,762**	**(40,461)**	**495,662**
Total equity and liabilities	**570,762**	**4,908**	**19,878**	**(7,399)**	**588,150**	**228,623**	**(101,392)**	**715,381**

(euro/000)	31/12/10							
	Italy					Spain	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2C	Electr. Comp. Distr.	Elim. and other	Total Italy	Distr. IT & CE B2B		
Assets								
Non-current assets								
Property, plant and equipment	5,128	41	133	-	5,302	1,776	-	7,078
Goodwill	10,626	-	4,170	867	15,662	76,343	1,040	93,045
Intangible assets	427	-	1	-	428	387	-	816
Investments in subsidiaries	79,423	-	-	(3,786)	75,637	-	(75,637)	-
Deferred income tax assets	5,204	12	1,002	-	6,218	8,738	28	14,984
Receivables and other assets	1,802	-	3	(42)	1,763	184	-	1,946
	102,610	**53**	**5,309**	**(2,961)**	**105,010**	**87,428**	**(74,570)**	**117,869**
Current assets								
Inventory	199,067	-	4,386	-	203,453	79,199	(93)	282,559
Trade receivables	166,586	1,681	10,815	-	179,083	58,943	-	238,026
Income tax assets	2,830	-	-	-	2,830	36	-	2,866
Other assets	26,366	44	855	(2,942)	24,323	1,386	(3,923)	21,786
Cash and cash equivalents	99,992	1,139	453	-	101,584	779	-	102,363
	494,841	**2,864**	**16,509**	**(2,942)**	**511,273**	**140,343**	**(4,016)**	**647,600**
Non-current assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**597,451**	**2,917**	**21,818**	**(5,903)**	**616,283**	**227,771**	**(78,586)**	**765,469**
EQUITY								
Share capital	7,881	100	500	(620)	7,861	54,693	(54,693)	7,861
Reserves	179,357	350	5,327	(2,298)	182,736	15,855	(19,930)	178,661
Net income for the period	27,341	222	132	-	27,695	5,218	(40)	32,873
	214,579	**672**	**5,959**	**(2,918)**	**218,292**	**75,766**	**(74,663)**	**219,395**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity	**214,579**	**672**	**5,959**	**(2,918)**	**218,292**	**75,766**	**(74,663)**	**219,395**
LIABILITIES								
Non-current liabilities								
Borrowings	24,848	-	-	-	24,848	35,401	-	60,249
Derivative financial liabilities	605	-	-	-	605	908	-	1,513
Deferred income tax liabilities	2,298	4	1,163	-	3,465	3,204	-	6,670
Retirement benefit obligations	4,139	178	428	-	4,745	-	-	4,745
Provisions and other liabilities	3,315	15	447	(43)	3,734	118	-	3,852
	35,205	**197**	**2,038**	**(43)**	**37,397**	**39,631**	**-**	**77,029**
Current liabilities								
Trade payables	306,258	395	4,773	-	311,426	80,276	-	391,702
Short-term financial liabilities	27,673	6	7,302	-	34,981	16,492	-	51,473
Income tax liabilities	-	9	60	-	69	1,162	-	1,231
Derivative financial liabilities	650	-	-	-	650	974	-	1,624
Provisions and other liabilities	13,086	1,638	1,686	(2,942)	13,468	13,470	(3,923)	23,015
	347,667	**2,048**	**13,821**	**(2,942)**	**360,594**	**112,374**	**(3,923)**	**469,045**
Total liabilities	**382,872**	**2,245**	**15,859**	**(2,985)**	**397,991**	**152,005**	**(3,923)**	**546,074**
Total equity and liabilities	**597,451**	**2,917**	**21,818**	**(5,903)**	**616,283**	**227,771**	**(78,586)**	**765,469**

3.3 Other information

The Group's operating segments can be identified by the geographical markets where the Group operates: Italy and Spain.
'Spain' is represented by the Esprinet Iberica S.L.U. subsidiary which has business relations solely with the Esprinet S.p.A. holding company within the Italian operating segment.
Besides the main B2B IT and consumer electronics distribution segment answering to the Esprinet S.p.A. holding company and to the subsidiary V-Valley S.r.l., two Italian marginal business areas, the B2C IT and consumer electronics distribution, effected exclusively by the Monclick S.r.l. subsidiary and the B2B micro-electronic components distribution, effected exclusively by the Comprel S.r.l. subsidiary, are also included.
Intra-segment operations, including those between the minor Italian segments, are identified in terms of the counter-party and the accounting rules are the same as those used in the case of transactions with third-parties which can be found under *'Main valuation criteria and accounting'*.

Details of the Group's revenues from external customers by product family and geographical area, with quotas effected in the country where the parent company is headquartered highlighted, can be found under the section 'Revenues' in the 'Notes to income statement items'. Geographical area breakdown depends in particular on the customers' country of residence.

The Group is not dependent on its major customers despite revenues from transactions with entities operating in the 'B2B' of IT and consumer electronics known to be under common control of one sole entity and, pursuant to IAS 8.34 considered as a single customer, amounting to an over 10% in terms of consolidated revenues.

4. Disclosure on risks and financial instruments

4.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

The principles in this IFRS complement and/or supersede the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 'Financial instruments: Presentation' and IAS 39 'Financial instruments: Recognition and Measurement'. Disclosures as per IFRS 7 are therefore reported in this section.
Accounting principles regarding financial instruments used in preparing the consolidated financial statements can be found in the section *'Accounting principles and valuation criteria'* whereas the definition of financial risks, the degree of the Group's exposure to the various identified categories of risk, such as:

a) credit risk;
b) liquidity risk
c) market risk (currency risk, interest rate risk, other price risk);

and the relevant risk management policies have been analysed in depth under *'Main risks and uncertainties facing the Group and Esprinet S.p.A.'* in the *'Director's Report on Operations'*.

4.2 Financial instruments pursuant to IAS 39: classes of risk and 'fair value'

The next table illustrates the relationship between the financial instruments items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting principle IAS 39:

Assets	31/12/11				31/12/10			
(euro/000)	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39
Guarantee deposits	*2,022*			*2,022*	*1,923*			*1,923*
Consortium membership fees	*23*			*23*	*23*			*23*
Rec.and other non-curr. assets	2,045		-	2,045	1,946		-	1,946
Non-current assets	**2,045**	**-**	**-**	**2,045**	**1,946**	**-**	**-**	**1,946**
Trade receivables	263,185		263,185		238,026		238,026	
Receivables from factors	*13,804*		*13,804*		*15,486*		*15,486*	
Other tax receivables	*755*			*755*	*522*			*522*
Receivables from suppliers	*1,225*			*1,255*	*2,260*			*2,260*
Receivables from insurances	*2,051*		*2,051*		*1,654*		*1,654*	
Receivables from employees	*4*		*4*		*8*		*8*	
Receivables from others	*105*		*105*		*16*			*16*
Pre-payments	*1,529*			*1,529*	*1,840*			*1,840*
Other receivables	19,473		15,964	3,539	21,786		17,148	4,638
Cash and cash equivalents	115,921		115,921		102,363		102,363	
Current assets	**398,579**	**-**	**395,070**	**3,539**	**362,175**	**-**	**357,537**	**4,638**

Liabilities	31/12/11				31/12/10			
(euro/000)	Carrying amount	Financial liabilities at FVTPL (1)	Financial liabilities amortized cost	Not IAS 39	Carrying amount	Financial liabilities at FVTPL (1)	Financial liabilities amortized cost	Not IAS 39
Borrowings	36,239		36,239		60,249		60,249	
Derivative financial liabilities	920	920			1,513	1,513		
Provisions for pensions	1,058			1,058	751			751
Other provisions	1,417			1,417	2,651			2,651
Cash incentive liabilities	840		840		450		450	
Provis. and other non-curr. liab.	3,315		840	2,475	3,852		450	3,402
Non-current liabilities	**40,474**	**920**	**37,079**	**2,475**	**65,614**	**1,513**	**60,699**	**3,402**
Trade payables	370,040		370,040		391,702		391,702	
Short-term financial liabilities	48,896		48,896		51,473		51,473	
Derivative financial liabilities	952	952			1,624	1,624		
Social security liabilities	*2,853*		*2,853*		*2,984*		*2,984*	
Other tax liabilities	*14,176*			*14,176*	*10,941*			*10,941*
Payables to others	*8,427*		*8,427*		*8,968*		*8,968*	
Accrued expenses (insurance)	*152*		*152*		*106*		*106*	
Deferred income	*29*			*29*	*16*			*16*
Provisions and other liabilities	25,637		11,432	14,205	23,015		12,058	10,957
Current liabilites	**445,525**	**952**	**430,368**	**14,205**	**467,814**	**1,624**	**455,233**	**10,957**

(1) 'FVTPL': Fair Value Through Profit and Loss.

For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the chapter *'Notes to the statement of financial position items'.*

As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:
  - cash and cash equivalents and receivables from factoring companies
  - receivables from insurance companies
  - trade receivables
  - receivables from employees
  - receivables from others

- trade payables
- financial liabilities
- other debts (current and non-current)

* financial instruments measured at ‘fair value’ since initial recognition:
  - derivative financial assets
  - derivative financial liabilities

Cash and cash equivalents are almost entirely immediately available bank deposits.
These, together with the receivables from factoring companies, the Group’s usual counter-parties for its operations, and the derivative financial assets (even though the latter are measured at fair value and not at amortised cost) have a very low risk rating, limited to that of the credit risk in the case in question.
This last circumstance is linked to the high standing of counter-parties, which are banks and factoring companies with high ratings and often also to credits as a result of loans and/or advance payments.
Receivables in the form of reimbursements already recognised by international insurance companies, and consequently with consolidated relationships with the Group, are of the same type and risk level.

Trade receivables are subject to credit risk.
They are the result of a structured process that starts with customer selection and admission to a credit line and then monitoring the same credit facilities. The risk is mitigated by recourse to traditional insurance contracts with leading international insurance companies, without-recourse factoring schemes and, for the remainder, by specific guarantees (bank guarantees typically).
It should be noted that no significant financial effects have ever arisen from insolvency problems.

Receivables from others are subject to a sensibly lower credit risk compared to trade receivables due to the existence of contractual guarantees

Receivables from employees, both advances and loans, have a lower credit risk than trade receivables, given the closer relationship between the parts and considering the continuity of the employment.
Both trade payables and other debts, are subject to the risk that the Group will be unable to respect the payment commitments undertaken on time (liquidity risk).

Financial liabilities and derivative financial liabilities (even though the latter are measured at fair value and not at amortised cost) are exposed at the same but higher risky kind of risk than trade payables, due to the superior negotiating power of banks and the implicitly less flexible nature of covenants and obligations of the ‘negative pledge’, ‘pari passu’ or similar type in the case of medium/long-term loans.

The fair value measurement of financial assets and liabilities reported in the statement of financial position and provided by IAS 39 and governed by IFRS 7, grouped into classes of risk, and the methods and the assumptions applied in determining them, are as follows:

Assets	**31/12/11**						**31/12/10**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. from others	Receiv. from insurers	Receiv. from employees	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. from others	Receiv. from insurers	Receiv. from employees
Non-current assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables	263,185	263,185					238,026	238,026				
Receiv. from factors	*13,804*		*13,804*				*15,486*		*15,486*			
Receiv. from insurances	*2,051*				*2,051*		*1,654*				*1,654*	
Receiv. from employees	*4*					*4*	*8*					*8*
Receiv. from others	*105*					*105*	*8*					*8*
Other Receivables	15,964		13,804		2,051	109	17,156		15,486		1,654	16
Cash & cash equival.	115,921		115,921				102,363		102,363			
Current Assets	**395,070**	**263,185**	**129,725**	**-**	**2,051**	**109**	**357,545**	**238,026**	**117,849**	**-**	**1,654**	**16**

Passivo	31/12/11						31/12/10					
(euro/000)	Carrying amount	Fair value					Carrying amount	Fair value				
		Trade payables	Financial liabilities	FVTPL derivat.	Other payables			Trade payables	Financial liabilities	FVTPL derivat.	Other payables	
Borrowings	36,239		35,266				60,249		60,059			
Financial derivatives	920			920			1,513			1,513		
Cash incentive liab.	*840*				*836*		*450*				*448*	
Provisions and other liab.	840				836		450				448	
Non-current liabilites	**37,999**	**-**	**35,266**	**920**	**836**	**-**	**62,212**	**-**	**60,059**	**1,513**	**448**	**-**
Trade payables	370,040	370,040					391,702	391,702				
Short-term financial liab.	48,896		48,558				51,473		51,187			
Financial derivatives	952			952			1,624			1,624		
Social security liabilities	*2,853*				*2,853*		*2,984*				*2,984*	
Payables to others	*8,427*				*8,427*		*8,968*				*8,968*	
Accrued exp. (insurance)	*152*				*152*		*106*				*106*	
Provisions and other liab.	11,432				11,432		12,058				12,058	
Current liabilities	**431,320**	**370,040**	**48,558**	**952**	**11,432**	**-**	**456,857**	**391,702**	**51,187**	**1,624**	**12,058**	**-**

Given their short-term due date, in the case of current assets (excluding those of derivatives if any), trade payables, short-term financial liabilities and other payables (excluding liabilities for cash incentives), the carrying amount is a reasonable approximation of 'fair value'.

In order to hedge the risk of interest rate fluctuations, at the end of November 2007, Esprinet S.p.A. and Esprinet Iberica SLU entered into two 'IRS - Interest Rate Swap' contracts ('hedging instruments') with Intesa Sanpaolo S.p.A. The two contracts had different notional, 45.5 million euro and 68.2 million euro respectively, but the same conditions.

The 'fair value' of the two 'IRS-Interest Rate Swap' was measured by discounting expected cash flows according to the due dates of each derivative contract and using the market interest curve at the closing date of the financial year.
In detail, the spot interest rates used were obtained from the 'Forward Curve Euro' as at 31 December of provided by Bloomberg. Since all inputs entered in the valuation model were based on observable market data, as per the new requirements of IFRS 7 (the so-called 'fair value hierarchy'), derivative instruments are classified at hierarchy level 2.
The soundness of the measurement made with this valuation technique was confirmed by the comparison with the value provided by the bank issuer.

The 'fair value' of non-current assets and medium/long-term loans was estimated by discounting expected cash flows, according to the due dates of each contract, of capital and interests, and using the market interest curve at the ending date of the financial year.
The spot interest rates used to quantify the amount at the due date and discount the expected cash flows were obtained from the 'Forward Curve Euro' at 31 December, provided by Bloomberg, increased by a suitable spread as per clauses in the contract (no spread when using the market interest curve for discounting cash flows).

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under *'42) Finance costs'*.

Also consider that general and administrative expenses include 1.7 million euro (2.4 million euro in 2010) of write-down for doubtful accounts estimated on the basis of analyses of each single debtor's solvency.

4.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, and vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not detecting at this end).

As highlighted in the section *'Trade and other receivables'* in the paragraph *'Summary of significant valuation criteria and accounting policies'*, in the case of impairment by credit losses, the value of receivables is adjusted. This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
In the year closed at 31 December 2011 (as in the previous one) it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.

The following table illustrates the above-mentioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Final provision
2011 financial year	13,924	1,683	(6,832)	8,775
2010 financial year	14,147	2,407	(2,630)	13,924

The Group usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.
In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Group continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.
As at 31 December 2011 the with-recourse sold receivables which obtained advances under usual reserves amounted to 3.2 million euro (3.9 million euro at 31 December 2010); the same kind of advances (under usual reserves) about effects amounted to 10.5 million euro (3.5 million euro at 31 December 2010).

The financial assets' gross book value is the Group's maximum exposure to credit risk.

The following tables show an analysis of the status of trade receivables and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/11	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	271,960	18,990	48,573	204,397
Bad debt provision	(8,775)	(8,775)	-	-
Net trade receivables	**263,185**	**10,215**	**48,573**	**204,397**

(euro/000)	31/12/10	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	251,950	23,520	23,752	204,678
Bad debt provision	(13,924)	(13,924)	-	-
Net trade receivables	**238,026**	**9,596**	**23,752**	**204,678**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receiv. past due not impaired at 31/12/11	48,573	3,215	4,468	6,668	34,222
Receiv. past due not impaired at 31/12/10	23,752	1,293	117	1,555	20,787

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, the Group does not believe that premises for allocating provisions for doubtful receivables for amounts not yet overdue exist.
There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.

The following instruments are usually used by the Group to limit its credit risk (the percentages refer to trade receivables at 31 December 2011):

- traditional credit insurance (covering 80% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 55% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 9% of the receivables (the amount refers to receivables existing at the closing date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 3% of total gross amount of trade receivables;

No financial or non-financial assets were obtained by the Group during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). Nor did the Group hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.
No other financial assets regulated by IFRS 7 have been impaired in the current or in the previous year.

The two tables below illustrate their status and the ageing of those not overdue and not impaired by credit losses:

	31/12/11				31/12/10			
(euro/000)	**Carrying amount**	**Receiv. impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**	**Carrying amount**	**Receiv. impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**
Non-current assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Receivables from factor	*13,804*		*2,370*	*11,434*	*15,486*		*3,659*	*11,827*
Receivables from insurance	*2,051*		*2,051*		*1,654*		*1,654*	
Receivables from employees	*4*			*4*	*8*			*8*
Receivables from others	*105*		*93*	*12*	*8*			*8*
Other receivables	15,964		4,514	11,450	17,156		5,313	11,843
Cash & cash equivalents	115,921		115,921		102,363		102,363	
Current assets	**131,885**	**-**	**120,435**	**11,450**	**119,519**	**-**	**107,676**	**11,843**

(euro/000)	**Total**	**Past due over 90 days**	**Past due 60 - 90 days**	**Past due 30 - 60 days**	**Past due under 30 days**
Receivables from factoring companies	2,370	-	-	-	2,370
Receivables from insurance companies	2,051	1,720	100	205	26
Receivables from others	93	89	-	-	4
Receiv. past due not impaired at 31/12/11	**4,514**	**1,809**	**100**	**205**	**2,400**
Receivables from factoring companies	3,659	-	-	-	3,659
Receivables from insurance companies	1,654	1,369	156	101	28
Receivables from others	-	-	-	-	-
Receiv. past due not impaired at 31/12/10	**5,313**	**1,369**	**156**	**101**	**3,687**

Receivables from factoring companies relate wholly to ‘without-recourse’ factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies. The past due quota relates to sums due at the closing date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Group companies. It should be noted, however, that these receivables had also completely been paid by the time this report was drawn up as the deadlines where met.

4.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	Carrying amount 31/12/11	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	36,239	38,023	456	565	24,727	12,275	-
Derivative financial liabilities	920	1,507	284	278	815	130	-
Cash incentive liabilities	*840*	*851*	-	-	-	*851*	-
Provisions and other non-corr. liabilities	840	851	-	-	-	851	-
Non-current liabilities	**37,999**	**40,381**	**740**	**843**	**25,542**	**13,256**	**-**
Trade payables	370,040	431,224	374,569	4,529	7,831	20,103	24,192
Short-term financial liabilities	48,896	49,628	37,300	12,328	-	-	-
Derivative financial liabilities	952	329	237	92	-	-	-
Social security liabilities	*2,853*	*2,853*	*2,853*	-	-	-	-
Payables to others	*8,427*	*8,427*	*8,427*	-	-	-	-
Accrued expenses (insurance)	*152*	*152*	*152*	-	-	-	-
Provisions and other liabilities	11,432	11,432	11,432	-	-	-	-
Current liabilites	**431,320**	**492,613**	**423,538**	**16,949**	**7,831**	**20,103**	**24,192**

(euro/000)	Carrying amount 31/12/10	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	60,249	65,075	704	869	25,729	37,773	-
Derivative financial liabilities	1,513	2,818	683	570	1,109	456	-
Cash incentive liabilities	*450*	*457*	-	-	-	*457*	-
Provisions and other non-corr. liabilities	450	457	-	-	-	457	-
Non-current liabilities	**62,212**	**68,350**	**1,387**	**1,439**	**26,838**	**38,686**	**-**
Trade payables	391,702	430,050	396,549	4,846	9,460	16,955	2,240
Short-term financial liabilities	51,473	52,275	39,961	12,314	-	-	-
Derivative financial liabilities	1,624	387	273	114	-	-	-
Social security liabilities	*2,984*	*2,984*	*2,984*	-	-	-	-
Payables to others	*8,968*	*8,968*	*8,968*	-	-	-	-
Accrued expenses (insurance)	*106*	*106*	*106*	-	-	-	-
Provisions and other liabilities	12,058	12,058	12,058	-	-	-	-
Current liabilites	**456,857**	**494,770**	**448,841**	**17,274**	**9,460**	**16,955**	**2,240**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Group can be required to pay;
- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

During 2007, as part of the re-negotiation of a previous loan, the Group obtained a credit facility from a pool of banks, made up of three credit lines guaranteed by a pledge on all Esprinet Iberica S.L.U. capital quotas. This guarantee is still existing at 31 December 2011 and its value is formally assumed as the amount of the Esprinet Iberica net equity at the same date: 62.9 million euro (75.8 million euro at 31 December 2010).
The loan agreements described contain the usual agreements which take into account the possible loss of the benefit to pay reimbursements at deferred maturity should certain financial covenants not be met when checked against consolidated and audited financial statements data.

At 31 December 2011 according to the available evidence and using management estimates (since the same will be checked against the consolidated and audited financial statements), the covenants resulted fully met.
Apart from 31 December 2007 and 30 June 2008, when one of the financial covenants contained in the agreements described above was missed, even if with no consequences for the Group, the same has never been in a condition of default regarding principal, interest, sinking fund or redemption terms of passive loans.

Up to now the Group has not issued any instruments containing both a liability and an equity component.

4.5 Hedge accounting

Introduction

The Esprinet Group signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting'.

Derivative instruments as at 31 December 2011

The Group didn't enter into any new derivative contract during the year.
In order to hedge the risk of interest rate fluctuations, at the end of November 2007, Esprinet S.p.A. and Esprinet Iberica SLU entered into two 'IRS - Interest Rate Swap' contracts ('hedging instruments') with Intesa Sanpaolo S.p.A. The two contracts had different notional, 45.5 million euro and 68.2 million euro respectively, but the same conditions.
Such contracts can be technically defined as 'amortising - forward start' in as much as they provide for the exchange or 'swap' of a fixed rate debt with a floating 6 Month Euribor rate starting at 27 December 2007, coinciding with the beginning of the interest period of the hedged item.
The Esprinet S.p.A. hedged item is the 65.0 million euro as notional (25.0 million euro as at 31 December 2011) of the 'Senior Amortizing Term Loan' signed on 27 June 2007 with a pool of banks and mainly aimed at repositioning part of the short-term indebtedness to medium/long-term. The Esprinet Iberica S.L.U. hedged item is the 109.3 million euro as notional (35.7 million euro as at 31 December 2011) of the 'Senior Amortizing Term Loan' also signed on 27 June 2007 with the same banks and mainly aimed at refinancing the debt remaining from the Memory Set purchase and the 'Bridge Loan' agreed at the end of December 2006 as part of the loan to purchase UMD S.A.U. (both the two subsidiaries merged into Esprinet Iberica S.L.U. at the end of 2007).

The main features of the two contracts are summarized below:

Trade date	20 November 2007
Effective date	27 December 2007
Termination date	27 June 2014 subject to adjustment in accordance with the modified business day convention
Notional amount	Esprinet S.p.A.: 45.5 million euro (subject to an amortisation plan) Esprinet Iberica S.L.U.: 68.25 million euro (subject to an amortisation plan)
Fixed rate	4.33%, act/360
Fixed rate payment dates	27/06/08, 29/12/08, 29/06/09, 28/12/09, 28/06/10, 27/12/10, 27/06/11, 27/12/11, 27/06/12, 27/12/12, 27/06/13, 27/12/13, 27/06/14 subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A. and Esprinet Iberica S.L.U. respectively
Floating rate	Euribor 6M, act/360, fixed as the first day of each interest calculation period
Floating rate payment dates	27/06/08, 29/12/08, 29/06/09, 28/12/09, 28/06/10, 27/12/10, 27/06/11, 27/12/11, 27/06/12, 27/12/12, 27/06/13, 27/12/13, 27/06/14 subject to adjustment in accordance with the modified business day convention
Floating rate payer	Intesa Sanpaolo S.p.A.

The aim of these hedging transactions against the interest rate risk is to fix the funding cost of each of the two middle-term floating-rate loans by entering into a derivative contract that enables the Group the floating rate to be received and the fixed rate to be paid.
Since it is fully in compliance with International Accounting Standard 39 regarding 'hedge accounting' (formal designation and documentation of the hedging relationship; hedge expected to be highly effective

and reliably measured; forecast transaction highly probable and affecting profit or loss) both of the two derivative contracts have been subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) was recognised directly in equity (and shown, consequently, in the statement of comprehensive income), the ineffective portion of the gain or loss on the hedging instrument was recognised in profit or loss.
Subsequent changes in the fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve), always within limits of being an effective hedge, were similarly recognised directly in equity (and in the statement of comprehensive income).

Entering into these derivative contracts was part of the commitments assumed at the time of the closing of the Senior Amortizing Loan contract financing the purchase of the Memory Set Group.
It was thus necessary to sell two previous IRS contracts signed in 2006 by Esprinet Iberica S.L.U. as the total hedge of the remaining amount of 48.8 million euro of the pool loan in 2005 granted by Intesa Sanpaolo S.p.A. and MCC S.p.A. (Group Unicredit) as part of the latters' financial support in the Memory Set S.A.U. purchase.

Both the contracts were recognised in accordance with 'cash flow hedge' accounting methods.
As a result of this accounting method and their sale, at 31 December 2011 the Group has a 157 thousand euro amount generated by cumulative changes in the fair value of these two derivatives recognised under net equity in the 'cash flow hedge' reserve, which will be gradually recognised in profit or loss at the maturity of the restructured loans.

The main features of the above said derivative contracts sold in 2007 are summarized below:

Trade date	2 August 2006
Effective date	5 December 2006
Termination date	5 December 2012
Notional amount	Euro 24,428,571.43, subject to an amortisation plan
Fixed rate	4.055%, act/360
Fixed rate payment dates	Every 5 December and 5 June starting from 5 June 2007 up to 5 December 2012
Fixed rate payer	Yedraint S.L.U. (now Esprinet Iberica S.L.U.)
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payment dates	Every 5 December and 5 June starting from 5 June 2007 up to 5 December 2012
Floating rate payer	Banca di Roma S.p.A.

The next tables illustrate the following information regarding the derivative contracts:
- the notional amount at 31 December 2011 and 2010 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position representing the 'fair value' of the contracts at the date of the financial statements;
- the cumulative change in fair value from the inception to the statement of financial position date;
- the ineffective portion of gains/losses on the hedging instrument computed to the income statement under *'Finance costs'* from the inception.

(euro/000)	31/12/11					
	Notional amount		Fair value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnings (4)
	within 1 year	beyond 1 year				
Interest rate risk management						
- cash flow hedge on derivatives 2007	17,500	26,250	1,872	282	(543)	(1,047)
- cash flow hedge on derivatives 2006	-	-	-	-	-	157
Total	**17,500**	**26,250**	**1,872**	**282**	**(543)**	**(890)**

(euro/000)	31/12/10					
	Notional amount		Fair value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnings (4)
	within 1 year	beyond 1 year				
Interest rate risk management						
- cash flow hedge on derivatives 2007	17,500	43,750	3,137	282	(909)	(1,946)
- cash flow hedge on derivatives 2006	-	-	-	-	-	221
Total	**17,500**	**43,750**	**3,137**	**282**	**(909)**	**(1,725)**

(1) Amount of the (assets)/liabilities recorded in the statement of financial position as per the 'fair value' measurement of derivatives.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
(3) Deferred income taxes related to the fair value of the derivative contracts.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve during the year are so detailed:

(euro/000)	2011				
	Change in fair value of derivatives	Transfer to P&L (1)	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- equity reserve on derivatives 2007	(359)	1,624	-	(366)	899
- equity reserve on derivatives 2006	-	(64)	-	-	(64)
Total	**(359)**	**1,560**	**-**	**(366)**	**835**

(euro/000)	2010				
	Change in fair value of derivatives	Transfer to P&L (1)	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- equity reserve on derivatives 2007	(1,364)	2,316	-	(276)	676
- equity reserve on derivatives 2006	-	(63)	-	-	(63)
Total	**(1,364)**	**2,253**	**-**	**(276)**	**613**

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

The following are the periods when the cash flows relating to the hedged items are expected to occur, and when they are expected to affect profit or loss:

(euro/000)		Expected cash flows	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/11	1,510	548	542	323	97	-
	31/12/10	3,481	710	752	1,044	975	-

4.6 Sensitivity analysis

Since the Group is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section *'Main risks and uncertainties facing the Group and Esprinet S.p.A.'* in the *'Director's Report on Operations')*.

A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period.

For these purposes, the 2011 market interest rate trend was taken into account together with the Group's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/- 100 basis points was simulated.

The following tables show the results of the simulation (net of tax effects):

Scenario 1: +100 basis points

	31/12/11		31/12/10	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Cash and cash equivalents	295	295	522	522
Short-term financial liabilities	(350)	(350)	(132)	(132)
Borrowings [1] [2]	75	75	(99)	(99)
Derivative financial liabilities	310	193	641	256
Total	**330**	**213**	**932**	**547**

[1] Medium/long-term loans include the portion falling due within 12 months.
[2] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

Scenario 2: -100 basis points

	31/12/11		31/12/10	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Cash and cash equivalents	(284)	(284)	(522)	(522)
Short-term financial liabilities	350	350	132	132
Borrowings [1] [2]	75	75	99	99
Derivative financial liabilities	(321)	(193)	(667)	(256)
Total	**(180)**	**(52)**	**(958)**	**(547)**

[1] Medium/long-term loans include the portion falling due within 12 months.
[2] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

5. Notes to the statement of financial position items

Non-current assets

1) Property, plant and equipment

Property, plant and equipment amount to 6.4 million euro as at 31 December 2011 (versus the 7.1 million euro as at 31 December 2010). Changes occurring during the year are as follows:

(euro/000)	Plant and machinery	Ind. & comm. equipment & other assets	Assets under construction & advances	Total
Historical cost	9,961	23,760	123	**33,844**
Accumulated depreciation	(8,272)	(18,494)	-	**(26,766)**
Balance at 31 December 2010	**1,689**	**5,266**	**123**	**7,078**
Historical cost increase	648	1,470	147	**2,265**
Historical cost decrease	(99)	(762)	(11)	**(872)**
Historical cost reclassification	6	82	(88)	**-**
Write-down	(3)	(116)	-	**(119)**
Increase in accumulated depreciation	(820)	(1,944)	-	**(2,764)**
Decrease in accumulated depreciation	99	745	-	**844**
Total changes	**(169)**	**(525)**	**48**	**(646)**
Historical cost	10,516	24,550	171	35,237
Accumulated depreciation	(8,996)	(19,809)	-	(28,805)
Balance at 31 December 2011	**1,520**	**4,741**	**171**	**6,432**

Investments mainly refer to electronic machines (923 thousand euro), furnishings (381 thousand euro) and plants/systems (648 thousand euro installed in the various premises, in particular in the new cash and carry outlets opened in Italy.

Disposals mainly refer (for 672 thousand euro) to the physical elimination or replacement of plants, electronic machines, servers and furnishings in the offices and warehouse of the Spanish subsidiary, as a consequence of the implementation of new plants and Wi-Fi system that led to the write-downs made during the year.

The following is the breakdown of the item '*Industrial and commercial equipment and other assets'*:

(euro/000)	31/12/11	31/12/10	Var.
Electronic machines	1,835	1,902	(67)
Furniture and fittings	1,468	1,596	(128)
Industrial and commercial equipment	804	1,086	(282)
Other assets	634	682	(48)
Total	**4,741**	**5,266**	**(525)**

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

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

2) Goodwill

(euro/000)	31/12/11	31/12/10	Var.
Goodwill	73,219	93,045	(19,826)

All goodwill items identify the excess of the price paid for obtaining the control of another business over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Disclosures regarding impairment tests of assets: goodwill

Scope of application

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment whether there are indications that impairment has occurred. In the case of goodwill and other intangible assets with an indefinite useful life, this test, so said ‘impairment test’, must be conducted at least annually and whenever ‘triggering events’ occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an ‘individual asset‘ and may not be subjected to a separate impairment test being tested for impairment together with the group of activities to which it has been allocated.

For the purposes of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer’s ‘CGU - Cash-Generating Units’, or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.

Cash Generating Unit: identification and goodwill allocation

The next table summarises the values of the single goodwill items in terms of the business combinations from which they arose and a summary by company:

(euro/000)	Entity	31/12/11 Pre-impairment	31/12/10
Memory Set S.A.U.	Esprinet Iberica	50,427	50,427
UMD S.A.U.	Esprinet Iberica	25,916	25,916
Esprinet Iberica S.L.U.[(1)]	Esprinet Iberica	1,040	1,040
Comapel Milano S.r.l.	Comprel	870	870
Comapel Torino S.r.l.	Comprel	261	261
Skylab S.r.l.	Comprel	371	371
Italwest S.r.l.	Comprel	2,667	2,667
Assotrade S.p.A.	Esprinet SpA	5,500	5,500
Pisani S.p.A.	Esprinet SpA	3,878	3,878
Esprilog S.r.l.	Esprinet SpA	2,115	2,115
Total by business combination		**93,045**	**93,045**
Esprinet Iberica		77,383	77,383
Esprinet SpA		11,493	11,493
Comprel		4,169	4,169
Total by entity		**93,045**	**93,045**

(1) Transaction costs sustained for the UMD and Memory Set business combinations.

No changes occurred either in the amounts entered under goodwill or in re-allocation operations between CGUs during 2011.

Allocation of goodwill acquired in Esprinet Group business combinations to the CGU to which they belong was made as follows:

- goodwill arisen from the purchase of the remaining 40% of EspriLog S.r.l. (former LDE), the Esprinet Group logistics service company assisting operations connected with B2B/B2C consumer IT and electronics distribution and B2B micro-electronics distribution, was allocated to the various CGU proportionately to the sales volumes developed at the time of the transaction;
- other goodwill were charged to the relevant CGUs, that is, to the elementary units which received the businesses purchased in operational terms.

The CGUs in question were identified by taking into account the Esprinet Group's organisational structure and how its management monitors the entity's operations and makes decisions about investments or disposals.
As required by IFRS, each CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The following table summarise the goodwill allocations to the 3 CGUs, in accordance with the operating segments identified in the *Segment Information* required by IFRS, and relationships between these operating segments and the legal entities which form the Group:

(euro/000)	31/12/11	31/12/10	Var.		
Esprinet S.p.A.	11,456	11,456	-	CGU 1	B2B distr.of Inf. Technology and Consumer Electronics (Italy)
Comprel S.r.l.	2,162	4,206	(2,044)	CGU 2	B2B distr. of micro-electronic components (Italy)
Esprinet Iberica S.L.U.	59,601	77,383	(17,782)	CGU 3	B2B distr. of Inf. Technology and Consumer Electronics (Spain)
Totale	**73,219**	**93,045**	**(19,826)**		

The 19.8 million euro fall is the result of the impairment tests which revealed the need of a 17.8 million euro write-down of the Esprinet Iberica goodwill entry and a 2 million euro write-down of the Comprel goodwill entry.

The impairment test process on goodwill items as previously allocated and the underlying reasons for the write-downs are described below.

A) Valuation system

The Group performed its own impairment test on 31 December 2011. In doing this, the Group also considered the relationship between its market capitalization and its net equity carrying amount. At 31 December 2011, the market capitalization was below the book value of the net equity, thereby causing a potential loss in goodwill value and a loss in the value of business operations.
This exogenous indicator of loss in value, constantly occurring approximately from July 2011 on, is mainly the consequence of the financial and real crisis that triggered in the same period, hinging on the heightening of the attack against the euro by markets and international speculators and which led to the later deterioration of the macroeconomic situation.

Recoverability of goodwill is tested by comparing the carrying amount of each single CGU to which the goodwill has been allocated, with the recoverable amount of the unit in the meaning of 'value in use'.
This last is the present value, at the date of the test, of the future cash flows (inflows and outflows) expected to be derived from the continuing use of assets which are part of the tested CGU.

The 'value in use' was estimated using the Discounted Cash Flow (DCF) model, which requires an appropriate discount rate to estimate the discounting back of future cash flows.
An 'asset side' approach was used which presupposes discounting unlevered cash flows generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT).

In the case of the Spanish CGU 3, the estimated effective and nominal tax rates correspond (30%). In the case of the Italian CGU 1 and CGU 2, the effective tax rates calculated as per Italian tax law and deriving from the calculation of the IRES and IRAP tax rates on their different tax bases were applied, taking into account the non-deductibility of subordinate employment costs in terms of IRAP and the net allocation to bad debt provision fund, in particular.

Disclosures required by the international accounting principles regarding the main methods chosen when calculating the recoverable amount are as follows.

Basis for estimates of future cash flows

As required by the IAS 36 accounting principle, paragraph 50, estimated cash flows exclude financial charges, as per the ‘asset side’ approach already described.
Projections based on forecasts cover a 5-year period.
The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.

Projection method

Future cash flows have been estimated for each CGU in its current condition which means not including estimates of future cash inflows that are expected to arise from the business combination, or from improving or enhancing its performance, or from extraordinary operations representing a discontinuity compared with this status.

The future plans were calculated taking into consideration the Group’s 2011-2013 Strategic Plan, drawn up in July and approved by the Board of Directors in November 2011, appropriately reviewed in light of the abovementioned significant market and economic changes and of the following circumstances that affected more specifically the Esprinet Group. It should be remembered that:

- the group companies posted lower earnings in the final balance than those estimated by the Plan, which did not reflect the complex market scenarios caused by the “double dip” created by the overlapping of the Euro crisis and the tail-end of the crisis in the real economy;
- in fact, the countries where the Group operates, Italy, Spain and, to a lesser degree, Portugal, are in recession.

Different forecasts were used for the different CGUs and more objective external information sources rather than the management’s more subjective forecasts were preferred in the case of those with lower visibility and a business model less resilient to the effects of the changed general economic scenario. In addition, the lesser or greater cyclic nature of the various CGUs and, in particular, CGU 2 (Comprel) were taken into account when forecasting plans, in the method of calculating the terminal value in particular.

The operating sustainability of the plans in terms of the business model and scale, and therefore also their financial sustainability, was assessed by taking into account the still valid company value drivers and the Group’s financial capacity which has also been considered adequate given the low level of the fixed investments needed, merely limited to maintenance levels and to the levels of the credit line reserves at the disposal of the Group averagely unused and which it also disposed of at the time of the assessment.
In light of the above, the cash flow projections used to assess the group’s value derive from the plans forecast for the 2012-2016 period as presented in the procedure of the impairment test on goodwill and investments as per IAS 36, approved by the Esprinet S.p.A. Board of Directors, 14 March 2012.

Flows discounted or weighted for probability

Future cash flows have been estimated for each CGU following the ‘traditional approach’. This hinges on the so called ‘unique scenario’ defined as the ‘normal’ flow profile in which accounting applications of present value have used a single set of estimated cash flows and a single discount rate, both assumed as those with the highest degree of probability of occurrence (so said ‘probabilistic approach’).

Terminal value

The terminal value recorded at the end of the forecast period was calculated using the ‘Perpetuity Method’ (unlimited capitalisation model of the last year’s cash flow).
The approach used presumes that at the end of the 5th year on, cash flow will grow at a constant rate of ‘g’ and therefore the terminal value is calculated as perpetual income by means of the capitalisation of the

plan's last flow at a rate corresponding to the discounting back rate used (WACC) adjusted by a growth factor presumed stable.
This last factor is presumed to be 2% for all the CGUs.
More specifically, in order to avoid the risk of an overestimation of the terminal value, always possible in normal situations but heightened in the present emergency situation, the cash flow sustainable in perpetuity was customised to the individual situations of each CGU by using average values and standardisations in the case of CGUs with a greater cyclic nature (CGU 2 – Comprel) or characterised by greater uncertainty in the estimates forecast (CGU 3 – Esprinet Iberica).

Discount rate

The discount rate used must be that of the return required by the suppliers of both risk and debt capital and takes into account risks specific to the activities relating to each single CGU.
As a consequence, a *Weighted Average Cost of Capital* ('WACC') notion has been used, whose cost of the risk capital has been measured using a *Capital Asset Pricing Model* ('CAPM') approach.
In particular, in order to calculate the cost of the risk capital (K_e), the average unlevered Beta was measured on a sample of comparable companies with international operations listed in official markets and later it was re-levered in terms of a 'target' financial structure for each CGU, in hypothesis similar to the average financial structure of the different panels analysed.
So doing the independence of the discount rate from the actual financial structure has been obtained.
The panel of comparable entities is made up of the followings:

CGU1/3 (IT&CE B2B distribution in Italy/Spain) [(1)]	**CGU2 (Micro-elettronic components B2B distribution in Italy)**
Ingram Micro Inc.	Anixter International Inc.
Tech Data Corp.	Arrow Electronics Inc.
Also-Actebis Holding A.G.	Avnet Inc.
Synnex Corp.	Acal Plc
Digital China Ltd.	Premier Farnell Plc
ABC Data S.A.	TTM Technologies Inc.
Action S.A.	MSC Konsult AB
Redington Ltd.	WPG Holdings Ltd.
Datatec Ltd.	WT Microelectronics Co. Ltd.
Arena	
ASBIS Enterprises Plc	
CDC Point S.p.A	
Scansource Inc.	
Esprinet S.p.A.	

(1) The panel has been reviewed, compared with the previous year, due to the introduction of new "comparables" and to the elimination of 'de-listed' and acquired companies.

To discount cash flows the Group used a different discount rate for each CGU in order to reflect the impact of the different nominal tax rates in Italy and Spain on the average weighted cost of capital.

The values attributed to the components of each discount rate per single CGU are as follows:

- the risk-free rate used is the 10-years BTP rate of return exactly as at 31.12.2011, 7.03% (source: Bloomberg, 31 December 2011) for CGU 1 and 2, and the 10-years Bonos rate of return exactly as at 31.12.2011, 5.04% (source: Bloomberg, 31 December 2011) for CGU 3;
- the Equity risk premium is 5.0% (source: Dimson et alter, 2011);
- the cost of borrowed capital is calculated by adding a 0.56% spread for the Italian CGUs and a 2.55% spread for the Spanish CGU to the 10year risk-free rate. The credit spread to be applied to the 10-years IRS is equal to 530 bps. The cost of net borrowed capital has taken into account the tax shield due to the deductibility of financial charges (27.5% in Italy and 30.0% in Spain respectively, the nominal tax rate on company earnings); the cost of borrowed capital therefore results 5.5% in the case of the Italian CGUs and 5.31% in the case of the Spanish CGU.

Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM-calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.
Tax rates used tally, by each CGU, to the tax rates representative of the real impact of taxes on the accounts of each legal entity that corresponds to a single CGU.

The calculation of the discount rate also reflected the deterioration in the macroeconomic situation, which led to a significant increase in the financial market rates and the relative increase in WACC.

B) Basic assumptions/ critical variables

The following table describes the main basic assumptions used to calculate the recoverable value for each CGU:

	Italia IT&CE "B2B" CGU 1 Esprinet	**Italia Microel. "B2B" CGU 2 Comprel**	**Spagna IT&CE "B2B" CGU 3 Esprinet Iberica**
Future cash flow expected:			
Forecast horizon	5 years	5 years	5 years
g (long-term growth rate)	2.0%	2.0%	2.0%
Discount rates:			
Equity Risk Premium	5.00%	5.00%	5.00%
Sector Beta unlevered	0.76	0.98	0.76
Credit spread	0.56%	0.56%	2.55%
Target financial structure (D/D+E)	17%	13%	17%
Target financial structure (E/D+E)	83%	87%	83%
WACC post-tax	10.38%	11.56%	8.68%
WACC pre-tax	14.59%	17.18%	11.47%

Please note that current studies regarding Esprinet shares do not involve valuation through the so-called ‘sum of the parts’, consequently extrapolating from them the cost of capital applied to the single CGUs, or to the two Subgroups, Italy and Spain, is not possible.

C) Value adjustments and ‘sensitivity analysis

As already mentioned, the tests highlighted the need for a total 19.8 million euro write-down in the value of the goodwill entry.

Further, also in compliance with joint Bank of Italy/Consob/Isvap document n. 4 of 3 March 2010, a sensitivity test was performed on the results of the test regarding the variation in some basic assumptions (the ‘g’ rate used in calculating the terminal value, discounting-back rate, foreseen EBITDA).

The idea of worsening the discounting-back rate regarding each CGU (up to +200bps) and the ‘g’ growth rate beyond plan horizon as far as a zero growth scenario, in particular, was advanced. The underlying hypotheses of gross operating profit performance in the forecast period were also lowered, (EBITDA down -20% for each CGU). In the case in point, a worst-case scenario model would have required a further 16.6 million euro write-down in the case of the Esprinet Iberica CGU, a 2.1 million euro write-down in the case of the Comprel CGU, while in the case of the Esprinet S.p.A CGU, the recoverable amounts that emerged from the tests were greater than the relative carrying amounts, however.

The abovementioned sensitivity analysis was performed as required by IAS 36 solely for purposes of information and the directors do not believe further write-downs will be necessary since the cash flow forecasts and basic assumptions used in the impairment test are considered reasonably representative of “unique scenarios” where a certain symmetry between “best” and “worst” scenarios can be expected.

3) Intangible assets

Intangible assets amount to 417 thousand euro at 31 December 2011 versus the 816 thousand euro at 31 December 2010.

The following table highlights the changes occurred during the year:

(euro/000)	Industrial and other patent rights	Assets under construction and advances	Total
Historical cost	10,657	178	**10,835**
Accumulated amortisation	(10,019)	-	**(10,019)**
Balance at 31 December 2010	**638**	**178**	**816**
Historical cost increase	83	23	**106**
Historical cost decrease	(3)	(15)	**(18)**
Historical cost reclassification	149	(149)	**-**
Write-down	-	-	**-**
Increase in accumulated amortisation	(489)	-	**(489)**
Decrease in accumulated amortisation	2	-	**2**
Totale changes	**(258)**	**(141)**	**(399)**
Historical cost	10,886	37	**10,923**
Accumulated amortisation	(10,506)	-	**(10,506)**
Balance at 31 December 2011	**380**	**37**	**417**

The item *'Industrial and other patent rights'* includes the costs sustained for the long-term renewal and upgrade of IT operating system (software).

The item *'Assets under construction and advances'* refers to software being set-up.

6) Deferred income tax assets

(euro/000)	31/12/11	31/12/10	Var.
Deferred income tax assets	12,934	14,984	(2,050)

The balance of this item is represented by prepaid tax assets due to tax losses carried forward and by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years when taxable earnings will be accounted.

Past tax losses refer to the Spanish subsidiary and will expire in fifteen years. The expiry period for the years 2011, 2012 and 2013 was extended since the Spanish inland revenue granted the possibility of recovering solely 50% of the current income tax matured in these years. Should they not be used, therefore, the Spanish subsidiary's past losses will expire from 1st January 2024 on.

As shown in the following table, the change in this item is mainly due to the decrease of the bad debt provision and to the change in fair value of derivatives.

(euro/000)	31/12/11			31/12/10		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Tax losses carried forward	26,685	30.00%	8,006	26,817	30.00%	8,045
Bad debt provision	6,480	27.50%	1,782	11,690	27.50%	3,215
Bad debt provision	44	30.00%	13	39	30.00%	12
Derivative instruments	749	27.50%	206	1,368	27.50%	376
Derivative instruments	1,123	30.00%	337	2,272	30.00%	682
Excessive depreciation	2,772	31.40%	870	3,022	31.40%	949
Director's fees not paid	1,172	27.50%	322	1,670	27.50%	459
Inventory obsolescence provision	1,069	31.40%	336	1,322	31.40%	415
Change in inventory	97	30.00%	29	93	30.00%	28
Agent suppl. indemnity provision	1,012	31.40%	318	705	31.40%	221
Provisions for risks	1,217	27.50%	335	1,533	27.50%	422
Provisions for risks	1,165	3.90%	45	1,347	3.90%	53
Ineffec. on cash-flow hedge derivatives	113	27.50%	31	-	27.50%	-
Ineffec. on cash-flow hedge derivatives	169	30.00%	51	-	27.50%	-
Derivatives 2006	158	30.00%	47	-	27.50%	-
Other	749	27.50%	206	386	various (1)	108
Deferred income tax assets			**12,934**			**14,984**

(1) Tax bases subject to 27.5% or 30.0% or 31.4% tax rate.

The time-related allocation of this item is as follows:

(euro/000)		Within 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/11	3,735	759	8,440	12,934
	31/12/10	5,542	929	8,513	14,984

9) Receivables and other non-current assets

(euro/000)	31/12/11	31/12/10	Var.
Guarantee deposits receivables	2,022	1,923	99
Other receivables	23	23	-
Receivables and other non-current assets	**2,045**	**1,946**	**99**

The item *Guarantee deposits receivables* includes mainly Esprinet S.p.A. guarantee deposits relating to utilities and leasing agreements. The amount of 23 thousand euro entered under *Other receivables* refers to the Ecor'it consortium membership fees of the Italian entities Esprinet and Comprel.

Current assets

10) Inventory

(euro/000)	31/12/11	31/12/10	Var.
Finished products and goods	218,767	284,365	(65,598)
Provision for obsolescence	(1,452)	(1,806)	354
Inventory	**217,315**	**282,559**	**(65,244)**

Inventory totalled 217.3 million euro, down 65.2 million euro as against that at 31 December 2010.

The improvement was due to the usual rationalization of stock levels implemented by the Group but also to actions targeting the reduction of excess volumes recorded at year-end following a slow-down in sales in the retail sector.

The 1.4 million euro allocated to *Provision for obsolescence* is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.
The movement in the provision during the period was as follows:

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Provision for obsolescence: year-beginning	**1,806**	**2,117**	**(311)**
Uses	(583)	(417)	(166)
Accruals	229	106	123
Provision for obsolescence: year-end	**1,452**	**1,806**	**(354)**

11) Trade receivables

Trade receivables arise from normal sales dealings engaged in by the Group in the context of ordinary marketing activities. These operations are effected almost entirely with customers resident in the two countries where the Group is present, such as Italy and Spain, are almost wholly in euro and are short-term.

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Trade receivables - gross	271,960	251,950	20,010
Bad debt provision	(8,775)	(13,924)	5,149
Trade receivables - net	**263,185**	**238,026**	**25,159**

The increase in trade receivables - gross was caused by Subgroup Italy and is due to the combination of increased sales in the last quarter of the year compared with the last quarter of 2010 and the worsening of the turnover rate of the same receivables. Subgroup Spain's position improved slightly, however, (-3.0 million euro) due to greater use of the 'with-recourse' factoring agreement with factoring firms and to the, however limited, sales decrease in the last quarter.

Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision (further information can be found under *'Disclosure on risks and financial instruments'*). The movement in this provision during the period was as follows:

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Bad debt provision: year-beginning	**13,924**	**14,147**	**(223)**
Uses	(6,832)	(2,630)	(4,202)
Accruals	1,683	2,407	(724)
Bad debt provision: year-end	**8,775**	**13,924**	**(5,149)**

The overall decrease in the bad debt provision is mainly due to the definitive appraisal of the loss relating to receivables, mainly acquired together with the lease of the Actebis Computer S.p.A. company division in 2006 and then with its merger in 2007, regarding insolvency procedures arisen or terminated.

The *Trade receivables* balance includes 13.7 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement for which the Group maintains credit risk.

12) Income tax assets

(euro/000)	31/12/11	31/12/10	Var.
Income tax assets	4,440	2,866	1,574

The *Income tax assets*, as at 31 December 2011, regard surplus accounts paid almost entirely in Italy; the increase is due to the lower taxable income accounted in 2011 compared with the previous year.

13) Other assets

(euro/000)	31/12/11	31/12/10	Var.
VAT receivables	508	503	5
Other tax assets	247	19	228
Other receivables from Tax authorities (A)	**755**	**522**	**233**
Receivables from factoring companies	13,804	15,486	(1,682)
Receivables from insurance companies	2,051	1,654	397
Receivables from suppliers	1,225	2,260	(1,035)
Receivables from employees	4	8	(4)
Receivables from others	105	16	89
Other receivables (B)	**17,189**	**19,424**	**(2,235)**
Prepayments (C)	**1,529**	**1,840**	**(311)**
Other assets (D=A+B+C)	**19,473**	**21,786**	**(2,313)**

VAT receivables regard almost entirely requests for reimbursement made by Group companies to the tax authorities, both in Italy and in Spain, in cases where compensation with tax liabilities deriving from operations is not allowed.

Other tax assets are mainly reimbursements of sanctions and/or duties recognized by the tax authorities but not yet paid.

Receivables from factoring companies, mainly due to the parent company, are those still unpaid by 31 December 2011 owed to Group companies as a result of ‘without recourse’ factoring operations effected in the last part of the year. At the time this report was drafted, almost all the receivables payable had been paid since the remainder had not yet reached maturity.
The decrease versus that of the balance at the previous year-end is due to the difference between the intensity of the use of the service and the duration of the transferred receivables remaining.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the end of 2012.

Receivables from suppliers refer to receivables from suppliers for credit notes received exceeding the amount owed at year-end and to advance payments demanded by suppliers before purchase orders are executed and to receivables from hauliers for advance VAT payments and customs duties pertaining to imports.

Prepayments are costs (mainly maintenance fees, insurance premiums, payable rents and payable interest on unused loans) the accrual date of which is deferred compared with that of the cash movement.

17) Cash and cash equivalents

(euro/000)	31/12/11	31/12/10	Var.
Bank and postal deposits	115,858	102,335	13,523
Cash	28	23	5
Cheques	35	5	30
Total cash and cash equivalents	**115,921**	**102,363**	**13,558**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available.

Of a partly temporary nature, the level of liquidity (originated in the normal short-term financial cycle of collections) dramatically fluctuates not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

The variation compared with 31 December 2010 is due to the reduction of the net working capital.
The market value of the cash and cash equivalents is the same as the carrying amount.

Net Equity

(euro/000)	31/12/11	31/12/10	Var.
Share capital (A)	**7,861**	**7,861**	**-**
Legal reserve	1,572	1,572	-
Share premium reserve	22,947	22,947	-
Extraordinary reserve	181,467	163,054	18,413
Profit/(loss) carried over	5,757	232	5,525
Merger surplus reserve	5,369	5,369	-
Share incentive plan reserve	986	529	457
IFRS - 'First time adoption' reserve	1,588	1,588	-
Cash flow hedge' reserve	(890)	(1,725)	835
Revaluation reserve	30	30	-
Reserves and profit carried over (B)	218,826	193,596	25,230
Own shares (C)	(14,935)	(14,935)	-
Total reserves (D=B+C)	**203,891**	**178,661**	**25,230**
Net income for the year (E)	**7,967**	**32,873**	**(24,906)**
Net equity (F=A+D+E)	**219,719**	**219,395**	**324**

Items composing consolidated shareholders' equity are explained in the following notes:

19) Share capital

The Esprinet S.p.A. *Share capital*, fully subscribed and paid-in as at 31 December 2011, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the *'Directors' Report on Operations'*.

The value of these rights was reported in the separate income statement under costs relating to salaried staff and under those relating to Directors, with a balancing item reported in the statement of financial position under the item *'Reserves'*.

20) Reserves

Legal reserve

This item consists of provisions allocated pursuant to Article 2430 of the Italian Civil Code.

Share premium reserve

This item amounts to 22.9 million euro and comprises 11.3 million euro arising from the share premium generated by the effect of the Share Capital increase resulting from the listing on the 'Nuovo Mercato' (New Market) of Borsa Italiana in July 2001 and 11.6 million euro arising from the share premium generated by the effect of the share capital increases in 2004 and 2006 relating to servicing the stock option plan.

Extraordinary reserve

This item is made up of the allocations of profits from previous years, after the sums foreseen by Article 2430 of the Civil Code have been allocated to the Legal Reserve.

The 18.4 million euro increase derives from Esprinet S.p.A. 2010 profits of 27.3 million euro after the 8.9 million euro dividend payments (0.175 euro per every ordinary share) of 5 May 2011.

Profit/(loss) carried over reserve

This item is made up of profits or losses of consolidated companies carried over.
The increase is due to the previous year profits/losses of entirely consolidated companies.

Merger surplus reserve

The *Merger surplus reserve* is composed as follows:

- 342 thousand euro from the merger of Micromax S.p.A. into Celo S.p.A in 1999 resulting in Celomax S.p.A.;
- 3.7 million euro from the merger of Comprel S.p.A. into Celomax S.p.A. (now Esprinet S.p.A.) in 2000;
- 845 thousand euro from the merger of Multimediaplanet S.p.A. into Esprinet S.p.A. in 2003;
- 62 thousand euro from the merger of Nilox S.r.l. into Esprinet S.p.A. in 2007;
- 376 thousand euro from the merger of Actebis Computer S.p.A. into Esprinet S.p.A in 2007.

Share incentive plan reserve

The *Share incentive plan reserve* includes the counter-item of costs relating to the stock grant plan started at the end of April 2010 and currently on-going (further details can be found under *'Share incentive plans'* in the *'Directors' Report on Operations'*).

IFRS Reserve – 'First time adoption'

The *IFRS Reserve* amounts to 1.6 million euro as a result of the so-called 'First time adoption' of the international accounting principles by Esprinet S.p.A. at 1 January 2005.
The item was also increased by the Nilox S.r.l. and Actebis Computer S.p.A. mergers into Esprinet S.p.A..

'Cash flow hedge' reserve

This item, pursuant to the 'cash flow hedge' accounting rules, equals, solely in the case the hedging instrument is determined to be an effective hedge, to the lesser between the cumulative gain or loss on the hedging instrument from inception of the hedge, and the cumulative change in fair value of the expected future cash flows on the hedged item from inception of the hedge (ref. *'Disclosures on risks and financial instruments'*).

The change versus 31 December 2010 derives from the combined effect of the transfer to the income statement of the fair value variations accumulated up to 31 December 2010 regarding the instalments matured in 2011, and from the rise in interest rates relating to the expiry dates of derivatives still in existence.

Revaluation reserve

This item refers to the monetary revaluation of fixed assets (now definitively sold) pursuant to the Italian Law No. 413/91.

Own shares on hand

The amount of own shares on hand refers to the total purchase price of No. 1,350,000 Esprinet S.p.A. shares (cf. '*Number and value of own shares'* in the *'Directors' Report on Operations'*).

21) Net income

The year's consolidated profits amount to 8.0 million euro, considerably less than the previous year's 32.9 million euro, mainly due to the non-recurring charges regarding the goodwill write-downs of the subsidiary companies (17.2 million euro after taxes).

Non-current liabilities

22) Borrowings

(euro/000)	31/12/11	31/12/10	Var.
Borrowings	36,239	60,249	(24,010)

Borrowings consist in the valuation at the amortized cost of the portion of two medium-/long-term pool loans agreed in June 2007 by Esprinet S.p.A. and Esprinet Iberica S.L.U. falling due after the following year.

The reduction in the debt versus the end of the previous year is a result of the instalments falling due within the twelve months following 31 December 2011, transferred to *Short-term financial*.

The above said loans contractually contain a set of no. 6 financial covenants to be attained based on audited consolidated financial statements whose details can be found under the paragraph *'Loans and loan covenants'.*

23) Derivative financial liabilities (non-current)

(euro/000)	31/12/11	31/12/10	Var.
Derivative financial liabilities	920	1,513	(593)

The amount refers to the 'fair value' of two 'IRS-Interest Rate Swap' contracts entered in November 2007 to hedge the risk of interest rate fluctuations on the 'Senior Amortizing Loan' signed in June 2007 with a pool of banks originally for 174.3 million euro (reduced to 60.7 million euro as book value of loan principal as of 31 December 2011 because of reimbursements).

For further details regarding the operation please refer to the section headed '*Disclosures on risks and financial instruments*'.

The variation compared with 31 December 2010 is due to the combined effect of a reduction in the notional and in the relevant interest rates, and of the transfer to current liabilities of the quota due within the next financial year simply as a consequence of the time spending.

24) Deferred income tax liabilities

(euro/000)	31/12/11	31/12/10	Var.
Deferred income tax liabilities	5,151	6,670	(1,519)

The balance of this item depends on higher taxes that the Group has to pay in the next operating years due to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

As shown in the next table, these differences mainly arise from the elimination of the tax amortisation of goodwill and from the adjustment of the staff severance provision ('TFR') to the actuarial valuation.

(euro/000)	31/12/11			31/12/10		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Goodwills' amortisation	8,446	31.40%	2,652	9,945	31.40%	3,123
Goodwills' amortisation	6,377	30.00%	1,913	9,784	30.00%	2,935
Changes in staff leaving indemnity	865	27.50%	238	861	27.50%	237
Foreign exchange estimate	238	27.50%	65	163	27.50%	45
Exceeding amortisation	301	3.90%	12	452	3.90%	18
Change in inventory	254	30.00%	76		30.00%	-
Change in inventory	149	31.40%	47		31.40%	0
Leasing quotas	491	30.00%	147	599	30.00%	180
Other	-	various (1)	-	163	various (1)	178
Total deferred income tax liabilities			**5,151**			**6,670**

(1) Tax bases subject to 27.5% or 30.0% or 31.4% tax rate.

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/11	3,117	121	1,913	5,151
	31/12/10	3,574	144	2,952	6,670

25) Retirement benefit obligations

Retirement benefit obligations reflects the 'TFR' provision and other benefits accruing to salaried staff at the close of the period, assessed in accordance with actuarial criteria, pursuant to IAS 19.

The provisions totally belong to Italian companies, since a similar system does not exist in Spain.
Please note that from 1 January important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	31/12/11	31/12/10	Var.
Balance at year-beginning	**4,745**	**4,469**	**276**
Service cost	52	34	18
Interest cost	207	226	(19)
Actuarial (gain)/loss	(41)	309	(350)
Provision for new hirings	9	5	4
Pensions paid	(499)	(298)	(201)
Changes	**(272)**	**276**	(548)
Balance at year-end	**4,473**	**4,745**	**(272)**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Amounts booked under personnel costs	52	34	18
Amounts booked under financial costs	166	535	(369)
Total	**218**	**569**	**(351)**

The fall in *"Retirement benefit obligations"* is mainly due to the severance pay relating to employment terminations (net of any advance payments granted) compared with the financial revaluation of the liability.

The method known as 'Project Unit Credit Cost' used to assess the Staff Severance Indemnity (TFR) as per the IAS 19 accounting standard is based on the following assumptions (substantially unchanged with respect to the assumptions made as at 31 December 2010):

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender;
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker as per Law No. 214 of 22 December 2011 (the so-called "Monti manoeuvre");
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered for all Group companies based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/11	31/12/10
Cost of living increase	2.0%	2.0%
Discounting rate	4.6%	4.6%
Remuneration increase	3.5% (1)	3.5% (1)
Staff severance indemnity (TFR) - annual rate increase	3.0%	3.0%

(1) The possibility of a remuneration increase refers solely to Monclick S.r.l. which has fewer than 50 employees.

26) Non-current provisions and other liabilities

(euro/000)	31/12/11	31/12/10	Var.
Long-term liabilities for cash incentives	840	450	390
Provisions for pensions and similar obligations	1,058	751	307
Other provisions	1,417	2,651	(1,234)
Non-current provisions and other liabilities	**3,315**	**3,852**	**(537)**

The item *Long-term liabilities for cash incentives* refers to the present value of cash incentives matured by beneficiaries of the 'Long-term Incentive Plan' but payable solely on achievement of the targets established for the consolidated financial statements, following approval of the 2012 Esprinet S.p.A. financial statements.

The item *Provisions for pensions* includes the supplementary customer indemnity provision payable to agents based on current regulations disciplining the subject; movements in the year are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Provisions for pensions: year-beginning	**751**	**1,022**	**(271)**
Uses	(17)	(411)	394
Accruals	324	140	184
Provisions for pensions: year-end	**1,058**	**751**	**307**

The amount, entered under *Other provisions* is intended as cover for risks linked with current legal and tax-related disputes. Changes in this item during the year are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Other provisions: year-beginning	**2,651**	**2,464**	**187**
Uses	(1,298)	(1,192)	(106)
Accruals	64	1,379	(1,315)
Other provisions: year-end	**1,417**	**2,651**	**(1,234)**

Developments in Group and Esprinet S.p.A. legal and tax-related disputes

2011 saw the following developments in the main disputes brought against the Group. The relative risk assessments were consequently effected by the company and, wherever considered advisable, the following allocations to the appropriate risk provision were made.

Tax-related disputes pending from the past

19 July 2011, the Inland Revenue Office lodged an appeal in the Court of Cassation against both the first and second judgements given in favour of Esprinet S.p.A. in the case of the VAT-, IRPEG- and IRAP-related disputes concerning the 2002 fiscal year, for which Esprinet S.p.A. had received formal notice of assessment at the end of 2007.

In consideration of the positive judgements of both first and second instance and related grounds, and calculating the degree of probability of an Esprinet S.p.A. success in the Supreme Court of Appeal, on the advice of its tax advisors, a new assessment of the risk of losing the case and the relative adjustment of the allocation to the specific "Provision for Risks and Charges " originally set up through the use of the same provision were carried out.
During the first half of 2011, all disputes pending in relation to Actebis Computer S.p.A. and regarding periods prior to the acquisition of the company (later merged with Esprinet S.p.A.), were resolved, except

for that concerning the year 2005. In this case, its petition for assessment by adhesion having been rejected, following the instructions of the Actebis seller, Esprinet paid the reduced penalties and lodged an appeal at the Provincial Tax Commission, 26 January 2011.

The provisional entry in the taxrolls received 29 December 2011, was promptly notified to the seller thereby obtaining the necessary funds for the payment effected 14 February 2012.
Any further risks relating to disputes pending regarding the Actebis Computer S.p.A. purchase are covered by contract guarantees given to Esprinet S.p.A. at the time, so no significant economic effect for the company is expected to result.

Developments in tax-related disputes occurring during the year

The IRES (or corporation income tax), IRAP (regional tax on productive activities) and VAT tax inspection of Comprel S.r.l. accounts for the 2006 fiscal year, begun January 2010, had led to the notification of a report of assessment by the Monza and Brianza Provincial Inland Revenue Office and to a “questionnaire relating to operations existing with subjects resident in countries with a privileged tax regime”. Comprel S.r.l. replied with two separate notes deposited 26 January 2011 and 10 February 2011, respectively.
16 September 2011 Comprel S.r.l. received two notifications of tax inspection regarding IRAP and VAT and IRES for the 2006 tax year, which confirmed the assessment findings in the report, except for the operations effected with subjects resident in countries with a privileged tax regime. In these cases, therefore, the company proposed a petition seeking assessment by adhesion. This was rejected, however, so Comprel S.r.l. chose to lodge an appeal with the Provincial Tax Commission.

In September 2010, the Financial police (Guardia di Finanza - Nucleo di Polizia Tributaria of Milano) began a general inspection on Esprinet S.p.A. regarding direct taxes for the 2005-2009 period, and VAT for the 2005-2009 period.
In the case of the direct taxes, the inspection concentrates on operations effected with subjects resident in countries with a privileged tax regime with a view to checking that the relative costs had been deducted correctly and, in the case of VAT, that it was correctly applied to invoices issued to customers.

Inspections in 2005 led to the notification of a report of assessment regarding operations effected with subjects resident in countries with a privileged tax regime, followed up by a questionnaire from the Regional Inland Revenue Office, responded to in numerous notes by Esprinet.

At the end of December 2011, Esprinet S.p.A. received two notifications of inspection in relation to IRES and IRAP for the year 2005 concerning the reimbursement of the taxation of costs sustained regarding suppliers resident in countries or areas with a privileged tax regime.
Believing the motivations for the notifications to be totally unfounded, on the advice of its consultants the Company petitioned both for an act of self-defence and for assessment by adhesion.
In the case of the 2006 tax year, inspections led to the notification of a report of assessment regarding operations effected with subjects resident in countries with a privileged tax regime, followed up by two questionnaires from the Regional Inland Revenue Office, partly replied to by the Company’s notes.

The general inspection terminated 29 February 2012 with the Financial police’s notification of a report of assessment regarding operations effected with subjects resident in countries with a privileged tax regime in the 2007-2008 and 2009 fiscal years.

New tax inspections during the year

13 July 2011, the Spanish Tax Office began a general inspection of Esprinet Iberica S.L.U.‘s 2006-2009 corporate tax, VAT and withholding taxes. No further information was available at the time this report was drafted, since the inspection was still on-going.

Legal disputes

The Esprinet Group’s pending legal disputes are mainly claw back lawsuits against Esprinet S.p.A..

The Group’s policies regarding the management of legal and tax-related disputes can be found under ‘*Main risks and uncertainties facing the Group and Esprinet S.p.A.’* in the ‘*Directors’ Report on Operations’*.

Current liabilities

27) Trade payables

(euro/000)	31/12/11	31/12/10	Var.
Trade payables	438,375	453,709	(15,334)
Receivables - credit notes	(68,335)	(62,007)	(6,328)
Total trade payables	**370,040**	**391,702**	**(21,662)**

The fall in *Trade payables* is due to the decrease in volumes purchased by the Spanish subsidiary in the last quarter of the year compared with the same period of 2010.

28) Short-term financial liabilities

(euro/000)	31/12/11	31/12/10	Var.
Bank loans and overdrafts	36,542	36,720	(178)
Other financing payables	12,354	14,753	(2,399)
Short-term financial liabilities	**48,896**	**51,473**	**(2,577)**

Bank loans and overdrafts account for 24.0 million euro of the current portion of existing medium/long-term loans (23.9 million euro as at 31 December 2010) while the 'remainder' is mainly accounted for by trade bills and advances against invoices, subject to usual reserve, and to import loans.

The *'current quotas of medium-/long-term loans'* refer to the amortized cost of the instalments falling due within the twelve months after 31 December 2011 of the two seven-year pool loans entered in June 2007 which are subject to the observance of 6 covenants (further information can be found under '*Loans and loan covenants'*).

The consistency of the debt with that of the previous year-end is due to the simultaneous transfer of the new instalments falling due within the twelve months after 31 December 2011 from *'Borrowings'*, despite the reimbursement of the instalments during the year as per the amortization schedules.

The remaining 12.5 million euro in bank loans and overdrafts at the end of 2011 was in line with the 12.8 million euro recorded at the end of the previous year.

Other financing payables are mainly advances obtained from factoring companies and derive from the usual assignment of credits to the Group through recourse factoring and by outstanding payables received in the name and on behalf of clients transferred under the without-recourse factoring agreement.

29) Income tax liabilities

Income tax liabilities entirely refer to Comprel and V-Valley. The decrease, compared with the previous year, is due to the payment of a regional tax (RIP) due from UMD S.A.U., the company merged into Esprinet Iberica in 2007.

(euro/000)	31/12/11	31/12/10	Var.
Income tax liabilities	39	1,231	(1,192)
Income tax liabilities	**39**	**1,231**	**(1,192)**

30) Derivative financial liabilities (current)

(euro/000)	31/12/11	31/12/10	Var.
Derivative financial liabilities	952	1,624	(672)

The amount refers to the ‘fair value’ of two ‘IRS-Interest Rate Swap’ contracts entered in November 2007 to hedge the risk of interest rate fluctuations on the ‘Senior Amortizing Loan’ signed in June 2007 with a pool of banks originally for 174.3 million euro (reduced to 60.7 million euro as book value of loan principal as of 31 December 2011 because of reimbursements).

For further details regarding the operation please refer to the section headed ‘*Disclosures on risks and financial instruments*’.

The variation versus the liability in place at the end of the previous year is the result of the short-term interest rate increase, of the payment of the spreads matured at the end of June and December 2011, and of the transfer of quotas due within the 12 months after 31 December 2011 from non-current financial liabilities.

32) Provisions and other liabilities

(euro/000)	31/12/11	31/12/10	Var.
Social security liabilities (A)	**2,853**	**2,984**	**(131)**
VAT payables	12,953	9,561	3,392
Withholding tax liabilities	174	177	(3)
Other tax liabilities	1,049	1,203	(154)
Other payables to Tax authorities (B)	**14,176**	**10,941**	**3,235**
Payables to personnel	3,445	3,995	(550)
Payables to customers	3,677	3,053	624
Payables to others	1,305	1,920	(615)
Total other creditors (C)	**8,427**	**8,968**	**(541)**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	152	106	46
- Deferred income - advanced receivables	18	16	2
- Other deferred income	11	-	11
Total accrued expenses and deferred income (D)	**181**	**122**	**59**
Provisions and other liabilities (E=A+B+C+D)	**25,637**	**23,015**	**2,622**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables.

Vat payables refer to the VAT matured during December 2011, after advance payments effected. The increase over that of 2010 is mainly due to the different sales/purchases mix effected in December 2011 compared with that in the same month in 2010.

Payables to personnel refer to the December wages and salaries, as well as deferred monthly payables (holidays not taken, year-end bonus, summer salary) accruing at 31 December 2011.

Payables to customers refer to credit notes not yet paid by Esprinet S.p.A. relating to current trading relationships.

Payables to others include payables amounting to 1.0 million euro to Directors for fees accrued and unpaid relating to the year (1.6 million euro in 2010), as well as payables of 0.2 million euro to the Group's agents' network relating to commissions due and payable.

Accrued expenses and deferred income are, respectively, charges/income whose accrual date is anticipated/deferred compared with the cash expenditure/collection.

6. Guarantees, commitments and potential risks

Commitments and potential risks

The commitments and risks potentially facing the Group are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Third-party assets on consignment to the Group	14,482	10,381	4,101
Real securities	62,862	75,765	(12,903)
Bank guarantees issued in favour of other companies	11,651	6,865	4,786
Other commitments and risks	9	18	(9)
Total guarantees issued	**89,004**	**93,029**	**(4,025)**

Third-party assets on consignment to the Group

This amount refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. (3.7 million euro) and at the Esprinet Iberica (10.8 million euro) warehouses.

Real securities

Real securities refer to a pledge on all Esprinet Iberica S.L.U. capital quotas in favour of Intesa Sanpaolo for loans valued according to the Esprinet Iberica consolidated net equity as per IFRSs at 31 December 2011.

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank and insurance suretyships issued to the Public Administration in order to participate in tenders for services or supplies.

Other commitments and risks

The amount refers to the value of the Esprinet S.p.A. securities account at Monte Titoli S.p.A. containing the shareholdings of third parties subject to restraints and lock-up agreements.

Guarantees received

Bank suretyships received

The Esprinet Group holds bank suretyships totalling 0.9 million euro (8.5 million euro as at 31 December 2010) received as guarantees of contractual commitments assumed by their seller counterparts during acquisition operations concluded in previous years.

The 7.6 million euro decrease is due to the maturity of the guarantees received.

7. Notes to the income statement items

33) Sales

The following are some breakdowns of sales performance of the Group during the year.

Sales by product family and customer type

(euro/million)	2011	%	2010	%	Var.	% Var.
PCs - notebooks	623.9	29.8%	749.5	34.0%	(125.6)	-17%
Consumables	246.9	11.8%	255.0	11.6%	(8.1)	-3%
PCs - desktops	226.1	10.8%	253.9	11.5%	(27.8)	-11%
Digital	153.5	7.3%	182.8	8.3%	(29.3)	-16%
Accessories	131.5	6.3%	141.6	6.4%	(10.1)	-7%
Peripheral devices	131.4	6.3%	145.7	6.6%	(14.3)	-10%
Handhelds / GPS	118.6	5.7%	40.0	1.8%	78.6	197%
Software	115.8	5.5%	104.4	4.7%	11.4	11%
Servers	97.7	4.7%	95.9	4.3%	1.8	2%
Monitors	60.7	2.9%	71.0	3.2%	(10.3)	-15%
Networking	54.4	2.6%	58.5	2.7%	(4.1)	-7%
Phone devices	51.7	2.5%	31.2	1.4%	20.5	66%
Microelectronic components	38.6	1.8%	36.8	1.7%	1.8	5%
Other	45.7	2.2%	38.9	1.8%	6.8	17%
Group sales	**2,096.5**	**100.0%**	**2,205.2**	**100.0%**	**(108.7)**	**-5%**

The breakdown of sales by product family shows how rises in sales in Handhelds/GPS (+197%), Software (+11%), Servers (+2%), Phone devices (+66%), Micro-electronic components (+5%) and Other (+17%) contradict the overall fall especially in consumer products (traditionally notebooks and desktop PCs) and related products (peripheral devices, monitors, accessories and digital products).

The sales analysis by customer type is as follows.

(euro/million)	2011	%	2010	%	Var.	% Var.
Dealer e Computer Shop	629.8	30.0%	600.0	27.2%	29.8	5%
GDO/GDS	593.4	28.3%	678.7	30.8%	(85.3)	-13%
VAR	372.6	17.8%	416.4	18.9%	(43.8)	-11%
Office / consumables dealers	311.1	14.8%	353.4	16.0%	(42.3)	-12%
Sub-distributors	76.1	3.6%	64.6	2.9%	11.5	18%
Shop on-line	44.4	2.1%	29.3	1.3%	15.1	52%
OEM-Original Equipment Manufacturer	38.6	1.8%	36.8	1.7%	1.8	5%
End-consumers	30.5	1.5%	26.0	1.2%	4.5	17%
Group sales	**2,096.5**	**100.0%**	**2,205.2**	**100.0%**	**(108.7)**	**-5%**

The analysis of sales by customer type highlights a significant economic downturn recorded in the large store segment (which is the natural outlet for consumer products), and for VAR and 'Office / consumables dealers' segments.

The figures relating to end consumers and the OEM market are fully ascribable to Monclick and Comprel, respectively.

Please note that the 'Computer Shop' channel is included in the 'Dealer' segment.

Sales by business segment

(euro/million)	2011	%	2010	%	Var.	% Var.
IT&CE B2B distribution [1]	1,507.1	95.6%	1,580.1	96.2%	(73.0)	-5%
IT&CE B2C distribution	30.5	1.9%	26.0	1.6%	4.5	17%
B2B microelectronic components distribution	38.6	2.4%	36.8	2.2%	1.8	5%
Sales - Subgroup Italy	**1,576.2**	**100.0%**	**1,642.9**	**100.0%**	**(66.7)**	***-4%***
IT&CE B2B distribution	520.3	100.0%	562.3	100.0%	(42.0)	-7%
Sales - Subgroup Spain	**520.3**	**100.0%**	**562.3**	**100.0%**	**(42.0)**	***-7%***
IT&CE B2B distribution [1]	2,027.4	96.7%	2,142.4	97.1%	(115.0)	-5%
IT&CE B2C distribution	30.5	1.5%	26.0	1.2%	4.5	17%
B2B microelectronic components distribution	38.6	1.8%	36.8	1.7%	1.8	5%
Group sales	**2,096.5**	**100.0%**	**2,205.2**	**100.0%**	**(108.7)**	***-5%***

[(1)] Net of any intercompany sales that may occur to and from subsidiaries.

Sales from products and services

(euro/million)	2011	%	2010	%	Var.	% Var.
Product sales	1,564.4	74.6%	1,633.1	74.1%	(68.7)	-4%
Services sales	11.8	0.6%	9.8	0.4%	2.0	20%
Sales - Subgroup Italy	**1,576.2**	**75.2%**	**1,642.9**	**74.5%**	**(66.7)**	***-4%***
Product sales	520.3	24.8%	562.3	25.5%	(42.0)	-7%
Sales - Subgroup Spain	**520.3**	**24.8%**	**562.3**	**25.5%**	**(42.0)**	*-7%*
Group sales	**2,096.5**	**100.0%**	**2,205.2**	**100.0%**	**(108.7)**	***-5%***

Sales by geographical segment

(euro/million)	2011	%	2010	%	Var.	% Var.
Italy	1,539.2	73.4%	1,604.5	72.8%	(65.3)	-4%
Spain	476.2	22.7%	544.7	24.7%	(68.5)	-13%
Other EU countries	65.3	3.1%	27.5	1.2%	37.8	137%
Extra EU countries	15.8	0.8%	28.5	1.3%	(12.7)	-45%
Group sales	**2,096.5**	**100.0%**	**2,205.2**	**100.0%**	**(108.7)**	***-5%***

Sales in other E.U. countries mainly refer to sales made by Esprinet Iberica to clients whose place of residence is in Portugal and by the Italian subsidiaries to clients whose place of residence is in France, while sales to extra E.U. countries refer almost wholly to the sales to clients whose residence is in the Republic of San Marino.

35) Gross profit

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	2,096,480	100.00%	2,205,174	100.00%	(108,694)	-5%
Cost of sales	1,975,148	94.21%	2,072,757	94.00%	(97,609)	-5%
Gross profit	**121,332**	**5.79%**	**132,417**	**6.00%**	**(11,085)**	***-8%***

The gross profit on sales, totalling 121.3 million euro, corresponding to 5.79% of turnover, shows a reduction, both in absolute terms (-8% or -11.1 million euro) and in terms of the impact on sales, compared to the result recorded in the previous year.

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

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. 3.9 million euro for the 2011 operating year (2.8 million euro in 2010).

37-38) Operating costs (SG&A)

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Sales and marketing costs	38,281	1.83%	34,605	1.57%	3,676	*11%*
Overheads and administrative costs	59,419	2.83%	41,980	1.90%	17,439	*42%*
Total SG&A	**97,700**	**4.66%**	**76,585**	**3.47%**	**21,115**	***28%***
- of which non-recurring	20,336		15		20,321	*N/S*
Total SG&A 'recurring'	**77,364**	**3.69%**	**76,570**	**3.47%**	**794**	***1%***

Recurring operating costs, thus excluding goodwill impairment (for further information refer to the section 'Goodwill') and other non-recurring costs, amount to 77.4 million euro and show substantial stability in relation to the previous year. The impact on sales shows an increase of 22bps, from 3,47% to 3,69%.
The following table gives a detailed breakdown of the consolidated operating costs and their performance:

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Sales & marketing personnel costs	29,990	*1.43%*	28,695	*1.30%*	1,295	*5%*
Other sales & marketing costs	8,291	*0.40%*	5,910	*0.27%*	2,381	*40%*
Sales & marketing costs	**38,281**	***1.83%***	**34,605**	***1.57%***	**3,676**	***11%***
Administr., IT, HR and general service personnel costs	14,930	*0.71%*	15,348	*0.70%*	(418)	*-3%*
Directors' compensation	3,317	*0.16%*	3,781	*0.17%*	(464)	*-12%*
Consulting services	4,728	*0.23%*	4,511	*0.20%*	217	*5%*
Amortisation, depreciation and provisions	24,027	*1.15%*	5,636	*0.26%*	18,391	*326%*
Other overheads and administrative costs	12,417	*0.59%*	12,704	*0.58%*	(287)	*-2%*
Overheads and administrative costs	**59,419**	***2.83%***	**41,980**	***1.90%***	**17,439**	***42%***
Totale SG&A	**97,700**	***4.66%***	**76,585**	***3.47%***	**21,115**	***28%***

Sales and marketing costs mainly include the following:
- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges and related travel and transfer expenses;
- shipping, transport and insurance costs of products delivered to customers, net of recovered amounts, promoting and advertising expenses.

Overheads and administrative costs include:
- costs relating to management and administrative personnel, including the EDP area, human resources and general services;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of the stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;

- depreciation of tangible fixed assets, goodwill write-downs, amortisation of intangible fixed assets (assets relating to logistic equipment and plants allocated by function to sales costs excluded) and also provisions for risks and write-downs;
- overheads and administrative costs, among which, leasing of premises, utilities, bank charges and commission, insurance, data connections and telephone costs.

Reclassification by nature of some categories of operating costs

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

Labour costs

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Wages and salaries	31,950	1.52%	32,259	1.46%	(309)	*-1%*
Social contributions	9,583	0.46%	9,505	0.43%	78	*1%*
Pension obligations	1,808	0.09%	1,886	0.09%	(78)	*-4%*
Other personnel costs	869	0.04%	860	0.04%	9	*1%*
Employee termination incentives	391	0.02%	20	0.00%	371	*1855%*
Share incentive plans	457	0.02%	501	0.02%	(44)	*-9%*
Total labour costs (1)	**45,058**	**2.15%**	**45,031**	**2.04%**	**27**	***0%***

(1) Costs of temporary workers excluded.

Due to the Esprinet Group's allocation of costs by destination, labour costs, totalling 45.0 million euro, in line with the previous year's value, were included for 6.1 million in the cost of sales and for 38.9 million euro in operating costs (6.3 million euro and 38.7 million euro respectively in 2010).
Compared with 31 December 2010 the number of people on the payroll fell by 5 units, from 966 to 961 while the average number of employees in 2011 grew by 19 units versus the same period of the previous year.
Details of the Group's employees at 31 December 2011, status defined as per contract and company, can be found under *'Human Resources'* in the *'Directors' Report on Operations'*.

Amortisation, depreciation, write-downs and provisions

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Depreciation of tangible assets	2,764	0.13%	3,241	0.15%	(477)	*-15%*
Amortisation of intangible assets	489	0.02%	578	0.03%	(89)	*-15%*
Amortisation & depreciation	**3,253**	0.16%	**3,819**	0.17%	**(566)**	***-15%***
Write-downs of fixed assets	119	0.01%	255	0.01%	(136)	*-53%*
Goodwill write-downs	19,826	0.95%	-	0.00%	19,826	*100%*
Write-downs	**19,945**	0.95%	**255**	0.01%	**19,690**	***N.S.***
Amortisation & depreciation, write-downs (A)	**23,198**	1.11%	**4,074**	0.18%	**19,124**	***N.S.***
Accruals for risks and charges (B)	388	0.02%	1,370	0.06%	(982)	*-72%*
Amort. & depr., write-downs, provisions (C=A+B)	**23,586**	**1.13%**	**5,444**	**0.25%**	**18,142**	***333%***

Write-downs of fixed and intangible assets are due to Esprinet Iberica in both years.
The goodwill write-down reflects the results of the impairment test on the various CGUs in the Group, further details of which can be found under *Goodwill*.
Accruals for risks and charges mainly refer to some legal, tax-related and out of law disputes arisen during the year, and also to the supplementary customer indemnity provision payable to agents matured by agents during the year.

Costs relating to operating leasing and future payments pertaining to leasing rentals and operating leasing are detailed in the tables below:

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Lease of buildings	8,052	0.38%	7,790	0.35%	262	*3%*
Lease of cars	1,311	0.06%	1,305	0.06%	6	*0%*
Lease of equipment	339	0.02%	322	0.01%	17	*5%*
Lease of data connection lines	241	0.01%	469	0.02%	(228)	*-49%*
Leasing costs	**9,943**	**0.47%**	**9,886**	**0.45%**	**57**	***1%***

(euro/000)	2012	2013	2014	2015	2016	Over	Total
Lease of buildings	7,329	6,235	6,071	5,801	5,591	24,191	55,219
Lease of cars	1,097	961	684	385	165	-	3,292
Lease of equipment	393	394	331	279	275	1	1,673
Lease of data connection lines	240	240	240	141	141	-	1,001
Leasing costs	**9,058**	**7,831**	**7,326**	**6,605**	**6,172**	**24,192**	**61,185**

42) Finance costs - net

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Interest expenses on borrowings (*)	3,535	0.17%	4,806	0.22%	(1,271)	*-26%*
Interest expenses to banks(*)	986	0.05%	231	0.01%	755	*327%*
Other interest expenses	151	0.01%	41	0.00%	110	*268%*
Upfront fees amortisation	626	0.03%	740	0.03%	(114)	*-15%*
IAS 19 expenses/losses	166	0.01%	535	0.02%	(369)	*-69%*
Total financial expenses (A)	**5,464**	**0.26%**	**6,353**	**0.29%**	**(889)**	***-14%***
Interest income from banks(*)	(620)	-0.03%	(952)	-0.04%	332	*-35%*
Interest income from others	(8)	0.00%	(45)	0.00%	37	*-82%*
Interest income for credit discounting	(100)	0.00%	(73)	0.00%	(27)	*37%*
Total financial income (B)	**(728)**	**-0.03%**	**(1,070)**	**-0.05%**	**342**	***-32%***
Net financial (income)/expenses (C=A-B)	**4,736**	**0.23%**	**5,283**	**0.24%**	**(547)**	***-10%***
Foreign exchange gains	(1,133)	-0.05%	(1,426)	-0.06%	293	*-21%*
Foreign exchange losses	1,723	0.08%	3,078	0.14%	(1,355)	*-44%*
Net foreign exchange (profit)/losses (D)	**590**	**0.03%**	**1,652**	**0.07%**	**(1,062)**	***-64%***
Net finance (income)/costs (E=C+D)	**5,326**	**0.25%**	**6,935**	**0.31%**	**(1,609)**	***-23%***

The overall -5.3 million euro balance between financial income and expenses, a significant improvement over the -6.9 million euro balance in 2010 (-23% or 1.6 million euro), is due to the following:
- the 1.1 million euro improvement in foreign exchange losses, as a result of a favourable exchange rate regarding products purchased in US dollars;
- an 0.5 million euro improvement in bank interests (see asterisk in table), even if in the presence of a generalized increase in market interest rates;
- more efficient loan sourcing policies after reimbursements of more costly medium-/long-term loans, even with a greater total use of financial debt.

Net finance costs decreased to 0.25% in their total incidence on sales, compared to the 0.31% in 2010.

Total gross financial expenses mainly include:

- 3.5 million euro for interests accruing on medium-/long-term loans, which are the Senior Loans existing as at 31 December 2011 totalling 60.7 million euro as book value of loan;
- 1,0 million euro of interest paid to banks for advances on invoices, commercial papers or short-term import loans;
- 0.6 million euro for the amortization quotas accruing to the period pertaining to additional costs (referring mainly to organization fees) sustained to raise a number of loans; in compliance with IAS 39, the 'effective interest rate' principle was adopted in order to calculate the corresponding amortisation plans;

The 0.7 million euro of financial income mainly derives from the interest accruing on the surplus liquid assets arising temporarily during the interim period and invested in deposits with no time restrictions on use (-0.3 compared with the previous year).

45) Income tax expenses

(euro/000)	2011	%	2010	%	Var.	*% Var.*
Sales	**2,096,480**		**2,205,174**		**(108,694)**	***-5%***
Current income taxes	10,174	0.49%	14,686	0.67%	(4,512)	*-31%*
Deferred income taxes	165	0.01%	1,338	0.06%	(1,173)	*-88%*
Income tax expenses	**10,339**	**0.49%**	**16,024**	**0.73%**	**(5,685)**	***-35%***

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	31/12/11			31/12/10		
	Group	Subgroup Italy	Subgroup Spain	Group	Subgroup Italy	Subgroup Spain
Profit before taxes [A]	**18,306**	**32,664**	**(14,358)**	**48,897**	**42,323**	**6,574**
Operating profit (EBIT)	**35,114**	**35,114**	-	**45,887**	**45,887**	-
(+) personnel costs (1)	32,825	32,825	-	24,456	24,456	-
(+) bad debt provision	941	941	-	1,968	1,968	-
(+) provision for risks and charges	332	332	-	1,486	1,486	-
(-) VAT recovery on receivables	(218)	(218)	-	-	-	-
Taxable amout for IRAP [B]	**68,994**	**68,994**	**-**	**73,797**	**73,797**	-
Theoretical taxation IRES Subgroup Italy [A*27,5%]	8,983	8,983	-	11,639	11,639	-
Theoretical taxation IRAP Subgroup Italy [B*3,9%]	2,691	2,691	-	2,878	2,878	-
Theoretical tax. on Subgroup Spain's income [A*30,0%]	(4,307)	-	(4,307)	1,972	-	1,972
Total theoretical taxation [C]	**7,366**	**11,673**	**(4,307)**	**16,489**	**14,517**	**1,972**
Theoretical tax rate [C/A]	***40.2%***	***35.7%***	***30.0%***	***33.7%***	***34.3%***	***30.0%***
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(152)	(152)	-	-	-	-
(-) recovery taxes previous years	(10)	-	(10)	(82)	-	(82)
(+) non-deductible taxes	40	40	-	-	-	-
Other permanent differences	3,095	(239)	3,334	110	110	-
Deduction double taxation	-	-	-	(494)	-	(494)
Total effective taxation [D]	**10,339**	**11,322**	**(983)**	**16,023**	**14,627**	**1,396**
Effective tax rate [D/A]	***56.5%***	***34.7%***	***6.8%***	***32.8%***	***34.6%***	***21.2%***

(1) Staff costs are net of the effect of the 'tax wedge' and IRAP *(Regional tax on productive activities*) deductible costs totalling 12.2 million euro in the 2011 financial year and 11.9 million euro in the 2010 financial year.

46) Net income and earnings per share

No own shares held in portfolio were used to calculate the 'basic' earnings per share.
The potential shares involved in the stock grant plan approved on 27 April 2010 by the Esprinet S.p.A. Shareholders' meeting, resulting in the free assignment of 190,000 rights (200,000 rights before the employment termination of one of beneficiaries) to receive Esprinet S.p.A. ordinary shares on 30 April

2010 and reduced to 183,333 at 31 December 2011 as a consequence of some beneficiaries' job terminations, was used in the calculation of the 'diluted' profit per share. (cf. '*Share incentive plans'* in the '*Directors' Report on Operations'*).

	2011	2010	Var.	*% Var.*
Utile netto (euro/000)	**7,967**	**32,873**	**(24,906)**	***-76%***
Weighed average no. of shares in circulation: basic	51,054,340	51,054,340		
Weighed average no. of shares in circulation: diluted	51,177,077	51,130,974		
Earnings per share in euro: basic	**0.16**	**0.64**	**(0.48)**	***-75%***
Earnings per share in euro: diluted	**0.16**	**0.64**	**(0.48)**	***-75%***

8. Other significant information

8.1 Emoluments paid to the board members, statutory auditors and key managers

(euro/000)	Office	Term of office	Emoluments of office [1]	Bonuses and other benefits [2]	Non monetary benefits [4]	Other emoluments [5]	Total
Board of Directors							
Francesco Monti	Chairman	2009/11	437	300	3		740
Maurizio Rota	Deputy Chairman	2009/11	372	300	5		677
Alessandro Cattani	C.E.O.	2009/11	300	367	4		671
Giuseppe Calì	Director	2009/11	37				37
Stefania Calì	Director	2009/11	37				37
Valerio Casari	Director	2009/11	252	100	3		355
Andrea Cavaliere	Director [3]	2009/11	37			38	75
Mario Massari	Director [3]	2009/11	37			48	85
Angelo Miglietta	Director [3]	2009/11	37			14	51
Marco Monti	Director	2009/11	37				37
Matteo Stefanelli	Director	2009/11	37				37
Paolo Stefanelli	Director	2009/11	37				37
			1.657	**1.067**	**15**	**100**	**2.839**
Board of Statutory Auditors							
Giorgio Razzoli	Chairman	2009/11	79				79
Emanuele Calcaterra	Permanent Auditor	2009/11	52				52
Mario Conti	Permanent Auditor	2009/11	60				60
			191	**-**	**-**	**-**	**191**
Other key management personnel			**205**	**74**	**4**	**-**	**283**
(I) Payments in company preparing financial statements			**2.053**	**1.141**	**19**	**100**	**3.313**
Board of Statutory Auditors							
Emanuele Calcaterra	Permanent Auditor	2009/11	13				13
Mario Conti	Permanent Auditor	2009/11	11				11
			24	**-**	**-**	**-**	**24**
Other key management personnel			**250**	**136**			**386**
(II) Payments from subsidiaries and affiliates			**274**	**136**	**-**	**-**	**410**
(III) Total			**2.327**	**1.277**	**19**	**100**	**3.723**

[1] Solely in the case of the director Casari (CFO), the item also includes Remuneration from subordinate employment.
[2] Includes the share of the monetary component accrued in the exercise of the "Long Term Incentive Plan", the payment of which is deferred until approval of the financial statements for the year ending 31 December 2012.
[3] Independent Director.
[4] Company car fringe benefit.
[5] Payments for membership of Committees.

In the above reported table, we provide information regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and ‘Key Managers’, payable to them in respect of the positions held by them in the latter company and in other Group companies during the year.
As defined by accounting principle IAS 24 and quoted by Consob Resolution No. 17221 of 12 March 2010, ‘key managers are those persons having authority and responsibility for planning, directing and controlling the activities of the entity preparing the financial statements, including any director (whether executive or otherwise) of that entity’.

Besides directors and statutory auditors, the definition of ’key managers’ includes the Country Manager Italy, the Country Manager Spain and to the Group CFO (this last also covering the role of executive director).

The aforementioned compensation includes all the emolument items, benefits in kind and compensation received by Group company directors.
The table below illustrates the Incentive Plan based on financial instruments other than Stock options, to members of the Board of Directors and other key managers.

Beneficiaries	**Options held at 1 January 2010**			**Options assigned (taken up) in 2010**	**Options held at 31 December 2011**		
	Quantity	Average strike price	Average due date	Quantity	Quantity	Average strike price	Average due date
Valerio Casari (1)				35,000	35,000	-	apr-13
Other key management personnel				35,000	35,000	-	apr-13

(1) Director.

The table below illustrates the Monetary Incentive Plans for members of the Board and other key management personnel (in thousands of euro):

Beneficiaries	**Bonus for the year**			**Bonuses from previous years**		
	Due for payment/Paid	Deferred	Period	No longer eligible for payment	Payable/ Paid	Still deferred
Valerio Casari (1)		25				27
Other key management personnel		25				27
Total	-	50		-	-	54

(1) Director.

8.2 Relationships with related parties

Next tables summarise balances of the statement of financial position and of the separate income statement deriving from operations with related parties (as defined by IAS 24) except for relationships with members of the key management personnel because shown in the previous paragraph.
Operations between the Esprinet S.p.A. parent company and the subsidiaries included in the consolidation area have been eliminated from the consolidated financial statements and therefore do not figure in this section.

Relationships with ‘other related parties’

The following table details operations occurred between the Group companies and the companies where Esprinet S.p.A. directors and shareholders play important roles.

Sales regard consumer electronics products sold at normal market conditions to, mainly, Autentica S.r.l. and to key managers and close members of their family.
Services mainly refer to leasing agreements entered into at market conditions in periods prior to this interim period with the real estate companies, Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site, Immobiliare Dea 81 S.p.A. and M.B. Immobiliare S.r.l. in the case of the Esprinet S.p.A.

administrative and commercial headquarters, M.B. Immobiliare S.r.l. in the case of the Cavenago (MB) logistics site, respectively.

(euro/000)	Type	2011 Sales	2011 Costs	2011 Receiv.	2011 Payab.	2010 Sales	2010 Costs	2010 Receiv.	2010 Payab.
Sales									
Infoklix S.p.A.	Sale of goods	-	-	3	-	80	-	3	-
Autentica S.r.l.	Sale of goods	15	-	-	-	43	-	-	-
Smart Res S.p.A.	Sale of goods	3	-	-	-	1	-	-	-
Key managers e familiari	Sale of goods	17	-	-	-	-	-	-	-
Subtotale		**35**	**-**	**3**	**-**	**124**	**-**	**3**	**-**
Cost of sales									
Immobiliare Selene S.r.l.	Lease - premises	-	1,991	1,320	-	-	1,963	1,707	-
M.B. Immobiliare S.r.l.	Lease - premises	-	2,074	663	-	-	2,040	171	-
Autentica S.r.l.	Purchase of goods	-	153	-	27	-	-	-	-
Subtotale		**-**	**4,218**	**1,983**	**27**	**-**	**4,003**	**1,878**	**-**
Overheads and administrative costs									
Immobiliare Dea 81 S.p.A.	Lease - premises	-	185	-	-	-	182	-	-
Immobiliare Dea 81 S.p.A.	Overheads	-	1	-	-	-	1	-	-
Immobiliare Selene S.r.l.	Overheads	-	10	-	-	-	10	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	237	40	-	-	234	40	-
M.B. Immobiliare S.r.l.	Overheads	-	14	-	-	-	10	-	-
Subtotale		**-**	**447**	**40**	**-**	**-**	**437**	**40**	**-**
Total		**35**	**4,665**	**2,026**	**27**	**124**	**4,440**	**1,921**	**-**

As shown in the previous table, the total value of the aforementioned transactions is not material compared with the total volume of the Group’s activities, however.

8.3 Cash flow analysis

As can be seen in the table below and illustrated in the *Consolidated statement of cash flows,* the Esprinet Group 2011 posted a 42.7 million euro cash surplus at 31 December, versus the 3.0 million euro cash surplus as at 31 December 2010.

(euro/000)	31/12/11	31/12/10
Net financial debt at year-beginning	**(2,990)**	**(68,127)**
Cash flow provided by (used in) operating activities	50,737	(55,276)
Cash flow provided by (used in) investing activities	(2,060)	(630)
Cash flow provided by (used in) changes in net equity	(8,100)	(8,321)
Total cash flow	**40,577**	**(64,227)**
Unpaid bank interests	(849)	(910)
Net financial debt at year-end	**(42,718)**	**(2,990)**
Short-term financial liabilities	48,896	51,473
Current financial (assets)/liabilities for derivatives	952	1,624
Financial receivables from factoring companies	(13,804)	(15,486)
Cash and cash equivalents	(115,921)	(102,363)
Net current financial debt	**(79,877)**	**(64,752)**
Non-current financial (assets)/liabilities for derivatives	920	1,513
Borrowings	36,239	60,249
Net financial debt	**(42,718)**	**(2,990)**

8.4 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, the net financial indebtedness (or 'net financial position' also) is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: *'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004*' and referred to by Consob itself.

With reference to the next table, it should be underlined that the net financial indebtedness measured according to the CESR criteria coincides with the notion of 'net financial debt' as explained under the previous paragraph '*Cash flow analysis'*.

(euro/000)	**31/12/11**	**31/12/10**
A. Bank deposits and cash on hand	115,886	102,358
B. Cheques	35	5
C. Trading securities	-	-
D. Liquidity (A+B+C)	115,921	102,363
Financial assets for derivatives	-	-
Financial receivables from factoring companies	*13,804*	*15,486*
E. Current financial receivables	13,804	15,486
F. Current bank debt	12,503	12,824
G. Current portion of non current debts	24,039	23,896
H. Other current financial debt and financial liability for derivatives	13,306	16,377
I. Current financial debt (F+G+H)	49,848	53,097
J. Net current financial indebtedness (I-E-D)	**(79,877)**	**(64,752)**
K. Non-current bank loans	36,239	60,249
L. Bonds issued	-	-
M. Non-current financial liabilities for derivatives	920	1,513
N. Non-current financial indebtedness (K+L+M)	**37,159**	**61,762**
O. Net financial indebtedness (J+N)	**(42,718)**	**(2,990)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	48,896	51,473
Current financial (assets)/liabilities for derivatives	952	1,624
Financial receivables from factoring companies	(13,804)	(15,486)
Cash and cash equivalents	(115,921)	(102,363)
Net current financial debt	**(79,877)**	**(64,752)**
Non-current financial (assets)/liabilities for derivatives	920	1,513
Borrowings	36,239	60,249
Net financial debt	**(42,718)**	**(2,990)**

The Group's net financial debt, showing a surplus of 42.7 million euro, results from the balance between gross financial debt of 85.1 million euro, financial liabilities for derivatives of 1.9 million euro, financial receivables from factoring companies of 13.8 million euro and cash and cash equivalents of 115.9 million euro.

Cash and cash equivalents, mainly made up of bank deposits, are not tied-up. These funds are of a partially transitory nature, accumulating at the end of the month, due to the Group's peculiar kind of payment/encashment cycle.
This cycle is characterised by the concentration of payments received from customers and from factoring companies – the latter as consequence of the 'without-recourse' sale of trade account receivables - at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month. For this reason, the figure resulting at 31 December 2011, or at the end of each month, is

not totally representative of the average net financial indebtedness or the average level of cash on hand customarily observable during the same period.

The without-recourse sale of account receivables revolving programme focussing on the large-scale distribution sector in particular, continued during 2011 both in Italy and in Spain as part of the processes aimed at the structural optimisation of the management of working capital.
The aforementioned programmes completely transfer the risks and benefits to the assignees so that receivables in question are removed from assets as per IAS 39.
The overall effect on the levels of financial debt as at 31 December 2011 can be quantified as approx. 179 million euro (approx. 171 million euro as at 31 December 2010).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year, regarding 'Subgroup Italy' and 'Subgroup Spain', are illustrated below:

(euro/000)	31/12/11			31/12/10			Var.		
	Curr.	Non-curr.	Tot.	Curr.	Non-curr.	Tot.	Curr.	Non-curr.	Tot.
Pool loan (ag. Intesa Sanpaolo)[1]	9,921	14,939	24,860	9,870	24,848	34,718	51	(9,909)	(9,858)
Total Subgroup Italy	**9,921**	**14,939**	**24,860**	**9,870**	**24,848**	**34,718**	**51**	**(9,909)**	**(9,858)**
Pool loan (ag. Intesa Sanpaolo)[1]	14,118	21,300	35,418	14,026	35,401	49,427	92	(14,101)	(14,009)
Total Subgroup Spain	**14,118**	**21,300**	**35,418**	**14,026**	**35,401**	**49,427**	**92**	**(14,101)**	**(14,009)**
Total Group	**24,039**	**36,239**	**60,278**	**23,896**	**60,249**	**84,145**	**143**	**(24,010)**	**(23,867)**

[1] Amounts different from the book value of loan principal since they represent the amortised cost calculated on the basis of the real interest rate as specified by IFRS.

8.5 Loans and loan covenants

The book value of loan principal of the loans granted by a pool of banks, with Intesa Sanpaolo as bank agent, is as follows:

(euro/000)	31/12/11	31/12/10	Var.
Unsecured pool loan (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 5 six-monthly instalments by June 2014	25,000	35,000	(10,000)
Unsecured pool loan (agent: Intesa Sanpaolo) to Esprinet Iberica S.L.U. repayable in 5 six-monthly instalments by June 2014	35,700	49,980	(14,280)
Total book value of loan principal	**60,700**	**84,980**	**(24,280)**

Their notional portions falling due beyond 31 December 2011 will be repaid in the following operating years, as per the amortisation schedule:

(euro/000)	2012	2013	2014	Total
Book value of loan principal	24,280	24,280	12,140	60,700

The weighted average rate used during 2011 on the above loans was approx. 4.5% (close to the one used in 2010).

They refer to the loan agreements entered in 2007 during the total renegotiation of the Group's financial debt, the main features of which are summarised below:

- 'Senior amortizing term loan' to Esprinet S.p.A. originally of 65.0 million euro and seven-year duration;
- 'Senior amortizing term loan' to Esprinet Iberica originally of 110.0 million euro (later reduced to 109.3 million euro) and seven-year duration;
- 'Revolving facility' to Esprinet S.p.A. and Esprinet Iberica originally of 100.0 million euro, reduced to 25.0 million euro in December 2008 (unused).

Such loans, still existing at 31 December 2011 and accounted for 60.2 million euro (corresponding to 60.7 million euro as book value of loan principal), are subject to the observance of 6 covenants, the failure to observe of which allow the issuing institutes to claim their immediate reimbursement.
These covenants, which are subject to 6-monthly checks against the audited and consolidated financial statements, are as follows:

i) ratio between net financial indebtedness and EBITDA;
ii) ratio between net financial indebtedness and net equity;
iii) ratio between EBITDA and net financial charges;
iv) ratio between gross financial indebtedness and EBITDA;
v) ratio between gross financial indebtedness and tangible equity;
vi) amount of gross financial indebtedness.

At 31 December 2011, according to management estimates, the covenants were fully observed.
Such loan contracts also contain the usual 'negative pledge', 'pari passu' and similar type clauses. At the time this report was drafted none of the above-mentioned clauses had been violated.

8.6 Lines of credit

Apart from the uses described in the previous paragraphs, the Esprinet Group had a total 840 million euro (809 million ready money) at its disposal in bank credit lines as at 31 December 2011, subdivided as follows:

(euro/000)	Group	Subgroup Italy	Subgroup Spain
Credit unblocking / import financing / credit lines	267,466	232,116	35,350
Medium/long-term borrowings	60,700	25,000	35,700
Revolving credit facilities	25,000	12,500	12,500
Endorsement credit	30,124	30,124	-
Factoring (trasferor) [1]	440,380	330,380	110,000
Bank overdrafts	7,330	7,312	18
Credit cards	523	430	93
Derivatives / forward currency transactions	8,200	4,800	3,400
Total	**839,723**	**642,662**	**197,061**

[1] Includes both recourse and non-recourse maximums.

The financial situation as at 31 December 2011, excluding the maximums granted by the banks for a without-recourse factoring scheme with a revolving credit facility and endorsement loans, shows that a total 21% of credit lines was used, as can be seen in the table below:

(euro/000)	Uses %	Uses gross	Credit lines
Credit unblocking / import financing / credit lines	1%	1,817	267,466
Medium/long-term borrowings	100%	60,700	60,700
Factoring (trasferor) - with recourse	41%	12,363	30,124
Revolving credit facilities	-	-	25,000
Other	-	10,745	16,053
Total Group	**21%**	**85,625**	**399,343**

The maintenance of short-term credit lines with contained usage rates and high flexibility of usage is the main liquidity risk management method used by the Group.
Lastly, the sole revolving credit line of 25.0 million euro provides for the payment by the Group of a commitment fee inversely proportional to the usage rate.

8.7 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2010 and 2011.

	2011			2010		
	Group	**Italy**	**Spain**	**Group**	**Italy**	**Spain**
Sales Q1	23.6%	24.5%	20.9%	27.0%	27.3%	26.1%
Sales Q2	23.5%	24.4%	20.8%	23.9%	24.6%	21.7%
Sales H1	**47.1%**	**48.9%**	**41.7%**	**50.8%**	**51.9%**	**47.8%**
Sales Q3	22.9%	21.6%	26.8%	21.2%	21.0%	21.7%
Sales Q4	30.0%	29.5%	31.5%	28.0%	27.1%	30.6%
Sales H2	**52.9%**	**51.1%**	**58.3%**	**49.2%**	**48.1%**	**52.2%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The IT and electronic markets both in Italy and in Spain are traditionally characterised by seasonal sales which involve an increase in demand in the fourth quarter of the solar year essentially in terms of purchases concentrated in the pre-Christmas and in the so-called 'back-to-school' seasons to consumers and by the spending dynamics of budgets dedicated to IT investments which are statistically concentrated around the months of November and December.
The seasonable nature of IT and electronics sales has an influence both on the business volumes of the distribution industry and on the sales volumes of the Esprinet Group.

The winter trend provides a contrast to the drop in demand in the summer months, in August, in particular. As a result of the increasing reluctance to suspend work during the summer months, this last trend also appears to be re-dimensioning, in the *business* sector in particular.
In addition to the above, operating results are also seasonal, but even more so than those of sales since the absolute profit margin levels track the seasonal nature of sales, while overheads tend to be more regular during the year.

The seasonal nature of sales described above also has an influence on the part of the levels of borrowings that is closely linked to working capital needs, which peak in the last part of each solar year.
The level of net borrowings fluctuates dramatically not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month. For this reason, the figure resulting at the end of the period, or at the end of each month, is not much representative of the average net financial indebtedness customarily observable during the same period.
The circumstances described above give rise to higher financial and commercial risk levels for the Group compared with those whose business is subject to less seasonable fluctuations.

30-31% sales have constantly tended to concentrate in the last quarter of the solar year since 2006, with the sole exception of 2010, due to a considerable fall in consumer demand in the so-called Christmas Campaign.

8.8 Non-recurring significant events and operations

The main significant events and operations of a non-recurring nature occurred during 2010 and 2011 are summarised below.

During 2011 staff down-sizing costs sustained by Esprinet Iberica and the goodwill write-downs commented on under "*Goodwill*" were entered as non-recurring items.

During the same period in 2010, the retirement of assets no longer used by Esprinet Iberica (mainly due to the reorganization of the order-filling system at the Zaragoza warehouse) and the re-establishment of the value of the Derio (Bilbao) premises, mainly due to the cancellation of the deferred payment of the agreed price initially granted to the buyer of the Esprinet Iberica owned premises, were entered as non-recurring items.

The following table shows effects of the above said events and operations on the income statement (before taxes):

(euro/000)	2011	2010	Var.
Early disposal of assets, side offices or warehouses	-	(240)	240
Cost of sales	**-**	**(240)**	**240**
Employees termination incentives	(391)	-	(391)
Early disposal of assets, side offices or warehouses	(119)	(153)	34
Reversal of impairment on Bilbao premises	-	138	(138)
Goodwill write-down	(19,826)	-	(19,826)
Overheads and administrative costs	**(20,336)**	**(15)**	**(20,321)**
Total before income taxes	**(20,336)**	**(255)**	**(20,081)**

8.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the statement of financial position item ‘*Non-current provisions and other liabilities*’ in the ‘*Notes to the consolidated financial statements’*.
Similarly, the ‘*Directors’ Report on Operations’* also contains the Group’s policies regarding the management of legal and tax-related disputes under ‘*Main risks and uncertainties facing the Group and Esprinet S.p.A.’.*

8.10 Operations relating to derivative instruments

Disclosures regarding operations relating to derivative instruments can be found under the chapter ‘*Disclosures on risks and financial instruments’.*

8.11 Compensation for Group auditing services

Description	Provider of service	Fees (euro/000) 2011	Fees (euro/000) 2010
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	Reconta [(1)]	215.2	207.1
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	Reconta [(1)]	11.3	11.0
Quarterly examination of accounts of one single company or group of companies during the year	Reconta [(1)]	36.6	37.0
Subtotal		**263.1**	**255.1**
Certification services:			
Certification other then auditing	Reconta [(1)]	13.0	-
Subtotal		**13.0**	**-**
Total		**276.1**	**255.1**

[(1)] Reconta Ernst & Young S.p.A. – Milano.

The previous table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during the 2011 financial year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

9. Publication of the Draft Annual Report

The draft annual report and its publication were approved by the Esprinet Board of Directors during the meeting of 14 March 2012, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

Nova Milanese, 14 March 2012

For and on behalf of the Board of Directors
The Chairman
Francesco Monti

Statement on the 'Consolidated financial statements' pursuant to Article 81-*ter* of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Giuseppe Falcone, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the consolidated financial statements relating to the period between 1 January 2011 – 31 December 2011 were:

- appropriate to the features of the Group
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2011 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the consolidated financial statements as at 31 December 2011:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Companies' accounts, books and records; and
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries as of 31 December 2011.

3.2 The *Directors' Report on Operations* includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks to which they are exposed.

Nova Milanese, 14 March 2012

Chief Executive Officer
of Esprinet S.p.A.

(Alessandro Cattani)

Executive charged with
drafting the Esprinet S.p.A.
accounting documents.

(Giuseppe Falcone)

Esprinet S.p.A.
Separate Financial Statements
2011

CONTENTS of the Esprinet S.p.A. Financial Statements

ESPRINET S.p.A.: Financial Statements (Separate financial statements[1])

[1] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Statement of financial position

The table below shows the Esprinet S.p.A. statement of financial position drawn up according to IFRS requirements[1]:

(euro)	Note	31/12/11	31/12/10
ASSETS			
Non-current assets			
Property, plant and equipment	**1**	5,157,016	5,127,829
Goodwill	**2**	10,625,555	10,625,555
Intangible assets	**3**	216,899	427,081
Investments in subsidiaries and other companies	**5**	65,714,525	79,422,746
Deferred income tax assets	**6**	3,396,324	5,204,543
Receivables and other non-current assets	**9**	1,940,906	1,801,663
		87,051,225	**102,609,417**
Current assets			
Inventory	**10**	158,096,719	199,066,531
Trade receivables	**11**	174,536,318	165,656,048
Income tax assets	**12**	4,400,855	2,829,912
Other assets	**13**	81,232,686	26,350,627
Cash and cash equivalents	**17**	65,105,025	99,973,834
		483,371,603	**493,876,952**
Total assets		**570,422,828**	**596,486,369**
EQUITY			
Share capital	**19**	7,860,651	7,860,651
Reserves	**20**	198,594,675	179,357,054
Net income	**21**	8,652,754	27,348,290
Total equity		**215,108,080**	**214,565,995**
LIABILITIES			
Non-current liabilities			
Borrowings	**22**	14,938,880	24,847,824
Derivative financial liabilities	**23**	368,282	605,405
Deferred income tax liabilities	**24**	2,281,526	2,297,704
Retirement benefit obligations	**25**	3,854,310	4,138,683
Provisions and other liabilities	**26**	2,795,142	3,315,339
		24,238,140	**35,204,955**
Current liabilities			
Trade payables	**27**	287,777,170	306,246,548
Short-term financial liabilities	**28**	26,758,237	27,673,183
Income tax liabilities	**29**	-	-
Derivative financial liabilities	**30**	380,668	649,603
Provisions and other liabilities	**32**	16,160,533	12,146,085
		331,076,608	**346,715,419**
Total liabilities		**355,314,748**	**381,920,374**
Total equity and liabilities		**570,422,828**	**596,486,369**

[1] Pursuant to Consob Resolution No. 15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. statement of financial position items can be found in the statement of financial position in the next pages and commented on in the *'Notes to the Esprinet S.p.A. financial statements'*.

Separate income statement

The Esprinet S.p.A. separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'[2]:

(euro)	Note	2011	2010
Sales	33	1,580,741,823	1,655,253,145
Cost of sales		(1,491,518,169)	(1,557,667,400)
Gross profit	35	**89,223,654**	**97,585,745**
Sales and marketing costs	37	(26,249,754)	(22,882,187)
Overheads and administrative costs	38	(26,909,874)	(29,913,923)
Operating income (Ebit)		**36,064,026**	**44,789,635**
Finance costs - net	42	(2,253,564)	(3,292,083)
(Cost) income from investments	43	(13,734,217)	-
Profit before income tax		**20,076,245**	**41,497,552**
Income tax expenses	45	(11,423,491)	(14,149,262)
Net income		**8,652,754**	**27,348,290**

Statement of comprehensive income

(euro)	2011	2010
Net income	**8,652,754**	**27,348,290**
Other comprehensive income:		
- changes in 'cash flow hedge' equity reserve	506,058	380,752
- taxes on changes in 'cash flow hedge' equity reserve	(139,166)	(104,706)
Other comprehensive income	**366,892**	**276,046**
Total comprehensive income	**9,019,646**	**27,624,336**

Statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Net equity
Balance at 31 December 2009	**7,861**	**170,016**	**(14,935)**	**32,405**	**195,347**
Total comprehensive income/(loss)	**-**	**276**	**-**	**27,348**	**27,624**
Allocation of 2009 net income/(loss)	-	23,471	-	(23,471)	-
Dividend payment	-	-	-	(8,934)	**(8,934)**
Transactions with owners	-	23,471	-	(32,405)	**(8,934)**
Increase/(decrease) in 'stock option' plan reserve	-	529	-	-	**529**
Balance at 31 December 2010	**7,861**	**194,292**	**(14,935)**	**27,348**	**214,566**
Total comprehensive income/(loss)	**-**	**367**	**-**	**8,653**	**9,020**
Allocation of 2010 net income/(loss)	-	18,413	-	(18,413)	-
Dividend payment	-	-	-	(8,935)	**(8,935)**
Transactions with owners	-	18,413	-	(27,348)	**(8,935)**
Increase/(decrease) in 'stock grant' plan reserve	-	457	-	-	**457**
Balance at 31 December 2011	**7,861**	**213,529**	**(14,935)**	**8,653**	**215,108**

[2] Pursuant to Consob Resolution No. 15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. income statement items can be found in the separate income statement in the next pages and commented on in the *'Notes to the Esprinet S.p.A. financial statements'*.

Statement of cash flows[3]

(euro/000)	2011	2010
Cash flow provided by (used in) operating activities (D=A+B+C)	**15,682**	**(36,372)**
Cash flow generated from operations (A)	**38,012**	**47,958**
Operating income (EBIT)	36,064	44,789
Depreciation, amortisation and other fixed assets write-downs	2,348	2,707
Net changes in provisions for risks and charges	(520)	255
Net changes in retirement benefit obligations	(285)	(265)
Stock option/grant costs	405	472
Cash flow provided by (used in) changes in working capital (B)	**(9,586)**	**(65,485)**
Inventory	40,970	(46,510)
Trade receivables	(8,880)	38,036
Other current assets	(28,395)	(2,749)
Trade payables	(18,840)	(59,522)
Other current liabilities	5,559	5,260
Other cash flow provided by (used in) operating activities (C)	**(12,744)**	**(18,845)**
Interests paid, net	(1,271)	(1,002)
Foreign exchange (losses)/gains	(159)	(1,328)
Income taxes paid	(11,314)	(16,515)
Cash flow provided by (used in) investing activities (E)	**(2,193)**	**(470)**
Net investments in property, plant and equipment	(2,095)	(230)
Net investments in intangible assets	(72)	(190)
Changes in other non current assets and liabilities	-	(1)
V-Valley establishment	-	(20)
Investments due to 'stock grant' plans to subsidiaries' employees	(26)	(29)
Cash flow provided by (used in) financing activities (F)	**(48,358)**	**(33,569)**
Repayment/renegotiation of medium/long-term borrowings	(10,000)	(10,000)
Net change in gross short-term financial liabilities	(1,277)	(13,176)
Borrowings due within 12 months granted	(30,000)	-
Net change in financial assets and derivative instruments	1,435	(1,792)
Dividend payments	(8,935)	(8,934)
Increase/(decrease) in 'cash flow hedge' equity reserve	367	276
Equity reserve increase due to 'stock grant' plans to subsidiaries' employees	52	57
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(34,869)**	**(70,411)**
Cash and cash equivalents at year-beginning	**99,974**	**170,385**
Net decrease (increase) in cash and cash equivalents	**(34,869)**	**(70,411)**
Cash and cash equivalents at year-end	**65,105**	**99,974**

[3] No effects of relationships with related parties have been considered significant.

Statement of financial position (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	31/12/11	related parties [1]	31/12/10	related parties [1]
ASSETS				
Non-current assets				
Property, plant and equipment	5,157		5,128	
Goodwill	10,626		10,626	
Intangible assets	217		427	
Investments in subsidiaries and other companies	65,714	65,714	79,423	79,423
Deferred income tax assets	3,396		5,204	
Receivables and other non-current assets	1,941	1,711	1,801	1,653
	87,051	**67,425**	**102,609**	**81,076**
Current assets				
Inventory	158,097		199,067	
Trade receivables	174,536	3	165,656	3
Income tax assets	4,401		2,830	
Other assets	81,233	63,298	26,350	7,059
Cash and cash equivalents	65,105		99,974	
	483,372	**63,301**	**493,877**	**7,062**
Total assets	**570,423**	**130,726**	**596,486**	**88,138**
EQUITY				
Share capital	7,861		7,861	
Reserves	198,594		179,357	
Net income	8,653		27,348	
	215,108	**-**	**214,566**	**-**
LIABILITIES				
Non-current liabilities				
Borrowings	14,939		24,848	
Derivative financial liabilities	368		605	
Deferred income tax liabilities	2,282		2,298	
Retirement benefit obligations	3,854		4,139	
Provisions and other liabilities	2,795		3,315	
	24,238	**-**	**35,205**	**-**
Current liabilities				
Trade payables	287,777	27	306,246	
Short-term financial liabilities	26,758		27,673	
Income tax liabilities	-		-	
Derivative financial liabilities	381		650	
Provisions and other liabilities	16,161	618	12,146	111
	331,077	**645**	**346,715**	**111**
Total liabilities	**355,315**	**645**	**381,920**	**111**
Total equity and liabilities	**570,423**	**645**	**596,486**	**111**

[1] For further details regarding related parties please see the section *'Relationships with related parties'* in the *'Notes to Esprinet S.p.A. financial statements'*.

Separate income statement (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	2011	non-recurring	related parties (1) (2)	2010	non-recurring	related parties (1) (2)
Sales	**1,580,742**		120,710	**1,655,253**		75,646
Cost of sales	(1,491,518)	-	(4,420)	(1,557,667)		(4,212)
Gross profit	**89,224**	**-**		**97,586**	**-**	
Sales and marketing costs	(26,250)		(193)	(22,883)		355
Overheads and administrative costs	(26,910)	-	(2,390)	(29,914)		1,474
Operating income (Ebit)	**36,064**	**-**		**44,789**	**-**	
Finance costs - net	(2,254)		332	(3,292)		
(Cost) income from investments	(13,734)	(13,734)		-		
Profit before income tax	**20,076**	**(13,734)**		**41,497**	**-**	
Income tax expenses	(11,423)	-		(14,149)		
Net income	**8,653**	**(13,734)**		**27,348**	**-**	

(1) For further details regarding related parties please see the section *'Relationships with related parties'* in the *'Notes to Esprinet S.p.A. financial statements'*.
(2) Emoluments to key managers excluded.

Notes to the Esprinet S.p.A. financial statements

1. General information

Esprinet S.p.A. (or the 'Company') distributes IT products (hardware, software and services) pitching itself at a customer base made up of resellers that in turn target both consumer and business users.
It is also the parent company with both direct and indirect shareholdings in companies operating in Italy and Spain. In Italy the Group operates in the following business segments:

- 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics;
- 'business-to-consumer' (B2C) distribution of IT and consumer electronics;
- 'business-to-business' (B2B) distribution of microelectronic components.

In Spain the Group operates solely in the B2B distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Nova Milanese (Monza e Brianza).
Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the 'STAR' segment (segment of securities with high qualification) of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange, since 27 July 2001.
The parent company, Esprinet S.p.A. drafted the Esprinet Group consolidated financial statements as at 31 December 2011.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these Esprinet S.p.A. financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The Esprinet S.p.A financial statements (or 'separate financial statements' as defined by IFRS) as at 31 December have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union.
The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the

International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria is applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analysed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.

The figures presented 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.

The figures presented in the separate and comprehensive income statements and in the statement of financial position are expressed in euro, whereas those in the statement of cash flows are expressed in thousands of euro.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.3 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income. They include goodwill, when it is acquired for a consideration.

Intangibles and goodwill deriving from business combinations occurred until the end of 2009 are recorded at purchase cost, including incidentals and necessary costs to make them available for use. For business combinations occurred from 2010, except some particular cases, goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred compared to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (any costs directly attributable to the combination, except costs of issuing debt or equity instruments, are expensed).

Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item *'Industrial and other patent rights'* is amortized within three years.
Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test.
The Impairment test is described below in the section entitled '*Impairment of non-financial assets*'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Property, plant and equipment

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.

Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortised over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.
Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.

Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	from 7.8% to 18%
Conditioning plants	14.3% - 15%
Telephone systems and equipment	20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7.1% to 15%
Electronic office machines	20%
Furniture and fittings	11.1% - 12%
Other assets	from 8.3% to 21.8%

If there are indications of a decline in value, assets are subjected to an impairment test in the manner described below under the section '*Impairment of non-financial assets*'.
When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed.
The liabilities in question are entered under *'Financial liabilities'*.

The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemised as operating leasing. The earnings (costs) emerging from operating leasing are entered in linear fashion in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred.

In the case of goodwill and other assets with indefinite lives or assets that are not available for use, this test must be conducted at least annually.
In the case of goodwill, Esprinet S.p.A. carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater.
Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life.
CGUs have been identified within the Company's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

Investments in associates

Investments in associates are accounted for using the 'net equity' method.

Investments in subsidiaries and other companies

Investments in subsidiaries are valued at acquisition or subscription cost.
Cost is reduced for long-term losses, where investments have endured losses and are not expected – in the immediate future at least – to realise profits that will be such to absorb the losses incurred; the original value is restored in later years, should the reasons for a given write-down cease to exist.
Positive balances arising at the time of acquisition between the acquisition cost and the quota of net equity of the company invested in and belonging to the company at current values, is therefore included in the value charged to the investment.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item *'Income taxes'*.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.).
The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value.
The amortization is carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item *'Finance income/(cost)'* and the Shareholders' Equity item *'Other reserves'* respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.
Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.
At each reporting date the Company assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realisable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Company concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.

The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to promote the brands being distributed and to develop the sales channels utilised. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.
Obsolete and surplus stock and stock characterised by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortised cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortised cost method).
The amount obtained using the amortised cost method, is then reduced to the realisable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.

Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. For further information please refer to the heading *'Income taxes'*.

Other current assets

Other current assets are stated at the lesser of the cost and the net realisable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Net equity

Own shares

Where existing, own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.
Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.

The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when: (the) there is the probable existence of an obligation, be it actual, legal or implicit, due to past events; (ii) it is probable that the fulfilment of the obligation be against payment; (iii) the amount of the obligation can be reasonably ascertained. The provisions are stated at the value that represents the best estimate of the year. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are actualised; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item *'Finance costs'*.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.

In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed.

Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.
Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.

Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method. Actuarial profits and losses deriving from changes to actuarial hypotheses are entirely reported in the year's separate income statement.

Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial hypotheses linked to salary increases and the revision of financial-type hypotheses.
This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction. They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.

Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.
The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that of the provisions.

For further details regarding trade payables please see '*Definitions*' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.

Revenues are recognised at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.
Costs are recognised when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.
The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements.
Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Company operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes and is stated in the form of a counterparty in the *'Reserves'*.

Income taxes

Current income taxes are calculated with an estimate of taxable income; the forecast payable is stated in the item '*Current income tax liabilities*' but, if surplus accounts have been paid, the receivable is stated in the item '*Current income tax assets*'.
Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.

Deferred and advance income taxes are calculated using the '*liability method*' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.
Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item '*Deferred income tax assets*'; if it is negative, it is stated in the item '*Deferred income tax liabilities*'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Currency transactions and balances

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions.
Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement.

Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates), the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging instrument recognised directly in equity from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under '*Other significant information'*.

2.4 Critical accounting estimates and definitions

2.4.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.

This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).

Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarised in the following categories:

- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

Esprinet S.p.A. further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.

As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.

In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier.
More in particular, the intervals in deferral of payments set out in the invoices range from a minimum of 7 to a maximum of 120 days, and in only one case is cash payment required.
In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.
In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.
This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.4.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Financial debt

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.

As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
Liabilities towards a seller in the case of the acquisition of shareholdings with deferred payment do fall into this category.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.4.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.
Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Esprinet S.p.A., should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the ‘value in use’ of the Cash Generating Units (‘CGUs’) to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Company’s organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

‘Fair value’ of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the IRS - Interest Rate Swap contract signed in November 2007 in order to hedge the risk of changes in future cash flows of the hedged loan technically defined as ‘amortising - forward start’.
Since it fully complies with International Accounting Standard 39 regarding ‘hedge accounting’ (formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) both of the two derivative contracts have been subject to the ‘cash flow hedge’ accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity, the ineffective portion of the gain or loss on the hedging instrument has been recognised in the separate income statement.
Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plan in favour of some managers of Esprinet S.p.A. and its subsidiaries, the operation of which is better illustrated in the paragraphs *‘Share incentive plans’* and *‘Share capital’*.
The cost of this plan has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.

Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the Group until the vesting date of the plan – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.

Credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Company, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Company has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
The possibility of differences emerging from between the estimated sums and those actually received in the final statement of financial position cannot be excluded, however.

Depreciation and amortisation of fixed assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life. Useful life is defined as the period in which the activities will be used by the Company.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes. As a result, the actual economic life may differ from the estimated useful life.
The validity of the expected useful life in terms of its asset category is regularly checked by the Company. This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of encashment of receivables, the Company makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual value of encashment of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.

Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Company's debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Company usually effects forecasts regarding the value of encashment of obsolete, surplus or slow-moving warehouse stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.

The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.

The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Company makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
The estimate is the result of a complex process including the involvement of legal and tax consultants and which also includes personal opinions on the part of the Company's management.
The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 39.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Taxes

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.

Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability.

Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.

The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.5 Recently issued accounting standards

Information regarding the new approved accounting principles starting 1 January 2011, as well as the principles applicable starting 1 January 2011, together with the specifications concerning the approach of the Group towards them and the effects on the Esprinet S.p.A. financial statements can be found in the '*Notes to the consolidated financial statements'.*

2.6 Changes in accounting estimates and reclassifications

No changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, and no reclassifications have been made in 2011.

3. Notes to the statement of financial position items

Non-current assets

1) Property, plant and equipment

As at the end of the previous year, '*property, plant and equipment'* amount to 5.1 million euro as at 31 December 2011. Changes occurring during the year were as follows:

(euro/000)	Plant and machinery	Ind. & comm. equipment & other assets	Assets under construction & advances	Total
Historical cost	7,807	19,892	31	**27,730**
Accumulated depreciation	(6,658)	(15,944)	-	**(22,602)**
Balance at 31 December 2010	**1,149**	**3,948**	**31**	**5,128**
Historical cost increase	638	1,406	77	**2,121**
Historical cost decrease	(52)	(140)	(7)	**(199)**
Write-down	-	-	-	**-**
Increase in accumulated depreciation	(533)	(1,533)	-	**(2,066)**
Decrease in accumulated depreciation	51	122	-	**173**
Total changes	**104**	**(145)**	**70**	**29**
Historical cost	8,393	21,158	101	29,652
Accumulated depreciation	(7,140)	(17,355)	-	(24,495)
Balance at 31 December 2011	**1,253**	**3,803**	**101**	**5,157**

Investments, substantially related to the new cash and carry outlets opened in Italy and to the new servers and electronic machines installed at headquarters, refer mainly to electronic machines (884 thousand euro), furnishings (357 thousand euro) and plants/systems (637 thousand euro).

The "*Assets under construction and advances*'" balance at year-end mainly refers to security and air-conditioning systems being installed at Headquarters, in warehouses or at cash and carry outlets.

Disposals mainly refer to the replacement of air-conditioning plants and electronic machines practically entirely depreciated.

The following is the breakdown of the item '*Industrial and commercial equipment and other assets'*:

(euro/000)	31/12/11	31/12/10	Var.
Electronic machines	1,622	1,631	(9)
Furniture and fittings	778	607	171
Industrial and commercial equipment	769	1,028	(259)
Other assets	634	682	(48)
Total	**3,803**	**3,948**	**(145)**

The depreciation rates adopted for each asset category did not change from the previous year.

Please note that there are no temporarily unused tangible fixed assets intended for sale and that supply contracts signed within the financial year, but not recognised in the financial statements are insignificant.

2) Goodwill

Goodwill amounted to 10.6 million euro.

The following table summarises the values of the single goodwill items in terms of the business combinations from which they arose:

(euro/000)	31/12/11	31/12/10	Var.
Assotrade S.p.A.	5,500	5,500	-
Pisani S.p.A.	3,878	3,878	-
Esprilog S.r.l.	1,248	1,248	-
Total	**10,626**	**10,626**	**-**

The Assotrade S.p.A. goodwill arose from the Esprinet's combination of the Assotrade 'IT Distribution' business unit. The Pisani S.p.A. and the EspriLog S.r.l. goodwill items refer to the merger deficit arisen from the merger into Esprinet S.p.A. of Pisani S.p.A. and EspriLog S.r.l..

Disclosures about impairment tests of assets: goodwill

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment whether there are indications that impairment has occurred. In the case of goodwill and other intangible assets with an indefinite useful life, this test, so said 'impairment test', must be conducted at least annually and whenever 'triggering events' occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an 'individual asset' and may not be subjected to a separate impairment test being tested for impairment together with the group of activities to which it has been allocated.
For the purposes of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's 'CGU - Cash-Generating Units', or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.
In this case it was only possible to consider the company as a whole, since no smaller independent CGU-Cash Generating Units were identified where all or part of the goodwill items could be allocated.

The method of testing the recoverable amount of the above goodwill items and the valuation system used can be found in the same section of the Consolidated Financial Statements and in the subsequent section 'Investments in subsidiaries and other companies', to which refer.

The tests performed did not highlight any impairment. Consequently no write-downs appear in the financial statements as at 31 December 2011 and goodwill amounts have not changed versus the previous year.
Further, also in compliance with joint Bank of Italy/Consob/Isvap document n. 4 of 3 March 2010, a sensitivity test was performed on the results of the test regarding the variation in some basic assumptions (the 'g' rate used in calculating the terminal value, discounting-back rate, EBITDA).

The idea of worsening the discounting-back rate (to +200bps) and 'g' growth rate beyond the plan horizon, (down to a possible zero growth scenario) in particular, was advanced. The underlying hypotheses of gross operating profit performance in the forecast period were also lowered (EBITDA down -20% for each CGU).
The recoverable value emerging from the sensitivity analyses resulted greater than the relative carrying amount, however.

3) Intangible assets

Intangible assets amount to 217 thousand euro as at 31 December 2011 (versus the 427 thousand euro as at 31 December 2010). Changes occurring during the year are as follows:

(euro/000)	Industrial and other patent rights	Assets under construction and advances	Total
Historical cost	7,002	178	**7,181**
Accumulated amortisation	(6,753)	-	**(6,753)**
Balance at 31 December 2010	**249**	**178**	**427**
Historical cost increase	64	23	**87**
Historical cost decrease	-	(15)	**(15)**
Historical cost reclassification	149	(149)	**-**
Write-down	-	-	**-**
Increase in accumulated amortisation	(282)	-	**(282)**
Decrease in accumulated amortisation	-	-	**-**
Totale changes	**(69)**	**(141)**	**(210)**
Historical cost	7,215	37	**7,252**
Accumulated amortisation	(7,035)	-	**(7,035)**
Balance at 31 December 2011	**180**	**37**	**217**

The item *'Industrial and other patent rights'* includes the costs sustained for the long-term renewal and upgrade of IT operating system (software).

The item *'Assets under construction and advances'* refers to software being set-up.

5) Investments in subsidiaries and other companies

(euro/000)	31/12/11	31/12/10	Var.
Investments in subsidiaries and other companies	65,714	79,423	(13,709)

The following information regards the Company's investments in subsidiaries (there are no investments in other companies).
Data concerning net equity and net income refer to the draft financial statements as at 31 December 2011 approved by the respective Boards of Directors.

(euro)	Headquarter	Net equity [(1)]	Profit/(loss)	% possession	Cost	Value
Subsidiaries						
Comprel S.r.l.	Nova Milanese	3,744,072	238,008	100%	500,000	500,000
Monclick S.r.l.	Nova Milanese	251,947	(412,299)	100%	3,236,572	3,291,525
V-Valley S.r.l.	Nova Milanese	238,681	226,074	100%	20,000	20,000
Esprinet Iberica S.L.U.	Zaragoza-Spain	62,585,030	(10,260,890)	100%	75,637,217	61,903,000
Total		**66,819,730**	**(10,209,107)**			**65,714,525**

(1) Data from draft financial statements as at 31 December 2011 drawn up in compliance with the respective local accounting principles.

The following table shows the movement in investments in subsidiaries during the year:

(euro/000)	Balance at 31/12/2010	Increase	Decrease	Balance at 31/12/2011
Subsidiaries				
Comprel S.r.l.	500	-	-	500
Monclick S.r.l.	3,266	26	-	3,292
V-Valley S.r.l.	20	-	-	20
Esprinet Iberica S.L.U.	75,637	-	13,735	61,902
Total	**79,423**	**26**	**13,735**	**65,714**

During 2011, in accordance with IFRS 2, the Monclick S.r.l. investment rose by 26 thousand euro as a result of the maturity of the Esprinet S.p.A. stock grant of beneficiaries who are also employed by the same company.
The process and the reasons underlying the decreases entirely due to the "devaluation" of the Esprinet Iberica investment are summarized below. Please note that the following information refers to the valuation of all investments, unless otherwise specified.

A) Valuation system

In compliance with IAS 36, in order to verify whether there is any indication that its investments in subsidiaries may be impaired, the entity perform at least annually an impairment test by comparing the value in use and the carrying amount of these investments.

In the case of the abovementioned investments, their value in use was calculated starting with the cash flow reasonably obtainable from operations, discounted-back to the date of the analysis.
The cash flows were estimated on the basis of the Group's plans forecast for the 2012-2016 period as per the "Impairment Test on Goodwill and Investments in compliance with IAS 36" approved by the Board of Directors 14 March 2012.

Projections are thus based on forecasts covering a 5-year period and the 'value in use' was estimated using the Discounted Cash Flow (DCF) model which, in order to estimate the discounting back of future cash flows, requires an appropriate discount rate reflecting the degree of risk of the same cash flows.

An 'asset side' approach was used which presupposes discounting unlevered cash flows, gross of financial components, generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT).
The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.

In order to calculate the value in use of the investments needed to assess their recoverable value versus their book value the respective net financial debt was deducted for each company at 31 December 2011.

To estimate the discount rate the WACC', or *Weighted Average Cost of Capital,* has been used. Its cost of the capital (K_e) has been calculated using a *Capital Asset Pricing Model* ('CAPM') approach.

The terminal value recorded at the end of the forecast period was calculated using the 'Perpetuity Method' (unlimited capitalisation model of the last year's cash flow).
The approach used presupposes that from the end of the 5th year on, the cash flow will grow at a constant rate of "g" and that therefore the terminal value will be calculated as perpetual income through the capitalisation of the last cash flow of the plan at a rate corresponding to the discount-back rate used (WACC) corrected by a supposedly stable growth factor.
This last factor is seen as 2% in the case of all investments.
More specifically, in order to avoid the risk of an overestimation of the terminal value, always possible also in normal situations but heightened in the present emergency situation, the cash flow sustainable in perpetuity was customised to the individual situations of each CGU by using average values and standardisations in the case of investments with a greater cyclic nature (Comprel) or characterised by greater uncertainty in the estimates forecast (Esprinet Iberica).

Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM- calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.

B) Basic assumptions/ critical variables

The following table describes the main basic assumptions used to calculate the recoverable value of the investment in subsidiaries:

	Comprel	Monclick	V-Valley	Esprinet Iberica
Future cash flow expected:				
Forecast horizon	5 years	5 years	5 years	5 years
g (long-term growth rate)	2.0%	2.0%	2.0%	2.0%
Discount rates:				
Equity Risk Premium	5.00%	5.00%	5.00%	5.00%
Sector Beta unlevered	0.98	0.98	0.76	0.76
Credit spread[(1)]	0.56%	0.56%	0.56%	2.55%
Target financial structure (D/D+E)	13%	0%	17%	17%
WACC post-tax	11.56%	11.92%	10.38%	8.68%
WACC pre-tax	17.18%	16.72%	14.59%	11.47%

[(1)] The credit spread obtained, applicable to 10-year IRS contracts is 530 bps.

C) Value adjustments

The impairment test regarding the Monclick, Comprel S.r.l. and V-Valley S.r.l. investments did not reveal any need for write-downs.

In the case of Esprinet Iberica S.L.U., however, a 13.7 million euro write-down was necessary, resulting in a value of 61.9 million euro of the same at 31 December 2011.

D) Sensitivity analysis

As already mentioned, the tests revealed the need to write down the total value of the investments by 13.7 million euro.

Further, also in compliance with joint Bank of Italy/Consob/Isvap document n. 4 of 3 March 2010, a sensitivity test was performed on the results of the test regarding the variation in some basic assumptions (specifically the 'g' rate used in calculating the terminal value, the discount rate and the forecast EBITDA level).

The idea of worsening the discount rate regarding each investment (up to +200bps) and the 'g' growth rate beyond plan horizon (as far as a zero growth scenario), in particular, was advanced. The underlying hypotheses of gross operating profit performance in the forecast period were also lowered (EBITDA down -20% for each investment). In the case in point, a worst-case scenario model would have required a further 16.6 million euro write-down in the case of the Esprinet Iberica investment, while in the case of the Comprel S.r.l., V-Valley S.r.l. and Monclick S.r.l. investments, the recoverable amounts that emerged from the sensitivity tests were greater than the relative carrying amount.

The abovementioned sensitivity analysis was performed as required by IAS 36 solely for purposes of information and the directors do not believe further write-downs will be necessary since the cash flow forecasts and basic assumptions used in the impairment test are considered reasonably representative of "unique scenarios" where a certain symmetry between "best" and "worst" scenarios can be expected.

6) Deferred income tax assets

(euro/000)	31/12/11	31/12/10	Var.
Deferred income tax assets	3,396	5,205	(1,809)

The balance of this item is represented by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Company expects to recover in future operating years when tax when taxable earnings will be accounted.
As shown in the following table, the change in this item is mainly due to the decrease of the provisions (bad debt provision and provision for obsolescence) and to the change in fair value of derivatives.

(euro/000)	31/12/11			31/12/10		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Bad debt provision	6,335	27.50%	1,742	11,343	27.50%	3,119
Excessive depreciation	351	31.40%	110	732	31.40%	230
Director's fees not paid	1,147	27.50%	315	1,645	27.50%	452
Inventory obsolescence provision	809	31.40%	254	1,191	31.40%	374
Agent suppl. indemnity provision	762	31.40%	239	513	31.40%	161
Provisions for risks	1,197	27.50%	329	1,431	27.50%	394
Provisions for risks	1,145	3.90%	45	1,307	3.90%	51
Ineffec. on cash-flow hedge derivatives	113	27.50%	31	113	27.50%	31
Derivative instruments	749	27.50%	206	1,255	27.50%	345
Other	-	31.40%	-	27	31.40%	8
Other	453	27.50%	124	140	27.50%	39
Deferred income tax assets			**3,396**			**5,205**

The time-related allocation of this item is as follows:

(euro/000)		Whitin 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/11	3,236	160	-	3,396
	31/12/10	4,897	308	-	5,205

9) Receivables and other non-current assets

(euro/000)	31/12/11	31/12/10	Var.
Guarantee deposits receivables	1,838	1,738	100
Receivables from subsidiaries	82	42	40
Other receivables	21	21	-
Receivables and other non-current assets	**1,941**	**1,801**	**140**

The item *Receivables from subsidiaries* refers to receivables from Comprel S.r.l. as a result of cash incentives and the stock grant in favour of its directors who are also Esprinet S.p.A.'s staff.
The item *Guarantee deposits receivables* includes guarantee deposits relating to utilities and leasing agreements whereas the amount entered under *Other receivables* refers to the Ecor'it consortium membership fees.

Current assets

10) Inventory

(euro/000)	31/12/11	31/12/10	Var.
Finished products and goods	158,906	200,258	(41,352)
Provision for obsolescence	(809)	(1,191)	382
Inventory	**158,097**	**199,067**	**(40,970)**

At 31 December 2011, net inventory totalled 158.1 million euro, a 41.0 million euro reduction over the previous year, almost entirely attributable to the gross value of warehouse stock.
This reduction reflected the actions taken by the Company to rationalize stock levels and encourage the reabsorption of the excess stock created at the end of 2010 as a result of a retail product Christmas Campaign below expectations.

The 0.8 million euro allocated to *Provision for obsolescence* is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.
The movement in the provision during the period was as follows:

(euro/000)	31/12/11	31/12/10	Var.
Provision for obsolescence: year-beginning	**1,191**	**1,225**	**(34)**
Uses	(382)	(34)	(348)
Accruals	-	-	-
Provision for obsolescence: year-end	**809**	**1,191**	**(382)**

11) Trade receivables

(euro/000)	31/12/11	31/12/10	Var.
Trade receivables - gross	181,388	177,466	3,922
Bad debt provision	(6,852)	(11,810)	4,958
Trade receivables - net	**174,536**	**165,656**	**8,880**

Trade receivables arise from normal sales dealings engaged in by the Company in the context of ordinary marketing activities. These operations are effected almost entirely with customers resident in Italy, are wholly in euro and are short-term.

The increase in trade receivables was caused almost equally by the increase in gross trade receivables and the reduction of the bad debt provision.
The increase in gross receivables is due to the worsening in their turnover rate (up from 32 to 36 days) despite the greater volumes of ‘without-recourse’ factoring operations (approx. 86 million euro versus the approx. 81 million euro in 2010), given the negligible effect of the increase in turnover in the last quarter of the year versus that of the previous year.

The reduction in the bad debt provision, however, mainly reflects the definitive emergence of losses of receivables mainly acquired with the leasing of the company division in 2006 and the Actebis Computer S.p.A. merger in 2007, regarding insolvency procedures arisen or terminated.

Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision. This provision is made up of allocations estimated on the basis of a valuation analysis of each single customer in terms of the relevant receivables overdue, or existing trade disputes and by also taking into account insurance covers, however (further information can be found under *‘Disclosures on risks and financial instruments’*).
The table below illustrates the movements in the bad debt provision:

(euro/000)	31/12/11	31/12/10	Var.
Bad debt provision: year-beginning	**11,810**	**11,899**	**(89)**
Uses	(5,857)	(1,827)	(4,030)
Accruals	899	1,738	(839)
Bad debt provision: year-end	**6,852**	**11,810**	**(4,958)**

The *Trade receivables* balance includes 13.7 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement for which the Group maintains credit risk.

12) Income tax assets

(euro/000)	31/12/11	31/12/10	Var.
Income tax assets	4,401	2,830	1,571

Income tax assets regard surplus accounts paid (4.0 million euro for IRES, or corporation income tax, and 439 thousand euro for IRAP, or regional tax on production) compared with income tax liabilities matured on the income of the year.

It should be noted that IRES receivables also include the amounts transferred by the Monclick S.r.l., Comprel S.r.l and V-Valley S.r.l. subsidiaries to Esprinet S.p.A. as a result of the National consolidated tax regime, the option of which was used by Monclick and Comprel starting since 2005, and by V-Valley starting since 2010.

13) Other assets

(euro/000)	31/12/11	31/12/10	Var.
Receivables from subsidiaries (A)	**62,986**	**6,752**	**56,234**
VAT receivables	388	384	4
Other tax assets	236	18	218
Other receivables from Tax authorities (B)	**624**	**402**	**222**
Receivables from factoring companies	13,545	15,486	(1,941)
Receivables from insurance companies	2,051	1,654	397
Receivables from suppliers	722	988	(266)
Receivables from employees	4	8	(4)
Receivables from others	98	-	98
Other receivables (C)	**16,420**	**18,136**	**(1,716)**
Prepayments (D)	**1,203**	**1,060**	**143**
Other assets (E=A+B+C+D)	**81,233**	**26,350**	**54,883**

The following tables show *Receivables from subsidiaries* detailed by type and by single company. For further information regarding the source figures please refer to the section headed '*Relationships with related parties*.

(euro/000)	31/12/11	31/12/10	Var.
Comprel S.r.l.	615	452	163
Monclick S.r.l.	3,365	1,081	2,284
V-Valley S.r.l.	18,515	939	17,576
Esprinet Iberica S.L.U.	10,434	3,891	6,543
Trade receivables (A)	**32,929**	**6,363**	**26,566**
Comprel S.r.l.	23	344	(321)
Monclick S.r.l.	-	45	(45)
V-Valley S.r.l.	34	-	34
Receivables as per national cons. tax regime (B)	**57**	**389**	**(332)**
Esprinet Iberica S.L.U.	30,000	-	30,000
Financial receivables (C)	**30,000**	**-**	**30,000**
Total receivables from subsidiaries (A+B+C)	**62,986**	**6,752**	**56,234**

(euro/000)	31/12/11	31/12/10	Var.
Comprel S.r.l.	638	796	(158)
Monclick S.r.l.	3,365	1,126	2,239
V-Valley S.r.l.	18,549	939	17,610
Esprinet Iberica S.L.U.	40,434	3,891	36,543
Total receivables from subsidiaries	**62,986**	**6,752**	**56,234**

The increase of 56.2 million euro *Receivables from subsidiaries* is mainly due to the new 30 million euro loan granted in 2011 to the *Esprinet Iberica S.L.U.* subsidiary and to the 17.6 million euro increase versus 2010 in V-Valley trade receivables for the greater sales volumes to the same, the year of the start-up of its trading activities.

VAT receivables refer to requests to the Inland Revenue for reimbursement of VAT retarded recognised deductible by Italian Treasury for which tax liabilities deriving from operations cannot be used as compensation.

Other tax receivables are mainly reimbursements of sanctions and/or duties recognized by the tax authorities but not yet paid.

Receivables from factoring companies include sums owed to the Company as a result of ‘without recourse’ factoring operations effected. At the draft date of this report was drafted, almost all the receivables payable had been paid since the remainder had not yet reached maturity.
The decrease compared with that of the balance at the end of the previous year is due to the combination of the original due dates of the receivables transferred and the level of advances requested.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the end of 2012.

Receivables from suppliers refer to credit notes received exceeding the amount owed at the end of the year. This item also includes receivables from hauliers for advance VAT payments and customs duties pertaining to imports, to receivables from suppliers for advance payments demanded by suppliers before purchase orders are executed.

Prepayments are costs the accrual date of which is deferred compared with that of the cash movement (mainly payables for leasing contracts, maintenance fees, service fees).

17) Cash and cash equivalents

(euro/000)	31/12/11	31/12/10	Var.
Bank and postal deposits	65,062	99,954	(34,892)
Cash	25	4	21
Cheques	18	16	2
Total cash and cash equivalents	**65,105**	**99,974**	**(34,869)**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available.
Of a partly temporary nature, the level of liquidity (originated in the normal short-term financial cycle of collections) dramatically fluctuates not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

The decrease versus 31 December 2010 is a result of the 30.0 million euro credit line, granted in June of the previous year and totally employed by the Esprinet Iberica S.L.U. subsidiary by mid-June.

The market value of the cash and cash equivalents is the same as the carrying amount.

Net Equity

Items composing shareholders' equity are explained in the following notes.

(euro/000)	31/12/11	31/12/10	Var.
Share capital (A)	**7,861**	**7,861**	**-**
Legal reserve	1,572	1,572	-
Share premium reserve	22,947	22,947	-
Extraordinary reserve	181,467	163,054	18,413
Merger surplus reserve	5,369	5,369	-
Share incentive plan reserve	986	529	457
IFRS - 'First time adoption' reserve	1,588	1,588	-
Cash flow hedge' reserve	(430)	(797)	367
Revaluation reserve	30	30	-
Reserves and profit carried over (B)	213,529	194,292	19,237
Own shares (C)	(14,935)	(14,935)	-
Total reserves (D=B+C)	**198,594**	**179,357**	**19,237**
Net income for the year (E)	**8,653**	**27,348**	**(18,695)**
Net equity (F=A+D+E)	**215,108**	**214,566**	**542**

19) Share capital

The Esprinet S.p.A. *Share capital*, fully subscribed and paid-in as at 31 December 2011, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the *'Directors' Report on Operations'*.
The value of these rights was reported in the separate income statement under costs relating to salaried staff with a balancing item reported in the statement of financial position under the item *'Reserves'*.

20) <u>Reserves</u>

Legal reserve

This item consists of provisions allocated pursuant to Article 2430 of the Italian Civil Code.

Share premium reserve

This item amounts to 22.9 million euro and comprises 11.3 million euro arising from the share premium generated by the effect of the Share Capital increase resulting from the listing on the 'Nuovo Mercato' (New Market) of Borsa Italiana in July 2001 and 11.6 million euro arising from the share premium generated by the effect of the share capital increases in 2004 and 2006 relating to servicing the stock option plan.

Extraordinary reserve

This item is made up of the allocations of profits from previous years, after the sums foreseen by Article 2430 of the Civil Code have been allocated to the Legal Reserve.

The 18.4 million euro increase derives from Esprinet S.p.A. 2010 profits of 27.3 million euro after the 8.9 million euro dividend payments (0.175 euro per every ordinary share) of 5 May 2011.

Merger surplus reserve

The *Merger surplus reserve* is composed as follows:

- 342 thousand euro from the merger of Micromax S.p.A. into Celo S.p.A in 1999 resulting in Celomax S.p.A.;
- 3.7 million euro from the merger of Comprel S.p.A. into Celomax S.p.A. (now Esprinet S.p.A.) in 2000;
- 845 thousand euro from the merger of Multimediaplanet S.p.A. into Esprinet S.p.A. in 2003;
- 62 thousand euro from the merger of Nilox S.r.l. into Esprinet S.p.A. in 2007;
- 376 thousand euro from the merger of Actebis Computer S.p.A. into Esprinet S.p.A in 2007.

Share incentive plan reserve

The *Share incentive plan reserve* includes the counter-item of costs relating to the stock grant plan started at the end of April 2010 and currently on-going (further details can be found under *'Share incentive plans'* in the *'Directors' Report on Operations'*).

IFRS Reserve – 'First time adoption'

The *IFRS Reserve* amounts to 1.6 million euro as a result of the so-called 'First time adoption' of the international accounting principles by Esprinet S.p.A. at 1 January 2005. The item was also increased by the Nilox S.r.l. and Actebis Computer S.p.A. mergers into Esprinet S.p.A..

'Cash flow hedge' reserve

This item, pursuant to the 'cash flow hedge' accounting rules, equals, solely in the case the hedging instrument is determined to be an effective hedge, to the lesser between the cumulative gain or loss on the hedging instrument from inception of the hedge, and the cumulative change in fair value of the expected future cash flows on the hedged item from inception of the hedge (ref. *'Disclosures on risks and financial instruments'*).

The change versus 31 December 2010 derives from the combined effect of the transfer to the income statement of the fair value changes accumulated up to 31 December 2010 regarding the instalments matured in 2011, and from the rise in interest rates relating to the expiry dates of derivatives still in existence.

Revaluation reserve

This item refers to the monetary revaluation of fixed assets (now definitively sold) pursuant to the Italian Law No. 413/91.

Own shares on hand

The amount of own shares on hand refers to the total purchase price of No. 1,350,000 Esprinet S.p.A. shares (cf. '*Number and value of own shares'* in the *'Directors' Report on Operations'*).

The following table shows the amount and the distributability of the reserves composing the net equity as per OIC or *Italian Accountancy Organisation* requirements:

(euro/000)				**Summary of the uses in the three previous years:**	
Type/description	**Amount**	**Possible uses**	**Quota available**	**to cover losses**	**for other reasons**
Share capital	**7,861**	---	**-**		
Reserves as per OIC:					
Share premium reserve (*)	19,749	A,B,C	19,749		
Revaluation reserve	30	A,B,C	30		
Legal reserve	1,572	B	-		
Own shares on hand	14,935	---	-		
Merger surplus	5,369	A,B,C	5,369		
Extraordinary reserve	162,182	A,B,C	162,182		
IFRS reserve	9,692	---	-		
Total reserves	**213,529**		**187,330**	**-**	**-**
Total share capital and reserves	**221,390**		**187,330**		
Non-distributable quota (**)			-		
Residual distributable quota			**187,330**		

(*) Pursuant to Article 2431 of the Civil Code the whole amount of this reserve can be distributed solely provided that the legal reserve has reached the limit established by Article 2430 of the Civil Code, including through the transfer of the share premium reserve. This limit had been reached as at 31 December 2008.

(**) Pursuant to Article 2426, 5), this is the non-distributable quota allocated to cover long-term costs not yet amortised.

Key:
A: share capital increase.
B: cover of losses.
C: distribution to shareholders.

The main changes in net equity during 2011 can be found in the *'Statement of changes in equity'*.

21) Net income

The year's profits amount to 8.6 million euro, down 18.7 million euro from the 27.3 million euro of the previous year, mainly as a result of non-recurring charges regarding the write-down of the investment in the Esprinet Iberica S.L.U. subsidiary (13.7 million euro).

Non-current liabilities

22) Borrowings

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Borrowings	14,939	24,848	(9,909)

Borrowings consist of the portion of medium/long-term loans falling due beyond the following year.

The balance as at 31 December 2011 reflects the measurement at amortised cost of the seven-year pool loan entered by Esprinet S.p.A. in June 2007.

The decrease versus the end of the previous year is due to the transfer to *Short-term financial liabilities* of quotas due within 12 months after 31 December 2011.

The above said loan contractually contains a set of no. 6 financial covenants to be attained based on audited consolidated financial statements whose details can be found under the paragraph *'Loans and loan covenants'.*

23) Derivative financial liabilities (non-current)

(euro/000)	31/12/11	31/12/10	Var.
Derivative financial liabilities	368	605	(237)

The amount refers to the 'fair value' of the 'IRS-Interest Rate Swap' contract entered in November 2007 to hedge the risk of interest rate fluctuations on the 'Senior Amortizing Loan' signed in June 2007 with a pool of banks originally for 65.0 million euro (reduced to 25.0 million euro as book value of loan principal as of 31 December 2011 because of reimbursements).
For further details regarding the operation please refer to the section headed '*Disclosures on risks and financial instruments*'.
The variation compared with 31 December 2010 is due to the combined effect of a reduction in the notional and in the relevant interest rates, and of the transfer to current liabilities of the quota due within the next financial year simply as a consequence of the time spending.

24) Deferred income tax liabilities

(euro/000)	31/12/11	31/12/10	Var.
Deferred income tax liabilities	2,282	2,298	(16)

The balance of this item depends on higher taxes that the Company has to pay in the next operating years due to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

As shown in the next table, these differences mainly arise from the elimination of the tax amortisation of goodwill, the adjustment of the staff severance provision ('TFR') to the actuarial valuation, the write-off of the revaluation for tax purposes of fixed assets.

(euro/000)	31/12/11			31/12/10		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Goodwills' amortisation	6,541	31.40%	2,054	6,530	31.40%	2,050
Changes in staff leaving indemnity	763	27.50%	210	763	27.50%	210
Exceeding amortisation	-	27.50%	-	-	27.50%	-
Exceeding amortisation	301	3.90%	12	452	3.90%	18
Estimated foreign exchange gains	22	27.50%	6	72	27.50%	20
Total deferred income tax liabilities			**2,282**			**2,298**

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/11	2,276	6	-	2,282
	31/12/10	2,286	12	-	2,298

25) Retirement benefit obligations

Retirement benefit obligations reflects the staff severance indemnities ('TFR') and other benefits accruing to salaried staff at the close of the period, assessed in accordance with actuarial criteria, pursuant to IAS 19.

Please note that from 1 January important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Balance at year-beginning	**4,139**	**3,944**	**195**
Service cost	-	-	-
Interest cost	181	201	(20)
Actuarial (gain)/loss	(45)	259	(304)
Pensions paid	(421)	(265)	(156)
Changes	**(285)**	**195**	(480)
Balance at year-end	**3,854**	**4,139**	**(285)**

Values recognised in the separate income statement are as follows:

(euro/000)	**31/12/11**	**31/12/10**	**Var.**
Amounts booked under personnel costs	-	-	-
Amounts booked under financial costs	136	460	(324)
Total	**136**	**460**	**(324)**

Please note that the item 'service cost' no longer includes any costs since the Company, which has more than 50 employees, transfers the staff severance indemnity quotas to third parties.
The fall in *"Retirement benefit obligations"* is mainly due to the severance pay relating to employment terminations, net of any advance payments effected.

The method known as 'Project Unit Credit Cost' used to assess the Staff Severance Indemnity (TFR) as per the IAS 19 accounting standard is based on the following assumptions (substantially unchanged with respect to the assumptions made as at 31 December 2010):

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender;
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker, as per n. 214 of 22 December 2011 (the so-called "manovra Monti");
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/11	31/12/10
Cost of living increase	2.0%	2.0%
Discounting rate	4.6%	4.6%
Remuneration increase	n/a	n/a
Staff severance indemnity (TFR) - annual rate increase	3.0%	3.0%

26) Non-current provisions and other liabilities

(euro/000)	31/12/11	31/12/10	Var.
Long-term liabilities for cash incentives	775	415	360
Provisions for pensions and similar obligations	807	559	248
Other provisions	1,213	2,341	(1,128)
Non-current provisions and other liabilities	**2,795**	**3,315**	**(520)**

The item *Long-term liabilities for cash incentives* refers to the present value of cash incentives matured by beneficiaries of the 'Long-term Incentive Plan' but payable solely on achievement of the targets established for the consolidated financial statements, following approval of the 2012 Esprinet S.p.A. financial statements.

The item *Provisions for pensions* includes the supplementary customer indemnity provision payable to agents based on current regulations disciplining the subject; movements in the year are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Provisions for pensions: year-beginning	**559**	**759**	**(200)**
Uses	(8)	(260)	252
Accruals	256	60	196
Provisions for pensions: year-end	**807**	**559**	**248**

The amount, entered under *Other provisions* is intended as cover for risks linked with current legal and tax-related disputes. Changes in this item during the year are as follows:

(euro/000)	31/12/11	31/12/10	Var.
Other provisions: year-beginning	**2,341**	**2,301**	**40**
Uses	(1,188)	(997)	(191)
Accruals	60	1,037	(977)
Other provisions: year-end	**1,213**	**2,341**	**(1,128)**

The notes regarding developments occurring during 2011 concerning the main disputes involving the Group, for which the company effected the relevant risk assessments and consequently effected accruals to the provision for risks, where considered appropriate, can be found under *"Developments in legal and tax-related disputes*" in the notes to the item '*Non-current provisions and other liabilities'*, in turn in the *"Notes to the consolidated financial statements"*.
The Company's and the Group's policies regarding the management of legal and tax-related disputes can be found under '*Main risks and uncertainties facing the Group and Esprinet S.p.A.'* in the '*Directors' Report on Operations'*.

Current liabilities

27) Trade payables

(euro/000)	31/12/11	31/12/10	Var.
Trade payables	342,178	356,827	(14,649)
Receivables - credit notes	(54,401)	(50,581)	(3,820)
Total trade payables	**287,777**	**306,246**	**(18,469)**

The fall in *Trade payables* is mainly due to the mix of due dates applied by suppliers and to the shorter payment times granted by the same (this last information can be found in the 'Director's *Report on Operations*' under "*Net working capital")* since the purchase volumes in the last quarter are virtually the same as those of the previous year's last quarter.

28) Short-term financial liabilities

(euro/000)	31/12/11	31/12/10	Var.
Bank loans and overdrafts	14,404	13,142	1,262
Other financing payables	12,354	14,531	(2,177)
Short-term financial liabilities	**26,758**	**27,673**	**(915)**

Bank loans and overdrafts account for 9.9 million euro of the current portion of existing medium/long-term loans (10.0 million euro as at 31 December 2010) while the 'remainder' is mainly accounted for by trade bills and advances against invoices, subject to usual reserve. This 'remainder' amounted to 3.1 million euro at the end of 2009 highlighting a +1.4 million euro increase therefore.

The *'current quotas of medium-/long-term loans'* refer to the amortized cost of the instalments falling due within the twelve months after 31 December 2011 of the two seven-year pool loans entered in June 2007 which are subject to the observance of 6 covenants (for further information refer to paragraph '*Loans and loan covenants'*).
The constancy in the debt compared with that of the end of the previous year, despite the reimbursement of the instalments during the year as foreseen by the amortization schedules, is due to the simultaneous transfer of the new instalments falling due within the twelve months after 31 December 2011 from *'Borrowings'.*

Other financing payables are mainly advances obtained from factoring companies and derive from the usual assignment of credits to the Company through recourse factoring and by outstanding payables received in the name and on behalf of clients transferred under the without-recourse factoring agreement.

30) Derivative financial liabilities (current)

(euro/000)	31/12/11	31/12/10	Var.
Derivative financial liabilities	381	650	(269)

The amount refers to the 'fair value' of the 'IRS-Interest Rate Swap' contract entered in November 2007 to hedge the risk of interest rate fluctuations on the 'Senior Amortizing Loan' signed in June 2007 with a pool of banks originally for 65.0 million euro (reduced to 25.0 million euro as book value of loan principal as of 31 December 2011 because of reimbursements).
For further details regarding the operation please refer to the section headed '*Disclosures on risks and financial instruments*'.
The variation versus the liability in place at the end of the previous year is the result of the short-term interest rate decrease, of the payment of the spreads matured at the end of June and December 2011, and of the transfer of quotas due within the 12 months after 31 December 2011 from non-current financial liabilities.

32) Provisions and other liabilities

Provisions and other liabilities includes solely payables whose maturity is within the following 12 months.

(euro/000)	31/12/11	31/12/10	Var.
Payables to subsidiary and associated companies (A)	**618**	**111**	**507**
Social security liabilities (B)	**2,229**	**2,368**	**(139)**
VAT payables	5,832	1,964	3,868
Withholding tax liabilities	63	47	16
Other tax liabilities	907	1,054	(147)
Other payables to Tax authorities (C)	**6,802**	**3,065**	**3,737**
Payables to customers	2,719	1,964	755
Payables to personnel	2,329	2,634	(305)
Paybles to others	1,285	1,885	(600)
Total other creditors (D)	**6,333**	**6,483**	**(150)**
Accrued expenses - Insurance premiums	150	103	47
Deferred income - advance revenues	18	16	2
Other deferred income	11	-	11
Total accrued expenses and deferred income (E)	**179**	**119**	**60**
Provisions and other liabilities (F=A+B+C+D+E)	**16,161**	**12,146**	**4,015**

The breakdown of *Payables to subsidiaries and associated companies* by type and by single company is as follows:

(euro/000)	31/12/11	31/12/10	Var.
Comprel S.r.l.	88	52	36
Monclick S.r.l.	18	14	4
V-Valley S.r.l.	221	11	210
Esprinet Iberica S.L.U.	27	31	(4)
Trade payables (A)	**354**	**108**	**246**
Monclick S.r.l.	264	-	264
V-Valley S.r.l.	-	3	(3)
Payables due to the national cons. tax regime (B)	**264**	**3**	**261**
Total payables to subsidiary and associated companies (C=A+B)	**618**	**111**	**507**

(euro/000)	31/12/11	31/12/10	Var.
Monclick S.r.l.	282	14	268
V-Valley S.r.l.	221	14	207
Comprel S.r.l.	88	52	36
Esprinet Iberica S.L.U.	27	31	(4)
Total payables to subsidiary and associated companies	**618**	**111**	**507**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables.

Increased VAT liabilities are mainly the result of the different sales/purchases mix during December 2011 compared with the same month in 2010.

Other tax liabilities are mainly taxes withheld by the Company from employees' income of December and from fees to consultants.

Payables to personnel refer to the December wages and salaries, as well as deferred monthly payables (holidays not taken, year-end bonus, summer salary) accruing at 31 December 2011.

Payables to customers refer to credit notes not yet paid by Esprinet S.p.A. relating to current trading relationships.

Payables to others include payables amounting to 1.0 million euro to Directors for fees accrued and unpaid relating to the year (1.6 million in 2010), as well as payables of 0.2 million euro to the Company's agents' network relating to commissions due and payable.

Accrued expenses and deferred income are, respectively, charges/income whose accrual date is anticipated/deferred compared with the cash expenditure/collection.

4. Guarantees, commitments and potential risks

Commitments and potential risks

(euro/000)	31/12/11	31/12/10	Var.
Third-party assets on consignment to the Company	3,710	7,794	(4,084)
Real securities	62,862	75,765	(12,903)
Bank guarantees issued in favour of subsidiaries	276,959	249,461	27,498
Bank guarantees issued in favour of other companies	11,349	6,563	4,786
Securities deposited	9	18	(9)
Total guarantees issued	**354,889**	**339,601**	**15,288**

Third-party assets on consignment to the Company

It refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. warehouses.

Real securities

Real securities refer to a pledge on all Esprinet Iberica S.L.U. capital quotas in favour of Intesa Sanpaolo for loans valued according to the Esprinet Iberica consolidated net equity as per IFRSs at 31 December 2011.

Bank guarantees issued in favour of subsidiaries

The amount refers to the 150 million euro of guarantees given during 2007 in favour of Intesa Sanpaolo on behalf of Esprinet Iberica for loans granted to the latter (see also *'Loans and loan covenants'*).
The remaining amount refers to letters of credit issued in favour of some Esprinet Iberica suppliers as a partial guarantee for payables to them.

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank and insurance suretyships issued to the Public Administration in order to participate in tenders for services or supplies.

Securities deposited

The amount refers to the value of the Esprinet S.p.A. securities account at Monte Titoli S.p.A. containing the shareholdings of third parties subject to restraints and lock-up agreements.

Guarantees received

Bank suretyships received

Esprinet S.p.A. holds bank suretyships totalling 0.9 million euro (2.5 million in 2010) received as guarantees of contractual commitments assumed by their seller counterparts during acquisition operations concluded in previous years.

5. Notes to the income statement items

33) Sales

The following are some breakdowns of sales performance.

Sales by product family and customer type

(euro/million)	2011	%	2010	%	Var.	% Var.
PCs - notebooks	389.5	24.6%	478.4	28.9%	(88.9)	-19%
Consumables	239.5	15.2%	245.6	14.8%	(6.1)	-2%
PCs - desktops	176.4	11.2%	196.4	11.9%	(20.0)	-10%
Peripheral devices	120.5	7.6%	123.6	7.5%	(3.1)	-3%
Accessories	116.3	7.4%	122.7	7.4%	(6.4)	-5%
Digital	111.8	7.1%	116.4	7.0%	(4.6)	-4%
Software	104.3	6.6%	96.1	5.8%	8.2	9%
Servers	68.2	4.3%	82.4	5.0%	(14.2)	-17%
Monitors	51.5	3.3%	52.5	3.2%	(1.0)	-2%
Networking	39.6	2.5%	51.8	3.1%	(12.2)	-24%
Phone devices	50.5	3.2%	29.7	1.8%	20.8	70%
Handhelds / GPS	64.2	4.1%	24.1	1.5%	40.1	166%
Other	48.4	3.1%	35.5	2.1%	12.9	36%
Sales	**1,580.7**	**100.0%**	**1,655.2**	**100.0%**	**(74.5)**	**-5%**

The sales analysis by product family highlights a generalized decrease in sales compared with the previous year with the exception of ‘Handhelds /GPS’ (+166%), ‘Phone devices’ (+70%) and ‘Software (+9%) divisions.

(euro/million)	2011	%	2010	%	Var.	% Var.
Dealers	593.6	37.6%	511.4	30.9%	82.2	16%
Large wholesalers / GDS	393.9	24.9%	470.3	28.4%	(76.4)	-16%
VAR	294.2	18.6%	320.5	19.4%	(26.3)	-8%
Office / consumables dealers	223.0	14.1%	292.1	17.6%	(69.1)	-24%
Sub-distributors	48.1	3.0%	45.2	2.7%	2.9	6%
Shop on-line	27.9	1.8%	15.7	0.9%	12.2	78%
Sales	**1,580.7**	**100.0%**	**1,655.2**	**100.0%**	**(74.5)**	**-5%**

2011 highlights a decrease in sales for all customer type with the exception of ‘Sub-distributors” (+6%) and ‘Shop on-line’ (+78%) segments.

Sales from products and services

(euro/million)	2011	%	2010	%	Var.	% Var.
Product sales	1,568.9	99.3%	1,645.4	99.4%	(76.5)	-5%
Services sales	11.8	0.7%	9.8	0.6%	2.0	20%
Sales	**1,580.7**	**100.0%**	**1,655.2**	**100.0%**	**(74.5)**	**-5%**

Sales by geographical segment

(euro/million)	2011	%	2010	%	Var.	% Var.
Italy	1,501.8	95.0%	1,567.4	94.7%	(65.6)	-4%
Other EU countries	64.3	4.1%	60.6	3.7%	3.7	6%
Extra EU countries	14.6	0.9%	27.3	1.6%	(12.7)	-46%
Sales	**1,580.7**	**100.0%**	**1,655.2**	**100.0%**	**(74.5)**	**-5%**

Sales in other E.U. countries mainly refer to sales to the Spanish subsidiary Esprinet Iberica; sales to extra E.U. countries refer almost wholly to sales to clients whose residence is in the San Marino Republic.

35) Gross profit

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	1,580,742	100.00%	1,655,253	100.00%	(74,511)	-5%
Cost of sales	1,491,518	94.36%	1,557,667	94.10%	(66,149)	-4%
Gross profit	**89,224**	**5.64%**	**97,586**	**5.90%**	**(8,362)**	**-9%**

Gross profit is 89.2 million euro, or 5.64% of turnover, and reflects a drop compared with the 5.9% of 2010.

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

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. 1.8 million euro for the 2011 operating year (1.3 million euro in 2010).

37-38) Operating costs (SG&A)

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	**-5%**
Sales and marketing costs	26,250	1.66%	22,883	1.38%	3,367	15%
Overheads and administrative costs	26,910	1.70%	29,914	1.81%	(3,004)	-10%
Total SG&A	**53,160**	**3.36%**	**52,797**	**3.19%**	**363**	**1%**
- of which non-recurring	-		-		-	0%
Total SG&A 'recurring'	**53,160**	**3.36%**	**52,797**	**3.19%**	**363**	**1%**

2011 operating costs of 53.2 million euro were substantially stable versus those of the previous year, while their impact on total sales increased from 3.19% to 3.36%.

The following table gives a detailed breakdown of operating costs and their performance in the two years compared:

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Sales & marketing personnel costs	20,574	*1.30%*	18,954	*1.15%*	1,620	*9%*
Other sales & marketing costs	5,676	*0.36%*	3,930	*0.24%*	1,746	*44%*
Sales & marketing costs	**26,250**	***1.66%***	**22,883**	***1.38%***	**3,367**	***15%***
Administr., IT, HR and general service personnel costs	10,509	*0.66%*	11,304	*0.68%*	(795)	*-7%*
Directors' compensation	3,050	*0.19%*	3,526	*0.21%*	(476)	*-14%*
Consulting services	3,627	*0.23%*	3,480	*0.21%*	147	*4%*
Amortisation, depreciation and provisions	2,250	*0.14%*	3,630	*0.22%*	(1,380)	*-38%*
Other overheads and administrative costs	7,474	*0.47%*	7,974	*0.48%*	(500)	*-6%*
Overheads and administrative costs	**26,910**	***1.70%***	**29,914**	***1.81%***	**(3,004)**	***-10%***
Totale SG&A	**53,160**	***3.36%***	**52,797**	***3.19%***	**363**	***1%***

Sales and marketing costs mainly include the following:

- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges and related travel and transfer expenses;
- shipping, transport and insurance costs of products delivered to customers, net of recovered amounts, promoting and advertising expenses.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP area, human resources and general services;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of the stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of tangible fixed assets and amortisation of intangible fixed assets (assets relating to logistic equipment and plants allocated by function to sales costs excluded) and also provisions for risks and write-downs;
- overheads and administrative costs, among which, leasing of premises, utilities, bank charges and commission, insurance, data connections and telephone costs.

Reclassification by nature of some categories of operating costs

For purposes of providing greater information, some categories of operating costs allocated by ‘function’ have been reclassified by ‘nature’.

Labour costs

Due to the allocation of costs by destination, labour costs of 3.6 million euro were included in the cost of sales and 26.6 million euro in operating costs (3.9 million euro and 27.0 million euro respectively in 2010). 2011 saw labour costs totalling 30.2 million euro, down -2% (-0.7 million euro) compared with the previous year.

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Wages and salaries	21,067	1.33%	21,552	1.30%	(485)	*-2%*
Social contributions	6,523	0.41%	6,564	0.40%	(41)	*-1%*
Pension obligations	1,488	0.09%	1,607	0.10%	(119)	*-7%*
Other personnel costs	742	0.05%	742	0.04%	-	*0%*
Share incentive plans	405	0.03%	472	0.03%	(67)	*-14%*
Total labour costs (1)	**30,225**	**1.91%**	**30,937**	**1.87%**	**(712)**	***-2%***

(1) Costs of temporary workers excluded.

Details of the Company's employees at 31 December 2011, status defined as per contract, can be found under *'Human Resources'* in the *'Directors' Report on Operations'*.

Amortisation, depreciation, write-downs and provisions

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Depreciation of tangible assets	1,837	0.12%	2,212	0.13%	(375)	*-17%*
Amortisation of intangible assets	190	0.01%	197	0.01%	(7)	*-4%*
Amortisation & depreciation	**2,027**	0.13%	**2,409**	0.15%	**(382)**	***-16%***
Write-downs of fixed assets	-	0.00%	-	0.00%	-	*0%*
Write-downs	**-**	0.00%	**-**	0.00%	**-**	***N.S.***
Amortisation & depreciation, write-downs (A)	**2,027**	0.13%	**2,409**	0.15%	**(382)**	***N.S.***
Accruals for risks and charges (B)	316	0.02%	1,098	0.07%	(782)	*-71%*
Amort. & depr., write-downs, provisions (C=A+B)	**2,343**	**0.15%**	**3,507**	**0.21%**	**(1,164)**	***-33%***

(euro/000)	2011	2010	Var.
Depreciation of tangible assets increasing the 'found'	2,066	2,442	(376)
Debited to subsidiaries	(229)	(230)	1
Depreciation of tangible fixed assets	**1,837**	**2,212**	**(375)**
Amortisation of intangible assets increasing the 'found'	282	265	17
Debited to subsidiaries	(92)	(68)	(24)
Amortisation of intangible fixed assets	**190**	**197**	**(7)**

Amortisation and depreciation of fixed assets have been adjusted as shown in the previous table so that, a reconciliation with the movements shown in the respective assets schedules, is allowed.

Costs relating to operating leasing are detailed in the table below:

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Lease of buildings	6,535	0.41%	6,324	0.38%	211	*3%*
Lease of cars	841	0.05%	831	0.05%	10	*1%*
Lease of equipment	105	0.01%	98	0.01%	7	*7%*
Lease of data connection lines	84	0.01%	320	0.02%	(236)	*-74%*
Leasing costs	**7,565**	**0.48%**	**7,573**	**0.46%**	**(8)**	***0%***

Commitments for future payments pertaining to leasing rentals and operating leasing are as follows:

(euro/000)	2012	2013	2014	2015	2016	Over	Total
Lease of buildings	6,044	4,925	4,734	4,438	4,202	24,191	48,534
Lease of cars	685	606	379	163	6	-	1,840
Lease of equipment	127	128	65	14	10	1	343
Lease of data connection lines	99	99	99	-	-	-	297
Leasing costs	**6,955**	**5,758**	**5,277**	**4,614**	**4,218**	**24,192**	**51,014**

42) Finance costs - net

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Interest expenses on borrowings (*)	1,463	0.09%	1,949	0.12%	(486)	*-25%*
Interest expenses to banks (*)	565	0.04%	38	0.00%	527	*1387%*
Interest expenses to others	90	0.01%	-	0.00%	90	*100%*
Upfront fees amortisation	271	0.02%	309	0.02%	(38)	*-12%*
IAS 19 expenses/losses	135	0.01%	460	0.03%	(325)	*-71%*
Total financial expenses (A)	**2,524**	**0.16%**	**2,756**	**0.17%**	**(232)**	***-8%***
Interest income from banks (*)	(363)	-0.02%	(775)	-0.05%	412	*-53%*
Interest income from others	(5)	0.00%	(12)	0.00%	7	*-58%*
Interest income for credit discounting	(100)	-0.01%	(73)	0.00%	(27)	*37%*
Interest income from group companies	(332)	-0.02%	-	0.00%	(332)	*-100%*
Total financial income (B)	**(800)**	**-0.05%**	**(860)**	**-0.05%**	**60**	***-7%***
Net financial (income)/expenses (C=A-B)	**1,724**	**0.11%**	**1,896**	**0.11%**	**(172)**	***-9%***
Foreign exchange gains	(701)	-0.04%	(1,034)	-0.06%	333	*-32%*
Foreign exchange losses	1,231	0.08%	2,430	0.15%	(1,199)	*-49%*
Net foreign exchange (profit)/losses (D)	**530**	**0.03%**	**1,396**	**0.08%**	**(866)**	***N.S.***
Net finance (income)/costs (E=C+D)	**2,254**	**0.14%**	**3,292**	**0.20%**	**(1,038)**	***-32%***

The overall negative -2.2 million euro balance shows a 1.0 million euro (-32%) improvement over the -3.3 million euro balance of 2010.

This trend was almost wholly caused by the lower losses incurred in foreign exchange translations (0.5 million euro in 2011 versus 1.4 million euro in 2010) due to the average strengthening of the euro against the US dollar for products purchased in this currency.

Net financial income/expenses also show an improvement despite an increased negative balance between interest payable and receivable from banks (*) thanks to the reduction in financial expenses regarding the actuarial valuation of retirement benefit payables as per IAS 19 (depending mostly on the lack of any significant actuarial losses, compared with the previous year) and to the interest receivable accruing to the short-term 30.0 million euro loan granted in June 2011 to the Esprinet Iberica S.L.U. subsidiary.

The greater negative balance between interest payable and receivable from banks is due to less available funds, as a consequence of the abovementioned loan, and to the generalized increase in market interest rates, rises in the Euribor of between 50% (6 months) and 120% (1 month), which more than counterbalanced the advantages deriving from the reimbursement of the more costly medium-/long-term loan.

The total incidence of net financial expenses on sales decreased to 0.14% as opposed to the 0.20% in 2010.

Total gross financial expenses also include:
- 1.5 million euro for interests accruing on medium-/long loans, which are the Senior Loans existing as at 31 December 2011, of a total 25 million euro book value;
- 0.6 million euro of interest paid to banks for advances on invoices, in order to sustain working capital needs;
- 0.3 million euro of depreciation expenses accruing during the period, relating to ancillary costs mainly consisting in organizational charges incurred in connection with the granting of medium/long-term loans, valued as per the “effective interest rate” principle of IAS 39;

The 0.8 million euro of financial income derives for 0.3 million euro from the interest accruing on the surplus liquid assets arising temporarily during the interim period and invested in deposits with no time restrictions on use, and for 0.3 million euro from the interest paid by Esprinet Iberica subsidiary for the short-term intercompany loan granted on June 2011.

45) Income tax expenses

(euro/000)	2011	%	2010	%	Var.	% Var.
Sales	**1,580,742**		**1,655,253**		**(74,511)**	***-5%***
Current tax - IRES (Corporation income tax)	7,448	0.47%	11,354	0.69%	(3,906)	*-34%*
Current tax - IRAP (Regional tax on productive activities)	2,322	0.15%	2,819	0.17%	(497)	*-18%*
Current income taxes	**9,770**	**0.62%**	**14,173**	**0.86%**	**(4,403)**	***-31%***
Deferred tax - IRES (Corporation income tax)	1,631	0.10%	(23)	0.00%	1,654	*-7191%*
Deferred tax - IRAP (Regional tax on productive activities)	22	0.00%	(1)	0.00%	23	*-2300%*
Deferred income taxes	**1,653**	**0.10%**	**(24)**	**0.00%**	**1,677**	***-6988%***
Total tax - IRES (Corporation income tax)	9,079	0.57%	11,331	0.68%	(2,252)	*-20%*
Total tax - IRAP (Regional tax on productive activities)	2,344	0.15%	2,818	0.17%	(474)	*-17%*
Total taxes	**11,423**	**0.72%**	**14,149**	**0.85%**	**(2,726)**	***-19%***

Income taxes, amounting to 11.4 million euro, fell by -2.7 million euro versus 2010, mainly due to a lower tax base and to the reversal of advance income taxes mainly as a result of the decrease in value of some provisions entered in the financial statements (write-downs of receivables, obsolescence provision).

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	2011	2010
Profit before taxes [A]	**20,076**	**41,498**
Operating profit (EBIT)	**36,064**	**44,790**
(+) personnel costs [(1)]	19,782	20,568
(+) bad debt provision	899	1,737
(+) provision for risks and charges	60	1,187
(-) VAT recovery on receivables	(207)	
Taxable amout for IRAP [B]	**56,598**	**68,282**
Theoretical taxation IRES [A*27,5%]	5,521	11,412
Theoretical taxation IRAP [B*3,9%]	2,207	2,663
Total theoretical taxation [C]	**7,728**	**14,075**
Theoretical tax rate [C/A]	***38.5%***	***33.9%***
(+) taxes on write-downs of investments in subsidiaries	3,777	-
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(152)	-
(+) non-deductible taxes	40	-
Other permanent differences	30	74
Total effective taxation [D]	**11,423**	**14,149**
Effective tax rate [D/A]	***56.9%***	***34.1%***

(1) Staff costs are net of the effect of the 'tax wedge' and IRAP *(Regional tax on productive activities*) deductible costs totalling 10.4 million euro in the 2011 financial year and 10.4 million euro in the 2010 financial year.

6. Other significant information

6.1 Emoluments paid to the board members, statutory auditors and key managers

Disclosure in accordance with CONSOB Resolution 11971 dated 14 May 1999 and in compliance with the following amendments introduced with resolution 15520 dated 27 July 2006, regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and 'Key Managers', payable to them in respect of the positions held by them in the company during the year can be found in the paragraph of the same name in the *'Notes to the consolidated financial statements'*.

6.2 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, the net financial indebtedness (or 'net financial position' also) is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: *'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004*' and referred to by Consob itself.

(euro/000)	**31/12/11**	**31/12/10**
A. Bank deposits and cash on hand	65,087	99,970
B. Cheques	18	4
C. Trading securities	-	-
D. Liquidity (A+B+C)	65,105	99,974
Financial assets for derivatives	-	-
Financial receivables from factoring companies	*13,545*	*15,486*
Financial receivables from group companies	*30,000*	-
E. Current financial receivables	43,545	15,486
F. Current bank debt	4,483	3,272
G. Current portion of non current debts	9,921	9,870
H. Other current financial debt and financial liability for derivatives	12,735	15,181
I. Current financial debt (F+G+H)	27,139	28,323
J. Net current financial indebtedness (I-E-D)	**(81,511)**	**(87,137)**
K. Non-current bank loans	14,939	24,848
L. Bonds issued	-	-
M. Non-current financial liabilities for derivatives	368	605
N. Non-current financial indebtedness (K+L+M)	**15,307**	**25,453**
O. Net financial indebtedness (J+N)	**(66,204)**	**(61,684)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	26,758	27,673
Current financial (assets)/liabilities for derivatives	381	650
Financial receivables from factoring companies	(13,545)	(15,486)
Financial receivables/liabilities from/to group companies	(30,000)	-
Cash and cash equivalents	(65,105)	(99,974)
Net current financial debt	**(81,511)**	**(87,137)**
Non-current financial (assets)/liabilities for derivatives	368	605
Borrowings	14,939	24,848
Net financial debt	**(66,204)**	**(61,684)**

The net financial debt, showing a surplus of 66.2 million euro, results from the balance between gross financial debt of 41.7 million euro, financial liabilities for derivatives of 0.7 million euro, financial receivables from factoring companies of 13.5 million euro, financial receivables from Group companies of 30.0 million euro and cash and cash equivalents of 65.1 million euro.

Cash and cash equivalents, mainly made up of bank deposits and not tied-up, are of a partially transitory nature, accumulating at the end of the month, due to the Company's peculiar kind of payment/encashment cycle.
This cycle is characterised by the concentration of payments received from customers and from factoring companies – the latter as consequence of the 'without-recourse' sale of trade account receivables - at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.
For this reason, the figure resulting at 31 December 2011, or at the end of each month, is not totally representative of the average net financial indebtedness or the average level of cash on hand customarily observable during the same period.

The without-recourse sale of account receivables revolving programme focussing on the large-scale distribution sector in particular, continued during 2011 as part of the processes aimed at the structural optimisation of the management of working capital.

The aforementioned programmes completely transfer the risks and benefits to the assignees so that receivables in question are removed from assets as per IAS 39.

The overall effect on the levels of financial debt as at 31 December 2011 can be quantified as approx. 86 million euro (approx. 81 million euro as at 31 December 2010).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year are illustrated below:

(euro/000)	31/12/11	31/12/10	Var.
Pool loan (ag. Intesa Sanpaolo): (1)			
Quotas falling within the following year	9,921	9,870	51
Quotas falling beyond the following year	14,939	24,848	(9,909)
Total loan	**24,860**	**34,718**	**(9,858)**

(1) Amounts different from the book value of loan principal since they represent the amortised cost calculated on the basis of the real interest rate as specified by IFRS.

6.3 Loans and loan covenants

The book value of loan granted by a pool of banks, with Intesa Sanpaolo as bank agent compared to the previous year, is as follows:

(euro/000)	31/12/11	31/12/10	Var.
Unsecured pool loan (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 5 six-monthly instalments by June 2014	25,000	35,000	(10,000)

Its notional portions falling due beyond 31 December 2011 will be repaid in the following operating years, as per the amortisation schedule:

(euro/000)	2012	2013	2014	Total
Book value of loan principal	10,000	10,000	5,000	25,000

The weighted average rate used during 2011 on the above loan was approx. 4.5% (close to the one used in 2010). It refers to the loan agreements entered in 2007 during the total renegotiation of the Group's financial debt, the main features of which are summarised below:

- ‘Senior amortizing term loan’ originally of 65.0 million euro and seven-year duration;
- ‘Revolving facility’ to Esprinet S.p.A. and Esprinet Iberica originally of 100.0 million euro, reduced to 25.0 million euro in December 2008 (unused).

Such loans, still existing at 31 December 2011 and accounted for 24.9 million euro (corresponding to 25.0 million euro as book value of loan principal), are subject to the observance of 6 covenants, the failure to observe of which allow the issuing institutes to claim their immediate reimbursement.

These covenants, which are subject to 6-monthly checks against the audited and consolidated financial statements, are as follows:

i) ratio between net financial indebtedness and EBITDA;
ii) ratio between net financial indebtedness and net equity;
iii) ratio between EBITDA and net financial charges;
iv) ratio between gross financial indebtedness and EBITDA;
v) ratio between gross financial indebtedness and tangible equity;
vi) amount of gross financial indebtedness.

At 31 December 2011, according to management estimates, the covenants were fully observed.
Such loan contracts also contain the usual ‘negative pledge’, ‘pari passu’ and similar type clauses. At the time this report was drafted none of the above-mentioned clauses had been violated.

6.4 Cash-flow analysis

(euro/000)	31/12/11	31/12/10
Net financial debt at year-beginning	**(61,684)**	**(107,561)**
Cash flow provided by (used in) operating activities	15,682	(36,372)
Cash flow provided by (used in) investing activities	(2,193)	(470)
Cash flow provided by (used in) changes in net equity	(8,516)	(8,601)
Total cash flow	**4,973**	**(45,443)**
Unpaid bank interests	(453)	(434)
Net financial debt at year-end	**(66,204)**	**(61,684)**
Short-term financial liabilities	26,758	27,673
Current financial (assets)/liabilities for derivatives	381	650
Financial receivables from factoring companies	(13,545)	(15,486)
Financial receivables from group companies	(30,000)	-
Cash and cash equivalents	(65,105)	(99,974)
Net current financial debt	**(81,511)**	**(87,137)**
Non-current financial (assets)/liabilities for derivatives	368	605
Borrowings	14,939	24,848
Net financial debt	**(66,204)**	**(61,684)**

As seen in the table, due to the cash flows recorded in the consolidated cash flow statement, the Esprinet S.p.A. 66.2 million euro cash surplus was in line with that of 31 December 2010, a significant improvement, therefore, in light of the 30.0 million euro short-term loan granted to the Esprinet Iberica S.L.U. subsidiary in June 2011.

6.5 Shareholdings

Here’s following the Shareholding Schedule with data referring to the IFRS ‘reporting package’ at 31 December 2011 of the single entities where the Company owns shareholdings approved by the respective Boards of Directors:

Subsidiaries:

N.	Name	Headquarters	Interest held	Group interest held
1	Comprel S.r.l.	Nova Milanese (MB) - Italy	100.00%	100.00%
2	Monclick S.r.l.	Nova Milanese (MB) - Italy	100.00%	100.00%
3	V-Valley S.r.l.	Nova Milanese (MB) - Italy	100.00%	100.00%
4	Esprinet Iberica S.L.U.	Zaragoza -Spain	100.00%	100.00%

N.	Name	Currency	Share capital	Net equity	Result for the period	Carrying amount
1	Comprel S.r.l.	EUR	500,000	5,129,605	(829,612)	500,000
2	Monclick S.r.l.	EUR	100,000	257,179	(441,291)	3,291,525
3	V-Valley S.r.l.	EUR	20,000	238,681	226,074	20,000
4	Esprinet Iberica S.L.U.	EUR	54,692,844	62,861,469	(13,372,291)	61,903,000

6.6 Summary of subsidiaries' main financial and economic figures

In the following tables the subsidiaries' main draft financial statements as at 31 December 2011 approved by the respective Boards of Directors are shown.

Please note that the financial statements have been drawn up in accordance with local accounting policies.

(euro/000)	Comprel S.r.l.	Monclick S.r.l.	V-Valley S.r.l.	Esprinet Iberica S.L.U.
Sales	38,620	30,490	48,168	520,336
Cost of sales	(31,266)	(27,034)	(47,472)	(498,991)
Gross profit	**7,354**	**3,456**	**696**	**21,345**
Sales and marketing costs	(4,623)	(2,491)	37	(5,135)
Overheads and administrative costs	(1,916)	(1,493)	(408)	(24,520)
Operating income (EBIT)	**815**	**(528)**	**325**	**(8,310)**
Finance costs - net	(177)	5	7	(2,939)
Profit before income taxes	**638**	**(523)**	**332**	**(11,249)**
Income tax expenses	(400)	111	(106)	988
Net income	**238**	**(412)**	**226**	**(10,261)**

(euro/000)	Comprel S.r.l.	Monclick S.r.l.	V-Valley S.r.l.	Esprinet Iberica S.L.U.
ASSETS				
Non-current assets				
Property, plant and equipment	76	28	-	1,171
Goodwill	221	-	-	58,561
Intangible assets	1	1	-	198
Deferred income tax assets	999	-	-	8,356
Receivables and other non-current assets	3	-	-	183
	1,300	**29**	**-**	**68,469**
Current assets				
Inventory	4,789	213	-	53,910
Trade receivables	11,008	3,264	18,424	55,951
Income tax assets	-	30	-	9
Other assets	454	392	478	521
Cash and cash equivalents	242	957	207	49,411
	16,493	**4,856**	**19,109**	**159,802**
Total assets	**17,793**	**4,885**	**19,109**	**228,271**
EQUITY				
Share capital	500	100	20	55,203
Reserves	3,006	564	- 7	17,643
Net income	238	(412)	226	(10,261)
Total equity	**3,744**	**252**	**239**	**62,585**
LIABILITIES				
Non-current liabilities				
Borrowings	-	-	-	21,300
Derivative financial liabilities	-	-	-	552
Deferred income tax liabilities	59	-	-	2,060
Retirement benefit obligations	488	232	-	-
Provisions and other liabilities	337	-	-	118
	884	**232**	**-**	**24,030**
Current liabilities				
Trade payables	3,691	349	152	78,072
Short-term financial liabilities	7,899	11	109	44,119
Income tax liabilities	24	-	15	-
Derivative financial liabilities	-	-	-	571
Provisions and other liabilities	1,551	4,041	18,594	18,894
	13,165	**4,401**	**18,870**	**141,656**
Total liabilities	**14,049**	**4,633**	**18,870**	**165,686**
Total equity and liabilities	**17,793**	**4,885**	**19,109**	**228,271**

6.7 Relationships with related parties

In next paragraphs balances of the statement of financial position and of the separate income statement deriving from operations with related parties (as defined by IAS 24), except for relationships with members of the key management that are detailed in the paragraph with the same name are summarised and explained.

6.7.1 Intercompany costs and revenues

The details of revenues and costs recorded by Esprinet S.p.A. in relation to the companies belonging to the Group are as follows:

(euro/000)	Type	2011 Sales	2011 Costs	2010 Sales	2010 Costs
Sales					
Comprel S.r.l.	Sale of goods	277	-	229	-
Monclick S.r.l.	Sale of goods	27,745	-	23,019	-
V-Valley S.r.l.	Sale of goods	47,465	-	772	-
Esprinet Iberica S.L.U.	Sale of goods	45,195	-	51,502	-
Subtotal		**120,682**	**-**	**75,522**	**-**
Cost of sales					
Comprel S.r.l.	Lease - premises	-	(111)	-	(110)
Comprel S.r.l.	Administrative services	-	(26)	-	(29)
Comprel S.r.l.	Purchase of goods	-	318	-	273
Monclick S.r.l.	Administrative services	-	(49)	-	(58)
Monclick S.r.l.	Purchase of goods	-	9	-	-
Esprinet Iberica S.L.U.	Administrative services		(95)		-
Esprinet Iberica S.L.U.	Purchase of goods	-	156	-	133
Subtotal		**-**	**202**	**-**	**209**
Sales and marketing costs					
Comprel S.r.l.	Administrative services	-	(77)	-	(68)
Monclick S.r.l.	Administrative services	-	(7)	-	-
V-Valley S.r.l.	Fees on sales	-	712	-	12
V-Valley S.r.l.	Administrative services	-	(40)	-	-
Esprinet Iberica S.L.U.	Administrative services	-	(16)	-	(5)
Esprinet Iberica S.L.U.	Labour costs	-	(379)	-	(294)
Subtotal		**-**	**193**	**-**	**(355)**
Overheads and administrative costs					
Comprel S.r.l.	Directors' costs	-	(192)	-	(192)
Comprel S.r.l.	Administrative services	-	(566)	-	(600)
Monclick S.r.l.	Administrative services	-	(284)	-	(230)
V-Valley S.r.l.	Administrative services	-	(113)	-	(7)
Esprinet Iberica S.L.U.	Lease - equipment	-	(49)	-	(46)
Esprinet Iberica S.L.U.	Labour costs	-	-	-	(25)
Esprinet Iberica S.L.U.	Administrative services	-	(739)	-	(811)
Subtotal		**-**	**(1,943)**	**-**	**(1,911)**
Finance costs - net					
Esprinet Iberica S.L.U.	Interest income	332	-	-	-
Subtotal		**332**	**-**	**-**	**-**
Total		**121,014**	**(1,548)**	**75,522**	**(2,057)**

6.7.2 Relationships with subsidiaries

The following is a summary of the Esprinet S.p.A.'s relationships with its subsidiaries.
Intercompany receivables and payables have been detailed in the '*Notes to the statement of financial position items'* whereas intercompany costs and revenues have been detailed in the previous paragraph.
Please note that the relationships between Esprinet S.p.A. and its subsidiaries have been conducted in accordance with market conditions.

Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:

- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;

- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/2003;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.

National consolidated tax regime – Subgroup Italy

Esprinet S.p.A. and its subsidiaries Comprel S.r.l., Monclick S.r.l. and V-Valley S.r.l. (Comprel and Monclick starting from fiscal year 2005, V-Valley from 2010) have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR - *Italian Income Tax Code*).
This option, renewed in April 2008 for the triennium 2008-2010, and appropriately reviewed on the 25 June 2010, enables Corporate Income Tax (IRES) to be determined on the tax base resulting from the algebraic sum of the positive and negative tax bases of the single companies.

The economic ratios, as well as the responsibilities and mutual obligations, between the consolidating company and the aforementioned subsidiaries are defined in the '*Consolidation regulations governing Esprinet Group member companies*'.
Tax liabilities are usually reported under the item *'Current income tax liabilities'*, net of advances and the withholding taxes paid and tax credits, in general. The current Corporate Income Tax (IRES) is also reported under *'Current income tax liabilities'* calculated by using estimates of positive and negative taxable amounts of the subsidiary companies which have accepted the National consolidated tax regime, net of advances and withholding taxes paid and the accruing tax credits of the companies in question; the corresponding receivables of the consolidating company referring to Group member companies and regarding the current tax corresponding to the positive taxable amounts transferred in the framework of the National consolidated tax regime, represent the balancing item of the tax liabilities reported.
Payables for compensations due to subsidiaries with negative taxable amounts are reported under the item '*Payables to subsidiaries and associated companies'*.
The deferred and prepaid Corporate Income Tax (IRES) is calculated on the temporary differences between the values of assets and liabilities determined in accordance with the requirements of the Italian civil code and the corresponding tax values referring exclusively to the single companies.
The current, deferred and pre-paid Regional Business Tax (IRAP) is determined exclusively in the case of single companies.

Comprel S.r.l.

During 2011 Comprel sold goods to the parent company totalling 318 thousand euro.
Such transactions were part of a sub-distribution agreement stipulated with Esprinet for the supply of a number of product lines (memories, monitors, motherboards, case and notebooks in particular).

On the other hand, Comprel purchased products from Esprinet S.p.A. totalling 277 thousand euro.
Under a service agreement, Comprel S.r.l. paid a fee of around 669 thousand euro to its parent company (item 'Administrative services') for the use of premises and space, the hiring of equipment, the debiting of general expenses, telephone charges, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.

Comprel leases part of the Cambiago (MI) site from the parent company for its logistic operations for which it spent 111 thousand euro in 2011.
Comprel also sustained costs of 192 thousand euro as compensation for directors employed by the parent company.

Monclick S.r.l.

Monclick purchases the products and services forming the object of its activity almost entirely from the parent company, Esprinet. During the year these purchases totalled 27.7 million euro.

Under a service agreement, Monclick S.r.l. paid a fee of around 401 thousand euro to its parent company (item 'Administrative services') for the use of premises and space, the hiring of equipment, the debiting of

general expenses, telephone charges, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.
Monclick also charged to Esprinet staff costs sustained for web developing services for products of the Nilox brand owned by Esprinet as per the service contract signed in May 2010 (61 thousand euro).

V-Valley S.r.l.

V-Valley purchases the products and services forming the object of its activity almost entirely from the parent company, Esprinet. During the year these purchases totalled 47.5 million euro.

V-Valley as a result of the contract for commission signed the 20 October 2010 with the parent company Esprinet S.p.A., matured 712 thousand euro in commissions on sales effected during the year.
In this contract V-Valley is appointed by Esprinet as its sales agent, with a non-exclusive mandate to sell on behalf of the purchaser and in the name of the sales agent.
Moreover, in October 2010 V-Valley and Esprinet signed a service agreement on the basis of which V-Valley paid a fee of 149 thousand euro to its parent company (item ‘Administrative services’) for the hiring of equipment, the debiting of general expenses, telephone charges, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.
Finally, in 2010 (still valid in 2011) Esprinet S.p.A. gave V-Valley a warrant to grant (at Intesa Sanpaolo) by which Esprinet stands guarantee in favour of the company’s use of the same.

Esprinet Iberica S.L.U.

During the year Esprinet Iberica purchased goods from Esprinet S.p.A. totalling 45.2 million euro and also sold goods to Esprinet S.p.A. totalling 156 thousand euro.

Esprinet Iberica also paid approx. 1.3 million euro according to a service agreement to lease equipment, for the use of data lines and administrative services, and loan interests of about 332 thousand euro.

6.7.3 Relationships with ‘other related parties’

The following table details operations occurred between Esprinet S.p.A. and the companies where its directors and shareholders play important roles.

(euro/000)	Type	2011 Sales	2011 Costs	2011 Receiv.	2011 Payab.	2010 Sales	2010 Costs	2010 Receiv.	2010 Payab.
Sales									
Infoklix S.p.A.	Sale of goods	-	-	3	-	80	-	3	-
Autentica S.r.l.	Sale of goods	14	-	-	-	43	-	-	-
Smart Res S.p.A.	Sale of goods	3	-	-	-	1	-	-	-
Key managers e familiari	Sale of goods	11	-	-	-	-	-	-	-
Subtotal		**28**	**-**	**3**	**-**	**124**	**-**	**3**	**-**
Cost of sales									
Immobiliare Selene S.r.l.	Lease - premises	-	1,991	1,320	-	-	1,963	1,707	-
M.B. Immobiliare S.r.l.	Lease - premises	-	2,074	663	-	-	2,040	171	-
Autentica S.r.l.	Purchase of goods	-	153	-	27	-	-	-	-
Subtotal		**-**	**4,218**	**1,983**	**27**	**-**	**4,003**	**1,878**	**-**
Overheads and administrative costs									
Immobiliare Dea 81 S.p.A.	Lease - premises	-	185	-	-	-	182	-	-
Immobiliare Dea 81 S.p.A.	Overheads	-	1	-	-	-	1	-	-
Immobiliare Selene S.r.l.	Overheads	-	10	-	-	-	10	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	237	40	-	-	234	40	-
M.B. Immobiliare S.r.l.	Overheads	-	14	-	-	-	10	-	-
Subtotal		**-**	**447**	**40**	**-**	**-**	**437**	**40**	**-**
Total		**28**	**4,665**	**2,026**	**27**	**124**	**4,440**	**1,921**	**-**

Sales concern consumer electronics products sold at normal market conditions.

Services mainly refer to leasing agreements entered into at market conditions in periods prior to this interim period with the real estate companies, Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site, Immobiliare Dea 81 S.p.A. and M.B. Immobiliare S.r.l. in the case of the Esprinet S.p.A. administrative and commercial headquarters, M.B. Immobiliare S.r.l. in the case of the Cavenago (MB) logistics site, respectively.

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

6.7.4 Relationships with associated companies

During the year Esprinet S.p.A. had no relationships with subsidiaries or associated companies outside the consolidation perimeter.

6.8 Non-recurring significant events and operations

During 2011 the write-down of the investment in the Esprinet Iberica S.L.U. subsidiary was booked as a non-recurring item. Further details can be found under *"Investments in subsidiaries and other companies"*.

On the contrary no significant events and operations of a non-recurring nature occurred during 2010
The following table shows effects of the above said events and operations on the income statement (before taxes):

(euro/000)	2011	2010	Var.
Write-downs of investments in subsidiaries	13,734	-	13,734
(Cost) income from investments	**13,734**	**-**	**13,734**

6.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the consolidated statement of financial position item '*Non-current provisions and other liabilities*' in the '*Notes to the consolidated financial statements'*.
Similarly, the '*Directors' Report on Operations'* also contains the Group's policies regarding the management of legal and tax-related disputes under '*Main risks and uncertainties facing the Group and Esprinet S.p.A.'.*

6.10 Disclosures on risks and financial instruments

6.10.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

Disclosure regarding financial risks able to influence the Esprinet S,p.A.'s asset structure, performance and cash flows can be found under *'Main risks and uncertainties facing the Group and Esprinet S.p.A.'* in the *'Directors' Report on Operations'*.
Similarly, accounting principles regarding financial instruments used in preparing the Esprinet S.p.A. financial statements can be found in the section *'Accounting principles and valuation criteria'*.

6.10.2 Financial instruments pursuant to IAS 39: classes of risk and 'fair value'

The next table illustrates the relationship between the financial instruments items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting principle IAS 39:
For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the chapter *'Notes to the statement of financial position items'.*

Assets	31/12/11				31/12/10			
(euro/000)	**Carrying amount**	**Financial assets at FVTPL [1]**	**Loans and receiv.**	**Not IAS 39**	**Carrying amount**	**Financial assets at FVTPL [1]**	**Loans and receiv.**	**Not IAS 39**
Derivative financial assets	-	-			-	-		
Receivables from subsidiaries	*82*		*82*		*42*		*42*	
Guarantee deposits	*1,838*			*1,838*	*1,738*			*1,738*
Consortium membership fees	*21*			*21*	*21*			*21*
Receiv and other non-curr. assets	1,941		82	1,859	1,801		42	1,759
Non-current assets	**1,941**	**-**	**82**	**1,859**	**1,801**	**-**	**42**	**1,759**
Trade receivables	174,536		174,536		165,656		165,656	
Receivables from subsidiaries	*62,986*		*62,986*		*6,752*		*6,752*	
Other tax receivables	*624*			*624*	*402*			*402*
Receivables from factors	*13,545*		*13,545*		*15,486*		*15,486*	
Receivables from insurances	*2,051*		*2,051*		*1,654*		*1,654*	
Receivables from suppliers	*722*			*722*	*988*			*988*
Receivables from employees	*4*		*4*		*8*		*8*	
Receivables from others	*98*		*98*		*-*			*-*
Pre-payments	*1,203*			*1,203*	*1,060*			*1,060*
Other receivables	81,233		78,684	2,549	26,350		23,900	2,450
Cash and cash equivalents	65,105		65,105		99,974		99,974	
Current assets	**320,874**	**-**	**318,325**	**2,549**	**291,980**	**-**	**289,530**	**2,450**

Liabilities	31/12/11				31/12/10			
(euro/000)	**Carrying amount**	**Financial liabilities at FVTPL [1]**	**Financial liabilities amortized cost**	**Not IAS 39**	**Carrying amount**	**Financial liabilities at FVTPL [1]**	**Financial liabilities amortized cost**	**Not IAS 39**
Borrowings	14,939		14,939		24,848		24,848	
Derivative financial liabilities	368	368			605	605		
Provisions for pensions	*807*			*807*	*559*			*559*
Other provisions	*1,213*			*1,213*	*2,341*			*2,341*
Cash incentive liabilities	*775*		*775*		*415*		*415*	
Provis. and other non-curr. liab.	2,795		775	2,020	3,315		415	2,900
Non-current liabilities	**18,102**	**368**	**15,714**	**2,020**	**28,768**	**605**	**25,263**	**2,900**
Trade payables	287,777		287,777		306,246		306,246	
Short-term financial liabilities	26,758		26,758		27,673		27,673	
Derivative financial liabilities	381	381			650	650		
Payables to assoc. and subsid.	*618*		*618*		*111*		*111*	
Social security liabilities	*2,229*		*2,229*		*2,368*		*2,368*	
Other tax liabilities	*6,802*			*6,802*	*3,065*			*3,065*
Payables to others	*6,333*		*6,333*		*6,483*		*6,483*	
Accrued expenses (insurance)	*150*		*150*		*103*		*103*	
Deferred income	*29*			*29*	*16*			*16*
Provisions and other liabilities	16,161		9,330	6,831	12,146		9,065	3,081
Current liabilites	**331,077**	**381**	**323,865**	**6,831**	**346,715**	**650**	**342,984**	**3,081**

[1] 'FVTPL': Fair Value Through Profit and Loss.

As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:
  - cash and cash equivalents and receivables from factoring companies
  - receivables from insurance companies
  - intercompany receivables
  - trade receivables
  - other receivables
  - receivables from employees
  - trade payables
  - financial liabilities
  - intercompany payables
  - other debts (current and non-current)
- financial instruments measured at 'fair value' since initial recognition:
  - derivative financial assets
  - derivative financial liabilities

Qualitative disclosures regarding the different risk classes can be found under the same section in the *'Notes to the consolidated financial statements'*.

The followings are the fair value measurement of financial assets and liabilities reported in the statement of financial position and provided by IAS 39 and governed by IFRS 7, grouped into classes of risk, and the methods and the assumptions applied in determining them:

Assets	**31/12/11**						**31/12/10**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. from insurers	Receiv. from Group	Rec. from emplo yees	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. from insurers	Receiv. from Group	Rec. from emplo yees
Receivables from subsid.	*82*				*82*		*42*				*42*	
Other non-curr. assets	82				82		42				42	
Non-current assets	**82**	**-**	**-**	**-**	**82**	**-**	**42**	**-**	**-**	**-**	**42**	**-**
Trade receivables	174,536	174,536					165,656	165,656				
Receivables from subsid.	*62,986*				*62,986*		*6,752*				*6,752*	
Receiv. from factors	*13,545*		*13,545*				*15,486*		*15,486*			
Receiv. from insurances	*2,051*			*2,051*			*1,654*			*1,654*		
Receiv. from employees	*4*					*4*	*8*					*8*
Receiv. From others	*98*					*98*	*-*					*-*
Other receivables	78,684		13,545	2,051	62,986	102	23,900		15,486	1,654	6,752	8
Cash and cash equival.	65,105		65,105				99,974		99,974			
Current assets	**318,325**	**174,536**	**78,650**	**2,051**	**62,986**	**102**	**289,530**	**165,656**	**115,460**	**1,654**	**6,752**	**8**

Liabilities	**31/12/11**						**31/12/10**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade payables	Financial liabilities	FVTPL derivat.	Other payab.	Payab. to Group	**Carrying amount**	Trade payables	Financial liabilities	FVTPL derivat.	Other payab.	Payab. to Group
Borrowings	14,939		14,538				24,848		23,766			
Financial derivatives	368			368			605			605		
Cash incentive liabilities	*775*				*772*		*415*				*414*	
Provis. and other liabil.	775				772		415				414	
Non-current liabilites	**16,082**	**-**	**14,538**	**368**	**772**	**-**	**25,868**	**-**	**23,766**	**605**	**414**	**-**
Trade payables	287,777	287,777					306,246	306,246				
Short-term financial liab.	26,758		26,619				27,673		27,555			
Financial derivatives	381			381			650			650		
Intercompany payables	*618*					*618*	*111*					*111*
Social security liabilities	*2,229*				*2,229*		*2,368*				*2,368*	
Payables to others	*6,333*				*6,333*		*6,483*				*6,483*	
Accrued exp. (insurance)	*150*				*150*		*103*				*103*	
Provis. and other liabil.	9,330				8,712	618	9,065				8,954	111
Current liabilities	**324,246**	**287,777**	**26,619**	**381**	**8,712**	**618**	**343,634**	**306,246**	**27,555**	**650**	**8,954**	**111**

Given their short-term due date, in the case of current assets (excluding those of derivatives), trade payables, short-term financial liabilities and other payables (excluding liabilities for cash incentives), the carrying amount is a reasonable approximation of 'fair value'.
In order to hedge the risk of interest rate fluctuations, at the end of November 2007, Esprinet S.p.A. entered into a 45.5 million euro as notional 'IRS - Interest Rate Swap' contract ('hedging instrument') with Intesa Sanpaolo S.p.A..

The 'fair value' of the 'IRS-Interest Rate Swap' was measured by discounting expected cash flows according to the due dates of the derivative contract and using the market interest curve at the ending date of the financial year.
In detail, the spot interest rates used were obtained from the 'Forward Curve Euro' as at 31 December of provided by Bloomberg. Since all inputs entered in the valuation model were based on observable market data, as per the new requirements of IFRS 7 (the so-called 'fair value hierarchy'), the derivative instrument is classified at hierarchy level 2.
The soundness of the measurement made with this valuation technique was confirmed by the comparison with the value provided by the bank issuer.

The 'fair value' of non-current assets and medium/long-term loans was estimated by discounting expected cash flows, according to the due dates of each contract, of capital and interests, and using the market interest curve at the ending date of the financial year.
The spot interest rates used to quantify the amount at the due date and discount the expected cash flows were obtained from the 'Forward Curve Euro' at 31 December, provided by Bloomberg, increased by a suitable spread according to clauses in the contract (no spread when using the market interest curve for discounting cash flows).

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under *'42) Finance costs'*.

Also consider that general and administrative expenses include 0.9 million euro (1.7 million euro in 2010) of write-down for doubtful accounts estimated on the basis of analyses of each single debtor's solvency.

6.10.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, or vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not being effected for this purpose, as per the international accounting principles).
As highlighted in the section *'Trade and other receivables'* in the paragraph *'Summary of significant valuation criteria and accounting policies'*, in case of impairment by credit losses, the value of receivables is adjusted. This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.

In the year closed at 31 December 2011 (and in the previous one) it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.
The following table illustrates the abovementioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Final provision
2011 financial year	11,810	899	(5,857)	6,852
2010 financial year	11,899	1,738	(1,827)	11,810

Esprinet S.p.A. Group usually transfers financial assets.

These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.

In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Company continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.

As at 31 December 2011 the with-recourse sold receivables which obtained advances under usual reserves amounted to 3.2 million euro (3.9 million euro at 31 December 2010); same kind of advances (under usual reserves) about effects amounted to 4.3 million euro (3.1 million euro at 31 December 2010).

The financial assets' gross book value is the Company's maximum exposure to credit risk.

The following tables shows an analysis of the status of trade receivables and the aging of those not overdue and not impaired by credit losses:

(euro/000)	**31/12/11**	**Receivables impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**
Gross trade receivables	181,388	11,456	39,020	130,912
Bad debt provision	(6,852)	(6,852)	-	-
Net trade receivables	**174,536**	**4,604**	**39,020**	**130,912**

(euro/'000)	**31/12/10**	**Receivables impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**
Gross trade receivables	177,466	15,920	19,122	142,424
Bad debt provision	(11,810)	(11,810)	-	-
Net trade receivables	**165,656**	**4,110**	**19,122**	**142,424**

(euro/000)	**Total**	**Past due over 90 days**	**Past due 60 - 90 days**	**Past due 30 - 60 days**	**Past due under 30 days**
Receiv. past due not impaired at 31/12/11	39,020	1,673	3,791	5,384	28,172
Receiv. past due not impaired at 31/12/10	19,122	649	(30)	494	18,009

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, Esprinet S.p.A. does not believe that the premise for allocating provisions for doubtful receivables for amounts not yet overdue exist.
There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.

The following instruments are usually used by the Company to limit its credit risk (the percentages refer to trade receivables at 31 December 2011):

- traditional credit insurance (covering 80% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 51% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering 9% of the receivables (the amount refers to receivables existing at the ending date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 3% of total gross amount of trade receivables.

No financial or non-financial assets were obtained by the Company during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). Nor Esprinet S.p.A. hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.

No other financial assets regulated by IFRS 7 have been impaired in the current or in the previous year.

The two following tables illustrate their status and the aging of those not overdue and not impaired by credit losses:

	31/12/11				31/12/10			
(euro/000)	**Carrying amount**	**Receiv. impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**	**Carrying amount**	**Receiv. impaired**	**Receivables past due not impaired**	**Receivables not past due not impaired**
Receivables from subsid.	*82*			*82*	*42*			*42*
Other non-current assets	82			82	42			42
Non-current assets	**82**	**-**	**-**	**82**	**42**	**-**	**-**	**42**
Receivables from subsid.	*62,986*			*62,986*	*6,752*			*6,752*
Receivables from factors	*13,545*		*2,370*	*11,175*	*15,486*		*3,659*	*11,827*
Receivables from insurances	*2,051*		*2,051*		*1,654*		*1,654*	
Receivables from employees	*4*			*4*	*8*			*8*
Receivables from others	*98*		*89*	*9*	*8*			*8*
Other receivables	78,684		4,510	74,174	23,908		5,313	18,595
Cash and cash equivalents	65,105		65,105		99,974		99,974	
Current assets	**143,789**	**-**	**69,615**	**74,174**	**123,882**	**-**	**105,287**	**18,595**

(euro/000)	**Total**	**Past due over 90 days**	**Past due 60 - 90 days**	**Past due 30 - 60 days**	**Past due under 30 days**
Receivables from factoring companies	2,370	-	-	-	2,370
Receivables from insurance companies	2,051	1,720	100	205	26
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/11	**4,510**	**1,809**	**100**	**205**	**2,396**
Receivables from factoring companies	3,659	-	-	-	3,659
Receivables from insurance companies	1,654	1,369	156	101	28
Receivables from others	-	-	-	-	-
Receiv. past due not impaired at 31/12/10	**5,313**	**1,369**	**156**	**101**	**3,687**

Receivables from factoring companies relate wholly to ‘without-recourse’ factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.

The past due quota relates to sums due at the ending date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Company. It should be noted, however, that these receivables had also been entirely paid by the time this report was drawn up, as the deadlines had been met.

6.10.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	**Carrying amount 31/12/11**	**Future cash flows**	**in 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**after 5 years**
Borrowings	14,939	15,660	188	232	10,184	5,056	-
Derivative financial liabilities	368	631	142	111	326	52	-
Cash incentive liabilities	*775*	*786*	-	-	-	*786*	-
Provisions and other non-corr. liabilities	775	786	-	-	-	786	-
Non-current liabilities	**16,082**	**17,077**	**330**	**343**	**10,510**	**5,894**	**-**
Trade payables	287,777	338,788	291,255	3,475	5,758	14,109	24,191
Short-term financial liabilities	26,758	27,040	21,962	5,078	-	-	-
Derivative financial liabilities	381	132	95	37	-	-	-
payables to assoc. and subsidiaries	*618*	*618*	*618*	-	-	-	-
Social security liabilities	*2,229*	*2,229*	*2,229*	-	-	-	-
Payables to others	*6,333*	*6,333*	*6,333*	-	-	-	-
Accrued expenses (insurance)	*150*	*150*	*150*	-	-	-	-
Provisions and other liabilities	9,330	9,330	9,330	-	-	-	-
Current liabilites	**324,246**	**375,290**	**322,642**	**8,590**	**5,758**	**14,109**	**24,191**

(euro/000)	**Carrying amount 31/12/10**	**Future cash flows**	**in 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**after 5 years**
Borrowings	24,848	26,802	290	358	10,597	15,557	-
Derivative financial liabilities	605	1,127	273	228	444	182	-
Cash incentive liabilities	*415*	*422*	-	-	-	*422*	-
Provisions and other non-corr. liabilities	415	422	-	-	-	422	-
Non-current liabilities	**25,868**	**28,351**	**563**	**586**	**11,041**	**16,161**	**-**
Trade payables	306,246	333,192	310,067	3,820	7,425	10,991	889
Short-term financial liabilities	27,673	27,974	22,903	5,071	-	-	-
Derivative financial liabilities	650	154	109	45	-	-	-
Payables to assoc. and subsidiaries	*111*	*111*	*111*	-	-	-	-
Social security liabilities	*2,368*	*2,368*	*2,368*	-	-	-	-
Payables to others	*6,483*	*6,483*	*6,483*	-	-	-	-
Accrued expenses (insurance)	*103*	*103*	*103*	-	-	-	-
Provisions and other liabilities	9,065	9,065	9,065	-	-	-	-
Current liabilites	**343,634**	**370,385**	**342,144**	**8,936**	**7,425**	**10,991**	**889**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Company can be required to pay;
- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

In 2007 Esprinet S.p.A. obtained a seven-year loan (‘Senior Amortizing Term Loan’) from a pool of banks of a nominal value of 35.0 million euro after reimbursements, recognised in the financial statements at its amortised cost of 24.8 million euro.
The loan agreement described contain the usual agreements which take into account the possible loss of the benefit to pay reimbursements at deferred maturity should certain financial covenants not be met when checked against consolidated and audited financial statements data.
At 31 December 2011 according to the available evidence and using management estimates (since the same will be checked against the consolidated and audited financial statements), the covenants resulted fully met.
Apart from 31 December 2007 and 30 June 2008, when one of the financial covenants contained in the agreements described above was missed, even if with no consequences for the Company, the same has never been in a condition of default regarding principal, interest, sinking fund or redemption terms of passive loans.
Up to now Esprinet S.p.A. has not issued any instruments containing both a liability and an equity component.

6.10.5 Hedge accounting

Introduction

Esprinet S.p.A. signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting'.

Derivative instruments as at 31 December 2011

Esprinet S.p.A. didn't enter in any new derivative contract during the year.
Disclosures regarding the derivative contract as at 31 December 2011 and signed in November 2007 (type, purpose, accounting methods, loan covered etc.) can be found in the same section of the *'Notes to the consolidated financial statements'.* The main features of the contract are summarized below, however:

Trade date	20 November 2007
Effective date	27 December 2007
Termination date	27 June 2014 subject to adjustment in accordance with the modified business day convention
Notional amount	45.5 million euro (subject to an amortisation plan)
Fixed rate	4.33%, act/360
Fixed rate payment dates	27/06/08, 29/12/08, 29/06/09, 28/12/09, 28/06/10, 27/12/10, 27/06/11, 27/12/11, 27/06/12, 27/12/12, 27/06/13, 27/12/13, 27/06/14 subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed as the first day of each interest calculation period
Floating rate payment dates	27/06/08, 29/12/08, 29/06/09, 28/12/09, 28/06/10, 27/12/10, 27/06/11, 27/12/11, 27/06/12, 27/12/12, 27/06/13, 27/12/13, 27/06/14 subject to adjustment in accordance with the modified business day convention
Floating rate payer	Intesa Sanpaolo S.p.A.

The table below illustrates the following information regarding the derivative contract entered by Esprinet S.p.A.:

- the notional amount at 31 December 2011 and 2010 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position representing the 'fair value' of the contract at the date of the financial statements;
- the cumulative change in fair value from the inception to the statement of financial position date;
- the ineffective portion of gains/losses on the hedging instrument computed to the income statement under *'Finance costs'* from the inception.

(euro/000)	Year	Notional amount		Fair value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnings (4)
		within 1 year	beyond 1 year				
Interest rate risk management							
- cash flow hedge pursuant to IAS 39:	2011	7,000	10,500	749	113	(206)	(430)
	2010	7,000	17,500	1,255	113	(345)	(797)

(1) Amount of the (assets)/liabilities recorded in the statement of financial position as per the 'fair value' measurement of derivatives.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
(3) Deferred income tax (assets/liabilities) calculated on the "fair value" of derivatives.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity.

The events that caused the changes in the amount of the 'cash flow hedge'- equity reserve during the year are so detailed:

(euro/000)	Year	Change in fair value of derivatives	Transfer to P&L (1)	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
equity reserve on derivatives:	2011	(144)	650	-	(139)	367
	2010	(545)	926	-	(105)	276

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

The following are the periods when the cash flows relating to the hedged item are expected to occur, and when they are expected to affect profit or loss:

(euro/000)		Expected cash flows	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/11	604	219	217	129	39	-
	31/12/10	1,393	284	301	418	390	-

6.10.6 Sensitivity analysis

Since Esprinet S.p.A. is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section *'Main risks and uncertainties facing the Group and Esprinet S.p.A.'* in the *'Director's Report on Operations')*.
A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period.
For these purposes, the 2011 market interest rate trend was taken into account together with the Company's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/-100 basis points was simulated.
The following table shows the results of the simulation (net of tax effects):

Scenario 1: +100 basis points

	31/12/11		31/12/10	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Financial assets	116	116	-	-
Cash and cash equivalents	206	206	426	426
Short-term financial liabilities	(207)	(207)	(40)	(40)
Borrowings (1) (2)	(31)	(31)	(47)	(47)
Derivative financial liabilities	127	79	262	104
Total	**211**	**163**	**601**	**443**

Scenario 2: -100 basis points

	31/12/11		31/12/10	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Financial assets	(116)	(116)	-	-
Cash and cash equivalents	(206)	(206)	(426)	(426)
Short-term financial liabilities	207	207	40	40
Borrowings (1) (2)	31	31	47	47
Derivative financial liabilities	(131)	(79)	(272)	(104)
Total	**(215)**	**(163)**	**(611)**	**(443)**

(1) Medium/long-term loans include the portion falling due within 12 months.
(2) Impact on the loan hedged by IRS regards solely the uncovered portion of the loan.

6.11 Compensation for Esprinet S.p.A. auditing services

The following table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during the 2011 financial year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

Description	Provider of service	Fees (euro/000)	
		2011	2010
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	Reconta [1]	146.9	143.0
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	Reconta [1]	11.3	11.0
Quarterly examination of accounts of one single company or group of companies during the year	Reconta [1]	26.7	26.0
Subtotal		**184.9**	**180.0**
Certification services:			
Certification services other than audit	Reconta [1]	13.0	-
Subtotal		**13.0**	**-**
Total		**197.9**	**180.0**

[1] Reconta Ernst & Young S.p.A. – Milano.

7. Publication of the Draft Annual Report

The draft annual report and its publication were approved by the Esprinet Board of Directors during the meeting of 14 March 2012, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

Nova Milanese, 14 March 2012

For and on behalf of the Board of Directors
The Chairman
Francesco Monti

Statement on the 'separate financial statements' pursuant to Article 81-*ter* of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Giuseppe Falcone, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the separate financial statements relating to the period between 1 January 2011 – 31 December 2011 were:

- appropriate to the features of the Company
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the separate financial statements at 31 December 2011 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the separate financial statements as at 31 December 2011:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Company's accounts, books and records; and
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of 31 December 2011.

3.2 The *Directors' Report on Operations* includes a reliable operating and financial review of the Company as well as a description of the main risks to which it is exposed.

Nova Milanese, 14 March 2012

Chief Executive Officer of Esprinet S.p.A.	Executive charged with drafting the Esprinet S.p.A. accounting documents.
(Alessandro Cattani)	(Giuseppe Falcone)

Statutory Auditors' Report

Statutory Auditors have audited the financial statements of Esprinet S.p.A. as of 31 December 2011 and their opinion is attached to the Italian version of the document.

The financial statements referred to in the previous page of this document have been translated by the company from those issued in Italy from the Italian into the English language solely for the convenience of international readers.

The translation has not been examined by Statutory Auditors and consequently their opinion in English on this document is not available.

Independent Auditors' Reports

Reconta Ernst & Young S.p.A. has audited both the consolidated financial statements of Esprinet S.p.A. and the separate financial statements of Esprinet S.p.A. as of 31 December 2011 and its opinions are attached to the Italian version of the document.

The financial statements referred to in the previous page of this document have been translated by the company from those issued in Italy from the Italian into the English language solely for the convenience of international readers.

The translations have not been examined by Reconta Ernst & Young S.p.A. and consequently its opinions in English on those documents are not available.