Esprinet Group

Annual Report 2020

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Companies' Register of Milan, Monza e Brianza, Lodi and Tax Number: 05091320159
R.E.A. (economic and administrative index) 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 31/12/2020: 7,860,651 euro
www.esprinet.com - *info@esprinet.com*

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[1]Each section has a separate table of contents for easy reference by the reader
[2] Esprinet S.p.A. Separate Financial Statements, as defined by the IFRS international accounting standards

Directors' Report on Operations 2020

Consolidated results overview

1. Letter from the Chairman

To our Shareholders,

The Esprinet Group ended 2020 with a consolidated net income, including the share attributable to minority interests, of 31.8 million euro, an increase of +35% compared to 23.6 million euro in 2019, thanks to an increase in sales of +14% to a record level of almost 4.5 billion euro.
All the main economic and financial indicators were largely positive and strongly improved compared to the previous year, to the extent that the year 2020, as a whole, can be described as our best year ever.

The year of the pandemic

While 2020 was a very successful year for our Group, for humanity as a whole it will be remembered as one of the most difficult years in recent history due to the worldwide outbreak of the Covid-19 epidemic.
The health impact of the pandemic and the measures adopted by governments to deal with it have all combined to create an explosive cocktail of social unrest and financial crisis.
The more or less strict lock-downs that followed one another in different countries, often communicated late in the evening and with ordinances of difficult legal interpretation, and the consequent impacts on supply chains, demand for products and services, access to credit and mobility of people merged into an extremely uncertain and unpredictable reference environment.
Companies and governments have been often required to make extremely complex decisions, also concerning ethical and human issues, with little information and time for decision-making.
The organisational models of our Group have always been based on the utmost attention to business continuity by means of procedures, redundancy of critical systems and staff training, and in this chaotic and unpredictable scenario they have proved adequate to the situation, allowing us to react to the crisis in a way that I would describe as exceptional.
On 8 March 2020, the totality of Italian businesses, with the exclusion of local logistic facilities, were put into compulsory smart working 5 days out of 5.
A week later, activities on Iberian territory followed the same path.
This was made possible thanks to the adequacy of our systems and expertise of our human resources, who had already been working in remote mode one or two days a week for years.
While other smaller competitors had to cope with a sudden adaptation to a new operating mode, our Group continued to work seamlessly, guaranteeing the supply of products to all our customers, including those engaged in critical activities for the countries in which we operate.
I particularly remember the darkest moments of the pandemic at the end of March in the Bergamo and Brescia areas in Italy, when our staff ensured the delivery of essential IT equipment to the hospitals in the area.
The Group's ability to continue to operate in such complicated conditions, together with its great financial soundness, turned soon into a competitive advantage, as measured by the continuous growth of our market share in the reference territories.
Therefore, I wish to send a special thanks to our entire team for their professionalism and self-sacrifice in dealing with a period that will certainly remain in the memory of those who lived through it.

The macroeconomic climate

The global economy is still facing a deep recession resulting from the continuing impact of Covid-19 and uncertainty about the future scenario remains high.
Although recent vaccine approvals have raised hopes of a pandemic reversal by the end of the year, new waves and new, more contagious variants of the virus, as well as logistical difficulties in

distributing the vaccines themselves, cast doubt on the outlook. In this highly uncertain context, the global economy should grow by 5.5% in 2021 and 4.2% in 2022, as envisaged by the International Monetary Fund estimates (January 2021).
The expected resumption of growth this year follows a heavy slump in 2020 that had serious negative repercussions in particular on women, young people, the most disadvantaged, temporary workers and in general all those working in sectors with high human contact.
Despite the fact that national governments have taken bold steps to save lives and support the world economy, with almost 12,000 billion dollar of fiscal policies and about 7,500 billion dollar of monetary policies, the growth contraction for 2020 is estimated by the International Monetary Fund (January 2021) at -3.5%.
Following a sharp contraction in the first half of last year, the global economy rebounded strongly in the third quarter, when the virus containment measures were eased, and when an aggressive and far-reaching monetary policy mitigated the impact of the crisis on incomes, while keeping credit channels open. Global PMI in the fourth quarter of 2020 rose to around 53 points, signalling an expansion of industrial production in the US and most emerging market economies.
Also looking at Europe, after an unprecedented downtrend in the first half of the year, the economy recovered strongly in the third quarter of 2020 (+11.5% q-o-q in the EU and +12.4% q-o-q in the euro area), but failed to recover fully.
The brisk rebound, largely driven by private consumption, sustained by reduced savings (+13.2% q-o-q), gross fixed investments (+11.9% q-o-q), as well as public spending (+4.3% q-o-q), helped to offset only two-thirds of the GDP loss incurred in the first half of the year.
In the fourth quarter of 2020, according to Eurostat's preliminary estimates, GDP decreased by 0.5% (q-o-q) in the EU and by 0.7% (q-o-q) in the euro area. In most of the 11 Member States, GDP growth slowed down significantly compared to the third quarter. Among the larger euro area countries, output declined in Italy (-2.0% q-o-q) and France (-1.3% q-o-q) but remained substantially stable in Germany (+0.1% q-o-q) and grew slightly in Spain (+0.4% q-o-q).
A slightly improved result, which, despite the resurgence of the pandemic, almost contrasts with the sharp contraction in the second quarter, when the first wave hit the European economy.
This is due to the fact that virus containment measures have been more targeted and relatively less severe
than those adopted in the spring. Second, households and companies seem to have gradually learned to live with the pandemic, weakening the link between austerity and mobility restrictions on the one hand, and economic performance on the other.
After a decrease, estimated by the European Commission at 6.3% and 6.8% in 2020 (in the EU and euro area respectively), the GDP growth rate is expected to pick up to 3.7% and 3.8% in 2021 (in the EU and euro area respectively), in 2022 it is forecast at 3.9% (3.8% in the euro area), marking a considerable improvement compared to the autumn.
According to European Commission forecasts, GDP is expected to reach pre-crisis levels by mid-2022 on average, in both the EU and the euro area. While some Member States are expected to see a reduced distance from pre-pandemic production levels by the end of 2021, others are expected to take longer.
Significant divergences are expected to persist in the recovery, due to the different seriousness of the pandemic and the consequent severity and duration of the containment measures, as well as differences in the structure of each economy, particularly related to the relevant importance of tourism and recreational activities, and the extent of policy responses. This is particularly true for Spain and Italy.
Brightening the short-term outlook, however, is the agreement reached between the EU and the UK on the terms of their future cooperation, as well as the ambitious Next Generation EU programme, which is expected to provide a strong and faster boost to the European economy towards sustainable recovery.
Lastly, in November 2020, Democratic candidate Joe Biden won the US presidential election, eliminating the risk of a trade war scenario between the US and its European allies and significantly reducing the likelihood of an escalation of the US-China trade war.

Technology distribution

The distribution segment, measured by the British research company Context (January 2021) through a panel of distributors largely representative of the general trend, recorded sales of approximately 82.9 billion euro in 2020, an increase (+7.1%) compared to 77.4 billion euro in 2019.

Germany, which remains the largest market in Europe, grew by 7.7% to 18.7 billion euro, while the UK and Ireland, the second largest market, grew by 3.9%.
Italy and Spain recorded a double-digit growth, respectively +10.8% and +12.9% compared to last year, achieving a turnover of 8.9 billion euro and 6.3 billion euro.
Among the most important countries by size, only France recorded a decline (-2.2%).
Finally, the growth of Poland (+30.0%) is worth mentioning, with turnover reaching 4.6 billion euro in 2020.

In this context, the Esprinet Group has further consolidated its market share in Southern Europe, thanks mainly to its Spanish and Portuguese businesses, which have outperformed the market in terms of growth (+21% and +75%, respectively, compared to 2019). In Italy the market share remained substantially unchanged.

Finally, in line with the trend observed in recent years, the significance of the distribution channel within manufacturers' go-to-market models is estimated to have strengthened further, partly due to the technology-enabling role played by distributors during the pandemic in avoiding disruptions in the value chain and ensuring resilience and quality of service to their customers.

Market evolution

The pandemic accelerated a number of technological trends that were already characterising the sector in recent years.
The burst of remote working and home schooling immediately resulted in a sharp acceleration in notebook and tablet sales, but the long-term effects of this new way of working will be much more profound.
The demand for broadband connectivity increased exponentially and with it the investment in network equipment to handle data flows.
The massive shift of corporate boundaries away from the traditional perimeter of factories and offices brought companies to confront the threats posed by hacking in a completely new way.
Cybersecurity is now a priority for everybody, also due to the spread of threats from so-called ramsonware.
Huge investments in technology, consultancy and training are spilling over into all industries and will drive growth in this sector for years to come.
These investments have been combined with the decline of departmental printing, which has been increasingly replaced by paperless processes and decentralised printing in the homes of employees who are increasingly remote from offices and the large printers located there.
The demand for sophisticated videoconferencing equipment has grown, but even more so, companies are confronted with the need for flexible central information systems capable of handling large amounts of data efficiently and above all flexibly.
If this is combined with the need for many companies to redesign their business models with strong injections of digitalisation, albeit with limited financial resources due to the crisis, the result is the strong emergence of 'as a service' or 'pay-as-you-go' models of using information technology.
The spread of Cloud solutions, both pure and hybrid, and therefore as a mix of activities carried out in the cloud combined with others carried out in traditional owned data centres, also stems from these considerations.
It is also worth noting the massive amount of data generated by the myriad of sensors and devices that need to be analysed and interpreted to create efficiencies in production, commercial or administrative processes, but also to create new products and services for consumers.

On the consumer side, innovation continues in the telephony segment with the deployment of 5G and connected devices.
The video game segment is also gaining momentum, which in the lock-down period represented a relief for many young people and others and has become part of their way of life.
In general, the strong demand for digitisation coming from businesses has been combined with the massive use of IT products and services by consumers and the boost already being provided by governments and which will come even more with projects linked to the 'Next Gen EU' or Recovery Fund.
In this regard, the market context has never been more favourable for the technology sector in general and for the distribution sector in particular, which was able to guarantee a constant flow of products and market support even in such challenging economic and operational times.

Activities in Italy

During 2020, Italian activities recorded a strong increase in sales, mainly driven by the excellent performance of the Personal Computer and Telephony segments, with improving results in the Business customers segment and a strong growth in the market share of Retail customers segment.
Pressure continued on the product profit margin, largely due to a shift in the product mix towards lower margin segments such as PCs and telephony. We are however pleased to note that in the fourth quarter of the year there was strong growth in the profit margin compared to the same period of last year.
This is a first important sign of the progressive implementation of the strategy to improve profitability undertaken after having significantly improved the indicators relating to the working capital cycle.
In the last quarter of the year, a binding agreement was signed for the acquisition of Dacom Spa and Idimaint Srl, two companies active in the automatic identification market segment, thus enabling our Group to further strengthen its presence in the strategic Advanced Solutions segment.
During the year, several programmes were launched to improve the level of customer service and a major reorganisation of both the commercial team and the first corporate line, with the appointment of a General Manager and the CFO leaving the Group, with a consequent redesign of the administrative and financial structure.
The enhancement of human capital, under the "Together is Better" (T.I.B.) programme, achieved great results and the Company was awarded the prestigious 'Great Place to Work' certification.
The integration of Celly Spa's business within Esprinet was a further step in a strategy aimed at creating an ecosystem of both IT and consumer electronics solutions supported by high quality processes and personnel to continue to benefit from the most of the many opportunities offered by the market.

Business on the Iberian peninsula

The activities of the Esprinet Group in the Iberian peninsula recorded much higher growth rates than the market, with very positive results in almost every product line and for every type of customer.
A particularly significant result was achieved by Esprinet Portugal, which, after years of investments, has begun to achieve gratifying results and increase its market share by almost 50% compared to the previous year.
Product margins in the Iberian peninsula are also showing favourable trends, accompanied by excellent management of the working capital cycle and constant control of the cost structure.
One of the highlights of the year was the acquisition, in September, of the GTI Group, Spain's sixth largest distributor and by far the largest in the software and cloud solutions distribution segment.
This transaction not only strengthens our presence in this market segment, but valuable skills have been acquired that will allow us to evolve our distribution strategy even faster towards 'as a service' logics, placing the sale of cloud services alongside the traditional distribution of physical products.

Conclusions

While we still experience very complex moments on the health and economic emergency side, the year began with signs of hope coming from both the changed political conditions and the availability of a vaccination strategy that should, according to experts, herald the beginning of a return to normality probably from the second half of the year.
As already mentioned in the 2019 letter, years of planning and prudent management of discontinuity risks, combined with the excellent quality of our human resources, the consolidated relationship with our customers and suppliers and not least the availability of a high quality and sound financial position allows us to face the future with optimism.

The demand for technology is growing rapidly and the role of distributors is becoming increasingly central, providing our Group with an optimal framework for developing its business.

Our future, as always, will depend, to a large extent, on the work of all our staff. Today, more than ever, I wish to thank our staff for their self-sacrifice and their ability to deliver outstanding results in such a difficult year.
To them, to our customers and suppliers, to our shareholders and in general to all our stakeholders I extend my warmest thanks and best wishes for a healthy and successful 2021.

Thank you for investing in our Company.

Maurizio Rota
Chairman of the Board of Directors

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

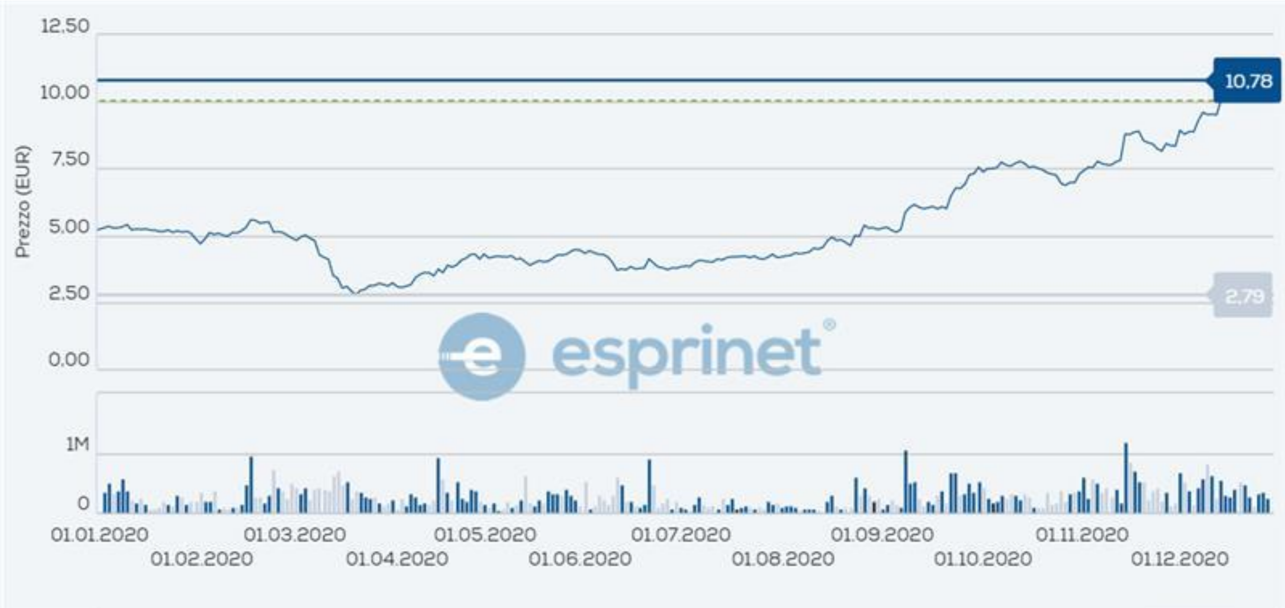
The 2020 economic and financial results and those of the relative periods of comparison have been drawn up according to International Financial Reporting Standards ('IFRS') endorsed by the European Union and in force during the period. In the chart displayed below, in addition to the conventional financial indicators laid down by IFRS, some 'alternative performance indicators', although not defined by the IFRS, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRS indicators; they are used internally by the management for measuring and controlling the Group's profitability, performance, capital structure and financial position. As required by the ESMA/2015/1415 Guidelines issued by ESMA (European Securities and Market Authority) under Art. 16 of the ESMA Regulation, updating the previous recommendation CESR/05-178b of the CESR (Committee of European Securities Regulators) and adopted by CONSOB with Communication No. 0092543 of 03/12/2015, the basis of calculation adopted is defined below the table.

(euro/000)	notes	2020	%	2019	%	% var. 20/19	2018	%
Profit & Loss								
Sales from contracts with customers		4,491,613	100.0%	3,945,371	100.0%	14%	3,571,190	100.0%
Gross profit		193,667	4.3%	175,344	4.4%	10%	162,272	4.5%
EBITDA	(1)	64,182	1.4%	55,728	1.4%	15%	28,409	0.8%
Operating income (EBIT)		47,648	1.1%	41,068	1.0%	16%	23,720	0.7%
Profit before income tax		42,549	0.9%	31,657	0.8%	34%	19,179	0.5%
Net income		31,792	0.7%	23,553	0.6%	35%	14,158	0.4%
Financial data								
Cash flow	(2)	48,326		38,213			18,847	
Gross investments		4,940		2,852			3,064	
Net working capital	(3)	(130,921)		(122,381)			(2,224)	
Operating net working capital	(4)	(121,034)		(121,027)			10,443	
Fixed assets	(5)	236,965		226,007			118,502	
Net capital employed	(6)	86,186		86,747			101,855	
Net equity		388,963		359,022			342,898	
Tangible net equity	(7)	279,799		267,826			251,579	
Net financial debt	(8)	(302,777)		(272,275)			(241,044)	
Main indicators								
Net financial debt / Net equity		(0.8)		(0.8)			(0.7)	
Net financial debt / Tangible net equity		(1.1)		(1.0)			(1.0)	
EBIT / Finance costs - net		9.3		4.4			5.2	
EBITDA / Finance costs - net		12.6		5.9			6.3	
Net financial debt/ EBITDA		(4.7)		(4.9)			(8.4)	
ROCE	(9)	25.1%		9.8%			9.4%	
Operational data								
N. of employees at end-period		1,598		1,317			1,262	
Avarage number of employees	(10)	1,458		1,290			1,255	
Earnings per share (euro)								
- Basic		0.63		0.46		37%	0.27	
- Diluted		0.62		0.45		38%	0.27	

(1) EBITDA is equal to the operating income (EBIT) gross of amortisation, depreciation and write-downs.
(2) Sum of consolidated net income and amortisations/depreciations.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of net current financial payables.
(4) Sum of trade receivables, inventory and trade payables.
(5) Equal to non-current assets net of non-current derivative financial assets.
(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.
(7) Equal to equity less goodwill and intangible assets.
(8) Sum of financial payables, lease financial liabilities, cash and cash equivalents, assets/liabilities for derivative instruments and financial receivables from factoring companies.
(9) Calculated as the ratio of (i) EBIT, net of non-recurring items, the effects of IFRS 16 and taxes calculated at the effective tax rate of the latest issued consolidated financial statements, to (ii) average invested capital (calculated as the sum of net working capital and fixed capital) at the closing date of the period under review and the four preceding quarters.
(10) Calculated as the average of opening balance and closing balance of consolidated companies.

3. Share performance

The ordinary shares of Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment (High Requirements Securities Segment) of the MTA (Italian Electronic Stock Market) of Borsa Italiana S.p.A. since 27 July 2001.
The graph below illustrates the share performance from 1 January to 31 December 2020:



The Esprinet share closed 2020 at an official price of 10.76 euro, an increase of +108% compared to the closing price on 31 December 2019 (5.18 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, there is a share appreciation of +668%, which does not take into account dividends distributed and the related reinvestment.
During the course of the year, the share price fell back to a minimum of 2.79 euro in March and then showed an upward trend, reaching a high of 10.76 euro on 31 December 2020.
The average price for the year was 5.50 euro.

The average daily volumes traded in 2020 were 290,629 (+71%) compared[1] to 170,355 in 2019. Volumes reached an all-time high (1,181,498 shares traded) in the session held on 13 November 2020. Average volumes daily traded were 443,711 shares in the same month.

On 26 February 2021 the Esprinet share price was 10.58 euro (-2% compared to the closing price). Average daily trading up to the same date was 334,841 shares per day.

[1] simple arithmetic mean (source: Bloomberg)

Corporate Governance

1. Company Officers

Board of Directors:

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

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

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

Board of Statutory Auditors:

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

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

Independent Auditors:

(Mandate expiring with approval of accounts for the year ending 31 December 2027)

PricewaterhouseCoopers S.p.A.

2. Waiver of obligation to provide information on extraordinary transactions

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

3. Corporate Governance

Esprinet S.p.A. adopts and complies with the Corporate Governance Code for Italian Listed Companies (the 'Code'), adapting it to the Group's characteristics.
In compliance with the disclosure requirements provided for by industry legislation, a 'Report on Corporate Governance and ownership structure' 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 adopted as per Italian Legislative Decree No. 231 of 2001 and its degree of compliance to the Corporate Governance Code for Italian Listed Companies. It includes also 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 Investors - 2021 Shareholders' Meeting section on the Company website (www.esprinet.com).
The Corporate Governance Code for Italian Listed Companies is available 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. (hereafter also 'Esprinet' or the 'parent company') and its subsidiaries (jointly the 'Esprinet Group' or the 'Group') operate in Italy, Spain and Portugal.

The Group is active in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics, and is now the biggest distributor in Southern Europe and the 4th in Europe, having brought to completion a strategy fully focused on pure 'business-to-business' ICT distribution, specifically addressed to achieve the leadership in each country where the Group operates.

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.) and their 'consumables' (cartridges, tapes, toners, magnetic supports), the Group also distributes tablets, mobile devices (smartphones) and their accessories, networking products (modems, routers, switches), state-of-the-art digital and entertainment products such as TVs, photo cameras, video cameras, video-games and MP3/MP4 readers.
The 'sales by product family and customer type' section provides a more detailed description of the main product categories marketed.

The Esprinet Group distributes branded IT products (hardware and software), mobile devices and, by its subsidiary Celly S.p.A., in the wholesale distribution of accessories for mobile devices, 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 Iberian peninsula.

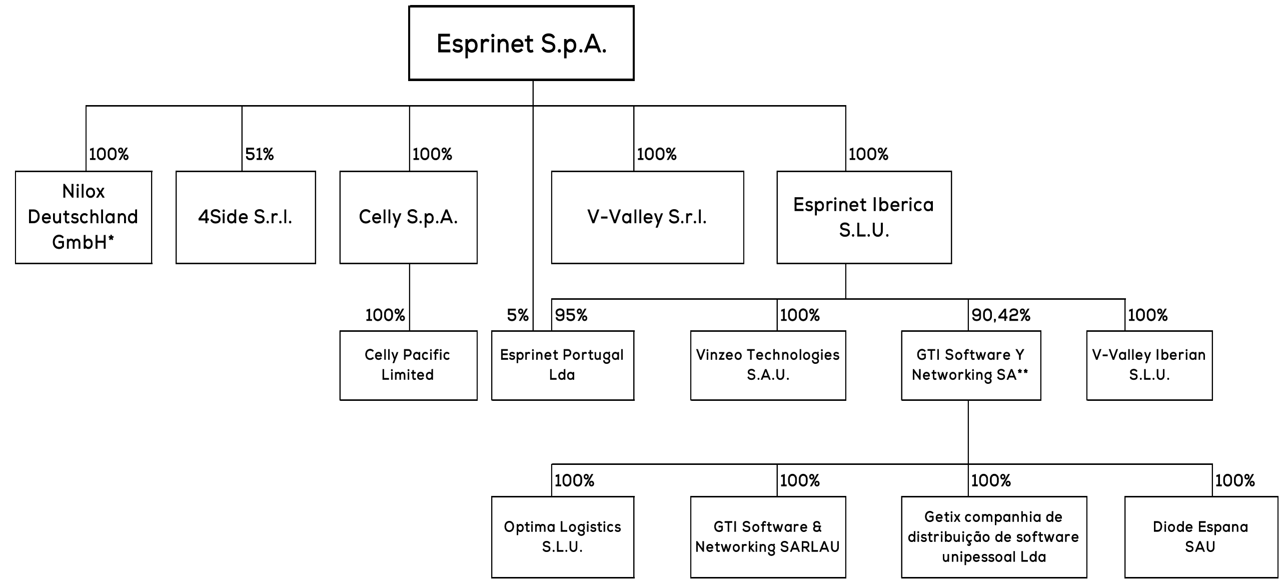
The products range marketed by the Group consists of over 650 brands from more than 200 primary standing technology manufacturers (vendors), including all the world's leading technology manufacturers (HP, Apple, Samsung, Asus, Lenovo, Dell, Microsoft, Acer, Xiaomi, Epson, to name just a few).
The Group has also been distributing, in both geographic markets, house-branded products commissioned by third parties; these brands are Nilox, for entertainment sport products and PCs accessories, and Celly for mobile devices accessories.

Customers, made up of the various types of IT resellers present in the Italian and Iberians 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 professional customers in 2020 in the B2B market totalled approx. 31,000, of which approx. 20,000 in Italy and approx. 11,000 in Spain.

Logistics activities are carried out at the four main logistics centres in Cambiago (MI), Cavenago (MB), Basiano (MI) and Zaragoza (Spain), all leased premises, totalling approx. 144,000 sqm (approx. 100,000 sqm in Italy and 44,000 sqm in Spain).

2. Group Structure

The chart below illustrates the structure of the Esprinet Group as at 31 December 2020:



* Discontinued on 31/12/2020
** 100% of which 9.58% of own shares owned by GTI Software y Networking SA

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

References to 'Subgroup Italy' and 'Subgroup Iberica' can be found below.
At period end, Subgroup Italy includes not only the parent company Esprinet S.p.A., but also the companies it directly controls, V-Valley S.r.l., Celly S.p.A., Nilox Deutschland Gmbh (in liquidation as at 16 September 2019) and 4Side S.r.l. (51% of which was acquired on 20 March 2019).

When referring to the Subgroup Italy, the subsidiary Celly S.p.A., a company operating in the business-to-business (B2B) distribution of Information Technology (IT) and consumer electronics and more specifically in the wholesale distribution of accessories for mobile telephony equipment, is understood to include its wholly owned subsidiary Celly Pacific LTD, a Chinese company operating in the same operating sector as the holding company.

At the same date, Subgroup Iberica is made up of the Spanish-law and Portuguese-law subsidiaries operating in the Iberian peninsula, i.e. Esprinet Iberica S.L.U. and its subsidiaries Esprinet Portugal Lda, Vinzeo Technologies S.A.U., V-Valley Iberian S.L.U. and GTI Software Y Networking S.A., acquired and consolidated as at 1 October 2020.
For the purposes of representation within the 'Subgroup Spain', the subsidiary GTI Software Y Networking S.A., is understood to also include its wholly-owned subsidiaries Diode Espana S.A.U., Getix Companhia de Distribuição de Software Unipessoal Lda, GTI Software & Networking SARLAU, Optima Logistics S.L.U., consolidated since 1 October 2020.

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

Subgroup Italy

Celly S.p.A. and its foreign subsidiaries

Established in 1998, Celly S.p.A is headquartered in Italy and is specialised in the design, production and distribution of mobile devices accessories.

On 12 May 2014, Esprinet S.p.A. subscribed 60% of the share capital of Celly S.p.A. Esprinet then increased its interests and became the sole shareholder on 28 October 2020 with the purchase of the remaining 15% from the minority shareholder and Chief Executive Officer of the company, Mr Stefano Bonfanti.

Celly S.p.A. is the sole shareholder of Celly Pacific LTD, a Chinese company operating in the same sector.

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 in Vimercate (MB), and is 100%-owned by Esprinet S.p.A.

This company, which has been operational since December 2010, includes all the distribution activities of 'value' products (essentially servers, high-end storage and networking, virtualisation, security, bar-code scanning).

Nilox Deutschland GmbH

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

The company became operating in the first half of 2018 and it is in liquidation since 16 September 2019.

4Side S.r.l.

On 20 March 2019, Esprinet S.p.A. acquired 51% of the shares of 4Side S.r.l., a company whose purpose is the marketing and distribution in Italy of gaming products, with the exclusive distribution in Italian for Activision Blizzard branded gaming products, as well as the aim of positioning itself as a leading operator in the sector.

Subgroup Iberica

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 S.L.U. is now the third distributor in Spain from a standalone point of view. Taking into account the consolidated values, Esprinet Iberica S.L.U. is the market leader, as consequence of the 2016 business combinations.

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.

Esprinet Portugal Lda

On 29 April 2015, Esprinet Portugal Lda, a company incorporated under Portuguese law, was established with the aim of further developing the Group's distribution activities on Portuguese territory, until that date carried out by the Spanish subsidiary Esprinet Iberica S.L.U.

Vinzeo S.A.U.

On 1 July 2016, Esprinet S.p.A., through its wholly-owned subsidiary Esprinet Iberica, acquired the entire capital of Vinzeo Technologies S.A.U., the fourth largest ICT wholesaler in Spain.
Vinzeo operates many important distribution agreements both in the ICT 'volume' market (i.e. HP, Samsung, Acer, Asus, Toshiba, Lenovo) and in the 'value' segment (mainly Hewlett-Packard Enterprise). It distributes Apple products since 2009.
The headquarters is in Madrid, while branch offices are located in Barcelona and Bilbao.

V-Valley Iberian S.L.U.

V-Valley Iberian S.L.U., established on 28 October 2016, started operating from 1 December 2016, having bought the 'VAD-Value Added Distribution' business unit referring to the Iberian peninsula (Spain and Portugal) distribution of IT security software products, networking, as well as server application software from Itway Iberian S.L.U., on the previous day.

V-Valley Iberian's technological offer includes ICT Security solutions, Enterprise Software, virtualisation and OpenSource/Linux solutions and training on a selection of products sold, as well as pre and after-sales technical services.
Customers are represented by Corporate Resellers, System Integrators, Value Added Resellers (VARs) and Tel.Co.

GTI Software Y Networking S.A. and its subsidiaries

On 1 October 2020, Esprinet S.p.A., through its wholly-owned subsidiary Esprinet Iberica, acquired 100% of the capital of GTI Software y Networking S.A., Spain's leading distributor of software and cloud solutions to Value-Added Resellers and System Integrators.
GTI Software Y Networking S.A. wholly owns the Spanish subsidiaries Optima Logistics S.L.U. and Diode Espana S.A.U., the Portuguese subsidiary Getix Companhia de Distribuição de Software Unipessoal Lda and the Moroccan subsidiary GTI Software & Networking SARLAU.

Structure and target market trends

B2B distribution of IT and consumer electronics

The IT distribution chain

Generally speaking, IT and electronic products are distributed in two different ways: direct (Direct Channel) and indirect (Tier 1 and Tier 2).
The former enables producers to directly reach the end user of technology, while the latter involve the use of first-level intermediaries, or 'resellers', and second level intermediaries, the 'distributors'.
Very briefly the subjects making up the distribution chain are:

- 'vendors': producers of Information Technology technologies and/or products operating under their own brand;
- 'distributors': operators providing logistics, storage, credit and marketing services. In turn, distributors can be classified into:
  (i) 'wide-range' distributors, identified by their wide range and high turnover volumes;
  (ii) 'specialised' distributors, which are the reference point for specific technologies and disciplines, such as intermediate systems, networking, the internet and advisory, training and support services.
- 'resellers': operators of heterogeneous size, profitability and organisational structures, business models and type of end-user approach.

In general, a distinction is made between the following categories of resellers:

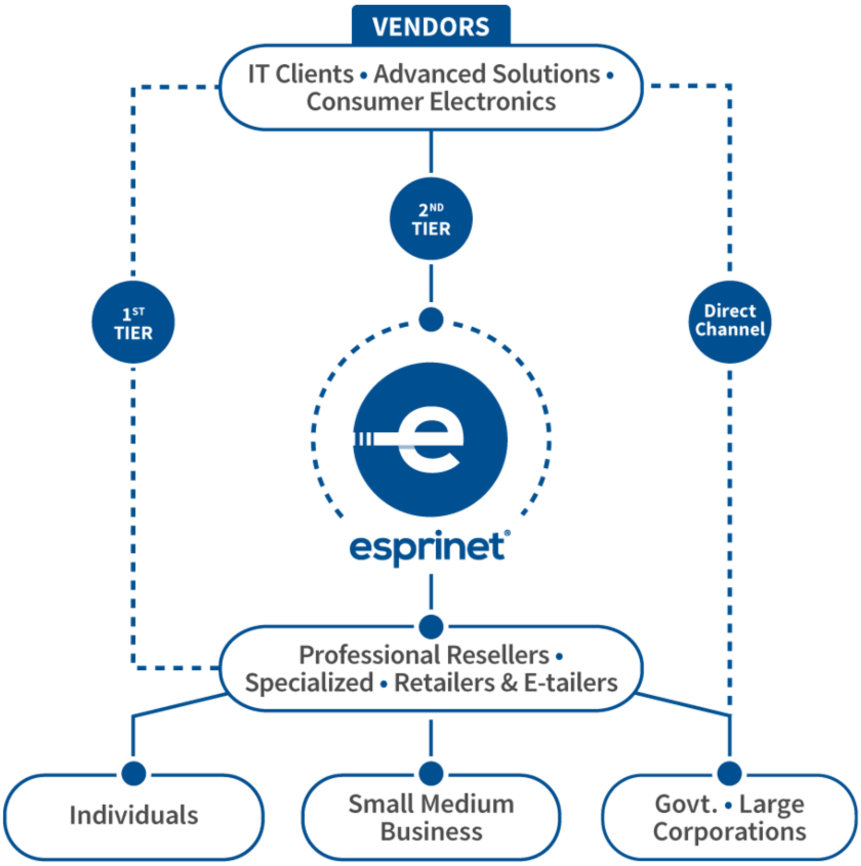
'Professional Resellers': VARs (Value Added Resellers), Corporate Resellers, System Integrators, Dealers;
- 'Specialized Resellers': Telco Specialists, Photo Shops, Videogame Specialists, Furniture Specialists;
- 'Retailers & E-tailers': GDO/GDS (Large Organised/Specialised Distribution), Online Shops.

The individual sectors of the business model 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:



Europe

The distribution segment, measured by the British research company Context (January 2021) through a panel of distributors largely representative of the general trend, recorded sales of approximately 82.9 billion euro in 2020, an increase (+7.1%) compared to 77.4 billion euro in 2019. In particular, the trend by quarter highlights the following: +5.0% Q1 2020 vs Q1 2019, +4.7% Q2 2020 vs Q2 2019, +7.6% Q3 2020 vs Q3 2019, +10.3% Q4 2020 vs Q4 2019.

Germany, which remains the largest market in Europe, grew by 7.7% to 18.7 billion euro, while the UK and Ireland, the second largest market, grew by 3.9%.
Italy and Spain recorded a double-digit growth, respectively +10.8% and +12.9% compared to last year, achieving a turnover of 8.9 billion euro and 6.3 billion euro.
Among the most important countries by size, only France recorded a decline (-2.2%).
Finally, the growth of Poland (+30.0%) is worth mentioning, with turnover reaching 4.6 billion euro in 2020.

The following table summarises the distribution trend in each country in 2019 and 2020 (values are in billion euro), the development in the last two quarters, in the second half of the year and in 2020 as a whole, compared with the same periods in the previous year:

Country	2019 (euro/mld)	2020 (euro/mld)	2020 vs 2019	Q3-20 vs Q3-19	Q4-20 vs Q4-19	2H 2020 vs 2H 2019
Total	77.4	82.9	7.1%	7.6%	10.3%	9.1%
Germany	17.3	18.7	7.7%	4.5%	9.3%	7.3%
UK & Ireland	13.4	13.9	3.9%	0.7%	13.0%	7.2%
Italy	8.0	8.9	10.8%	16.0%	11.2%	13.2%
France	7.6	7.5	-2.2%	1.3%	-4.3%	-1.9%
Spain	5.6	6.3	12.9%	22.4%	20.4%	21.2%
Netherlands	4.4	4.7	30.0%	34.1%	42.2%	38.8%
Poland	3.5	4.6	6.8%	7.6%	2.3%	4.6%
Switzerland	3.3	3.6	9.0%	10.1%	5.8%	7.6%
Sweden	2.5	2.5	1.3%	-3.1%	12.3%	5.4%
Austria	2.1	2.0	-5.0%	-5.0%	-2.7%	-3.7%
Belgium	1.9	2.0	5.1%	16.4%	3.6%	9.1%
Czech Republic	1.6	1.9	14.1%	8.7%	19.8%	15.2%
Denmark	1.4	1.4	7.0%	10.9%	13.6%	12.5%
Portugal	1.4	1.4	5.5%	2.7%	4.4%	3.6%
Finland	1.1	1.2	5.4%	1.2%	-1.1%	-0.1%
Norway	1.1	1.1	1.9%	-1.1%	1.6%	0.4%
Baltics	0.6	0.8	19.7%	26.2%	28.6%	27.5%
Slovakia	0.5	0.4	-6.8%	-16.6%	-5.9%	-10.1%

Source: Context, January 2021

Italy

IT, electronics consumption and distribution sector

In 2020, the Italian Information & Communication Technology ('ICT') market[2] measured through EITO data (European IT Observatory, November 2020), which monitors the purchases of end users in different European countries, recorded 1.3% decrease, from 22.2 billion euro to 22.0 billion euro of sales.
Going into the detail of the product categories, 'PCs' recorded significant growth: + 25.2%, reaching 3.0 billion euro in 2020. However, it should be noted that the aforementioned growth is entirely attributable to 'Portable PCs' (+46.2%, going from 1.7 billion euro to 2.6 billion euro); in fact, 'Desktop PCs' decreased by 30.2%.
Even 'Tablets', whose turnover amounted to 829 million euro in 2020, marked a considerable increase of +26.8%.
The peripheral segments, 'Hardcopy' and 'PC Monitor', on the other hand, decreased by 14.9% (923 million euro) and 7.6% (288 million euro), respectively.
All the aforementioned results are mainly a consequence of the use of remote working and home schooling imposed by the Covid-19 health emergency.
The effects of the pandemic are also evident in the negative trends of the following product categories, typically linked to the hardware investments of companies: 'Servers' decreased by 5.8%, 'Storage' by 3.2% and 'Workstations' recorded -11.9%. On the other hand, spending in the 'IaaS' area (+34.6% going from 390 million euro to 525 million euro in turnover) and in the 'Software' area (+3.2%, going from 7.7 billion euro to 7.9 billion euro) goes against the trend.
Finally, there was a sharp decrease in the 'Telecommunication Equipment' area (-13.9%), where all product categories suffered: 'Mobile phones' -16.4% (from 6.1 billion euro to 5.1 billion euro), 'Enterprise Network' -13.0% and 'Telecom Equipment' -6.3%.

In this context, in 2020 the Italian distribution market (Source: Context, January 2021) recorded a growth of +10.8% compared to 2019. The analysis by half-year reveals that the second half-year shows a growth of +13.2% compared to the same period of the previous year (+16.0% Q3 2020 vs Q3 2019 and +11.2% Q4 2020 vs Q4 2019).

[2] Excluding IT & Business Services and Carrier Services. The following markets are therefore monitored: IT Equipment, Software and Telecommunication Equipment.

According to Context data, Esprinet Italia remains the top distributor in the Italian market, keeping its market share almost unchanged.

Spain

IT, electronics consumption and distribution sector

In 2020, the Spanish Information & Communication Technology ('ICT')[3] market measured through EITO data (European IT Observatory, November 2020), which monitors the purchases of end users in different European countries, recorded a decrease of 1.8%, from 15.3 billion euro to 15.1 billion euro of sales.
Considerations related to the effects of the Covid-19 pandemic are basically confirmed in the trends by product category of the Spanish market.
'PCs' recorded 18.8% growth, reaching 2.4 billion euro in 2020. Once again, it should be noted that the aforementioned growth is entirely attributable to 'Portable PCs' (+32.1%, going from 1.6 billion euro to 2.1 billion euro); as in Italy, although to a lesser extent, 'Desktop PCs' decreased by 27.6%.
Even 'Tablets', whose turnover reached 730 million euro in 2020, after years of constant decline, marked +11.5%.
Among the peripherals, the 'Hardcopy' segment closed 2020 in negative terms (-17.4%), instead 'PC Monitors', unlike what occurred in the Italian market, saw an increase of 22.1%.
The 'Servers' category is also in counter-tendency with respect to Italy, and grew by 9.9%. 'Storage' and 'Workstations' segments recorded instead a decrease of 14.6% and 13.4%, respectively.
Spending on 'IaaS' boosted also in Spain (+35.4%, going from 264 million euro to 358 million euro). In the 'Software' area, the slight increase of 0.4% maintained turnover at 4.5 billion euro.
Finally, there was also a decrease in the Spanish market in the 'Telecommunication Equipment' area (-12.6%). All the following product categories suffered: 'Mobile phones' -13.5% (going from 5.2 billion euro to 4.5 billion euro), 'Enterprise Network' -9.7% and 'Telecom Equipment' -7.4%.

In this scenario, in 2020 the Spanish distribution market (source: Context, January 2021) grew by 12.9% compared to 2019 and Esprinet's market share recorded a significant increase of 1.8 percentage points.

Portugal

IT, electronics consumption and distribution sector

In 2020, the Portuguese Information & Communication Technology ('ICT') market[2] measured through EITO data (European IT Observatory, November 2020), which monitors the purchases of end users in different European countries, recorded a slight decrease of 0.8%, settling at 2.7 billion euro.
'PCs' recorded a significant increase of 41.9%, reaching 574 million euro in 2020. Also in the Portuguese market, this growth is exclusively attributable to 'Portable PCs' (+59.5%); in fact, 'Desktop PCs' decreased by 21.0%, just as 'Tablets' closed with a negative sign (-6.0%).
The peripherals, both in the 'Hardcopy' segment and in the 'PC Monitor' segment, recorded a decrease of 13.1%.
Even the 'Infrastructure' category, in its components 'Servers, Storage, IaaS', saw a reduction of 4.6% in 2020, after two years of double-digit growth.
The 'Software' area changed little with +0.9%, recording 742 million euro in turnover.
Finally, as in other countries of southern Europe, the 'Telecommunication Equipment' area recorded a sharp slowdown (-13.9%): in detail, 'Mobile phones' -16.1% (going from 874 million euro to 733 million euro), 'Enterprise Network' -7.9% and 'Telecom Equipment' -7.0%.

[3] Excluding IT & Business Services and Carrier Services. The following markets are therefore monitored: IT Equipment, Software and Telecommunication Equipment.

In 2020, the Portuguese distribution market (source: Context, January 2021) grew by 5.5% compared to 2019 and Esprinet's market share recorded a significant increase: +1.7 percentage points.

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

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

1. Income trend

A) Esprinet Group's financial highlights

The Group's financial highlights as at 31 December 2020 are hereby summarised:

(€/000)	2020	2019	% Var.
Sales from contracts with customers	**4,491,613**	**3,945,371**	**14%**
Cost of goods sold excl. factoring/securitisation	4,292,896	3,764,900	14%
Financial cost of factoring/securisation[(1)]	4,207	4,421	-5%
Gross Profit[(2)]	**194,510**	**176,050**	**10%**
Gross Profit %	*4.33%*	*4.46%*	
Personnel costs	69,072	64,203	8%
Other operating costs	56,361	56,117	0%
EBITDA adjusted	**69,077**	**55,730**	**24%**
EBITDA adjusted %	*1.54%*	*1.41%*	
Depreciation e amortisation	4,345	4,688	-7%
IFRS 16 Right of Use depreciation	9,891	9,974	-1%
Goodwill impairment	-	-	n/s
EBIT adjusted	**54,841**	**41,068**	**34%**
EBIT adjusted %	*1.22%*	*1.04%*	
Non recurring costs[(3)]	7,193	-	100%
EBIT	**47,648**	**41,068**	**16%**
EBIT %	*1.06%*	*1.04%*	
IFRS 16 interest expenses on leases	3,336	3,540	-6%
Other financial (income) expenses	2,225	4,206	-47%
Foreign exchange (gains) losses	(462)	1,665	<100%
Profit before income taxes	**42,549**	**31,657**	**34%**
Income taxes	10,757	8,104	33%
Net income	**31,792**	**23,553**	**35%**

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 4.9 million euro otherwise included in 'Other operating costs' and 2.3 million euro otherwise included in the item 'Impairment of Goodwill'.

Sales from contracts with customers amounted to 4,491.6 million euro, up by 14% compared to 3,945.4 million euro in 2019.

The Gross Profit amounted to 194.5 million euro, up +10% compared to 2019 (176.1 million euro) due to higher sales, which offset the reduction in the percentage margin (4.33% compared to 4.46%), due to the higher incidence of sales of PCs and Smartphones and despite the diluting effect linked to the significant drop in sales and profit margin of Celly caused by the partial suspension of activities. Deducting the positive contribution of the acquisition, on 1 October 2020, of the GTI Group, for a positive 4.0 million euro from the 2020 result, it is estimated that the change in the gross profit would have been around +8%.

Adjusted EBITDA, equal to 69.1 million euro, up by +24% compared to 55.7 million euro in 2019, is calculated gross of one-off costs, equal to 4.9 million euro (0.9 million euro related to the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y Networking S.A., 1.2 million euro incurred as a result of the termination of the contract of former Group director and CFO, 2.6 million euro relating to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' product line, following the settlement of the legal dispute and 0.2 million euro incurred to deal with the Covid-19 pandemic). Excluding the positive contribution of the acquisition of the GTI Group, Adjusted EBITDA would have been 67.8 million euro (+22% compared to 55.7 million euro in 2019).

Adjusted EBITDA, gross of non-recurring expenses of 7.2 million euro (4.9 million euro of one-off costs mentioned above and 2.3 million euro of partial impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories, which is handled by the subsidiary Cell, merged into CGU1 as at 31 December 2020), amounted to 54.8 million euro, +34% compared to 41.1 million euro in 2019 (+30% excluding the positive contribution of 1.2 million euro resulting from the acquisition of the GTI Group). The incidence on sales rose to 1.22% from 1.04% in 2019.

EBIT amounted to 47.6 million euro, +16% compared to 41.1 million euro in 2019. Excluding the positive contribution of the acquisition of the GTI Group, EBIT would have been 46.4 million euro (+13% compared to 2019).

Profit before income taxes amounted to 42.5 million euro, up by 34% compared to 31.7 million euro in 2019.

Net income amounted to 31.8 million euro, +35% compared to 23.6 million euro in 2019.

As at 31 December 2020, basic earnings per ordinary share, equal to 0.63 euro, showed an increase of +37% compared with the value in 2019 (0.46 euro).

The Group's main economic, financial and net assets position as at 31 December 2020 are hereby summarised:

(euro/000)	31/12/2020	31/12/2019
Fixed assets	236,965	226,007
Operating net working capital	(121,034)	(121,027)
Other current assets/liabilities	(9,887)	(1,354)
Other non-current assets/liabilities	(19,858)	(16,879)
Total uses	**86,186**	**86,747**
Short-term financial liabilities	56,049	35,862
Lease liabilities	8,867	8,597
Current financial (assets)/liabilities for derivatives	(27)	-
Financial receivables from factoring companies	(147)	(3,526)
Current debts for investments in subsidiaries	220	-
Other current financial receivables	(9,617)	(9,719)
Cash and cash equivalents	(558,928)	(463,777)
Net current financial debt	(503,583)	(432,563)
Borrowings	107,069	61,045
Lease liabilities	93,999	100,212
Non - current debts for investments in subsidiaries	230	-
Other non - current financial receivables	(492)	(969)
Net financial debt (A)	(302,777)	(272,275)
Net equity (B)	388,963	359,022
Total sources of funds (C=A+B)	**86,186**	**86,747**

Net Invested Capital as at 31 December 2020 amounted to 86.2 million euro and was covered by:

- equity, including minority interests, amounting to 389.0 million euro (359.0 million euro as at 31 December 2019);
- positive net financial position of 302.8 million euro (compared to a positive net financial position of 272.3 million euro as at 31 December 2019).

The Net Financial Position, a positive 302.8 million euro, signalling an improvement compared to 31 December 2019 (positive 272.3 million euro). The value of the exact net financial position as at 31 December is influenced by technical factors like the seasonality of the business, the trend in 'non-recourse' factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The afore-mentioned factoring and securitisation plans, which define the complete transfer of risks and benefits to the buyers and therefore contemplate the derecognition of receivables from the statement of financial position assets in compliance with IFRS 9, determine an overall effect on the level of consolidated net financial payables as at 31 December, quantifiable in 536.6 million euro (480.1 million euro as at 31 December 2019).

Equity totalled 389.0 million euro, an increase compared with 359.0 million euro as at 31 December 2019.

Equity and financial indicators confirm the strength of the Group.

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

B.1) Subgroup Italy

The Subgroup Italy's financial highlights as at 31 December 2020 are hereby summarised:

(€/000)	2020	2019	% Var.
Sales from contracts with customers	**2,778,730**	**2,563,586**	**8%**
Cost of goods sold excl. factoring/securitisation	2,645,436	2,437,362	9%
Financial cost of factoring/securisation(1)	2,254	2,639	-15%
Gross Profit(2)	**131,040**	**123,585**	**6%**
Gross Profit %	*4.72%*	*4.82%*	
Personnel costs	47,361	45,868	3%
Other operating costs	44,464	45,978	-3%
EBITDA adjusted	**39,215**	**31,739**	**24%**
EBITDA adjusted %	*1.41%*	*1.24%*	
Depreciation e amortisation	3,169	3,237	-2%
IFRS 16 Right of Use depreciation	7,548	7,725	-2%
Goodwill impairment	-	-	n/s
EBIT adjusted	**28,498**	**20,777**	**37%**
EBIT adjusted %	*1.03%*	*0.81%*	
Non recurring costs(3)	7,193	-	100%
EBIT	**21,305**	**20,777**	**3%**
EBIT %	*0.77%*	*0.81%*	

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 4.9 million euro otherwise included in 'Other operating costs' and 2.3 million euro otherwise included in the item 'Impairment of Goodwill'.

Sales from contracts with customers amounted to 2,778.7 million euro, up by 8% compared to 2,563.6 million euro in 2019.

The Gross Profit came to 131.0 million euro, marking an increase of +6% compared to 2019 (123.6 million euro) due to higher sales, which offset the reduction in the percentage margin (4.72% compared to 4.82%) and despite the diluting effect linked to the significant drop in sales and subsequent profit margin of Celly caused by the partial suspension of activities.

Adjusted EBITDA, equal to 39.2 million euro, up by 24% compared to 31.7 million euro in 2019, is calculated gross of one-off costs, equal to 4.9 million euro (0.9 million euro related to the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y Networking S.A., 1.2 million euro incurred as a result of the termination of the contract of former Group director and CFO, 2.6 million euro relating to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' product line, following the settlement of the legal dispute and 0.2 million euro incurred to deal with the Covid-19 pandemic).

EBIT Adjusted, gross of non-recurring costs of 7.2 million euro (4.9 million euro in one-off costs cited above and 2.3 million euro in partial impairment of goodwill relating to the CGU attributable to the distribution of mobile phone accessories handled by the subsidiary Celly, merged into CGU1 as at 31 December 2020), amounted to 28.5 million euro, +37% compared to 20.8 million euro in 2019. The incidence on sales rose to 1.03% from 0.81% in the previous period.

EBIT came to 21.3 million euro, marking an improvement of +3% compared to 2019 despite non-recurring expenses.

Subgroup Italy's main economic, financial and net assets position as at 31 December 2020 are hereby summarised:

(euro/000)	**31/12/2020**	**31/12/2019**
Fixed assets	193,600	204,170
Operating net working capital	(63,302)	(80,254)
Other current assets/liabilities	7,022	15,311
Other non-current assets/liabilities	(10,136)	(10,037)
Total uses	**127,184**	**129,190**
Short-term financial liabilities	32,596	24,179
Lease liabilities	6,581	6,563
Current debts for investments in subsidiaries	220	-
Financial receivables from factoring companies	(147)	(3,526)
Other current financial receivables	(9,617)	(9,717)
Cash and cash equivalents	(331,980)	(294,967)
Net current financial debt	(302,347)	(277,468)
Borrowings	39,715	22,294
Lease liabilities	76,851	82,243
Non - current debts for investments in subsidiaries	230	-
Other non - current financial receivables	(492)	(969)
Net Financial debt (A)	(186,043)	(173,900)
Net equity (B)	313,227	303,090
Total sources of funds (C=A+B)	**127,184**	**129,190**

The net financial position was a positive 186.0 million euro, an improvement compared to the liquidity surplus of 173.9 million euro as at 31 December 2019.

The value of the exact net financial position as at 31 December is influenced by technical factors like the seasonality of the business, the trend in 'non-recourse' factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December of 288.2 million euro (268.0 million euro as at 31 December 2019).

B.2) Subgroup Iberica[4]

The Iberian Subgroup's financial highlights as at 31 December 2020 are hereby summarised:

[4] It includes the GTI Software Y Networking S.A. Group, acquired on 1 October 2020 and comprising the companies Optima Logistics S.L.U., Diode Espana S.A.U., Getix companhia de distribuição de software unipessoal Lda and GTI Software & Networking SARLAU.

(€/000)	2020	2019	% Var.
Sales from contracts with customers	**1,746,045**	**1,426,021**	**22%**
Cost of goods sold excl. factoring/securitisation	1,680,748	1,371,912	23%
Financial cost of factoring/securisation(1)	1,952	1,782	10%
Gross Profit(2)	**63,345**	**52,327**	**21%**
Gross Profit %	*3.63%*	*3.67%*	
Personnel costs	21,711	18,335	18%
Other operating costs	12,250	10,750	14%
EBITDA adjusted	**29,384**	**23,242**	**26%**
EBITDA adjusted %	*1.68%*	*1.63%*	
Depreciation e amortisation	842	880	-4%
IFRS 16 Right of Use depreciation	2,343	2,249	4%
Goodwill impairment	-	-	n/s
EBIT adjusted	**26,199**	**20,113**	**30%**
EBIT adjusted %	*1.50%*	*1.41%*	
Non recurring costs(3)	-	-	n/s
EBIT	**26,199**	**20,113**	**30%**
EBIT %	*1.50%*	*1.41%*	

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

Sales from contracts with customers, equal to 1,746.0 million euro, showed an increase of +22% compared with 1,426.0 million euro in 2019.

Gross profit as at 31 December 2020 totalled 63.3 million euro, showing an improvement of +21% compared with 52.3 million euro of the same period of 2019 with a slight decrease in the incidence on sales from 3.67% to 3.63%. Deducting the positive contribution of the acquisition, on 1 October 2020, of the Software Y Networking S.A. Group, for a positive 4.0 million euro from the 2020 result, it is estimated that the change in the gross profit would have been around +13%.

EBITDA Adjusted amounted to 29.4 million euro, +26% compared to 23.2 million euro in 2019. Excluding the positive contribution of the acquisition of the GTI Software Y Networking S.A. Group from the 2020 result, Adjusted EBITDA would have been 28.1 million euro (+21% compared to 23.2 million euro in 2019).

Adjusted EBIT and EBIT, equivalent as no non-recurring costs were recognised, amounted to 26.2 million euro, up +30% compared to 2019 (+24%, excluding from 2020 result the positive contribution of 1.2 million euro resulting from the acquisition of the GTI Software Y Networking S.A. Group, occurred during the year).

The Subgroup Iberica's main economic, financial and net assets position as at 31 December 2020 are hereby summarised:

(euro/000)	31/12/2020	31/12/2019
Fixed assets	118,106	96,529
Operating net working capital	(57,470)	(40,367)
Other current assets/liabilities	(16,909)	(16,666)
Other non-current assets/liabilities	(9,722)	(6,842)
Total uses	**34,005**	**32,654**
Short-term financial liabilities	23,453	11,683
Lease liabilities	2,286	2,034
Current financial (assets)/liabilities for derivatives	(27)	-
Other current financial receivables	(0)	(2)
Cash and cash equivalents	(226,948)	(168,810)
Net current financial debt	(201,236)	(155,095)
Borrowings	67,354	38,751
Lease liabilities	17,148	17,969
Net Financial debt (A)	(116,734)	(98,375)
Net equity (B)	150,739	131,029
Total sources of funds (C=A+B)	**34,005**	**32,654**

The net financial position was a positive 116.7 million euro, an improvement compared to the liquidity surplus of 98.4 million euro as at 31 December 2019.

The value of the exact net financial position as at 31 December is influenced by technical factors like the seasonality of the business, the trend in 'non-recourse' factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December of 248.4 million euro (212.1 million euro as at 31 December 2019).

Esprinet S.p.A.

The main economic, financial and net assets position of the parent company Esprinet S.p.A. as at 31 December 2020 are hereby summarised:

(€/000)	2020	2019	% Var.
Sales from contracts with customers	**2,744,368**	**2,524,171**	**9%**
Cost of goods sold excl. factoring/securitisation	2,619,704	2,411,173	9%
Financial cost of factoring/securisation[1]	2,134	2,506	-15%
Gross Profit[2]	**122,530**	**110,492**	**11%**
Gross Profit %	*4.46%*	*4.38%*	
Personnel costs	42,917	41,327	4%
Other operating costs	40,447	41,398	-2%
EBITDA adjusted	**39,166**	**27,767**	**41%**
EBITDA adjusted %	*1.43%*	*1.10%*	
Depreciation, amortisation, impairment	3,058	3,089	-1%
IFRS 16 Right of Use depreciation	7,361	7,532	-2%
EBIT adjusted	**28,747**	**17,146**	**68%**
EBIT adjusted %	*1.05%*	*0.68%*	
Non recurring costs[3]	4,893	-	100%
EBIT	**23,854**	**17,146**	**39%**
EBIT %	*0.87%*	*0.68%*	
IFRS 16 interest expenses on leases	2,720	2,878	-5%
Other financial (income) expenses	1,953	3,792	-48%
Foreign exchange (gains) losses	(411)	1,259	‹100%
Cost (income) from investments	4,755	1,600	›100%
Profit before income taxes	**14,837**	**7,617**	**95%**
Income taxes	5,467	3,013	81%
Net income	**9,370**	**4,604**	**›100%**

[1] Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
[2] Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
[3] Of which 4.9 million euro otherwise included in 'Other operating costs'.

Sales from contracts with customers amounted to 2,744.4 million, up by +9% compared to 2,524.2 million euro in 2019.

The Gross Profit amounted to 122.5 million euro, marking an increase of 11% compared to 2019 (110.5 million euro) due to higher sales, an increase also in the percentage margin (4.46% in 2020 compared to 4.38% in 2019), due to the higher incidence of sales of PCs and Smartphones.

Adjusted EBITDA, equal to 39.2 million euro, +41% compared to 27.8 million euro in 2019, is calculated gross of one-off costs, equal to 4.9 million euro (0.9 million euro related to the transaction aimed at the acquisition of the Spanish distributor of cloud software and solutions, GTI Software y Networking S.A., 1.2 million euro incurred as a result of the termination of the contract of former Group director and CFO, 2.6 million euro relating to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' product line, following the settlement of the legal dispute and 0.2 million euro incurred to deal with the Covid-19 pandemic).

Adjusted EBIT, gross of 4.9 million euro in above-mentioned non-recurring costs, amounted to 28.7 million euro, +68% compared to 17.1 million euro in 2019; the incidence on sales increased to 1.05% compared to 0.68% in 2019.

EBIT came to 23.9 million euro, marking an increase of +39% compared to 17.1 million euro in 2019.

Profit before income taxes amounted to 14.8 million euro, +95% compared to 7.6 million euro in 2019.

Net income amounted to 9.4 million euro, +104% compared to 4.6 million euro in 2019.

The main financial and net assets position of the parent company Esprinet S.p.A. as at 31 December 2020 are hereby summarised:

(euro/000)	31/12/2020	31/12/2019
Fixed assets	194,420	205,843
Operating net working capital	(110,511)	(135,818)
Other current assets/liabilities	59,528	70,610
Other non-current assets/liabilities	(8,965)	(8,935)
Total uses	**134,472**	**131,700**
Short-term financial liabilities	32,020	22,812
Lease liabilities	6,400	6,374
Financial receivables from factoring companies	(147)	(3,526)
Debts for investments in subsidiaries (current)	220	-
Financial (assets)/liab. From/to Group companies	11,945	6,921
Other current financial receivables	(9,617)	(9,718)
Cash and cash equivalents	(327,090)	(289,642)
Net current financial debt	(286,269)	(266,779)
Borrowings	39,715	22,294
Lease liabilities	76,382	81,742
Debts for investments in subsidiaries (non-current)	230	-
Non-current financial (assets)/liab. for derivatives	620	-
Other non - current financial receivables	(492)	(969)
Net Financial debt (A)	(169,814)	(163,712)
Net equity (B)	304,286	295,412
Total sources of funds (C=A+B)	**134,472**	**131,700**

The net financial position was a positive 169.8 million euro, an improvement compared to the liquidity surplus of 163.7 million euro as at 31 December 2019. The value of the exact net financial position as at 31 December is influenced by technical factors like the seasonality of the business, the trend in 'non-recourse' factoring of trade receivables (factoring, confirming and securitisation) and the trend in the behavioural models of customers and suppliers in the different periods of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes for the factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to assignees and therefore allow the derecognition from statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December of 276.7 million euro (258.3 million euro as at 31 December 2019).

Equity totalled 304.3 million euro (295.4 million euro as at 31 December 2019).

C) Group's financial highlights Pre-IFRS 16

The Group's main financial results are shown below using the adjusted figures according to IFRS 16, which was applied for the first time to the financial statements as at 31 December 2019:

(€/000)	2020	2019	% Var.
	Pre-IFRS16	Pre-IFRS16	
Sales from contracts with customers	**4,491,613**	**3,945,371**	**14%**
Cost of goods sold excl. factoring/securitisation	4,292,896	3,764,900	14%
Financial cost of factoring/securisation[(1)]	4,207	4,421	-5%
Gross Profit[(2)]	**194,510**	**176,050**	**10%**
Gross Profit %	*4.33%*	*4.46%*	
Personnel costs	69,072	64,203	8%
Other operating costs	68,195	68,030	0%
EBITDA adjusted	**57,243**	**43,817**	**31%**
EBITDA adjusted %	*1.27%*	*1.11%*	
Depreciation e amortisation	4,345	4,688	-7%
IFRS 16 Right of Use depreciation	-	-	n/s
Goodwill impairment	-	-	n/s
EBIT adjusted	**52,898**	**39,129**	**35%**
EBIT adjusted %	*1.18%*	*0.99%*	
Non recurring costs[(3)]	7,193	-	100%
EBIT	**45,705**	**39,129**	**17%**
EBIT %	*1.02%*	*0.99%*	
IFRS 16 interest expenses on leases	-	-	n/s
Other financial (income) expenses	2,225	4,206	-47%
Foreign exchange (gains) losses	(462)	1,665	<100%
Profit before income taxes	**43,942**	**33,258**	**32%**
Income taxes	11,046	8,422	31%
Net income	**32,896**	**24,836**	**32%**

(1) Cash discounts for 'non-recourse' advances of trade receivables as part of revolving factoring, confirming and securitisation programmes.
(2) Gross of amortisation/depreciation that, by destination, would be included in the cost of sales.
(3) Of which 4.9 million euro otherwise included in 'Other operating costs' and 2.3 million euro otherwise included in the item 'Impairment of Goodwill'.

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

(euro/000)	31/12/2020 Pre - IFRS 16	31/12/2019 Pre - IFRS 16
Fixed assets	136,746	118,544
Operating net working capital	(121,094)	(121,074)
Other current assets/liabilities	(10,087)	(1,370)
Other non-current assets/liabilities	(19,858)	(16,879)
Total uses	**(14,293)**	**(20,779)**
Short-term financial liabilities	56,049	35,862
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	(27)	-
Financial receivables from factoring companies	(147)	(3,526)
Current debts for investments in subsidiaries	220	-
Other current financial receivables	(9,617)	(9,719)
Cash and cash equivalents	(558,928)	(463,777)
Net current financial debt	(512,450)	(441,160)
Borrowings	107,069	61,045
Lease liabilities	-	-
Non-current urrent debts for investments in subsidiaries	230	-
Other non - current financial receivables	(492)	(969)
Net Financial debt (A)	(405,643)	(381,084)
Net equity (B)	391,350	360,305
Total sources of funds (C=A+ B)	**(14,293)**	**(20,779)**

2. Operating net working capital

The following table shows details of working capital ratios compared with the previous year:

(euro/000)	31/12/2020			31/12/2019		
	Group	Italy	Iberica	Group	Italy	Iberica
Trade receivables [a]	**584,036**	**351,729**	**232,307**	**470,999**	**331,471**	**139,528**
Trade receivables net of VAT (1)	480,292	288,302	191,989	387,010	271,698	115,312
Sales from contracts with customers (2)	4,491,613	2,745,568	1,746,045	3,945,371	2,519,351	1,426,020
[A] Days Sales Outstanding - DSO (3)	39	38	40	36	39	30
Inventory [b]	**402,756**	**265,034**	**137,722**	**497,220**	**343,841**	**153,379**
[B] Days Sales of Inventory - DSI (4)	34	37	30	48	51	42
Trade payables [c]	**1,107,826**	**680,065**	**427,761**	**1,089,246**	**755,566**	**333,680**
Trade payables net of VAT (1)	910,952	557,430	353,521	895,085	619,316	275,769
Cost of Sales	4,297,946	2,648,533	1,649,413	3,770,027	2,440,707	1,329,320
Total SG&A	146,019	108,892	37,127	134,276	102,102	32,174
[C] Days Payable Outstanding - DPO (5)	75	74	77	84	89	74
Operating net working capital [a+b-c]	**(121,034)**	**(63,302)**	**(57,732)**	**(121,027)**	**(80,254)**	**(40,773)**
Cash conversion Cycle [A+B-C]	**(2)**	**1**	**(7)**	**-**	**1**	**(2)**
Operating net working capital/Sales	**-2.7%**	**-2.3%**	**-3.3%**	**-3.1%**	**-3.2%**	**-2.9%**

(1) Net of VAT measured by applying the ordinary rate of 22% for Subgroup Italy and 21% for Subgroup Spain.
(2) Amounts net of intercompany sales.
(3) (Trade receivables net of VAT / Sales and services) * 365.

(4) (Inventory / Cost of sales) * 365.
(5) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

Below is the evolution of working capital of Esprinet S.p.A. in the last two financial years:

(euro/000)	Esprinet S.p.A.	
	31/12/2020	31/12/2019
Trade receivables [a]	**301,561**	**272,957**
Trade receivables net of VAT (1)	247,181	223,735
Sales from contracts with customers (2)	2,714,051	2,482,066
[A] Days Sales Outstanding - DSO (3)	33	33
Inventory [b]	**259,170**	**335,188**
[B] Days Sales of Inventory - DSI (4)	36	51
Trade payables [c]	**671,242**	**743,963**
Trade payables net of VAT (1)	550,198	609,806
Cost of Sales (5)	2,621,070	2,413,008
Total SG&A (6)	97,768	92,687
[C] Days Payables Outstanding - DPO (7)	74	89
Operating net working capital [a+b-c]	**(110,511)**	**(135,818)**
Cash conversion Cycle [A+B-C]	**(5)**	**(5)**
Operating net working capital / Sales	**-4.1%**	**-5.5%**

(1) Net of VAT measured by applying the ordinary rate of 22%.
(2) Net of intercompany sales amounting to 30.3 million euro (42.1 million euro in 2019) as per table shown in the separate financial statements.
(3) (Trade receivables net of VAT / Sales and services) * 365.
(4) (Inventory / Cost of sales) * 365.
(5) Net of intercompany costs amounting to 1.6 million euro (1.4 million euro in 2019) as shown in the table displayed in the separate financial statements.
(6) Net of intercompany costs and recharges for 0.1 million euro (-0.1 million euro in 2019) as per table shown in the separate financial statements.
(7) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

3. Sales by product family and customer type

Group sales by customer type and product family

Sales by customer type

(euro/million)	2020	%	2019	%	Var.	% Var.
Retailers & E-Tailers	2,205.7	49.1%	1,930.8	48.9%	274.9	*14%*
IT Resellers	2,361.3	52.6%	2,059.5	52.2%	301.8	*15%*
Adjustments	(75.4)	-1.7%	(44.9)	-1.1%	(30.5)	*68%*
Sales from contracts with customers	**4,491.6**	**100.0%**	**3,945.4**	**100.0%**	**546.2**	***14%***

The breakdown of sales by customer type shows a growth in both consumer and business segments. The growth in 'Retailers/e-Tailers', in which the Group has now consolidated a position of undisputed leader, stood around +14%. The 'IT Reseller' segment, growing by +15%, represents the area in which the Group intends to focus its investments during 2020.

Sales by product family

(euro/million)	2020	%	2019	%	Var.	% Var.
PC (notebook, tablet, desktop, monitor)	1,711.5	38.1%	1,372.8	34.8%	338.7	*25%*
Printing devices and supplies	407.0	9.1%	418.3	10.6%	(11.3)	*-3%*
Other IT products	319.7	7.1%	244.9	6.2%	74.8	*31%*
Total IT Clients	**2,438.2**	**54.3%**	**2,036.0**	**51.6%**	**402.2**	***20%***
Smartphones	1,263.6	28.1%	1,103.2	28.0%	160.4	*15%*
White goods	64.1	1.4%	55.7	1.4%	8.4	*15%*
Gaming (hardware and software)	39.3	0.9%	43.4	1.1%	(4.1)	*-9%*
Other consumer electronics products	164.3	3.7%	191.0	4.8%	(26.7)	*-14%*
Total Consumer Electronics	**1,531.3**	**34.1%**	**1,393.3**	**35.3%**	**138.0**	***10%***
Hardware (networking, storage, server and others)	384.9	8.6%	407.4	10.3%	(22.5)	*-6%*
Software, Services, Cloud	212.6	4.7%	153.6	3.9%	59.0	*38%*
Total Advanced Solutions	**597.5**	**13.3%**	**561.0**	**14.2%**	**36.5**	***7%***
Adjustments	(75.4)	-1.7%	(44.9)	-1.1%	(30.5)	*68%*
Sales from contracts with customers	**4,491.6**	**100.0%**	**3,945.4**	**100.0%**	**546.2**	***14%***

The analysis of sales by product showed 10% increase in the '*Consumer Electronics*' segment, driven by the growth in 'Smartphones' (+15%) and 'Household appliances' (+15%), as well as 20% increase in the '*IT Clients*' segment, thanks to a significant increase in 'PCs' (+25%). In the '*Advanced Solutions*' segment, the Group recorded +7% improvement, with a particularly significant growth in sales related to 'Software, services and cloud' (+38%), also thanks to the consolidation of the GTI Group, as from 1 October 2020. This growth offset the -6% reduction reported in the 'Hardware' category.

Sales of Esprinet S.p.A. by customer type and product family

Sales by customer type

(euro/million)	2020	%	2019	%	Var.	% Var.
Retailers & E-Tailers	1,270.1	46.3%	1,117.8	44.3%	152.3	*14%*
IT Resellers	1,476.3	53.8%	1,401.9	55.5%	74.4	*5%*
Adjustments	(2.0)	-0.1%	4.5	0.2%	(6.5)	*>100%*
Sales from contracts with customers	**2,744.4**	**100.0%**	**2,524.2**	**100.0%**	**220.2**	***9%***

The breakdown of sales by customer type shows a growth in both consumer and business segments. The growth in 'Retailers/e-Tailers', in which the Company has now consolidated a position of undisputed leader, stood around +14%. The 'IT Reseller' segment, growing by +5%, represents the area in which the Company intends to focus its investments during 2020.

Sales by product family

(euro/million)	2020	%	2019	%	Var.	% Var.
PC (notebook, tablet, desktop, monitor)	778.0	28.3%	646.4	25.6%	131.6	*20%*
Printing devices and supplies	305.3	11.1%	306.7	12.2%	(1.4)	*0%*
Other IT products	208.7	7.6%	148.9	5.9%	59.8	*40%*
Total IT Clients	**1,292.0**	**47.1%**	**1,102.0**	**43.7%**	**190.0**	***17%***
Smartphones	807.5	29.4%	731.1	29.0%	76.4	*10%*
White goods	61.5	2.2%	53.8	2.1%	7.7	*14%*
Gaming (hardware and software)	23.8	0.9%	27.0	1.1%	(3.2)	*-12%*
Other consumer electronics products	137.9	5.0%	162.1	6.4%	(24.2)	*-15%*
Total Consumer Electronics	**1,030.7**	**37.6%**	**974.0**	**38.6%**	**56.7**	***6%***
Hardware (networking, storage, server and others)	293.2	10.7%	320.9	12.7%	(27.7)	*-9%*
Software, Services, Cloud	130.5	4.8%	122.8	4.9%	7.7	*6%*
Total Advanced Solutions	**423.7**	**15.4%**	**443.7**	**17.6%**	**(20.0)**	***-5%***
Adjustments	(2.0)	-0.1%	4.5	0.2%	(6.5)	*>100%*
Sales from contracts with customers	**2,744.4**	**100.0%**	**2,524.2**	**100.0%**	**220.2**	***9%***

The analysis of sales by product type showed +6% increase in the '*Consumer Electronics*' segment, driven by the growth in 'Smartphones' (+10%) and 'Household appliances' (+14%), as well as +17% increase in the '*IT Clients*' segment, thanks to a significant increase in 'PCs' (+20%). In the '*Advanced Solutions*' segment, the Group recorded -5% decrease, substantially attributable to the -9% performance of the 'Hardware' category, which was offset by the +6% improvement of the 'Software, services and cloud' category.

Significant events occurring in the period

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

Esprinet S.p.A. Shareholders' Meeting and subsequent cancellation of shares.

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

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

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

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

Resignation of the Director Valerio Casari

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

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

On 1 October 2020, the Group, through its wholly-owned subsidiary Esprinet Iberica S.L.U., acquired 100% of the share capital of GTI Software y Networking S.A., operating in the Advanced Solutions field and Spain's leading distributor of software and cloud solutions to Value-Added Resellers and System Integrators, with registered office in Madrid and operating also in Portugal and North Africa. The consideration for the acquisition was 33.7 million euro, paid at closing using available resources. Expenses of 0.9 million euro were incurred to complete the transaction.

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

On 28 October 2020, Esprinet S.p.A. purchased the remaining 15% of the share capital of Celly S.p.A., acquiring fully ownership of it.
The value of the transaction was equal to 1.25 million euro, of which 0.8 million euro paid in cash at the time of signing of the agreement, and the residual balance in annual instalments to be paid in three subsequent years.
The transaction is in preparation for the subsequent merger by incorporation of Celly S.p.A. in the parent company, which will make it possible to benefit from commercial and operating synergies.
With the goal of accelerating the process of integration of employees, customers, suppliers and processes, on 4 January 2021 Esprinet S.p.A. signed a business lease agreement with Celly S.p.A.

Entering into medium/long-term loans

During the year, the Spanish subsidiaries Esprinet Iberica S.L.U. and Vinzeo Technologies S.A.U., as part of the measures to support companies adopted by the Spanish Government to tackle Covid-19, took out a total of 11 five- and three-year loans, all amortising and guaranteed by the Spanish Government through Instituto de Crédito Official ('ICO'). Only one loan is at floating rate, for a total amount or 47.2 million euro, disbursed in the amount of 45.7 million euro as at 31 December 2020.

The subsidiary Vinzeo Technologies S.A.U. also entered into a further five-year, fixed-rate and amortising loan, fully disbursed in the amount of 2.5 million euro by 31 December 2020.

On 23 December 2020, the parent company Esprinet S.p.A. entered into a five-year, fixed-rate and amortising loan, amounting to 35.0 million euro, disbursed by 31 December 2020 and entered into in order to enable the Group to support the investments envisaged in the strategic plan.

Developments in legal disputes

On 9 December 2020, pursuant to Art. 167, paragraph 2, of the Italian Bankruptcy Law, the Court of Milan authorised the settlement agreement between Esprinet S.p.A. and the supplier of the '*Sport Technology*' product line. The agreement envisages, on the one hand, the waiver by the supplier and its shareholders of the 55.0 million euro compensation lawsuit filed against Esprinet S.p.A. and, on the other hand, the waiver by Esprinet S.p.A. of the request to be included among the creditors of the supplier's composition proceeding, thus writing off the 2.6 million euro of net receivables recorded in the financial statements as at 31 December 2019.

Developments in tax disputes

Esprinet S.p.A. has a number of pending lawsuits involving requests for the payment of indirect taxes brought against the Company, for a total amount of 18.7 million euro, plus penalties and interest, in relation to transactions undertaken between 2011 and 2013. Since several customers had filed declarations of intent but, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as a frequent exporter, the tax authority is now claiming VAT from the Company on those sales transactions.

In relation to the aforementioned disputes, note should be taken of the issuing of two appeal judgements by the Regional Tax Commission of Lombardy on 17 February 2020 and 23 September 2020, the first concerning the year 2012 and unfavourable for the Company (winning party in the first instance proceedings), the second concerning the year 2013 and favourable for the Company (losing party at first instance proceedings).
The tax claimed amounted to 3.1 million euro and 0.1 million euro, respectively.
It is also worth noting that the first instance hearing concerning the 2013 tax year (tax challenged for an amount of 14.5 million euro) was held on 23 September 2020 and the judgement, which rejected the first instance appeal, was filed on 19 November 2020.
The Company has prepared, or is preparing, the various appeals against the judgements.

Subsequent events

Relevant events occurred after period end are briefly described below:

Purchase of 100% of Dacom and IDMAINT

On 22 January 2021, Esprinet S.p.A. purchased the whole share capital of Dacom S.p.A., leader in the distribution of products and solutions for Automatic Identification and Data Capture (AIDC) and the whole share capital of IdMaint S.r.l., company specialised in pre and after sales maintenance and technical support services on Auto-ID products.

The execution of the agreement, occurred after obtaining the anti-trust authorisation by the Italian Anti-trust Authorities, envisaged an estimated consideration of 13.9 million euro, of which 10.3 million euro paid in cash at the purchase date. The final price will be determined at the end of the 12th month after the closing on the basis of price adjustment mechanisms linked to the calculation of actual equity, inventory quality and credit position.

With this transaction the Group further strengthens its position in the Advanced Solutions segment, becoming the leading distributor in Southern Europe in the AIDC business niche.

Business outlook

The year 2021 started with reassuring signs from the pharmaceutical industry relating to the effectiveness of the vaccines developed to contain the Covid-19 pandemic, but with persistent uncertainties over the time needed for the population to be vaccinated to such a degree as to stop the disease spreading, a necessary prerequisite for effectively returning to normal.

Despite this macroeconomic uncertainty, the technology sector in which the Group operates has benefitted from the significant investments from households, businesses and governments made during the year just ended, targeted in particular at ensuring the possibility of working from home during lock-down periods.

In 2021, industry analysts expect to see a continuation of the positive trend in demand in the consumer segment during the first part of the year, while it is believed that the second half-year may see demand in the business and corporate segments resume in a more sustained manner, also in light of the support by governments for education, digitalisation of the public administration and healthcare.

If we combine this forecast of demand from end consumers with a continuous confirmation of the gradual and constant shift of the sales flows of producers to the distribution channel in which the Esprinet Group is the leader in Southern Europe, we believe that 2021 may benefit, as happened in 2020, from favourable market conditions.

The overall performance of the sector, and therefore of our Group, continues however to be impacted by the uncertainty over the times in which the increases in the productive capacity of the electronic components production plants will take full effect, which have reduced availability in almost all product categories for several months.

The macroeconomic uncertainties could then trigger a spiral of insolvencies that could negatively impact the insurance costs of credit.

Owing to the persistent level of macroeconomic uncertainty, despite the presence of substantially favourable market conditions, the company opted to present the guidance for 2021, in May, also in light of the first quarter performance.

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 enhance all employees by improving their skills, according to the business development strategy.

Although within a context where the rationalisation of costs is paramount, these objectives are achieved, mainly, with 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

The trend of the Group employees in the year under review is represented as follows:

	Executives	Clerks and middle management	Workers	Total	Average [1]
			31/12/2020		
Esprinet S.p.A.	20	749	-	**769**	**762**
V-Valley S.r.l.	-	-	-	**-**	**-**
Celly [2]	-	50	-	**50**	**51**
Nilox Deutschland Gmbh	-	-	-	**-**	**1**
4 Side S.r.l.	3	11		**14**	**14**
Subgroup Italy	**23**	**810**	**-**	**833**	**826**
Esprinet Iberica S.L.U.	-	338	78	**416**	**379**
Esprinet Portugal L.d.A.	-	16	-	**16**	**14**
Vinzeo Technologies S.A.U.	-	183	-	**183**	**164**
V-Valley Iberian S.L.U.	-	-	-	**-**	**-**
GTI Software Y Networking S.A.	-	99	-	**99**	**50**
Getix Lda	-	12	-	**12**	**6**
Optima Logistics S.L.U.	-	2	5	**7**	**4**
Diode Espana S.A.U.	-	23	-	**23**	**12**
GTI Software & Networking SARLAU	-	9	-	**9**	**5**
Subgroup Iberica	**-**	**682**	**83**	**765**	**632**
Esprinet Group	**23**	**1,492**	**83**	**1,598**	**1,458**
			31/12/2019		
Esprinet S.p.A.	18	736	-	**754**	**748**
V-Valley S.r.l.	-	-	-	**-**	**-**
Celly [2]	-	51	-	**51**	**50**
Nilox Deutschland Gmbh	-	1	-	**1**	**1**
4 Side S.r.l.	4	9	-	**13**	**7**
Subgroup Italy	**22**	**797**	**-**	**819**	**806**
Esprinet Iberica S.L.U.	-	254	87	**341**	**327**
Esprinet Portugal L.d.A.	-	12	-	**12**	**10**
Vinzeo Technologies S.A.U.	-	145	-	**145**	**138**
V-Valley Iberian S.L.U.	-	-	-	**-**	**9**
Subgroup Iberica	**-**	**411**	**87**	**498**	**484**
Esprinet Group	**22**	**1,208**	**87**	**1,317**	**1,290**
Var Group 31/12/2020 - 31/12/2019	1	284	(4)	281	168
Var %	*4.5%*	*24%*	*-4.6%*	*21.3%*	*13.0%*

[1] Average of the balance as at 31/12/2020 and as at 31/12/2019.
[2] Refers to the subgroup made up of Celly S.p.A. and Celly Pacific Limited.

In addition to the ordinary replacement of staff who left during the previous year and/or absent due to parental leaves or leaves of absence, the increase in workforce is attributable to the acquisition of the 'GTI Group' at the beginning of October 2020 (+150 employees) and the hiring in Spain of employees in the Front Office area for new commercial promotion services in large-scale distribution sales points.

The following table shows the breakdown of the headcount (recruitments and leaves) for each company:

	Headcount as at 31/12/2019	Increases	Decreases	Headcount as at 31/12/2020
Esprinet S.p.A.	754	70	55	769
Celly[1]	51	4	5	50
Nilox Deutschland GmbH	1	0	1	0
4Side S.r.l.	13	3	2	14
V-Valley S.r.l.	0			0
Subgroup Italy	**819**	**77**	**63**	**833**
Esprinet Iberica S.L.U.	341	115	40	416
Vinzeo Technologies S.A.U.	145	56	18	183
V-Valley Iberian S.L.U. [3]	0			0
Esprinet Portugal Lda	12	5	1	16
GTI Software Y Networking S.A.[2]	0	101	2	99
Getix Lda [3]	0	13	1	12
Optima Locistic S.L.U. [4]	0	7	0	7
Diode Espana S.A.U. [5]	0	23	0	23
GTI Software & Networking SARLAU[6]	0	9	0	9
Subgroup Spain	**498**	**329**	**62**	**765**
Total Group	**1,317**	**406**	**125**	**1,598**

[1] Refers to the subgroup made up of Celly S.p.A. and Celly Pacific Limited.
[2] Of which 101 increases related to the acquisition of the company on 1 October 2020.
[3] Of which 13 increases related to the acquisition of the company on 1 October 2020.
[4] Of which 7 increases related to the acquisition of the company on 1 October 2020.
[5] Of which 23 increases related to the acquisition of the company on 1 October 2020.
[6] Of which 9 increases related to the acquisition of the company on 1 October 2020.

With respect to gender distribution, the table below highlights a constant predominance of women employees in the Group: 53.9% as at 31 December 2020.

	31/12/2020										
	Italy					Iberian Peninsula (Spain and Portugal)					
	Esprinet S.p.A.	V-Valley S.r.l.	Celly [1]	Nilox Gmbh	4Side S.r.l.	Esprinet Iberica S.L.U.	Esprinet Portugal L.d.A.	Vinzeo Technologies S.A.U.	GTI Networking Y Security[2]	Group	%
Men	364	-	27	-	9	174	8	85	70	**737**	*46.1%*
Women	405	-	23	-	5	242	8	98	80	**861**	*53.9%*
Total	**769**	**-**	**50**	**-**	**14**	**416**	**16**	**183**	**150**	**1,598**	***100%***
Graduation	262	-	29	-	3	137	9	90	74	**604**	*37.8%*
High School Cert.	466	-	20	-	11	202	7	72	50	**828**	*51.8%*
Secondary School Cert.	41	-	1	-	-	77	-	21	26	**166**	*10.4%*
Total	**769**	**-**	**50**	**-**	**14**	**416**	**16**	**183**	**150**	**1,598**	***100%***

[1] Refers to the subgroup made up of Celly S.p.A. and Celly Pacific Limited.
[2] Refers to the subgroup made up of GTI Software Y Networking S.A., Getix Lda, Optima Logistic S.L.U., Diode Espana S.A.U. and GTI Software & Networking SARLAU.

Training

In 2020, the Group (Esprinet S.p.A., Celly S.p.A., Esprinet Iberica S.L.U., Vinzeo Technologies S.A., V-Valley Iberian S.L.U. and Esprinet Portugal L.d.A.) provided in total 22,177 hours of training, an increase compared to the hours provided the previous year (21,909 hours), despite the fact that the health emergency due to Covid-19 has changed and rendered less effective the modalities through which the contents are provided.

Amongst the most effective training projects, it is worth noting that a training project was launched in the Subgroup Italy regarding Customer Centricity, with the aim of promoting a real cultural change throughout the organisation with respect to the real listening to customer needs.

Recruitment

Albeit with a number of researches that are lower in the Subgroup Italy, compared to the previous year, also considering the decreased turnover in 2020, the recruitment activity remained intense. Conversely, in the Subgroup Iberica, recruitment mainly concerned the introduction of new sales profiles for telephony products and professionals with experience and specific skills in highly specialised business areas.

Moreover, in both the main operativity areas of the Group (Italy and Iberian peninsula), the consolidation of relations with local universities continued:

Organisation

Even during the lock-down period, Esprinet never stopped: it was a complex period in which managers and collaborators necessarily had to change habits and create a new daily routine. Despite everything, several initiatives were carried out, designed to make employees feel cared for and close and to support them in managing their work.

Most of the collaborators – with the exception of the staff in charge of the logistics hubs and the Esprivillages – worked from home remotely (within the Group, they had already been working in smart working one or two days, even before the Covid-19 pandemic). Where return to the office is allowed, however limited and in accordance with social distancing rules and health safety protocols, this is possible after booking via a company tool. The selection and recruitment of new staff continued during the pandemic, and newly hired people were able to work in remote mode immediately, thanks to the home delivery of technological equipment.

For the first time, Esprinet S.p.A. participated in and obtained the important corporate certification from 'Great Place to Work®', issued by a consulting company that uses the opinions of employees to reward the best work environments in Italy and in the world.

Development and 'compensation'

During 2020, the development of tools to improve assessment processes was undertaken in a view of continuous feedback and evaluation according to company values.

In Group companies, remuneration is composed, for identified staff profiles, of variable incentives based on both individual and company objectives.

For Directors, managers with strategic responsibilities and other key managers of the Group (Italy and Spain) the incentive plan for the three-year period 2018 – 2020 has ended, which will be finalised with the submission of the Consolidated Financial Statements as at 31 December 2020 to the approval of Esprinet S.p.A.'s Shareholders' Meeting.

Hiring of people with disabilities

In addition to the forms of employment or exemption provided for by the regulations in force in the various countries in which the Group operates, Esprinet S.p.A. renewed or signed agreements in Italy with the Provinces of Milan and Monza e Brianza for the employment of a total of 12 disabled persons at the Vimercate offices and Cesano Boscone Esprivillage. In Spain, the subsidiary Esprinet Iberica S.L.U. signed cooperation agreements with two entities dedicated to the employment of disabled people: Stylepack S.L. and Ilunion.

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 gained 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.
Esprinet S.p.A. and the subsidiaries Esprinet Iberica S.L.U., Vinzeo Technologies S.A.U., V-Valley Iberian S.L.U. and V-Valley S.r.l. have Quality Certification (ISO 9001), Environmental Certification (ISO 14001) and Safety in Workplace Certification (ISO 45001), whereas Celly S.p.A. and the GTI Group have Quality Certification only.
Except for the GTI Group, which has the Bureau Veritas Certification, all the companies have the BSI Certifications. In 2020, all companies had their Certifications renewed by either of these two leading international certification bodies.

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 and it is therefore strongly committed to promoting the active involvement, responsibility and professional growth of them.

The constant activity of information and training is fundamental, in order to sensitise personnel on environmental and safety topics, and on the importance of the contribution of each individual regarding the prevention and improvement of the general conditions of the safety at work and of the environmental efficiency of the company.

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

The Esprinet Group defines the criteria and method for the continual evaluation of the main environmental aspects, of the risk of misfortune and danger, and of the identification of the corresponding impact. The latter are periodically verified compared to the forecasted objectives, which are defined, monitored, and updated for their continuous improvement.

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.

The Group is also engaged in minimising the consumption of natural resources (electricity, gas, water) and of waste production, encouraging recycling where possible.

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

Esprinet S.p.A., Celly S.p.A. and 4Side S.r.l. are members of the Erion (WEEE ed Energy) consortium. These companies delegate to the aforementioned consortium the operational aspects relating to the 'end of life' products management defined by the regulation regarding the disposal of electric and electronics waste, cells and batteries. As regards packaging, they are members of the CONAI consortium.
The Spanish associated companies Esprinet Iberica and V-Valley Iberian joined the Recyclia, Ecoembes and Punto Verde consortia, Vinzeo S.A.U. joined the Recyclia and Ecoembes consortia, while Esprinet Portugal is a member of Erp Portugal, Ponto Verde and ValorPneu and the GTI Group of Recyclia, Ecotic and Ecoembes consortia.

Disclosure as per Italian 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 Italian Legislative Decree 32/2007 concerning information regarding the environment and staff, the following has to be noted.

'Compulsory' disclosure

As regards staff, during the year, no deaths, or serious or very serious accidents occurred and no professional illnesses were reported by employees or former employees, and no Group company was found finally guilty in any 'mobbing' trials.
In the case of the environment, during the year no damages to the environment, or fines or definitive penalties were charged to the company for environmental crimes or damages, nor any emission of greenhouse gases was 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. 87,000 sqm), and at Zaragoza in Spain (approx. 39,000 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.

Risks classification

Risk management is a strategic tool for creating value. The activities of the Esprinet Group and Esprinet S.p.A. are in fact exposed to certain risk factors that may influence their economic, equity and financial situation.
Esprinet S.p.A. and the Esprinet Group identify, assess and manage risks in compliance with internationally recognised models and techniques.
Starting in 2009, the Group adopted an operational and organisational model for risk management and monitoring of adequacy over time (so-called 'ERM-Enterprise Risk Management') inspired by the methodology of the Committee of Sponsoring Organisations of the Treadway Commission (so-called 'CoSO'), which makes it possible to identify and manage risks in a uniform manner within Group companies. This is based on a methodological framework aimed at creating an effective risk management system capable of involving, at different levels, the actors in the internal control system who are assigned different roles of responsibility for control activities.
The identification, assessment, management and monitoring system of the company's main risks is based on a process, which involves the performance of the following tasks, at least annually:

- mapping and assessment of the main business risks ('risk assessment' and 'risk scoring');
- identification of 'risk management' priorities;
- identification of a 'risk strategy' (acceptance, optimisation, improvement or monitoring of control measures) for each risk mapped and its declination into operational action plans.

The final aim of the process described is to identify potential events that may affect the business activity and to keep the level of risk within the acceptable threshold defined by the administrative body in order to achieve the business objectives.
During 2020, the envisaged activity plan was adequately implemented, including an audit plan and a plan to strengthen controls on the risks considered to be priorities.
New procedures have been developed or existing procedures revised and new management methods have been introduced, supported by developments in the information system.
At the end of the year, there were no significant changes in risk exposure compared with the previous year.
With regard to 2021, the Group's activities will be mainly focused on monitoring existing risk control levels since the annual review of the main business risks has led to the substantial confirmation of the existing mapping. Following the increase in the incidence of foreign currency purchases by the Group, adequate tools were also identified and implemented to manage exchange rate risk of a transactional nature.
In addition, in light of the Group's growing sensitivity and expertise on 'ESG-Environmental, Social, Governance' issues and the increased perception of the severity of the non-compliance risks associated with them, a more detailed screening of 'non-financial' risks will be carried out in order to verify the completeness of the current mapping and, if necessary, review the current management methods.

Covid-19 emergency

The business outlook for 2021 could be affected by risks and uncertainties that depend on multiple external factors outside the Group's sphere of control.

This refers to the persisting health emergency due to the spread of the coronavirus and qualified as a pandemic by the World Health Organisation (WHO), and the impact of the resulting global economic crisis with effects that might continue for part of 2021.

The severely deteriorated global macroeconomic framework, resulting from the effects of the ongoing pandemic, with a consequent worsening of the credit profile of some customer segments, is expected to slowly and uncertainly improve in 2021 due to the worsening of the global spread of the Sars Cov-2 virus starting in autumn 2020, with the subsequent issuance by national and foreign authorities of renewed restrictive measures on the movements of people, which are expected to apply for at least most of the first half of 2021.
In order to deal with this ongoing situation, while ensuring operational continuity and compliance with existing measures, the Group has defined and implemented appropriate procedures and measures, including the extension of (voluntary) smart working to 100% of the company's office staff. The measures for protecting the health of the employees continue to be fully applied.
The main control standards defined for the minimisation of biological risks from contagion are described below:

- general information on the precautions to be taken to prevent the spread of the virus;
- ways of entering the company for both employees and outsiders, in relation to temperature control and cases of access prohibition;
- access rules for external suppliers;
- continuous cleaning and sanitisation of environments and equipment;
- personal hygiene precautions;
- guidelines on Personal Protective Equipment (PPE);
- rules for the management of common spaces;
- corporate organisation (shifts, travels, etc.);
- management of any symptomatic people in the company.

Risks classification

The definition of the main business risks is based on the following macro-classification:

- strategic risks;
- operating risks;
- compliance risks;
- financial risks.

The following is a brief description of the main risks, 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.
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.

In 2020 the Italian distribution market recorded a growth of +11% compared to 2019, while the Spanish one of +12% (Source: Context, January 2021).

However, it is not certain that the market will perform in line with analysts' expectations and, if these expectations are not realised, the equity, economic, and financial situation of the Group could be adversely affected.

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 meet customers' and suppliers' demands.
This ability translates into a value proposition both at the source and later on in the sales process which differentiates itself from the competition through its adequate and historically superior profitability conditions compared with both 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 than those of its main competitors, the Group's market share could fall significantly, with a negative impact on its economic and financial position.

Competition

The nature of the Group's trade brokering activities means that it operates in highly competitive sectors, both in Italy and in the Iberian peninsula.
The Group therefore has 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 and consumer electronics distribution sector, the Group's main activity, is measured in terms of prices, availability, quality and variety of products, associated logistics services and pre- and after-sale assistance.

The degree of competition is also heightened by the fact that the Group acts as an intermediary between the large world-wide suppliers of technology and resellers of IT/consumer electronics, which include operators with high contractual power, including the major retail chains, often with the potential to open supply chains directly with producers.
The Group also competes with multinational groups of extremely high financial standing, both in Italy and in the Iberian peninsula.
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 outlook 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 though in the past all the limits of these alternative distribution models have been revealed.
If the 'de-intermediation' situation, already affecting the Group in the markets where it operates, accelerates in the coming years, even though not caused by any empirical or economically rational facts, the Esprinet Group could suffer negative repercussions in terms of its economic and financial position.

Price changes

The technological sector is typified by a deflationary price trend linked to high product obsolescence and strong market competition, besides mainly economic factors linked to changes in the value of the USA dollar and the Chinese currency, 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 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

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.

In principle, acquisition transactions present the risk that the expected synergies may not be activated, in whole or in part, or that the costs of integration, explicit and/or implicit, may be higher than 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 regulatory and cultural issues different from those met with so far by the Group.
These problems are attributable, in addition to the implementation of adequate organisational mechanisms for coordination between the acquired entities and the rest of the Group, to the need to align with standards and policies mainly in terms of internal control procedures, reporting, information management and data security.

Therefore, it is not possible to provide any guarantee regarding the Group's future ability to successfully complete further acquisitions, nor to be able to preserve the competitive positioning of any target acquisitions, nor to be able to replicate favourably its business model and proposal system.

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 a considerable 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 customers, 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 and the recent migration of some IT services to a cloud platform managed by third parties.
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 signing of insurance policies against damages caused indirectly by possible system crashes, the housing of the data centre in safe environments, the entering into contracts to protect the company with leading cloud service providers (Microsoft), the construction of anti-intrusion and anti-virus defences by carrying out penetration tests aimed at verifying the robustness of the aforementioned defences, the continual backup of memory-resident data, the provision of business continuity and disaster recovery plans and the testing of the latter through the execution of 'shutdown and restart tests on redundant systems').

Despite this, the possibility that the Group might have to suspend or interrupt its sales activities, due to malfunctioning or actual black-outs of owned or third-party systems, 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 over 650 leading vendors of technology, including IT, consumer electronics and micro-electronic components vendors. The Group has always focused on the distribution of branded goods, sales from the sale of own-brand products (accessories, consumables, Nilox and Celly 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 shows a certain degree of risk concentration in that the incidence of the first 10 suppliers accounted for over 80% of the total amount (78% in 2019).

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 level 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 consumer electronics distributors.
In the case of the first activities mentioned, the Group makes use of a storage and custodial services company in Italy. Transport activities are contracted out, both in Italy and in the Iberian peninsula, 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.
The constant monitoring of product and customer margins and the search for the best mix within its portfolio of suppliers and customers are the main factors in mitigating this 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.
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, however, 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 several key management staff, particularly that of the Chief Executive Officers (or the corresponding functions in the various Group companies), other executive Directors, and of the 'front line' management and/or heads of functions acting in the two geographical markets where the Group operates.
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 several 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 and the preparation of an appropriate Business Continuity plan, 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 several 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-compliance*' 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. To mitigate this, adequate procedures have been drawn up and specific control activities have been implemented.

Legal and tax disputes

As of the drafting date of these financial statements several legal and tax disputes involving several of the companies within the Group are still pending. These could potentially influence the economic and financial results.
Although the sums allocated into the relative risk provisions are deemed sufficient to cover any liabilities arising from pending disputes, it cannot be excluded that in case of a negative outcome worse than expected, several negative effects 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 the item '*Non-current provisions and other liabilities*'.

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).

Overall responsibility for setting up and supervising the Group's financial risk management system lies with the Board of Directors, as part of the more general Internal Control System, which is headed by the various organisational units that are functionally responsible for the operational management of individual types of risk.
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 and 13 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 customers 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, involving the Credit Committee and on up 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 ageing of the credit, the existence or otherwise of any previous financial difficulties or disputes and any ongoing legal or receivership proceedings.
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 customers on revenues with reference to Esprinet S.p.A. and to the Group respectively:

Entity	**% top 10 customers**
Esprinet S.p.A.	42%
Esprinet Group	41%

The incidence of the top 10 customers on the Esprinet Group's sales is equal to 41% (39% in 2019).

Liquidity risk

Liquidity risk, or funding risk, represents the risk that the Group may encounter difficulties in obtaining - under economic conditions - the funds necessary to meet its commitments under financial instruments.
The policy for the management of this risk is based on a criterion of the utmost prudence aimed at avoiding, in the event of unforeseen events, having to bear excessive burdens or even having its reputation in the market compromised.
Liquidity risk management hinges on cash-flow planning and also on the maintenance of consistent amounts of unused lines of credit in Italy, Spain and Portugal of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources including that for financing working capital. As at 31 December 2020, the Group had unused credit lines of 482 million euro (459 million euro as at 31 December 2019), or approx. 77% (approx. 85% as at 31 December 2019) of the total of the existing credit lines.
The availability of unused credit lines did not create, with the exception of the Revolving line, any specific charges. For further information please refer to the paragraph 8.6 '*Lines of credit*' under section 8 '*Other significant information*' in the '*Notes to the consolidated financial statement*'.
The Group's financial needs are significantly covered both by several medium/long-term loans taken out with Italian and Spanish financial institutions and a pool Revolving Line with a residual duration of 21 months.
The latter constitutes one of the pillars of liquidity risk management and is subject to compliance with certain covenants, the violation of which gives the lending institutions the contractual right to request immediate repayment.

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.

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.
In 2020, these purchases were mainly in US dollars and amounted to 6.8% of the Esprinet Group's total purchases (5.8% in 2019).
The possibility that parity of exchange - and the euro/US 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. The Group does not have other financial assets and liabilities, nor in particular loans, denominated in foreign currency. It follows that the currency risk is limited to commercial operations, as described above.
Given the increase in foreign currency transactions in recent years, a new exchange rate risk management was implemented through spot hedges on individual foreign currency purchases.

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.
The bank lines available to the Esprinet Group have a cost largely based on interest rates indexed to the 'Europe Interbank Offered Rate' or Euribor. In almost all contracts, this parameter has a 'floor' of zero, as is now customary in the presence of persistently negative short-term rates along the yield curve, which partially mitigates the level of exposure to this risk.
The Group, as a result of analysis on the value and composition of the Group financial indebtedness, can decide to totally or partially hedge itself against the interest rate risk on the loans. In this case, the aim is to fix the funding cost of the middle-term floating-rate loans (hedged items). The instrument typically used is an 'IRS-Interest Rate Swap' of the 'plain vanilla' type, also and especially in light of its eligibility for cash flow hedge accounting.
Considering the composition of medium/long-term financial indebtedness, mainly at fixed rates, the risk level is very low and therefore it was not considered necessary to proceed with the above-mentioned forms of hedging.
In addition, the Group has a risk monitoring and control system capable of effectively and promptly promoting the revision of the interest rate risk management strategy as the characteristics of the capital structure change.

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 significant information

1. Research and development activities

The research and development activities of Edp and Web department are related to the definition and planning of new processes and services referred to the IT platform used by the Group, which is at customers and suppliers disposal for information communication as well as for the management of sales and purchase orders. These costs were entirely recorded in the income statement, mainly among the costs of the respective departments.

2. Number and value of own shares

At the reporting date of this Financial Report, Esprinet S.p.A. held 1,150,000 own ordinary shares, representing 2.3% of the share capital, fully in service of the Long Term Incentive Plan, valid for the three-year period 2018-2020, approved by the shareholders' meeting om 4 May 2018.
At the closing date of the 2019 annual financial report, Esprinet S.p.A. held 2,620,217 own ordinary shares, composed of 1,470,217 rights acquired in execution of the resolution of the shareholders' meeting of Esprinet S.p.A of 8 May 2019 and subsequently cancelled, with the proportional attribution of the rights embedded by the same to the benefit of all other shares, in implementation of the resolution of the extraordinary shareholders' meeting of 25 May 2020.

Thus, this programme represents an opportunity for the Company to award its shareholders extra compensation on top of dividend distribution.

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 carried out in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were sold under the same conditions as those usually applied to employees.

The following table details operations occurred between Group companies and companies where Esprinet S.p.A. directors and shareholders play important roles, as well as Group key managers and their close family.

(euro/000)		2020				2019			
	Type	Sales	Cost	Receiv.	Payab.	Sales	Cost	Receiv.	Payab.
Sales									
Key managers and family	Sales of goods	20	-	5	-	8	-	1	-
Subtotal		**20**	**-**	**5**	**-**	**8**	**-**	**1**	**-**
Cost of Sales									
Smart Res S.p.A.	Cost of goods	-	8	-	8	-	-	-	-
Subtotal		**-**	**8**	**-**	**8**	**-**	**-**	**-**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Overheads	-	-	-	-	-	2	-	-
Key Managers	Overheads	-	(3)	-	-	-	-	-	-
M.B. Immobiliare S.r.l.	Overheads	-	-	-	-	-	7	-	-
M.B. Immobiliare S.r.l.	Overheads	-	-	-	-	-	5	-	-
Subtotal		**-**	**(3)**	**-**	**-**	**-**	**14**	**-**	**-**
Finance costs - net									
Immobiliare Selene S.r.l.	Interests on guar. Deposits	-	-	-	-	5	-	-	-
M.B. Immobiliare S.r.l.	Interests on guar. Deposits	-	-	-	-	6	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**11**	**-**	**-**	**-**
Total		**20**	**5**	**5**	**8**	**19**	**14**	**1**	**-**

Sales relate to consumer electronics products sold under normal market conditions.

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*'.
As a result of the application of IFRS 16, in 2019, 4.1 million euro in property rentals to related parties for lease contracts concluded at market conditions and signed in the periods prior to the year under review, respectively with Immobiliare Selene S.r.l. in relation to the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of Cavenago (MB) logistics site.

In the case of CONSOB Regulation No. 17221 of 12/03/2010 and subsequent 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 also available at www.esprinet.com, under 'Investors'.

4. Relationships with subsidiaries subject to management and coordination

Esprinet S.p.A. manages and co-ordinates its subsidiaries resident in Italy.
These activities 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 Management and Organisational Model pursuant to Italian Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Italian Legislative Decree 196/03;
- 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 subsidiaries to achieve economies of scale, also enable them to focus their internal resources on managing the core business.
Starting from year 2010 Esprinet S.p.A. and its subsidiary V-Valley S.r.l. have opted for the tax regime as established in the 'National consolidated tax regime', as per Art. 117 and followings of Italian 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 2019 for the 3-year period 2019-2021.
Starting from year 2015 Esprinet S.p.A. and its subsidiary Celly S.p.A. have opted for the National consolidated tax regime, with effects for the three-year period 2015-2017. This option was renewed in 2018 for the 3-year period 2018-2020.

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

Name	Office	No. Of shares at 31/12/19 or at appointment date	No. of shares purchased	No. of shares sold	Received as a donation	No. Of shares at 31/12/20 or at termination date
Maurizio Rota [1][2]	Chairman	2,741,378	953,746	-	-	3,695,124
Alessandro Cattani[2]	Chief Executive Officer	677,527	246,254	-	-	923,781
Valerio Casari	Director	-	-	-	-	-
Marco Monti [3]	Director	2,058,017	-	-	686,006	2,744,023
Matteo Stefanelli	Director	834,507	-	-	-	834,507
Tommaso Stefanelli	Director	885,000	-	(85,000)	-	800,000
Mario Massari	Director	-	-	-	-	-
Renata Maria Ricotti	Director	-	-	-	-	-
Chiara Mauri	Director	-	-	-	-	-
Cristina Galbusera	Director	-	-	-	-	-
Emanuela Prandelli	Director	-	-	-	-	-
Ariela Caglio	Director	-	-	-	-	-
Total Board of Directors		**7,196,429**	**1,200,000**	**(85,000)**	**686,006**	**8,997,435**
Bettina Solimando	Chairman	-	-	-	-	-
Patrizia Paleologo Oriundi	Standing Statutory Auditor	-	-	-	-	-
Franco Aldo Abbate	Standing Statutory Auditor	-	-	-	-	-
Total Board of Statutory Auditor		**-**	**-**	**-**	**-**	**-**
Giovanni Testa	Chief Operating Officer	3,980	-	-	-	3,980
Total Chief Operating Officer		**3,980**	**-**	**-**	**-**	**3,980**

(1) Holder of right of usufruct.
(2) Indirect holder through Axopa S.r.l.
(3) Holder of bare ownership.

In compliance with CONSOB Resolution No. 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.

6. Atypical and/or unusual operations

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

7. Additional information required by Bank of Italy and CONSOB

Pursuant to document 2 of 6 February 2009 and the following specifications of 3 March 2010, requiring the drafters of financial reports to supply adequate disclosure on several themes, the relevant sections in which the requirements applicable to the Group are met are shown below:

1. Going concern information, '*Notes to the consolidated financial statements*' - '*Accounting principles and valuation criteria*' section;

2. Information on financial risks, '*Directors' Report on Operations*' - '*Main risks and uncertainties*' section - and '*Notes to the consolidated financial statements*' - '*Disclosure on risks and financial instruments*' section;
3. Information on impairment testing of assets (so-called Impairment test), '*Notes to the consolidated financial statements*' - '*Notes to the statement of financial position items*' section, '*Goodwill*' item;
4. Disclosure about uncertainties when using estimates, '*Notes to the consolidated financial statements*' - '*Main accounting estimates*' section;
5. Disclosure on financial payables type clauses, '*Notes to the consolidated financial statements*' - '*Loans and loan covenants*' section;
6. Disclosure concerning 'fair value hierarchy', '*Notes to the consolidated financial statements*' - '*Financial instruments pursuant to IFRS 9: classes of risk and fair value*' section.

The information required by CONSOB communication No. DEM/11012984 of 24 February 2011 'Request for information pursuant to Art. 114, paragraph 5, of Italian Legislative Decree No. 58 of 24 February 1998, regarding compensation for advance termination of employment' can be found in the '*Corporate Governance Report*'.
Disclosure required by CONSOB communication No. 3907 of 19 January 2015 can be found in the relevant sections of the '*Notes to the consolidated financial statements*'.

8. Share incentive plans

Within the scope of share incentive policies aimed at strengthening the loyalty of executives deemed essential for the purpose of achieving the Group operating targets, on 4 May 2018 Esprinet Shareholders' Meeting approved a new compensation Plan ('Long Term Incentive Plan') for the benefit of the members of the Board of Directors and executives, as proposed by the Remuneration Committee. Such plan will apply for the 3-year period 2018-2020 with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet. S.p.A. ordinary shares. On 25 June 2018, pursuant to the above-mentioned Shareholders' Meeting resolution, 1,150,000 rights (equal to the number of rights resolved by the Meeting) were freely granted. The exercise of the stock plan is conditional upon the achievement of several financial targets for the period 2018-2020 and the beneficiary being still employed by the Group at the date of presentation of the 2020 Consolidated Financial Statement.

Further information can be found in the '*Notes to the consolidated financial statement*' – '*Personnel costs*' section.

9. Reconciliation of equity and Group result and corresponding values of the parent company

In compliance with CONSOB communication No. DEM/6064293 of 28 July 2006 the reconciliation between Group 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		Equity	
	31/12/20	31/12/19	31/12/20	31/12/19
Esprinet S.p.A. separate financial statements	**9,370**	**4,604**	**304,286**	**295,412**
Consolidation adjustments:				
Net equity and result for the year of consolidated companies net of minority interests	19,342	16,214	162,817	143,414
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-	-	(89,428)	(88,013)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,039	1,039
Goodwill from Celly S.p.A. business combination	(2,300)	-	1,853	4,153
Goodwill from 4Side S.r.l. business combination	-	-	121	121
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	114	118	(201)	(314)
Subsidiaries's risk provision deletion	40	743	783	743
4Side S.r.l. Option	471	-	471	-
Investments in subsidiaries write-down deletion	4,755	1,600	6,355	1,600
Celly Option	-	274	-	-
Other movements	-	-	867	867
Consolidated net equity and net result	**31,792**	**23,553**	**388,963**	**359,022**

10. Consolidated Non-Financial Statement (NFS)

Pursuant to Art. 5, paragraph 3(b) of the Italian Legislative Decree 254/2016 and of the Spanish Ley 11/2018, the Company prepared the consolidated non-financial statement, which represents a separate statement.
The 2020 consolidated non-financial statement, drawn up according to GRI standards, is available on the Group's website.

11. Other information

The System Security Planning Paper (SSPP) - as initially foreseen by Italian Legislative Decree 196/2003, integrated by the Italian Legislative Decree No. 5/2012 (Simplification Decree) - continues to be drawn up and applied by the companies of the Group localised in Italy.

Proposal of approval of the Financial Statement and allocation of the 2020 profits

To our Shareholders,
After presenting the separate financial statements of Esprinet S.p.A. and the Group consolidated financial statements as at 31 December 2020, together with the Directors' Report on Operations, we hereby submit to you our proposal for the appropriation of the net profits for the year by Esprinet S.p.A.

In seeking your approval of our operations, by assenting to our Draft Annual Report, as well as to our Report on Operations and the Notes to the financial statements, we propose to allocate the net profit of 9,370,020.42 euro:

- for 128,345.00 euro to Unrealised gains from foreign currency exchange rates Reserve;
- for 9,241,675.42 euro to increase the Extraordinary Reserve.

Note that the company needs not set aside amounts to the legal reserve having reached 20% of the Share Capital.

Dividend distribution

The Board of Directors will propose to the Shareholders' Meeting the distribution of a dividend of 0.54 euro gross of any tax withholdings for each outstanding ordinary share, thus excluding any own shares held by the Company in its portfolio at the coupon payment date, by using the Extraordinary Reserve.
For the purposes of taxation of the recipient, note that the Company continues to hold reserves of profits generated up to the year as at 31 December 2007. Pursuant to the legal presumption set forth by Italian Ministerial Decree of 26 May 2017 (i.e. from a tax point of view the dividends distributed are deemed to consist primarily of profits made by the company up to the financial year ended 31 December 2007 and then up to the financial year ended 31 December 2016), the whole amount of dividends distributed is deemed to consist of profits made by the Company up to financial year ended 31 December 2007.
Moreover, the Board of Directors propose that the dividend payment will be scheduled from 12 May 2021 (coupon payment No. 15 on 10 May 2021 and record date on 11 May 2021).

Vimercate, 1 March 2021

On behalf of the Board of Directors
The Chairman
Maurizio Rota

2020 Consolidated Financial Statements of the Esprinet Group

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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)	Notes	31/12/2020	related parties*	31/12/2019	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	12,498		11,824	
Right-of-use assets	4	99,928		107,310	
Goodwill	2	108,442		90,716	
Intangible assets	3	722		480	
Deferred income tax assets	6	12,950		13,469	
Receivables and other non-current assets	9	2,917	-	3,177	-
		237,457	**-**	**226,976**	**-**
Current assets					
Inventory	10	402,755		497,220	
Trade receivables	11	584,037	5	470,999	1
Income tax assets	12	410		1,514	
Other assets	13	40,186	-	40,956	-
Derivative financial assets	14	27		-	
Cash and cash equivalents	17	558,928		463,777	
		1,586,343	**5**	**1,474,466**	**1**
Total assets		**1,823,800**	**5**	**1,701,442**	**1**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	347,602		325,554	
Group net income	21	31,405		23,099	
Group net equity		**386,868**		**356,514**	
Non-controlling interests		2,095		2,508	
Total equity		**388,963**		**359,022**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	107,069		61,045	
Lease liabilities	31	93,999		100,212	
Deferred income tax liabilities	24	11,309		9,712	
Retirement benefit obligations	25	4,847		4,669	
Debts for investments in subsidiaries	49	230		-	
Provisions and other liabilities	26	3,702		2,498	
		221,156		**178,136**	
Current liabilities					
Trade payables	27	1,107,826	8	1,089,246	-
Short-term financial liabilities	28	56,049		35,862	
Lease liabilities	36	8,867		8,597	
Income tax liabilities	29	224		27	
Debts for investments in subsidiaries	51	220		-	
Provisions and other liabilities	32	40,495	-	30,552	-
		1,213,681	**8**	**1,164,284**	**-**
Total liabilities		**1,434,837**	**8**	**1,342,420**	**-**
Total equity and liabilities		**1,823,800**	**8**	**1,701,442**	**-**

(*) For further details on related parties, please see the 'Relationships with related parties' section in the 'Directors' Report on Operations'.

Consolidated income statement

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

(euro/000)	Notes	2020	non - recurring	related parties*	2019	non - recurring	related parties*
Sales from contracts with customers	**33**	**4,491,613**	**-**	20	**3,945,371**	**-**	8
Cost of sales		(4,297,946)	-	(8)	(3,770,027)	-	-
Gross profit	**35**	**193,667**	**-**		**175,344**	**-**	
Sales and marketing costs	**37**	(51,775)	-	-	(50,820)	-	-
Overheads and administrative costs	**38**	(90,038)	(4,566)	3	(83,086)	-	(14)
Impairment loss/reversal of financial assets	**39**	(4,206)	(2,627)		(370)	-	
Operating income (EBIT)		**47,648**	**(7,193)**		**41,068**	**-**	
Finance costs - net	**42**	(5,099)	-	-	(9,411)	-	11
Profit before income taxes		**42,549**	**(7,193)**		**31,657**	**-**	
Income tax expenses	**45**	(10,757)	1,262	-	(8,104)	-	-
Net income		**31,792**	**(5,931)**		**23,553**	**-**	
- of which attributable to non-controlling interests		386			454		
- of which attributable to Group		31,406	(5,931)		23,099	-	
Earnings per share - basic (euro)	**46**	0.63			0.46		
Earnings per share - diluted (euro)	**46**	0.62			0.45		

* Emoluments to key managers excluded.

Consolidated statement of comprehensive income

(euro/000)	2020	2019
Net income	**31,792**	**23,553**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	-	500
- Taxes on changes in 'cash flow hedge' equity reserve	-	(120)
- Changes in translation adjustment reserve	(42)	(2)
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	(173)	(195)
- Taxes on changes in 'TFR' equity reserve	41	47
Other comprehensive income	**(174)**	**230**
Total comprehensive income	**31,618**	**23,783**
- of which attributable to Group	31,226	23,336
- of which attributable to non-controlling interests	392	447

Consolidated statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2018	**7,861**	**325,679**	**(4,800)**	**14,158**	**342,898**	**1,175**	**341,723**
Total comprehensive income/(loss)	**-**	**230**	**-**	**23,553**	**23,783**	**447**	**23,336**
Allocation of last year net income/(loss)	-	14,158	-	(14,158)	**-**	-	**-**
Increase in reserve from 4Side acquisition	-	1,180	-	-	**1,180**	1,180	**-**
Dividend payment	-	(6,919)	-	-	**(6,919)**	-	**(6,919)**
20% Celly Call Option deletion	-	1,082	-	-	**1,082**	-	**1,082**
Celly Group step up acquisition	-	(475)	-	-	**(475)**	(310)	**(165)**
Purchases of own shares	-	-	(3,847)	-	**(3,847)**	-	**(3,847)**
Transactions with owners	**-**	**9,026**	**(3,847)**	**(14,158)**	**(8,979)**	**870**	**(9,849)**
Grant of share under share plans	-	1,251	-	-	**1,251**	-	**1,251**
Other variations	-	69	-	-	**69**	16	**53**
Balance at 31 December 2019	**7,861**	**336,255**	**(8,647)**	**23,553**	**359,022**	**2,508**	**356,514**
Balance at 31 December 2019	**7,861**	**336,255**	**(8,647)**	**23,553**	**359,022**	**2,508**	**356,514**
Total comprehensive income/(loss)	**-**	**(174)**	**-**	**31,791**	**31,617**	**392**	**31,225**
Allocation of last year net income/(loss)	-	23,553	-	(23,553)	**-**	-	**-**
Celly Group step up acquisition	-	(1,262)	-	-	**(1,262)**	(804)	**(458)**
Acquisition and deletion of Esprinet own shares	-	(5,503)	3,847	-	**(1,656)**	-	**(1,656)**
Transactions with owners	**-**	**16,788**	**3,847**	**(23,553)**	**(2,918)**	**(804)**	**(2,114)**
Equity plans in progress	-	1,250	-	-	**1,250**	-	**1,250**
Other variations	-	(8)	-	-	**(8)**	(1)	**(7)**
Balance at 31 December 2020	**7,861**	**354,111**	**(4,800)**	**31,791**	**388,963**	**2,095**	**386,868**

Consolidated statement of cash flows[5]

(euro/000)	2020	2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**77,612**	**161,057**
Cash flow generated from operations (A)	**64,970**	**57,080**
Operating income (EBIT)	47,648	41,068
Depreciation, amortisation and other fixed assets write-downs	16,536	14,662
Net changes in provisions for risks and charges	(435)	609
Net changes in retirement benefit obligations	(29)	(510)
Stock option/grant costs	1,250	1,251
Cash flow provided by (used in) changes in working capital (B)	**22,711**	**114,741**
Inventory	99,191	(2,776)
Trade receivables	(74,544)	(88,832)
Other current assets	(1,401)	(6,526)
Trade payables	(6,600)	221,128
Other current liabilities	6,065	(8,253)
Other cash flow provided by (used in) operating activities (C)	**(10,069)**	**(10,764)**
Interests paid	(4,596)	(6,304)
Received interests	265	245
Foreign exchange (losses)/gains	174	(1,948)
Income taxes paid	(5,912)	(2,757)
Cash flow provided by (used in) investing activities (E)	**(44,289)**	**(3,979)**
Net investments in property, plant and equipment	(6,435)	(4,889)
Net investments in intangible assets	(548)	(302)
Net investments in other non current assets	(129)	(236)
Celly 15% business combination	(1,250)	-
GTI business combination	(35,927)	-
4Side business combination	-	1,448
Cash flow provided by (used in) financing activities (F)	**61,828**	**(74,609)**
Medium/long term borrowing	84,250	72,000
Repayment/renegotiation of medium/long-term borrowings	(16,479)	(115,408)
Leasing liabilities remboursement	(6,219)	(6,115)
Net change in financial liabilities	(2,481)	(12,427)
Net change in financial assets and derivative instruments	3,933	(1,893)
Deferred price Celly acquisition	450	-
Dividend payments	-	(6,919)
Own shares acquisition	(1,656)	(3,847)
Other movements	30	-
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**95,151**	**82,469**
Cash and cash equivalents at year-beginning	**463,777**	**381,308**
Net increase/(decrease) in cash and cash equivalents	**95,151**	**82,469**
Cash and cash equivalents at year-end	**558,928**	**463,777**

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

Notes to the consolidated financial statements

1. General information

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (jointly the 'Esprinet Group' or the 'Group') operate on the Italian, Spanish and Portuguese markets in the 'business-to-business' (B2B) distribution of Information Technology (IT) products and consumer electronics.

In Italy and in the Iberian peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza).
The ordinary shares of Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment (High Requirements Securities Segment) of the MTA (Italian Electronic Stock Market) of Borsa Italiana S.p.A. since 27 July 2001.

With regard to the information required by Art. 2427(22-quinquies) of the Italian Civil Code, it should be noted that the consolidated financial statements in question represent the largest group of which Esprinet S.p.A. is a part.

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 2020 have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as measures issued in accordance with Art. 9 of Italian Legislative Decree No. 38/2005.
The IFRS standards 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.

Business continuity

These consolidated financial statements have been prepared on a going concern basis as there is a reasonable expectation that the Esprinet Group will continue to operate in the future (at least in the foreseeable future and in any case over a period of at least 12 months).
The Covid-19 pandemic, which was and still is a significant event likely to have a significant impact on every company's on the equity, economic and financial position, is not considered an event capable of jeopardising the Esprinet Group's business continuity.
In fact, even during the chaotic months in which the government authorities of the various countries issued random measures to stop production and commercial activities, in many cases restricting people's freedom of movement (the so-called 'lock-down') within and across national borders, the Esprinet Group continued to operate effectively. Therefore it kept its profitability unchanged, thanks to the implementation of the necessary business continuity controls, rigorous observance of the health protocols aimed at protecting the health and safety of employees and associates, to the

operation in the various countries in a chain, like that of ICT production, distribution and sale, which did not suffer any particular interruptions due to Government restrictions.
The large-scale use of smart working and e-learning resulting, first, from the lock-down measures, then, social distancing, in addition, expanded and accelerated the need of all types of customers (business, public administrations, private entities) for rapid and effective implementation of the most cutting edge IT solutions, as well as full availability of devices. This favoured market growth, bucking the trend in the majority of economic sectors and, in this market, the Esprinet Group continued to operate from a position of leadership and as a point of reference for suppliers and customers.
Only two Italian subsidiaries, Celly S.p.A. and 4Side S.r.l., dealing with distribution, respectively, of accessories for mobile telephone devices and gaming products, were subject to a suspension of commercial activities, with repercussions on the results achieved in the year.
This had consequences in relation to the assessment of the recoverability of the goodwill recorded in relation to the acquisition of the Celly subgroup, for details of which reference should be made to note '*2) Goodwill*' in the consolidated financial statements.

The lack of supply of a number of products, especially in the first months of 2020, was almost entirely overcome during the year. This lack was due to the reduction in the capacity of the suppliers most dependent on production plants located in areas such as China and South Korea, which were initially strongly affected by the restrictive measures adopted to contain the coronavirus.

The extension of the pandemic into the year 2021 is causing the various national and supranational authorities to maintain, or could lead to, the reintroduction of restrictions on the movement of people and products. A certain degree of uncertainty therefore remains. The persistence of the pandemic could also generate difficulties in the solvency of customers, although the financial evidence obtained during the year, but also afterwards, does not currently suggest that the creditworthiness of customers has deteriorated significantly.

At the current state of play, we can conclude, based on the information available and taking account of the Group financial situation, as well as after analysing the following main factors:

- the main exogenous risks to which the Group is exposed;
- changes in the general macroeconomic situation in the European market, particularly in Italy, Spain and Portugal;
- changes in environmental and business conditions and competitive dynamics;
- changes in legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;
- financial risks;

that there are no elements of uncertainty as to the Group's going concern prospects.

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.

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

2.3 Consolidation criteria and methods

The consolidated financial statements have been prepared on the basis of the accounts of the parent company and its direct and/or indirect subsidiaries or associated companies, as approved by their respective Boards of Directors[6].
Wherever necessary, the accounts of subsidiaries were suitably adjusted to ensure consistency with the accounting standards used by the parent company and all relate to financial years that have the same closing date as the parent company.

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

Company name	Head Office	Share capital (euro) *	Group Interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Nilox Deutschland GmbH	Düsseldorf (Germany)	400,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
4Side S.r.l	Legnano (MI)	100,000	51.00%	Esprinet S.p.A.	51.00%
Subsidiaries indirectly controlled:					
Celly Pacific LTD	Honk Kong (China)	935	100.00%	Celly S.p.A.	100.00%
Esprinet Portugal Lda	Porto (Portugal)	2,500,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Vinzeo Technologies S.A.U.	Madrid (Spain)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spain)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%
GTI Software Y Networking SA **	Madrid (Spain)	585,032	100.00%	Esprinet Iberica S.L.U.	90.42%
Diode Espana SAU	Madrid (Spain)	3,840,000	100.00%	GTI Software Y Networking SAU	100.00%
Optima Logistics S.L.U.	Madrid (Spain)	3,005	100.00%	GTI Software Y Networking SAU	100.00%
Getix Companhia de Distribuição de Software Unipessoal Lda	Sacavém (Portugal)	10,000	100.00%	GTI Software Y Networking SAU	100.00%
GTI Software & Networking SARLAU	Casablanca (Morocco)	707,252	100.00%	GTI Software Y Networking SAU	100.00%

(*) Share capital values, with reference to the companies publishing financial statements in a currency other than euro, are displayed at historical value.
(**) 100% of which 9.58% of own shares owned by GTI Software y Networking SA.

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

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

Subsidiaries

Subsidiaries are entities where the Group is exposed, or has rights, to variable returns and has the capacity of influencing them, pursuant to IFRS 10, paragraph 6. 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 and is explained as follow.
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 are expensed and classified 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 recognised assets and liabilities are recognised 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 sum of the consideration and non-controlling interests is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

In financial years up to and including 2009, business combinations were accounted for using the purchase method. 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 carried out in several stages were accounted for at separate times.

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*'.
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 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 income and eventually decreased by any possible loss of value. The possible Goodwill relating to an associate is included in the carrying amount of the investment and its amortisation or impairment are not permitted.
The income statement reflects the Group's share of the associate's result for the year. Profits and losses deriving from transactions between the Group and the associate are eliminated in proportion to the shareholding in the associate.
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.
After application of the equity method the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. At each reporting date the Group determines whether objective reasons exist to support any impairment loss with respect to its investment in the associate. If this is the case, the Group calculates the amount of the loss as the difference between the recoverable value of the associated company and its carrying amount in its financial statements, recording this difference in the statement of profit (loss) for the year and classifying it in the "share of profit (loss) of associated companies".
It should be noted that as at 31 December 2020 there were no investments in associated companies.

Intercompany dividends

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

2.4 Changes to the Group's consolidation area

Compared to 31 December 2019, we highlight the entry into the consolidation area of GTI Software Y Networking SAU Group formed not only by the parent company but also by the companies Optima Logistics S.L.U., Diode Espana SAU, Getix companhia de distribuição de software unipessoal lda, GTI Software & Networking SARLAU and on 28 October 2020, the increase from 85% to 100% of the equity investment in the subsidiary Celly S.p.A.

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

2.5 Amendments in accounting standards

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, were made in this Annual report.

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 amortised 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 amortised within three years.

Goodwill and other intangible assets with indefinite useful lives are not amortised 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 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 book value 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 recognised 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 20%
Other specific plants	15%
Conditioning plants	from 3% to 14,3%
Telephone systems and equipment	from 10% to 20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7.1% to 15%
Electronic office machines	from 20% to 25%
Furniture and fittings	from 10% to 25%
Other assets	from 10% to 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. Reversals of impairment losses may not exceed the book value that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous 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 leases are recognised in accordance with IFRS 16, among fixed assets through the recognition of an asset representing the right of use of the underlying asset for the duration of the contract (Right of Use), recording a corresponding liability for future lease payments under 'Lease liabilities'.
Subsequent to initial recognition, the right of use is amortised in accordance with IAS 16, while the carrying amount of the lease liability increases due to the interest accrued in each period and decreases due to payments made.
Interest expenses on the lease liability and amortisation of the right to use the asset are recognised separately in the income statement. Future lease payments contractually due are discounted using the interest rate implicit in the relevant contract; where this is not easily and reliably determinable, the lessee's incremental borrowing rate is used.
The standard also requires that on the occurrence of specified events (for example, a change in the terms of the lease contract, a change in future lease payments resulting from a change in an index or rate used to determine such payments) the financial liability for the lease shall be remeasured with an adjustment for the right to use the asset.
The standard also establishes two exemptions for application in relation to assets considered to be of 'low value' and short-term leasing contracts whose sales/costs are recognised on a straight-line basis in the income statement over the term 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 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 the carrying amount recorded in the financial statements with the greater of fair value net of disposal costs, when there is an active market, and the value in use of the asset. 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. Expected future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the cost of money in relation to the investment period and the risks specific to the asset. An impairment loss is recognised in the income statement when the carrying value of the asset, or of the related CGU to which it is allocated, is higher than its recoverable value. 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.

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 (non-current and current)

Upon their initial recognition, financial assets are entered at fair value and then classified in one of the following categories:

a) financial assets measured at amortised cost;
b) financial assets measured at fair value with impact on overall profitability (and therefore on the equity reserve named 'Fair value measurement reserve');

c) financial assets measured at fair value with impact on income statement.

Financial assets are classified on the basis of the business model adopted by the Group in managing their cash flows and on the basis of the contractual characteristics of the cash flows obtainable from the asset. The business models identified are as follows:

- Hold to collect: In this category financial assets are classified for which the following requirements are met, (i) the asset is held under a business model whose objective is to hold the asset for the purpose of collecting contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented only by payments of principal and interest on the amount of principal to be returned.

  These assets fall within the category of assets measured at amortised cost. These are mainly trade and other receivables, as described in the 'Trade and other receivables' section. Receivables, with the exception of trade receivables that do not contain a significant financial component, are initially recognised in the financial statements at their fair value; when subsequently measured, they are measured at amortised cost using the effective interest rate. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction (determined in accordance with IFRS 15 Revenue from Contracts with Customers). At subsequent measurement, assets in this category are measured at amortised cost, using the effective interest rate. The effects of this measurement are recognised among the financial components of income. These assets are also subject to the impairment model as defined in the 'Trade and other receivables' section.
- Hold to collect and sell: this category includes financial assets whose business model provides both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal. These assets fall under the category of assets measured at fair value with the effects attributed to OCI. In this case, changes in the fair value of the asset are recognised in equity as other components of comprehensive income. The cumulative amount of changes in fair value, recognised in the equity reserve which includes the other components of comprehensive income, is reversed to the income statement when the asset is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and impairments is recorded in the income statement. It should be noted that as at 31 December 2020 there were no financial assets recognised at fair value through OCI.
- Hold to sell: this category includes financial assets that are not classified in any of the above categories (i.e. residual category). These assets are recognised at fair value both at initial recognition and at subsequent measurement. Profits and losses arising from changes in fair value are recognised in the consolidated income statement in the period in which they are recognised. This category mainly includes receivables subject to mass and recurring selling.

See also the 'Trade and other receivables' section.

Purchases and disposals of financial assets are accounted for on the settlement date.

In the case of financial assets measured at fair value, if they are traded on an active market, the fair value is defined, at each reporting date, in terms of the quoted market price or 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.

Derecognition of financial assets

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (e.g., written-off from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have ceased; or
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and: (i) transferred substantially all the risks and benefits of ownership of the financial asset; or (ii) neither transferred nor retained substantially all the risks and benefits of the asset, but transferred control of it.

If the Group has transferred the rights to receive the cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through), the Group assesses whether and to what extent it has retained the risks and benefits of ownership. If the Group has neither transferred nor retained substantially all risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured so as to reflect the rights and obligations that are still pertaining to the Group.

When the Group's residual involvement is a guarantee on the transferred asset, the involvement is measured based on the amount related to the asset and the maximum amount of the consideration received that the Group might have to refund, whichever lower.

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 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 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, unless otherwise specified, are entered at their nominal value, which is equivalent to the value determined by using the amortised cost method if the receivable is non-interest-bearing and has a short payment period, but no longer than twelve months, as almost all Group receivables are. This is due to the fact that the impact of the discounting logic is negligible, also given that the Group is not operating in systems characterised by hyperinflation and therefore by high interest rates.
If scenarios change and in case of receivables that do not feature the aforementioned characteristics, the Group would account them based on the amortised cost method.

On initial recognition they are measured at fair value, except for trade receivables that do not include a significant financial component as described in the 'Financial assets (non-current and current)' section.
The value of receivables is reduced, where impairment losses occur, to their realisable value.
Impairments are carried out on the basis of expected loss ('Expected Credit Loss model'), by applying a simplified approach. Therefore, the Group does not monitor changes in credit risk, but entirely recognises the expected loss at each reporting date. In particular, expected losses 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.
Transactions involving the assignment of receivables without recourse, for which substantially all risks and benefits are transferred to the assignee, result in the derecognition of receivables from the Assets, since the requirements of IFRS 9 are met.
On the other hand, transactions involving the assignment of receivables with recourse continue to be recorded as Assets since not all risks and benefits have been transferred to the assignee.

The need to manage credit risk, working capital and, consequently, cash flows requires also the systematic execution of operations such as the assignment of such receivables to financial operators either definitively (without recourse) or temporarily (with recourse).
For the Esprinet Group, these transactions take the form of contractually agreed revolving factoring programmes to factoring companies or banks, and securitisation programmes for loans.
The receivables that are the subject of the aforementioned factoring programs are measured, as defined in the Financial assets section, at fair value through profit and loss.
Impairments carried out in accordance with IFRS 9 are recognised in the consolidated income statement and are represented under the '*Impairment loss/reversal of financial assets*' item.

Tax assets

Tax 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. See also the comment under item 'Income taxes'.

Cash and cash equivalents

Cash and cash equivalents 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 its continuing use. Consequently 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.

Equity

Own shares

Own shares are deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognised in equity.

Current and non-current liabilities

Financial liabilities

Financial liabilities are recognised 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 debt is stated at the amortised 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 carrying amount of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.

In the case of financial liabilities measured at fair value, if they are traded on an active market, the fair value is defined, at each reporting date, in terms of the quoted market price or 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 there is the probable existence of an obligation, be it actual, legal or implicit, due to past events and the amount of the obligation can be reliably estimated. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year-end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provisions linked to the passing of time is stated in the income statement under the item '*Financial income and expense*'. Risks for which a liability is only possible are disclosed in a separate contingent liability disclosure section and no provision is made.

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, resulted in 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.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
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.
Subsequently, they are recorded at amortised cost, which, since it is not considered necessary to carry out any discounting and separate entry in the income statement of the explicit or unbundled interest expense as it is not material in view of the expected payment time, coincides with the face value.

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.

Income statement

Sales and expenses

On the basis of the five-stage model introduced by IFRS 15, the Group proceeds with the recognition of sales after identifying the contracts with its customers and the related services to be satisfied (transfer of goods/services), determining the consideration to which it believes it is entitled in exchange for the satisfaction of each of these services, and evaluating the manner in which these services are satisfied (performance at a given time versus fulfilment over time).
Specifically, sales are recognised only if the following requirements are met:

a) the parties to the contract have approved the contract and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates rights and obligations due irrespective of the form in which such an agreement is expressed;
b) the Group may identify the rights of each party with respect to the goods or services to be transferred;
c) the Group can identify the terms of payment for the goods or services to be transferred;
d) the contract has commercial substance; and
e) it is likely that the Group will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When the above requirements are met, the Group recognises sales as described below.

Revenues from sales are recognised when control of the goods subject to the transaction is transferred to the buyer or when the goods are delivered and the customer acquires the ability to decide on the use of the goods and to substantially reap all of the benefits.
Revenues are stated net of returns, discount, allowances and bonuses treated as variable components of the agreed consideration.
Revenues from the provision of services are recognised on completion of the service.

It should be noted that the payment times granted to the Group's customers do not exceed 12 months, therefore the Group does not record adjustments to the transaction price to consider components of a financial nature.

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 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 Group company. 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 Group's functional and presentation currency.

Currency transactions and translation criteria

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.

Exchange rate	Punctual at 31.12.2020	Average 2020
Hong Kong Dollar (HKD)	9.51	8.86
Dirham (MAD)	10.88	10.91
US Dollar (USD)	1.23	1.14

Derivative instruments

Derivative instruments are accounted for in accordance with IFRS 9. At the date of execution they are initially recorded at fair value as 'fair value through profit and loss' financial assets when the fair value is positive or as 'fair value through profit and loss' financial liabilities when the fair value is negative.
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 subsequently reversed to the separate income statement when the economic effects of the hedged item manifest.
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, when it is reversed in the consolidated income statement.

If derivatives hedge the risk of changes in the fair value of assets and liabilities recorded in the balance sheet ('fair value hedge'), both changes in the fair value of the hedging instrument and changes in the hedged item are recognised in the consolidated income statement.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the 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 Main accounting estimates

2.7.1 Introduction

The IT and consumer electronics 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, etc.);
- development, co-marketing funds and other incentives;
- cash discounts (also called 'prompt payment discounts').

The 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. In particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash payment is 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, often it 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 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 characterised by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the carrying amounts 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, goodwill, rights of use and related lease liabilities.

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

Right of use and financial liabilities for leasing

The initial recognition of a right of use and the related lease liabilities in relation to leasing contracts of assets depends on various elements of estimation relating, mainly, to the duration of the non-cancellable period of the contract, the interest rate implicit in the lease, the costs of dismantling/replacement/restoration of the asset at the end of the contract.

At the effective date the lessee shall measure the lease liability at the current value of lease payments due in the non-cancellable period.
The non-cancellable period is in turn dependent on assessments of the probability of the lessee exercising the renewal or interruption options and, if the right to early termination is also under the control of the lessor, in relation to the possible costs for that party too resulting from the interruption.

Payments due for the lease shall be discounted using the interest rate implicit in the lease if this can be easily determined. If this is not possible, the lessee must use their marginal borrowing rate.
The interest rate that causes the current value of the lease payments due and the unsecured residual value to be equal to the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The marginal borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and with similar security, necessary to obtain a value similar to the right-of-use asset in a similar economic environment.

In order to determine the non-cancellable period of each contract, particularly with regard to real estate, the contractual terms were analysed and assumptions were made in relation to possible renewal periods connected with the location of the same, the possibility of moving to other areas, the costs associated with such transactions.
The leasing contracts in place do not show the implicit borrowing rate for which the marginal loan rate applicable to the Group has been determined, separately for clusters of contracts with a similar duration. In order to quantify the marginal lending rate, assessments were made in relation to the spread applicable to the Group based on the Parent Company's rating, the free risk lending rates applicable in the countries where the Group operates, the guarantees from which these loans would be supported and the materiality with respect to the Group's level of debt.

The above assessments are based on assumptions and analyses that are by their nature complex and changeable over time, which could therefore lead to subsequent amendments, in the event of a change in the non-cancellable period of the contract, or to the quantification of different rates in subsequent periods for new contracts to which they apply.

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.
The so-called 'Discounted Cash Flow Model' (DCF) has been used for this purpose, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.
The evaluation of the recoverable amount for each Cash Generating Unit ('CGU'), in terms of value in use, is based on assumptions – sometimes complex - that by their nature involve the Directors' judgement, in particular with reference to future cash-flows forecasts, relating both to the period of the Group's strategic plan for 2021-2025E and beyond the period.

'Fair value' of derivatives

During the year it became necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in April 2017 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'. Such contracts, settled by the closing date of these financial statements, have been accounted for using the hedge accounting technique.

Their conditions fully comply with IFRS 9 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, insignificant effect of the credit risk of both counterparties in relation to the derivative value, constant hedge ratio over time) and as a consequence, the derivative contracts were subject to such 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. 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 plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs '*Share incentive plans*' and '*Share capital*'.
The cost of these plans 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 plans – 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.
For revenue recognition purposes for services, the actual moment the service is rendered is considered.

Sales adjustments and credit notes to be issued toward customers

The Group usually estimates amounts to be recognised to customers as discounts for targets achievement, in order to promote the sales development also through temporary promotions, for different kind of incentives.
The Group has developed a series of procedures and checks to minimise potential errors in evaluations and estimates of the credit notes to be issued.
However, in the light of the significant judgements and estimates made, the large number and variety of customers dealings and the complexity of calculation, the possibility of differences between the estimated amounts and those actually received cannot be excluded.

Costs adjustments and 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.
However, in the light of the significant judgements and estimates made, the large number and variety of vendors dealings and the complexity of calculation, the possibility of differences between the estimated amounts and those actually received cannot be excluded.

Depreciation and amortisation of assets

Property, plant and equipment 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 Group. This revision may result in variations to the periods of depreciation and amortisation 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 expected degree of solvency of the other parties ('Expected Credit Loss model') taking into account available information, collateral to contain credit risk and considering accumulated historical experience.
For loans that are planned to be transferred to third parties as part of securitisation programmes or to be sold to factoring companies or banks, the fair value through profit and loss is measured.
The actual realisable value 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 realisable value of obsolete, surplus or slow-moving 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 current economic and financial climate 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 and contingent liabilities

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.
This estimate is the result of a complex process involving legal and tax consultants as well as subjective judgement 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. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

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 19.

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.

Income tax expenses

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

New or revised accounting standards and interpretations adopted by the Group

The accounting standards adopted in the preparation of the consolidated financial statements as at 31 December 2020 are consistent with those used in the consolidated financial statements as at 31 December 2019, except for the accounting standards and amendments described below and mandatory applied with effect from 1 January 2020 after being endorsed by the competent authorities.

The main changes are as follows:

Amendments to IFRS 3 - Business Definition: The amendments to IFRS 3 clarify that, in order to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and an underlying process that together contribute significantly to the ability to create an output. In addition, it was clarified that a business may exist without including all the inputs and processes needed to create an output. Since these amendments apply prospectively to transactions or other events that materialise at the date of first-time application or subsequently, there are no impacts on the Group's consolidated financial statements.

Amendments to IFRS 16 - Leases: Covid 19 - Related Rent Concessions: Published by IASB on 28 May 2020. The document envisages a practical expedient to simplify the accounting by lessees of rent concessions obtained as a result of the Covid-19 pandemic. This practical expedient is optional and does not apply to lessors. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after 1 June 2020 but, nonetheless, early application is permitted for the financial statements of previous years (including the relevant interim financial statements). The endorsement process was concluded on 9 October 2020.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform: The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a series of expedients, that apply to all hedging relationships that are directly concerned by the interest rate benchmark reform. A hedging relationship is influenced if the reform generates uncertainties over the timing and/or amount of the benchmark-based cash flows of the hedged element or the hedging instrument. These amendments had no impact on the Group's consolidated financial statements as the Group has no hedges of interest rates in place.

Amendments to IAS 1 and IAS 8: Definition of Material: The amendments provide a new definition of material in which it is affirmed that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements, considered as a whole.
Information is obscured if it is communicated in a way that would have, for primary users of financial statements, a similar effect to omitting or misstating the information.
These amendments had no significant impacts on the Group's consolidated financial statements.

Conceptual Framework for Financial Reporting: issued on 29 March 2018. The Conceptual Framework does not represent a standard and none of the concepts it contains takes priority over the concepts or requirements of a standard. The Conceptual Framework's purpose is to assist the IASB in developing standards, help those who prepare the financial statements to develop consistent accounting policies for areas that are not covered by a standard and to assist all parties involved to understand and interpret the standards. The revised version of the Conceptual Framework has envisaged the insertion of new changes and provisions, such as:

- restoring the concept of prudence as component of neutrality
- revising the definitions of assets and liabilities
- removing the probability threshold as a parameter for recognition;
- providing further guidance on derecognition.

These amendments had no significant impacts on the Group's consolidated financial statements.

Moreover, at the reporting date of the Group's Consolidated Financial Statement, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

Amendments to IFRS 4 - Insurance Contracts. On 25 June 2020, the IASB issued the document 'Amendments to IFRS 4 Contracts - deferral of IFRS 9' with the aim at clarifying some application aspects of IFRS 9, awaiting for the final application of IFRS 17. The amendments apply to financial statements for years starting on 1 January 2021. Endorsement by the EU is expected in 2020.

IFRS 17 – Insurance Contracts - Issued in May 2017 by IASB, the new standard will replace IFRS 4 and will be effective from 1 January 2023.

Amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current – Issued by IASB on 23 January 2020, the document envisages that a liability be classified as current or non-current according to the existing rights at the reporting date. In addition, it establishes that the classification is not impacted by expectations about whether an entity will exercise its right to defer settlement of the liability. Lastly, it is clarified that this settlement refers to the transfer of cash, equities, other assets or services to the counterparty. The amendments are affective on annual reporting periods beginning on 1 January 2023. Early application is permitted. The approval process is still in progress.

Amendments to IFRS 3 (Business combinations), IFRS 16 (Property, Plant and Equipment) e IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) – Annual improvements 2018-2020: Issued by IASB on 14 May 2020 with the aim at make some specific improvements to the above standards. The amendments apply to financial statements for years starting on 1 January 2022. The approval process is still in progress by EFRAG.

Amendments to IAS 8 - Definition of accounting estimates - On 12 February 2021, the IASB issued the document 'Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates' with the aim of clarifying the difference between accounting policies and estimates. The amendments are affective on annual reporting periods beginning on 1 January 2023. The approval process is still in progress.

Amendments to IFRS 9 (Financial Instruments); IAS 39 (Financial Instruments: Recognition and Measurement); IFRS 7 (Financial Instruments: Disclosure); IFRS 4 (Insurance Contracts); IFRS 16 (Leases) – Interest Rate Benchmark Reform phase 2 – These amendments were endorsed by IASB in January 2020 and will be effective on annual reporting periods beginning on or after 1 January 2021. Early adoption is permitted. The Group did not elect for an early adoption of these amendments.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate their potential impacts, when these standards, amendments and interpretations are endorsed by the European Union.

3. Business combinations

Acquisition of 100% GTI Software Y Networking S.A. Group

On 1 October 2020, Esprinet S.p.A., through its wholly-owned subsidiary Esprinet Iberica S.L.U., acquired 90.42% of the share capital of GTI Software Y Networking S.A. (100% by virtue of the 9.58% of own shares held by the latter), Spain's leading distributor of software and cloud solutions to Value-Added Resellers and System Integrators.

At the acquisition date, GTI Software Y Networking S.A. wholly owned the subsidiaries Diode Espana S.A.U., Getix-Companhia de Distribuição de Software Unipessoal Lda, GTI Software & Networking SARLAU and Optima Logistics S.L.U., included in the 'GTI Group'.

This acquisition, which was recorded using the acquisition method, resulted in an overall 20.0 million euro goodwill, temporarily determined as permitted by IFRS 3, resulting from the difference between the amount paid (33.7 million euro) and the net value of assets and liabilities of the GTI Group, as summarised in the table below:

(euro/000)	Fair value GTI Group 01/10/2020
Fixed, intangible, financial assets	412
Right-of-use assets	375
Deferred income tax assets	1,608
Receivables and other non-current assets	88
Inventory	4,726
Trade receivables	38,494
Other current assets	206
Cash and cash equivalents	2,226
Deferred income tax liabilities	(4)
Long-term lease liabilities	(268)
Other non-current liabilities	(1,609)
Trade payables	(25,468)
Short-term financial liabilities	(4,039)
Short-term lease liabilities	(107)
Other current liabilities	(2,927)
Net assets fair value	**13,713**
Goodwill	20,026
Cash paid	**33,739**

Fair value of receivables, which are all short-term in nature, represents the expected recoverable value from the customers and is net of a 0.7 million euro bad debt provision.
Transaction costs, amounting to 0.9 million euro and borne by the holding Esprinet S.p.A., were entered in the income statement under overheads and administrative costs and are included in the cash flows provided by operating activities in the statement of cash flows.

The acquisition contract provides for customary seller guarantees for this kind of transactions relating to any future liabilities arising from events preceding, but not known at, the transaction date.

The net cash flow from the acquisition was equal to 35.9 million euro, as shown in the following table:

(euro/000)	GTI Group 01/10/2020
Cash and cash equivalents	2,226
Financial liabilities	(4,039)
Lease liabilities	(375)
Net financial debt acquired	**(2,188)**
Cash paid	(33,739)
Net cash outflow on acquisition	**(35,927)**

Finally, it should be noted that the GTI Software Y Networking S.A. Group, as from the acquisition date, has contributed 31.9 million euro to consolidated sales and a profit of 1.0 million euro to the net income of the Esprinet Group. If the acquisition had taken place at the beginning of the year, contribution from the GTI Group to sales would have been of around 89.5 million euro, while contribution to net income would have amounted approx. 1.5 million euro.

4. Segment information

4.1 Introduction

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn sales and incur expenses (including sales 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 financial information is separately available.

The Esprinet Group is organised in the geographical business areas of Italy and the Iberian peninsula (operating segments) where it performs the 'business-to-business' (B2B) distribution of Information Technology (IT) products 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), consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), tablets, smartphones and related accessories and state-of-the-art digital and entertainment products such as photographic cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.

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

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

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

4.2 Separate income statement by operating segments

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)	2020 Italy Distr. IT & CE B2B	2020 Iberian Pen. Distr. It & CE B2B	2020 Elim. and other	2020 Group
Sales to third parties	2,745,568	1,746,045	-	4,491,613
Intersegment sales	33,162	-	(33,162)	-
Sales from contracts with customers	**2,778,730**	**1,746,045**	**(33,162)**	**4,491,613**
Cost of sales	(2,648,533)	(1,682,700)	33,287	(4,297,946)
Gross profit	**130,197**	**63,345**	**125**	**193,667**
Gross Profit %	*4.69%*	*3.63%*		*4.31%*
Sales and marketing costs	(38,107)	(13,668)	-	(51,775)
Overheads and admin. costs	(67,322)	(22,735)	19	(90,038)
Impairment loss/reversal of financial assets	(3,463)	(743)	-	(4,206)
Operating income (Ebit)	**21,305**	**26,199**	**144**	**47,648**
EBIT %	*0.77%*	*1.50%*		*1.06%*
Finance costs - net				(5,099)
Profit before income tax				**42,549**
Income tax expenses				(10,757)
Net income				**31,792**
- of which attributable to non-controlling interests				386
- of which attributable to Group				31,406
Depreciation and amortisation	**13,018**	**3,185**	334	**16,536**
Other non-cash items	**3,987**	**137**	-	**4,124**
Investments	**4,360**	**580**	-	**4,940**
Total assets	**1,179,481**	**723,782**	(79,463)	**1,823,800**

(euro/000)	2019 Italy Distr. IT & CE B2B	2019 Iberian Pen. Distr. IT & CE B2B	2019 Elim. and other	2019 Group
Sales to third parties	2,519,351	1,426,021	-	3,945,371
Intersegment sales	44,235	-	(44,235)	-
Sales from contracts with customers	**2,563,586**	**1,426,021**	**(44,235)**	**3,945,371**
Cost of sales	(2,440,707)	(1,373,694)	44,374	(3,770,027)
Gross profit	**122,879**	**52,327**	**139**	**175,344**
Gross profit %	*4.79%*	*3.67%*		*4.44%*
Sales and marketing costs	(39,322)	(11,497)	(1)	(50,820)
Overheads and admin. costs	(62,546)	(20,581)	41	(83,086)
Impairment loss/reversal of financial assets	(234)	(136)	-	(370)
Operating income (Ebit)	**20,777**	**20,113**	**179**	**41,068**
EBIT %	*0.81%*	*1.41%*		*1.04%*
Finance costs - net				(9,411)
Profit before income tax				**31,657**
Income tax expenses				(8,104)
Net income				**23,553**
- of which attributable to non-controlling interests				454
- of which attributable to Group				23,099
Depreciation and amortisation	**10,962**	**3,129**	571	**14,662**
Other non-cash items	**3,880**	**91**	-	**3,971**
Investments	**2,398**	**454**	-	**2,852**
Total assets	**1,221,985**	**561,129**	(81,672)	**1,701,442**

Statement of financial position by operating segments

(euro/000)	31/12/2020			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	9,661	2,837	-	12,498
Right-of-use assets	81,060	18,868	-	99,928
Goodwill	19,271	88,132	1,039	108,442
Intangible assets	623	99	-	722
Investments in others	75,863	-	(75,863)	-
Deferred income tax assets	5,241	7,626	83	12,950
Receivables and other non-current assets	2,373	544	-	2,917
	194,092	**118,106**	**(74,741)**	**237,457**
Current assets				
Inventory	265,034	137,983	(262)	402,755
Trade receivables	351,729	232,308	-	584,037
Income tax assets	126	284	-	410
Other assets	36,520	8,126	(4,460)	40,186
Derivative financial assets	-	27	-	27
Cash and cash equivalents	331,980	226,948	-	558,928
	985,389	**605,676**	**(4,722)**	**1,586,343**
Total assets	**1,179,481**	**723,782**	**(79,463)**	**1,823,800**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	291,698	76,396	(20,492)	347,602
Group net income	11,573	19,559	273	31,405
Group net equity	**311,132**	**150,648**	**(74,912)**	**386,868**
Non-controlling interests	2,095	91	(91)	2,095
Total equity	**313,227**	**150,739**	**(75,003)**	**388,963**
LIABILITIES				
Non-current liabilities				
Borrowings	39,715	67,354	-	107,069
Lease liabilities	76,851	17,148	-	93,999
Deferred income tax liabilities	3,271	8,038	-	11,309
Retirement benefit obligations	4,847	-	-	4,847
Debts for investments in subsidiaries	230	-	-	230
Provisions and other liabilities	2,018	1,684	-	3,702
	126,932	**94,224**	**-**	**221,156**
Current liabilities				
Trade payables	680,065	427,761	-	1,107,826
Short-term financial liabilities	32,596	23,453	-	56,049
Lease liabilities	6,581	2,286	-	8,867
Income tax liabilities	67	157	-	224
Debts for investments in subsidiaries	220	-	-	220
Provisions and other liabilities	19,793	25,162	(4,460)	40,495
	739,322	**478,819**	**(4,460)**	**1,213,681**
Total liabilities	**866,254**	**573,043**	**(4,460)**	**1,434,837**
Total equity and liabilities	**1,179,481**	**723,782**	**(79,463)**	**1,823,800**

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

4.3 Other information

The Group's operating segments can be identified by the geographical markets where the Group operates: Italy and Iberian peninsula.

The 'Iberian peninsula' segment includes the subsidiaries Esprinet Iberica S.L.U., Esprinet Portugal Lda, V-Valley Iberian S.L.U., Vinzeo Technologies S.A.U. and GTI Software Y Networking S.A.U., the latter with its subsidiaries Optima Logistics S.L.U., Getix companhia de distribuição de software Lda, Diode Espana S.A.U. and GTI Software & Networking SARLAU. With reference to 'Italy' the main B2B IT and consumer electronics distribution segment is presented, which relates to holding company

Esprinet S.p.A. and to its subsidiaries V-Valley S.r.l., Nilox Deutschland Gmbh, 4Side S.r.l. and Celly S.p.A., the latter together with its foreign subsidiaries.
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 '*Summary of significant valuation criteria and accounting policies*'. Details of the Group's sales 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 'Sales' section. Geographical segment breakdown depends in particular on the customers' country of residence.

The Group is not dependent on any major customers despite one of them being considered a single entity under IFRS 8.34 that accounts for more than 10% of the sales, even though it consists of more than one legal entity.

5. Disclosure on risks and financial instruments

5.1 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 IFRS 9 'Financial instruments: Recognition and Measurement'. Disclosures as per IFRS 7 and IFRS 13 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*'.

5.2 Financial instruments pursuant to IFRS 9: classes of risk and 'fair value'

The following table illustrates together the financial instrument items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting standard IFRS 9:

Assets (euro/000)	31/12/2020 Carrying amount	31/12/2020 Financial assets FVTPL [1]	31/12/2020 Financial assets amortized cost	31/12/2020 Out of scope IFRS 9	31/12/2019 Carrying amount	31/12/2019 Financial assets FVTPL [1]	31/12/2019 Financial assets amortized cost	31/12/2019 Out of scope IFRS 9
Customer financial receivables	*492*		*492*		*969*		*969*	
Guarantee deposits	*2,425*		*2,425*		*2,208*		*2,208*	
Rec.and other non-curr. Assets	2,917		2,917	-	3,177		3,177	-
Non-current assets	**2,917**	**-**	**2,917**	**-**	**3,177**	**-**	**3,177**	**-**
Trade receivables	584,037	163,417	420,620		470,999	214,599	256,400	
Receivables from factors	*147*		*147*		*3,526*		*3,526*	
Customer financial receivables	*9,617*		*9,617*		*9,719*		*9,719*	
Other tax receivables	*11,007*			*11,007*	*11,126*		*-*	*11,126*
Receivables from suppliers	*14,908*		*14,908*		*10,244*		*10,244*	
Receivables from insurances	*427*		*427*		*414*		*414*	
Receivables from employees	*21*		*21*		*-*		*-*	
Receivables from others	*94*		*94*		*136*		*136*	
Pre-payments	*3,965*			*3,965*	*5,791*			*5,791*
Rec.and other curr. Assets	40,186		25,214	14,972	40,956		24,039	16,917
Derivative financial assets	27	27			-	-		
Cash and cash equivalents	558,928		558,928		463,777		463,777	
Current assets	**1,183,178**	**163,444**	**1,004,762**	**14,972**	**975,732**	**214,599**	**744,216**	**16,917**

Liabilities (euro/000)	31/12/2020 Carrying amount	31/12/2020 Financial liabilities FVTPL [1]	31/12/2020 Financial liabilities amortized cost	31/12/2020 Out of scope IFRS 9	31/12/2019 Carrying amount	31/12/2019 Financial liabilities FVTPL [1]	31/12/2019 Financial liabilities amortized cost	31/12/2019 Out of scope IFRS 9
Borrowings	107,069		107,069		61,045		61,045	
Lease liabilities	93,999		93,999		100,212		100,212	
Debts for investments in subsidiaries	230		230		-		-	
Provisions of pensions	*1,691*			*1,691*	*1,661*			*1,661*
Other provisions	*290*			*290*	*127*			*127*
Cash incentive liabilities	*1,721*		*1,721*		*710*		*710*	
Provis. and other non-curr. Liab	3,702		1,721	1,981	2,498		710	1,788
Non-current liabilities	**205,000**	**-**	**203,019**	**1,981**	**163,755**	**-**	**161,967**	**1,788**
Trade payables	1,107,826		1,107,826		1,089,246		1,089,246	
Short-term financial liabilities	56,049		56,049		35,862		35,862	
Lease liabilities	8,867		8,867		8,597		8,597	
Debts for investments in subsidiaries	220		220		-			
Social security liabilities	*4,825*		*4,825*		*4,237*		*4,237*	
Other tax liabilities	*16,525*			*16,525*	*11,148*			*11,148*
Payables to others	*18,836*		*18,836*		*14,904*		*14,904*	
Accrued expenses	*270*		*270*		*250*		*250*	
Deferred income	*39*			*39*	*13*			*13*
Provisions and other liabilities	40,495	-	23,931	16,564	30,552	-	19,391	11,161
Current liabilities	**1,213,457**	**-**	**1,196,893**	**16,564**	**1,164,257**	**-**	**1,153,096**	**11,161**

[1] 'FVTPL' - Fair Value Through Profit and Loss: includes derivatives at fair value through profit and loss.

For further details about the contents of individual 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 financial receivables;
  - receivables from insurance companies;
  - trade receivables (except for component measured at fair value);
  - receivables from employees;

- receivables from suppliers;
- other receivables;
- trade payables;
- financial payables;
- lease liabilities;
- financial payables for investments in subsidiaries;
- sundry payables.

- financial instruments measured at fair value since initial recognition:
  - derivative financial assets;
  - derivative financial liabilities;
  - trade receivables (portion not measured at amortised cost).

Assets and liabilities recorded in the financial statements at fair value, as specified in greater detail below, corresponds to a level 2 in the hierarchy with the exception of 'Trade receivables (portion not measured at amortised cost)', which, also deriving from estimates made by management, corresponds to level 3.
'Trade receivables' in place as at 31 December 2019 were entirely collected in 2020.

The level of risk related to the various types of receivables is very low, although differentiated, in relation to cash and cash equivalents, financial receivables, receivables from insurance companies, and derivative assets given the high standing of the counterparties (financial receivables from customers also fall within this cluster as they are due from the Public Administration).
Credit risk is less limited, albeit still very low, and is related to receivables from employees, possible receivables from associated companies and receivables from suppliers given, respectively, working relationship, management connection and continuity of supply. As regards other receivables, the risk is due to the existence of contractual guarantees.
Trade receivables, albeit resulting from a structured process of customer first selection and credit recognition and then of credit monitoring, are instead subject to a higher credit risk. This risk is mitigated by recourse to traditional insurance contracts with leading international insurance companies, without-recourse factoring schemes and, for the remainder, through specific guarantees (bank guarantees typically).
It should be noted that no significant financial effects have ever arisen from insolvency problems.

The risk of material damage, resulting from the Group being unable to fulfil the payment commitments undertaken in a timely manner (liquidity risk), is very high in relation to trade payables, financial payables and derivative financial liabilities, due to a presumably lower contractual force towards suppliers, with the risk of non-supply, and financial institutions due to the greater rigidity implicit in the existence of covenants on medium-long term financial payables.
This risk is lower in relation to sundry payables and payables for equity investments in subsidiaries, as these liabilities do not normally affect future relations.
Lease liabilities feature an intermediate risk level as the theoretical risk remains with respect to the exclusion from possession and use of the leased assets.

The fair value measurement of financial assets and liabilities reported in the statement of financial position as provided for by IFRS 9 and governed by IFRS 7 and IFRS 13, grouped by category, and the methods and the assumptions applied in determining them, are as follows:

Assets	31/12/2020						31/12/2019					
		Fair value						Fair value				
(euro/000)	Carrying amount	Trade receiv.	Financial receiv.	Receiv. from others	Receiv. from insurance	Receiv. From employe	Carrying amount	Trade receiv.	Financial receiv.	Receiv. from others	Receiv. from insurance	Receiv. From employe
Customer financial receivables	*492*		*522*				*969*		*1,036*			
Guarantee deposits	*2,425*		*-*	*2,514*			*2,208*		*-*	*2,372*		
Rec.and other non-curr. Assets	2,917	-	522	2,514	-	-	3,177	-	1,036	2,372	-	-
Non - current assets	**2,917**	**-**	**522**	**2,514**	**-**	**-**	**3,177**	**-**	**1,036**	**2,372**	**-**	**-**
Trade receivables	584,037	584,037					470,999	470,999				
Receiv. from factors	*147*		*147*				*3,526*		*3,526*			
Customer financial receivables	*9,617*		*9,617*				*9,719*		*9,719*			
Receiv. from suppliers	*14,908*			*14,908*			*10,244*			*10,244*		
Receiv. from insurances	*427*				*427*		*414*				*414*	
Receiv. from employees	*21*					*21*	*-*					*-*
Receiv. from others	*94*			*94*			*136*			*136*		
Rec.and other curr. Assets	25,214	-	9,764	15,002	427	21	24,039	-	13,245	10,380	414	-
Derivate Financial Assets	27		27				-		-			
Cash and cash equivalents	558,928		558,928				463,777		463,777			
Current assets	**1,168,206**	**584,037**	**568,719**	**15,002**	**427**	**21**	**958,815**	**470,999**	**477,022**	**10,380**	**414**	**-**

Liabilities	31/12/2020					31/12/2019				
		Fair value					Fair value			
(euro/000)	Carrying amount	Trade payables	Financial payables	FVTPL derivate	Other payables	Carrying amount	Trade payables	Financial payables	FVTPL derivate	Other payables
Borrowings	107,069		107,806			61,045		60,760		
Debts for investments in subsidiaries	230		233			-		-		
Cash incentive liabilities	*1,721*				*1,721*	*710*				*710*
Provis. and other non-curr. Liab.	1,721				1,721	710				710
Non-current liabilities	**109,020**	**-**	**108,039**	**-**	**1,721**	**61,755**	**-**	**60,760**	**-**	**710**
Trade payables	1,107,826	1,107,826				1,089,246	1,089,246			
Short-term financial liabilities	56,049		57,639			35,862		36,622		
Debts for investments in subsidiaries	220		220			-		-		
Social security liabilities	4,825				4,825	4,237				4,237
Payables to others	18,836				18,836	14,904				14,904
Accrued expenses	270				270	250				250
Provis. and other Liab.	23,931				23,931	19,391				19,391
Current liabilities	**1,188,026**	**1,107,826**	**57,859**	**-**	**23,931**	**1,144,499**	**1,089,246**	**36,622**	**-**	**19,391**

IFRS 13 identifies a hierarchy of assessment techniques based on three levels:

- Level 1: the data used in the assessments is represented by prices quoted on markets where assets and liabilities identical to those being assessed are traded;
- Level 2: the data used in the assessments, other than the quoted prices referred to in Level 1, are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- Level 3: non-observable data; where observable data is not available and, therefore, there is little or no market activity for the assets and liabilities being assessed.

Given their short-term maturity, the gross carrying value of current assets and liabilities (excluding items specially measured) is deemed a reasonable approximation of their fair value.

The fair value of non-current assets and financial payables, including payables for equity investment in subsidiaries, was estimated by discounting expected future cash flows from principal and interest, according to the terms and the maturity dates of each agreement, and using the interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The interest rates used were obtained from the 'Forward' and the 'Spot' Curve as at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the '*Derivatives analysis*' paragraph for more information relating to existing derivative instruments.

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

Adjustments to the value of financial assets, estimated following a precise assessment of the solvency of each debtor, were shown under the item '*Impairment loss/reversal of financial assets*' in the separate income statement. These adjustments totalled 4.2 million euro (0.4 million euro in 2019), including 2.6 million euro relating to the non-recurring event represented by the redemption of the write-off of the residual amount receivable due from the long-standing supplier of the 'Sport Technology' line, due to the settlement signed in December 2020.

5.3 Additional information about financial assets

During the year, as in the previous year, it was not necessary to make any changes in the method of accounting for financial assets (not recognising the initial recognition at fair value and subsequent recognition at cost of certain balance sheet items, as required by international accounting standards).

As already highlighted in the section '*Trade and other receivables*' the value of receivables is constantly reduced by the established impairment losses.
This transaction is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
The following table illustrates the change in the bad debt provision relating to trade receivables:

(euro/000)	Starting provision	Additions	Uses	Acquisitions	Final provision
2020 Financial year	6,659	1,760	(2,934)	698	6,183
2019 Financial year	5,220	1,389	(1,611)	1,661	6,659

The Group usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both with-recourse 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.
During 2020, the securitisation plan structured by UniCredit Bank AG started in July 2015 and renewed in July 2018 was continued, under which trade receivables are assigned without recourse on a revolving basis to a 'special purpose vehicle' under Law No. 130/1999.
In the case of transfers of receivables for with-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 2020 the receivables sold with-recourse against which advances were obtained subject to collection amounted to 0.0 million euro (0.6 million euro as at 31 December 2019); while 'with recourse' advances of trade bills amount to 4.2 million euro (1.4 million euro as at 31 December 2020).

The financial assets' gross carrying amount is the Group's maximum exposure to credit risk.

Below is an analysis of the status of trade receivables due from customers and the seniority of those that have not suffered lasting losses in value:

(euro/000)	31/12/2020	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	590,220	316,132	70,108	203,980
Bad debt provision	(6,183)	(6,183)	-	-
Net trade receivables	**584,037**	**309,949**	**70,108**	**203,980**

(euro/000)	31/12/2019	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	477,658	225,086	106,420	146,152
Bad debt provision	(6,659)	(6,659)	-	-
Net trade receivables	**470,999**	**218,427**	**106,420**	**146,152**

(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 31/12/2020	70,108	2,734	1,002	4,872	61,500
Receiv. past due not impaired at 31/12/2019	106,420	2,668	3,154	7,411	93,187

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 with the exception of receivables falling within the 'hold to collect' cluster. This cluster concerns receivables assigned to third parties on the basis of binding programmes for which the cashable value has been taken into account by such third parties. 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 as at 31 December 2020):

- traditional credit insurance (covering approx. 90% 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. 65% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 11% 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 mortgages) for non-significant amounts.

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.

With regard to the other financial assets governed by IFRS 7 and IFRS 13, they have not suffered permanent losses in value. The changes in the related bad debt provision are shown below, together with two summary tables providing information on their status and the seniority of receivables overdue:

(euro/000)	Starting provision	Additions	Uses	Final provision
2020 Financial year	8,823	-	(8,823)	-
2019 Financial year	8,823	-	-	8,823

Other receivables provision previously set aside for 8.8 million euro and relating to the recoverability evaluation of the receivable from the supplier of the 'Sport Technology' line, in 2020 was totally used following the settlement of the legal dispute with the supplier.

	31/12/2020				31/12/2019			
(euro/000)	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Customer financial receivables	*492*			*492*	*969*			*969*
Guarantee deposits	*2,425*			*2,425*	*2,208*			*2,208*
Rec.and other non-curr. Assets	2,917			2,917	3,177			3,177
Non-current assets	**2,917**	**-**	**-**	**2,917**	**3,177**	**-**	**-**	**3,177**
Receivables from factors	*147*		*57*	*90*	*3,526*		*192*	*3,334*
Customer financial receivables	*9,617*			*9,617*	*9,719*			*9,719*
Receivables from suppliers	*14,908*		*14,399*	*509*	*19,067*	*11,448*	*7,619*	
Receivables from insurances	*427*		*417*	*10*	*414*		*377*	*37*
Receivables from employees	*21*			*21*	*-*			*-*
Receivables from others	*94*		*93*	*1*	*136*		*136*	
Rec.and other curr. Assets	25,214	-	14,966	10,248	32,862	11,448	8,324	13,090
Derivative financial assets	27			27	-			-
Cash and cash equivalents	558,928		558,928		463,777		463,777	
Gross Current assets	**584,169**	**-**	**573,894**	**10,275**	**496,639**	**11,448**	**472,101**	**13,090**
Bad debts provision	-	-			(8,823)	(8,823)		
Net Current assets	**584,169**	**-**	**573,894**	**10,275**	**487,816**	**2,625**	**472,101**	**13,090**

(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	57	-	-	-	57
Receivables from insurance companies	417	270	9	55	83
Receivables from others	93	93	-	-	-
Receiv. past due not impaired at 31/12/2020	**567**	**363**	**9**	**55**	**140**
Receivables from factoring companies	192	-	-	-	192
Receivables from insurance companies	377	204	21	31	121
Receivables from others	136	136	-	-	-
Receiv. past due not impaired at 31/12/2019	**705**	**340**	**21**	**31**	**313**

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 almost completely been paid by the time this report was drawn up as the deadlines were met.

5.4 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 31/12/2020	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	107,069	111,172	842	747	42,355	67,228	-
Lease liabilities	93,999	115,931	1,469	1,423	11,257	30,017	71,765
Debts for investments in subsidiaries	230	230			115	115	
Cash incentive liabilities	1,721	1,721			1,721		
Provis. and other non-curr. Liab.	1,721	1,721	-	-	1,721	-	-
Non-current liabilities	**203,019**	**229,054**	**2,311**	**2,170**	**55,448**	**97,360**	**71,765**
Trade payables	1,107,826	1,109,707	554,363	554,363	685	296	-
Trade payables	56,049	56,306	33,732	22,574			
Lease liabilities	8,867	8,847	4,439	4,408			
Debts for investments in subsidiaries	220	220		220			
Social security liabilities	*4,825*	*4,825*	*4,825*				
Payables to others	*18,836*	*18,836*	*18,836*				
Accrued expenses	*270*	*270*	*270*				
Provisions and other liabilities	23,931	23,931	23,931	-	-	-	-
Current liabilites	**1,196,893**	**1,199,011**	**616,465**	**581,565**	**685**	**296**	**-**

(euro/000)	Carrying amount 31/12/2019	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	61,045	63,350	428	433	24,867	37,622	-
Lease liabilities	100,212	125,401	1,580	1,526	11,274	30,547	80,474
Cash incentive liabilities	*710*	*2,290*	*1,580*	-	*628*	*82*	-
Provisions and other non-corr. Liab.	710	2,290	1,580	-	628	82	-
Non-current liabilities	**161,967**	**191,041**	**3,588**	**1,959**	**36,769**	**68,251**	**80,474**
Trade payables	1,089,246	1,091,982	1,089,745	1,317	917	3	-
Short-term financial liabilities	35,862	35,904	26,690	9,214	-	-	-
Lease liabilities	8,597	8,521	4,236	4,285	-	-	-
Social security liabilities	*4,237*	*4,237*	*4,237*	-	-	-	-
Payables to others	*14,904*	*14,904*	*14,904*	-	-	-	-
Accrued expenses	*250*	*250*	*250*	-	-	-	-
Provisions and other liabilities	19,391	19,391	19,391	-	-	-	-
Current liabilites	**1,153,096**	**1,155,798**	**1,140,062**	**14,816**	**917**	**3**	**-**

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 is 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 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).

The Group companies maintain medium-short term loan contracts, that contain standard acceleration clauses in case certain financial covenants are not met when checked against data from the consolidated and audited financial statements.
The details relating to the outstanding loans and related covenants can be found in the following paragraph '*Net financial indebtedness and loans covenants*'.
With the exception of the non-fulfilment in relation to 31 December for the years 2018, 2017 and 2016, again without producing any consequences, of a part of the financial ratios provided for in the loan agreements, the Group has never been in a non-fulfilment or default situation with regard to the clauses concerning the nominal principal, interest, amortisation plan or repayment of loans payable.

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

5.5 Hedge accounting

Introduction

The Esprinet Group enters into derivative contracts in order to hedge certain loan agreements against fluctuating interest rates by means of a cash flow hedging strategy.
The aim of these transactions hedging against interest rate risk is to fix the funding cost of medium/long-term floating-rate loans by entering into derivative contracts enabling receipt of a floating rate in return for payment of a fixed rate.
Hedging operations are therefore reported in the financial statements according to the instructions of the IFRS 9 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Group periodically carries out effectiveness tests.

Derivative instruments as at balance sheet date

At the end of the year, the Group did not have any hedging derivatives in place.

Instruments terminated during the year

During the year, the Group did not extinguish any hedging derivatives in place.

5.6 Non-hedging derivatives

Derivative instruments as at balance sheet date

The subsidiary GTI Software y Networking S.A. has a series of forward exchange purchase contracts in place as cash flow hedges against short-term fluctuations in the differential between the euro and the US dollar or pound sterling in relation to purchases from suppliers of software, services and products.
These purchase transactions do not meet all the requirements for hedge accounting treatment, so changes in the fair value of these contracts are recognised directly in the consolidated income statement.

(euro/000)	Year	FV contracts 31/12/a.p. [1, 2]	Income	Variation FV	FV contracts 31/12/a.c. [2, 3]
Interest Rate Cap	2020	-	-	27	27
Interest Rate Cap	2019	-	-	-	-

(1) Previous year, which, with reference to the 2020 financial year, means 1 October 2020 or the date of the GTI Group business combination.
(2) (Assets)/liabilities.
(3) Current year.

Instruments terminated during the year

During the year, two 'Interest Rate Cap' derivative contracts came to maturity. They were acquired in 2016 as part of the business combination transaction of the company Vinzeo Technologies S.A.U. and envisaged for the company to receive from the counterparty bank the difference with respect to the agreed maximum threshold when the 3-month Euribor exceeds certain maximum thresholds.
The changes in the fair value of these instruments are intended to cover all short-term facilities against fluctuating interest rates by means of cash flow hedge strategy. These transactions, however, do not meet all the requirements for hedge accounting treatment, so changes in the fair value are recognised directly in the consolidated income statement.
The derivative instrument changes relating to the fair value variations recorded in the income statement are reported below:

(euro/000)	Year	FV contracts 31/12/a.p. [1, 2]	Income	Variation FV	FV contracts 31/12/a.c. [2, 3]
Interest Rate Cap	2020	-	-	-	-
Interest Rate Cap	2019	(3)	-	3	-

(1) Previous year, which, with reference to the 2020 financial year, means 1 October 2020 or the date of the GTI Group business combination.
(2) (Assets)/liabilities.
(3) Current year.

5.7 Sensitivity analyses

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 '*Directors' Report on Operations*').

A sensitivity analysis regarding the interest rate risk was performed in order to show how Group 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 2020 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); each item includes both the current and non current portion:

Scenario 1: +100 basis points

(euro/000)	31/12/2020		31/12/2019	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	1,442	1,442	658	658
Debts for investments in subsidiaries	(5)	(5)	-	-
Financial liabilities [1]	(1,005)	(1,005)	(1,332)	(1,332)
Derivative financial liabilities	-	-	600	600
Total	**432**	**432**	**(74)**	**(74)**

(1) Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

Scenario 2: -100 basis points

(euro/000)	31/12/2020		31/12/2019	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	(14)	(14)	(54)	(54)
Debts for investments in subsidiaries	-	-	-	-
Financial liabilities [1]	335	335	527	527
Derivative financial liabilities	-	-	(612)	(612)
Total	**321**	**321**	**(139)**	**(139)**

[1] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

6. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

Property, plant and equipment amount to 12.5 million euro as at 31 December 2020 (11.8 million euro as at 31 December 2019). 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	15,903	33,541	115	**49,559**
Accumulated depreciation	(12,815)	(24,920)	-	**(37,735)**
Balance at 31/12/2019	**3,088**	**8,621**	**115**	**11,824**
Business combination acquisition - historical cost	770	4,263	-	**5,033**
Business combination acquisition - accumulated depreciation	(484)	(4,157)	-	**(4,641)**
Historical cost increase	272	3,763	356	**4,391**
Historical cost decrease	(582)	(4,363)	-	**(4,945)**
Historical cost reclassification	19	96	(115)	**-**
Increase in accumulated depreciation	(970)	(3,049)	-	**(4,019)**
Decrease in accumulated depreciation	573	4,282	-	**4,855**
Total changes	**(402)**	**835**	**241**	**674**
Historical cost	16,382	37,300	356	54,038
Accumulated depreciation	(13,696)	(27,844)	-	(41,540)
Balance at 31/12/2020	**2,686**	**9,456**	**356**	**12,498**

As at 31 December 2020, investments in '*Plant and machinery*' mainly refer to purchases of new security, surveillance and energy efficiency equipment by the parent company in the logistic hub in Cavenago.

Investments in '*Industrial and commercial equipment and other assets*', amounting to 3.2 million euro, refer to the purchase of electronic office machinery, office furniture and fittings, and equipment for the logistic hub in Cavenago by the parent company Esprinet S.p.A., and, in the amount of 0.5 million euro, to the purchase of new equipment and office machinery by the Spanish subsidiaries.

Investments in '*Assets under construction*' refer mainly to the acquisition, by the parent company Esprinet S.p.A., of equipment for the logistic hub in Cavenago, not yet operating as at 31 December 2020.

The item '*Business combination acquisitions*', equal to a net value of 0.3 million euro, refers to the contribution generated by the first consolidation of the GTI Software Networking S.A. Group, acquired by the subsidiary Esprinet Iberica S.L.U. on 1 October 2020.

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

The depreciation rates applied to each asset category are unchanged compared with those as at 31 December 2019.

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

(euro/000)	**31/12/2020**	**31/12/2019**	**Var.**
Electronic machines	5,223	4,372	851
Furniture and fittings	1,076	1,537	(461)
Industrial and commercial equipment	2,449	1,735	714
Other assets	708	977	(269)
Total	**9,456**	**8,621**	**835**

4) Right-of-use assets

The changes in right-of-use assets stemming from the application of IFRS 16 (Leases) are reported below, starting from the financial statements for the year ended as at 31 December 2019.

(euro/000)	**31/12/2020**	**31/12/2019**	**Var.**
Right-of-use assets	99,928	107,310	(7,382)

(euro/000)	**Rental Property**	**Cars**	**Ind. & Comm. Equipment & other assets**	**Total**
Historical cost	113,490	3,422	372	**117,284**
Accumulated depreciation	(8,742)	(1,138)	(94)	**(9,974)**
Balance at 31/12/2019	104,748	2,284	278	**107,310**
Business combination acquisition	319	56	-	**375**
Historical cost increase	1,790	1,160	23	**2,973**
Historical cost decrease	(1,219)	-	(20)	**(1,239)**
Increase in accumulated depreciation	(8,854)	(943)	(94)	**(9,891)**
Decrease in accumulated depreciation	392		8	**400**
Total changes	**(7,572)**	**273**	**(83)**	**(7,382)**
Historical cost	114,380	4,638	375	119,393
Accumulated depreciation	(17,204)	(2,081)	(180)	(19,465)
Balance at 31/12/2020	**97,176**	**2,557**	**195**	**99,928**

In the Group, the contracts that fall within the scope of IFRS 16 refer to the use of:

- office and operating buildings;
- company vehicles;
- industrial and commercial equipment and other assets.

The changes in 2020 are mainly attributable to:

- the increases in rental item relate to new contracts for the rental of offices attributable to the Spanish subsidiaries for approximately 1.5 million euro. The decreases refer to the termination of the rental contract for the offices attributable to the Spanish subsidiaries for 0.9 million euro;
- new company car rental agreements stipulated by the parent company Esprinet S.p.A. for 0.7 million euro and by the Spanish subsidiaries for roughly 0.4 million euro.

Aside from the depreciation charge for the period calculated based on the residual length of the contract.

2) Goodwill

(euro/000)	31/12/2020	31/12/2019	Var.
Goodwill	108,442	90,716	17,726

All goodwill items recorded under assets identify the excess of the price paid for obtaining control or another business unit, as shown in the following table over the fair value of the acquisition-date net amounts.
The change in value of 17.7 million euro, compared to the previous year, is the combined effect of the 20.0 million euro increase resulting from the acquisition, in October 2020, of the 'GTI Group' and the impairment of 2.3 million euro of goodwill relating to the Celly Group, which was, until 31 December 2019, part of the 'B2B distribution of telephone accessories' CGU and, from the year ended 31 December 2020, merged into CGU 1 'B2B distribution of Information Technology and Consumer Electronics (Italy)', as described below.

Information on impairment testing of assets: goodwill

Scope of application

IAS 36 requires that the existence of impairment losses on property, plant and equipment and intangible assets with a finite useful life be assessed when there are indications that such a problem may exist.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out 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 the international accounting standards, it is not an 'individual asset' and may not be tested for impairment separately from the group of assets it relates to. Consequently, goodwill must be allocated to a 'Cash Generating Unit' (CGU), or a group of CGUs, since the maximum aggregation limit coincides with the notion of 'segment' contained in IFRS 8.

Cash Generating Unit: identification and goodwill allocation

The following table provides the values of the individual goodwill items broken down by business combination from which they arose and identifies the legal entities that carried out the business combinations from which goodwill was generated:

(euro/000)	Entity	Goodwill original value
Assotrade S.p.A.	Esprinet S.p.A.	5,500
Pisani S.p.A.	Esprinet S.p.A.	3,878
Esprilog S.r.l.	Esprinet S.p.A.	2,115
Celly S.p.A. (1)(2)	Esprinet S.p.A.	1,853
Mosaico S.r.l.	Esprinet S.p.A.	5,804
4 Side S.r.l. (3)	Esprinet S.p.A.	121
Memory Set S.a.u. e UMD S.a.u. (4)	Esprinet Iberica	58,561
Esprinet Iberica S.l.u. (5)	Esprinet Iberica	1,040
Vinzeo S.a.u.	Esprinet Iberica	5,097
V-Valley Iberian S.l.u.	Esprinet Iberica	4,447
GTI Group	Esprinet Iberica	20,026
Total by business combination		**108,442**
Esprinet S.p.A.		19,271
Esprinet Iberica S.L.U.		89,171
Total by entity		**108,442**

(1) Shareholding, equal to 85% as at 31 December 2019 and 100% as at 31 December 2020
(2) Value net of the write-down carried out in 2020 for 2.3 million euro
(3) Shareholding equal to 51%
(4) Value net of write-down carried out in 2011 amounting to 17.8 million euro
(5) Transaction costs sustained for the UMD and Memory Set business combinations

Allocation of goodwill to each CGUs, identified as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group, was made by charging the above mentioned goodwill to the relevant CGUs, that is, to the elementary units, which received the businesses purchased in strictly operational terms.

The following table summarises the goodwill allocations to the 2 CGUs, highlighting the relationships between the operating segments and the legal entities, which form the Group, and the changes observed during the year:

(euro/000)	31/12/2020	31/12/2019	Var.		
Esprinet S.p.A.	19,271	21,571	(2,300)	CGU 1 (1)	Distribution B2B of Information Technology and Consumer Electronics (Italy)
Esprinet Iberica S.l.u.	89,171	69,145	20,026	CGU 2 (2)	Distribution B2B of Information Technology and Consumer Electronics (Iberian Peninsula)
Total	**108,442**	**90,716**	**17,726**		

(1) As at 31 December 2019 separated with respect to the CGU related to "B2B distribution of telephone accessories" amounting to 4.1 million euro.
(2) As at 31 December 2019, identified as CGU3.

This allocation reflects the organisational and business structure of the Group, who operates in the core business of IT business-to-business distribution (i.e. exclusively for business customers made up of resellers, who in turn refer to end-users, both private and company) in Italy and the Iberian peninsula (Spain and Portugal). These markets are managed by two substantially independent organisational and operating structures and, on the other hand, a 'corporate' structure where coordination and strategy are responsible for activities that contribute to the 'core' of the reseller 'value chain' (sales, purchasing, product marketing, logistics).
In 2020, the CGU operating in the sector of production and 'business-to-business' distribution of accessories for mobile phones, coinciding with the subsidiary Celly S.p.A. as at 31 December 2019 (former CGU2), was merged into CGU1.

The merger follows the reorganisation carried out in the former CGU2 after Esprinet S.p.A. purchased, from the minority shareholder, the remaining 15% of the share capital of Celly S.p.A. in October 2020. This led to a reorganisation of the corporate structure, resulting in an increasingly greater integration with the parent company in terms of employees, customers, suppliers and processes, as well as in terms of reporting structure. The residual goodwill was therefore reallocated to CGU1.
The goodwill resulting from the acquisition of the GTI Group, operating in the business-to-business distribution of software and cloud solutions, was allocated to CGU2.

The process followed in the goodwill impairment test as at 31 December 2020 as described above and the results of this test are described below.

A) Valuation framework

The valuation framework and the main procedural approaches to the notions of value and the criteria and methodologies used in valuation are summarised below.

In determining the recoverable value of the individual CGUs, the term 'value in use' has been used. The recoverable amount thus determined was compared with the carrying amount.
The value in use is defined as 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.
For the purpose to determine the value in use, the Discounted Cash Flow (DCF) model was used as generally accepted financial method, 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 gross of financial components, since the cash flows are calculated net of notional taxes by applying an estimated tax rate to the operating result (EBIT).

In the case of the Italian CGU1, located in Italy, the effective tax rates calculated as per Italian tax law and deriving from the calculation of the IRES (24%) and IRAP (3.9%) tax rates on their different tax bases were applied, taking into account the different structure of the tax bases and the non-deductibility of some relevant costs.
For the CGU2 domiciled in Spain, the estimated effective tax rate corresponds to the marginal tax rate of 25%, as the contribution of Portuguese assets to the weighted average 'tax rate' is omitted as irrelevant.

Disclosures required by the international accounting standards regarding the main methods chosen for the calculation of the recoverable amount are as follows.

Basis for estimates of future cash flows

The financial valuations for the purpose of calculating 'value in use' are based on five-year plans, approved by the Board of Directors of the parent company Esprinet on 1 March 2021, constructed starting from a management budget prepared for internal purposes for the year 2021 and extrapolating from it, through the application of forecasting techniques aimed at treating fixed and variable costs differently, the results for the 2022-2025 period.
As required by the IAS 36 accounting principle, paragraph 50, estimated cash flows exclude financial expenses, as per the 'asset side' approach already described, and are expressed in nominal terms.
In these 2020 Financial Statements, the Directors have assessed that, although the technology distribution business has not been impacted by the pandemic, the outlook for future economic conditions remains uncertain, with medium-term effects that could lead to more complex scenarios. Therefore, in order to reflect the uncertainty related to possible future economic developments resulting from the pandemic in the impairment plan for the year, the prospective determination of

cash flows for each activity, unlike in the past, was based on the so-called 'multi scenario' and no longer on the so-called 'unique scenario'.
Through this mode, while drawing up the economic development plan over the 2021E-2025E period, cash flows were not defined as the 'normal' flow profile, assumed as the profile with the highest degree of probability of occurrence (so-called 'probabilistic approach'). These flows were defined as the expected average flow profile, based on a number of scenarios weighted by the probability of occurrence according to management's best estimates.

Forecasting methods

For the purposes of estimates, strict reference was made to the current conditions of use of each individual CGU, i.e. regardless of the flows obtainable from any incremental investments and/or restructuring that represent a discontinuity with respect to normal business operations.

Flows discounted or weighted for probability

In the preparation of the forecast plans used in the 'DCF-Discounted Cash Flow' models, the expected trends in sales and gross product margins were defined on the basis of data and information on the distribution sector and consumption of consensus technology from sources commonly considered reliable (Sirmi, EITO, Euromonitor, Net Consulting Cube), assuming different trends for the CGUs according to competitive positioning, strategies and environmental conditions.
The prospective determination of cash flows for each CGU was based on the so-called 'multi-scenario', as specified hereabove.
The verification of the operational sustainability of the forecasting plans focused on the maintenance of 'business models' and competitive advantages for each CGU, including on the basis of the best external evidence regarding the prospects of each segment/market and the performance historically achieved.
The financial sustainability of the plans is based on an analysis of the intrinsic consistency between expected cash flows over the plan horizon and prospective investment needs in working capital and fixed assets, taking into account cash reserves.

Effects of the Covid-19 pandemic

The effects from the Covid-19 health emergency were incorporated into the application of the 'multi-scenario' as opposed to the ordinary way of applying the so-called 'unique scenario'.

CGU merger and impairment

Before merging the former CGU2 (Celly), as described above, into CGU1, the Directors carried out an impairment test on the goodwill of the former CGU2 on a going concern basis, in order not to incorporate any implicit capital loss in the new CGU.
This test showed a further impairment (1.2 million euro), in addition to that already recognised as at 30 June 2020 (1.1 million euro), and therefore led to the maintenance of a residual goodwill of 1.8 million euro as at 31 December 2020.
The result of this impairment was the impossibility in certain months, and the reduced possibility thereafter, to carry out its business activities as a consequence of the lock-down in Italy and in the various European countries to combat the Covid-19 pandemic.
The still persisting limited possibility of moving abroad and, therefore, maintaining commercial relations on site, involved the achievement of lower profits compared to the forecasts, but also with respect to the normal operations of previous years.

Discount rate

The discount rate used is representative 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. This rate corresponds to a notion of capital cost in the meaning of Weighted Average Cost of Capital (WACC)

and is unique for the valuation of the Terminal Value and the discounting of flows over the explicit forecast period.
In particular, for the purpose of determining the Levered Cost of Equity, the median Beta Unlevered Coefficient of a sample of comparable companies, listed on regulated markets, operating internationally, was calculated, which was subsequently 're-levered' on the basis of a target financial structure for each of the CGUs assuming that it coincided with the average financial structure of the sample. In this way the condition of independence of the discount rate from the current financial structure has been achieved. The sample of comparable companies used for the three CGUs consists of the following companies:

Entity	Country
Action S.A.	Poland
ALSO Holding AG	Switzerland
Arrow Electronics, Inc.	USA
Avnet, Inc.	USA
SYNNEX Corporation	USA
AB S.A.	Poland
Digital China Holdings Limited	Hong Kong
Redington (India) Limited	India
Datatec Limited	South Africa
Arena Bilgisayar Sanayi ve Ticaret A.S.	Turkey
ASBISc Enterprises Plc	Cyprus
ScanSource, Inc.	USA

The values attributed to the main components of the discount rate (different for CGUs) are as follows:

- the risk-free rate is equal to the 10-year BTP 'benchmark' rate of return in 2019-2020 for CGU1 (1.51%) and to the 10-year Bonos for CGU2 (0.51%);
- the Market Risk Premium is equal to 5.4% (source: Damodaran, 24-month average);
- the Beta Levered Coefficient is 0.99 (based on a Beta Levered calculated as a 5-year average of the monthly adjusted Beta of the sample);
- the gross marginal cost of the debt was obtained as the sum of two components: the base rate, equal to the 12-month average of the 10-year IRS, and a credit spread estimated on the basis of databases commonly used by analysts and investors;
- the tax rate used is the nominal corporate income tax rate of the countries where the CGUs are domiciled for tax purposes.

The IAS 36, paragraph 55, requires that the discount rate be calculated before tax ('pre-tax') but allows for the discounting of flows to be carried out using an estimated rate net of the tax effect ('post-tax'), provided that the expected flows are also expressed net of the tax effect.
Nevertheless, the WACC calculated in the post-tax version has also been converted into the pre-tax equivalent defined as pre-tax WACC that leads to the same result when discounting back pre-tax cash flows. For further details see the table below.

Terminal Value

The Terminal Value recorded at the end of the explicit forecasting period was calculated on the basis of the 'Perpetuity Method' (last year's unlimited cash flow capitalisation model), assuming long-term sustainable cash flow growth from year 5 onwards at a constant rate ('g').
This rate is equal, hypothetically, to the inflation rate expected for 2025 (source: International Monetary Fund) in Italy (1.35%) and Spain (1.69%) as regards CGU1 and CGU2.

B) Basic assumption / Critical variables

The following table describes the main basic assumptions used to calculate the recoverable value for each CGU with reference to the technical methods underlying the 'DCF Model':

	Italy IT&CE "B2B" CGU 1	Spain IT&CE "B2B" CGU 2
Future cash flow expected:		
Forecast horizon	5 year	5 year
"g" (long-term growth rate)	1.35%	1.69%
Discount rates:		
Market Risk Premium	5.4%	5.4%
Unlevered Beta	0.83	0.83
Levered Beta	0.99	0.99
Additional Specific Risk Premium	3.2%	3.2%
Target financial structure (D/D+E)	0.21	0.21
Target financial structure (E/D+E)	0.79	0.79
Tax rate	24.0%	25.0%
WACC post-tax	8.55%	7.75%
WACC pre-tax	11.62%	9.94%

With reference to the key assumptions used in the cash flow forecast and for the 'value in use' calculation we point out that the CGU values are particularly sensitive to the following parameters:

- revenue growth rates;
- gross product margin / fixed costs contribution margin;
- operating leverage;
- cash flow discount rates;
- growth rate 'g' applied to the cash flow of the last defined year utilised for the Terminal Value calculation.

C) External indicators of loss of values and 'impairment test'

The existence of both internal and external triggering events has been assessed.
In particular, the following were examined for each CGU:

- the potential deterioration of macroeconomic and macro-financial conditions;
- the potential deterioration of the economic environment, increase in the degree of competitive tension, changes in the regulatory or legislative framework, technological discontinuations, downward revision of consensus expectations regarding industry performance;
- the existence of discontinuity in cost factors;
- the possible occurrence of negative management events;
- any unfavourable trend in market rates or other rates of return on capital such as to affect the discount rate used in calculating value in use.
- any reduction in the value of the stock market capitalisation with respect to reported Equity.

It was concluded that none of the indicators analysed could be suggestive of a loss in value of any of the CGUs analysed.
With regard to the indication of impairment with reference to the former CGU Celly, which was merged into CGU1, see the section '*CGU merger and impairment*'.

As regards the capitalisation in the Stock Exchange of the parent company Esprinet, it is noted that as at 31 December 2020, the capitalisation of Esprinet was equal to 548.0 million euro, compared with a consolidated equity value of 389.0 million euro (of which 386.9 million euro attributable to the Group).

D) Value adjustments and sensitivity analysis

As a result of the impairment tests carried out, it was not necessary to write down any of the values of goodwill recorded as at 31 December 2020, which are therefore confirmed. The exception is for the already highlighted impairment, in the amount of 2.3 million euro of goodwill, which was tested for impairment before the merger of this CGU into CGU1 related to the Subgroup Italy.
Below are the parameters that the WACC and 'g' variables should have assumed in order for there to be a correspondence between recoverable value and carrying amount:

Key variables for: Enterprise Value = Carrying Amount	Italy IT&CE "B2B" CGU 1	Spain IT&CE "B2B" CGU 2
"g" (long-term growth rate)	n.s.	n.s.
WACC post-tax	17.67%	49.39%

In addition to the estimated average flows used to determine value in use, for information purposes only as required by IAS 36 and on the basis of the indications contained in joint Bank of Italy/CONSOB/ISVAP document No. 4 of 3 March 2010, sensitivity analyses were also carried out on the following key variables:

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discount rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'multi scenario' taken into account are as follows:

- 'g' decreased by -50% and equal to zero;
- WACC higher than +100 bps and +200 bps;
- EBITDA lower than -10% and -20%.

As a result of these analyses, for both CGUs in none of the scenarios arising from the different combinations of key assumptions as shown before, including the worst scenario resulting from the use of a g of 0% (equal to an actual negative 'g' of -1.4% and -1.7%, respectively), a WACC increased by +200 bps and a plan EBITDA reduced by -20%, is the recoverable value lower than the net carrying amount.

3) <u>Intangible assets</u>

Intangible assets amount to 0.7 million euro as at 31 December 2020 (0.4 million euro as at 31 December 2019). The following table highlights the changes occurred during the year:

(euro/000)	Start-up and expansion costs	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advances	Other intagible assets	Total
Historical cost	3	11,527	35	129	4	**11,698**
Accumulated depreciation	(3)	(11,186)	(25)	-	(4)	**(11,218)**
Balance at 31/12/2019	**-**	**341**	**10**	**129**	**-**	**480**
Business combination acquisitions - historical cost	-	2,896	-	-	-	**2,896**
Business combination acquisitions - accumulated depreciation	-	(2,876)	-	-	-	**(2,876)**
Historical cost increase	-	376	-	173	-	**549**
Historical cost decrease	-	(1,683)	(1)	-	-	**(1,684)**
Historical cost reclassification	-	129	-	(129)	-	**-**
Increase in accumulated depreciation	-	(326)	-	-	-	**(326)**
Decrease in accumulated depreciation	-	1,683	-	-	-	**1,683**
Total changes	**-**	**199**	**(1)**	**44**	**-**	**242**
Historical cost	3	13,245	34	173	4	13,459
Accumulated depreciation	(3)	(12,705)	(25)	-	(4)	(12,737)
Balance at 31/12/2020	**-**	**540**	**9**	**173**	**-**	**722**

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

The item '*Business combination acquisition*' refers to the contribution generated by the first consolidation of the GTI Software Networking S.A. Group, wholly acquired by the subsidiary Esprinet Iberica S.L.U. on 1 October 2020.

The amortisation rates applied to each asset category are unchanged compared with those as at 31 December 2019.

This item is amortised in three years.

6) Deferred income tax assets

(euro/000)	31/12/2020	31/12/2019	Var.
Deferred income tax assets	12,950	13,469	(519)

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.
In this respect, the recoverability is supported by the estimated net income based on the forecast plans derived from the Group 2021-25E financial projections of the Esprinet Group, approved by the Board of Directors on 1 March 2021.

The following table shows the composition of the abovementioned item:

(euro/000)	31/12/2020 Temporary differences	31/12/2020 Fiscal effect (taxe rate %)	31/12/2020 Amount	31/12/2019 Temporary differences	31/12/2019 Fiscal effect (taxe rate %)	31/12/2019 Amount
Deferred income tax:						
Tax losses carried forward	24,863	24%-25%-21%	6,082	23,879	24%-25%-21%	5,831
Derivates instruments	-	24%-25%	-	25	24%-25%	6
Exceeding amortisation	130	27.90%	36	330	27.90%	51
Bad debt provision	3,707	24%-25%	891	4,855	24%-25%	1,167
IFRS 16 - Leases	1,184	24%-25%	290	630	24%-25%	153
Inventory obsolescence provision	4,940	27,9%-22,5%	1,378	5,285	27,9%-22,5%	1,469
Change in inventory/deletion of intercompany margin	351	27.90%	98	514	27.90%	143
Director's fees not paid	3,016	27,9%-25%	721	1,725	27,9%-25%	412
Agent suppl. indemnity provision	634	27.90%	177	634	27.90%	177
Double dividend tax	-	25.00%	-	-	25.00%	-
Provision sales returns	1,449	27,9%-25%-22,5%	395	1,254	27,9%-25%-22,5%	339
Other	12,582	24%-25%-27,9%-10%	2,882	16,229	24%-25%-27,9%	3,721
Deferred income tax assets			**12,950**			**13,469**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the exchange losses valuation, on the risk provisions, on the actuarial valuation of the staff severance indemnity (TFR), as well as on the write-off of intangible assets capitalised under IAS 38.

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

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
Deferred income tax assets	31/12/2020	4,004	6,530	2,416	12,950
	31/12/2019	4,687	5,470	3,312	13,469

9) Receivables and other non-current assets

(euro/000)	31/12/2020	31/12/2019	Var.
Guarantee deposits receivables	2,425	2,208	217
Trade receivables	492	969	(477)
Receivables and other non-current assets	**2,917**	**3,177**	**(260)**

The item '*Guarantee deposits receivables*' refers mainly to guarantee deposits for utilities for existing lease contracts.

Trade receivables refer to the portion of credit toward the customer 'Revenue Guard Corps' (so called Guardia di Finanza – GdF) with an expiring date after one year and arose from a delivery of goods from Esprinet S.p.A. toward the GdF in 2011.
This receivable provides for an annual payment plan that extends until January 2022 and in relation to which in 2013 Esprinet S.p.A. has taken out a loan with Intesa Sanpaolo whose fees will be paid directly by the customer. Since the counterparties of the two transactions are different, it is necessary, until they are completely repaid, to keep the receivable from the customer and the payable from the credit institution separate.
The change, compared with 31 December 2019, is due to the allocation to current receivables of the portion expiring within the next year.

Current assets

10) Inventory

(euro/000)	31/12/2020	31/12/2019	Var.
Finished products and goods	409,772	504,266	(94,494)
Provision for obsolescence	(7,017)	(7,046)	29
Inventory	**402,755**	**497,220**	**(94,465)**

Inventory totalled 402.8 million euro, down by 94.5 million euro compared with existing stock as at 31 December 2019, while inventory turnover improved by 8 days.

7.0 million euro allocated to *Write-down provision for inventory* is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

The change in the provision during the period was as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Provision for obsolescence: year beginning	**7,046**	**8,658**	**(1,612)**
Uses/Releases	(4,949)	(6,197)	1,248
Accruals	4,649	4,585	64
Acquisition in business combination	271	-	271
Provision for obsolescence: period-end	**7,017**	**7,046**	**(29)**

The item '*Provisions*' is the management best estimate of the recoverability of the inventory value as at 31 December 2020.

The item '*Business combination acquisitions*' refers entirely to the contribution generated by the first consolidation of the GTI Group, which was wholly acquired by the subsidiary Esprinet Iberica S.L.U. on 1 October 2020.

11) Trade receivables

(euro/000)	31/12/2020	31/12/2019	Var.
Trade receivables - gross	590,220	477,658	112,562
Bad debt provision	(6,183)	(6,659)	476
Trade receivables - net	**584,037**	**470,999**	**113,038**

Trade receivables arise from normal sales transactions engaged in by the Group in the context of ordinary marketing activities. These transactions are entered into almost entirely with customers resident in the two countries where the Group operates, are almost fully in euro and are short-term.

Net trade receivables are adjusted by credit notes to be issued to customers for an amount equal to 81.5 million euro at the end of 2020 and 66.0 million euro at the end of 2019.

'*Trade receivables, gross*' include 163.4 million euro of receivables measured at fair value (214.6 million euro as at 31 December 2019).

The increase in gross receivables is related to higher turnover and reflects in an increase in average collection times (+ 3 days), offset by a higher use of technical methods used to dispose of trade receivables compared with 2019 (i.e. approx. 536.6 million euro at the end of 2020 compared with 480.1 million euro in 2019).

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*'), whose incidence on gross receivables is substantially stable. The change in this provision during the period was as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Bad debt provision: year-beginning	**6,659**	**5,220**	**1,439**
Uses/Releases	(2,934)	(1,611)	(1,323)
Accruals	1,760	1,389	371
Acquisition in business combination	698	1,661	(963)
Bad debt provision: period-end	**6,183**	**6,659**	**(476)**

The item '*Business combination acquisitions*' refers entirely to the contribution generated by the first consolidation of the GTI Group, which was wholly acquired by the subsidiary Esprinet Iberica S.L.U. on 1 October 2020.

The *Trade receivables* balance includes 6.8 million euro (35.4 million euro in 2019) of receivables transferred to factoring firms under 'with-recourse' factoring agreements.

12) Income tax assets

(euro/000)	31/12/2020	31/12/2019	Var.
Income tax assets	410	1,514	(1,104)

Income tax assets (current) result mainly from the higher tax advances paid compared with the current taxes accrued in 2020.

13) Other assets

(euro/000)	31/12/2020	31/12/2019	Var.
Receivables from associates companies (A)	**-**	**-**	**-**
VAT receivables	1,539	2,219	(680)
Other tax assets	9,468	8,907	561
Other receivables from Tax authorities (B)	**11,007**	**11,126**	**(119)**
Receivables from factoring companies	147	3,526	(3,379)
Other financial receivables	9,617	9,719	(102)
Receivables from insurance companies	427	414	13
Receivables from suppliers	14,908	10,244	4,664
Receivables from employees	21	-	21
Receivables from others	94	136	(42)
Other receivables (C)	**25,214**	**24,039**	**1,175**
Prepayments (D)	**3,965**	**5,791**	**(1,826)**
Other assets (E= A+B+C+D)	**40,186**	**40,956**	**(770)**

'*VAT receivables*' refer to VAT receivables accrued by the subsidiaries included in the Subgroup Italy V-Valley S.r.l., 4 Side S.r.l., Nilox Deutschland GmbH (around 1.3 million euro) and the subsidiaries included in the Subgroup Spain e (around 0.2 million euro).

The '*Other tax assets*' figure refers almost entirely to the receivable of the parent company Esprinet S.p.A. from the tax authorities following the partial payment, made on a provisional basis, of tax collection files relating to indirect taxes in relation to which disputes are in progress, details of which are provided in the section '*Developments in Group disputes*' under the notes to item '*26) Non-current provisions and other liabilities*'. The balance includes also around 0.5 million euro related to tax assets accrued by the parent company Esprinet S.p.A. and generated by applying Italian Law 160/2019 on tax recovery on investments made during 2020.

'*Receivables from factoring companies*', referring to the parent company for 0.1 million euro, relate to the residual amount still unpaid of the trade receivables sold 'without recourse' at the end of December 2020. At the time this report was drafted, the receivables due had been almost entirely paid.
The sensible decrease compared with the previous year-end balance, is mainly due to the temporary differences in the collection of transferred receivables.

'*Other financial receivables*' include 9.1 million euro for a guarantee deposit provided to the buyer of the receivables assigned in the securitisation transaction executed by the Group to cover any dilution that may occur in the course of this activity or in the months following the transaction closing. The remaining portion of the amount, equal to 0.5 million euro, refer to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 to the customer 'Guardia di Finanza - GdF'. For further information please refer also to the '*Receivables and other non-current assets*' section.

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

Receivables from suppliers, as at 31 December 2020, refer to credit notes received exceeding the amount owed at the end of December for a mismatch between the timing of their quantification and the payment of suppliers. They also include receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from hauliers for advance VAT payments and customs duties pertaining to imports.
As at 31 December 2019, receivables from suppliers included 2.6 million euro due to the net receivable from the supplier of the 'Sport Technology' line, which is now entirely cancelled following the settlement of the legal dispute with the supplier. Therefore, the credit position was closed by using the provision previously set aside and a loss was recorded for the remaining part. The following table illustrates the change in the bad debt provision:

(euro/000)	Starting provision	Additions	Uses/Releases	Final provision
2020 Financial year	8,823	-	(8,823)	-
2019 Financial year	8,823	-	-	8,823

Prepayments are costs the accrual date of which is deferred compared with that of the cash movement (mainly maintenance fees, insurance premiums, payables for lease contracts, undrawn credit facility fees).

14) Derivative financial assets

(euro/000)	31/12/2020	31/12/2019	Var.
Derivate financial assets	27	-	27
Derivate financial assets	**27**	**-**	**27**

The negative balance of derivative financial assets, as at 31 December 2020, refers to the fair value of instruments used by GTI Networking Y Software S.A. to mitigate the exchange risk related to payables in foreign currency from suppliers.

For further information, please refer to the '*Non-hedging derivatives*' section in the '*Disclosure on risks and financial instruments*' paragraph to which reference should be made.

17) Cash and cash equivalents

(euro/000)	31/12/2020	31/12/2019	Var.
Bank and postal deposit	558,899	463,747	95,152
Cash	29	29	-
Cheques	-	1	(1)
Total cash and cash equivalents	**558,928**	**463,777**	**95,151**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. The level of liquidity (originating in the normal short-term financial cycle of collections/payments) fluctuates 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 further details relating to the cash flows development please refer to the *Statement of cash flows* and to the following '*Cash flow analysis*' section.

Equity

(euro/000)	31/12/2020	31/12/2019	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	352,402	334,200	18,202
Own shares (C)	(4,800)	(8,646)	3,846
Total reserves (D=B+C)	**347,602**	**325,554**	**22,048**
Net income for the year (E)	**31,405**	**23,099**	**8,306**
Net equity (F=A+D+E)	**386,868**	**356,514**	**30,354**
Non-controlling interests (G)	2,095	2,508	(412)
Total equity (H=F+G)	**388,963**	**359,022**	**29,942**

Items composing the 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 2020, is 7,860,651 euro and comprises 50,934,123 shares with no nominal value, following the cancellation, on 22 June 2020, of 1,470,217 shares, as set forth in the resolution of the Shareholders' Meeting of 25 May 2020.

20) Reserves

Reserves and profit carried over

The *Reserve and profit carried over* balance increased by 18.2 million euro, mainly due to the allocation of profits from previous years.

The value of the rights for the free assignment of the shares to Group Directors and Managers is recorded under Reserves. The main information items used for accounting are described 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 an offsetting item reported in the statement of financial position under the item '*Reserves*'.

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of 1,150,000 Esprinet S.p.A. shares owned by the Company. The change relates to the 535,134 shares (out of overall 646,889 shares owned) granted in June 2018 as per the 2015-2017 'Share Incentive Plan' approved on 30 April 2015 by Esprinet S.p.A. Shareholders' Meeting, as well as to the purchase of 1,038,245 shares, at an average price (net of fees) of 3.78 euro, as set forth in the resolution of Esprinet S.p.A. Shareholders' Meeting of 4 May 2018.

The total value fell by 3.8 million euro, in consideration of the cancellation of 1,470,217 rights from a total of 2,620,217 rights as at 31 December 2019 of the purchase programme, as established at the extraordinary shareholders' meeting of 25 May 2020. For further information please refer to the '*Significant events occurred in the period*' paragraph under 'Directors' Report on Operations'.

21) Group net income

The year's Group net income amount to 31.4 million euro, increased compared with the previous year's 23.1 million euro.

Non-current liabilities

22) Borrowings

(euro/000)	31/12/2020	31/12/2019	Var.
Borrowings	107,069	61,045	46,024

Payables to banks are represented by the valuation at the amortised cost of the portion of the medium-long term loans granted by the Group companies falling due beyond next year.
The change compared with previous year is due to the combined effect of the signing of new loans during the year and the reclassification of instalments falling due within 12 months under item current payables, in accordance with the loan amortisation plans.

Details relating to the outstanding loans can be found in the following '*Net financial indebtedness and loan covenants*' paragraph.

31) Lease liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities (non-current)	93,999	100,212	(6,213)

The value of the non-current financial liability referring to the right-of-use assets as at 31 December 2020 is equal to 93.9 million euro, compared to a value of 100.2 million euro as at 31 December 2019. The change is shown hereunder:

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities	**100,212**	**-**	**100,212**
Initial book value: 01/01/2019	-	106,385	(106,385)
Acquisition in business combination	268	-	268
Increase from subscribed contracts	2,930	2,593	337
Termination/modification of contracts	(638)	(236)	(402)
Reclassification in current liabilities	(8,773)	(8,530)	(243)
Lease liabilities	**93,999**	**100,212**	**(6,213)**

The following table analyses the maturing dates of the financial liabilities booked as at 31 December 2020:

(euro/000)	Within 5 year	After 5 year	31/12/2020
Lease liabilities (non-current)	31,320	62,679	93,999

With reference to the application of IFRS 16 occurred as from the financial statements as at 31 December 2019, the Group did not apply the IFRS 16 standard to leases of intangible assets. Moreover, the Group analysed the lease contracts with regards to the lease term, defining the 'non-cancellable' period for each of them, together with the effects of extension and early termination clauses whose exercise was deemed reasonably certain. Specifically, for buildings, this valuation considered the specific facts and circumstances of each activity. With regard to the other categories of assets, mainly company vehicles, the Group generally considered it unlikely that any extension or early termination clauses would be exercised in view of the Group's usual practice.
In addition, liabilities related to rights of use are measured considering the variable payments due for the leases linked to indices or rates (e.g. ISTAT index), where contractually provided for.

24) Deferred income tax liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Deferred income tax liabilities	11,309	9,712	1,597

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.

These differences mainly arise from the de-recognition of the tax amortisation of goodwill.

	31/12/2020			31/12/2019		
(euro/000)	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax liabilities						
Goodwills' amortisation	43,063	27.90%	11,079	35,867	27.90%	9,260
TFR' variation	-	24.00%	-	-	24.00%	-
Foreign exchange estimate	214	24.00%	51	456	24.00%	109
Change in inventory	602	27,9%-25%	172	1,261	27,9%-25%	340
Other	22	24.00%	6	8	24.00%	2
Total deferred income tax liabilities			**11,309**			**9,712**

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

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
Deferred income tax liabilities	31/12/2020	230	-	11,079	11,309
	31/12/2019	452	-	9,259	9,712

25) Retirement benefit obligations

Retirement benefit obligations reflect the staff severance provision ('TFR') 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 entirely belong to Italian companies, since a similar system does not exist in Spain.

Please note that from 1 January 2007 important modifications governing the Staff Severance Provision, among which the possibility for the worker to choose the destination of the accruing Staff Severance Provision, were introduced.

The new contributions can therefore be directed to selected pension schemes or maintained in the company, in which case it is the company itself that pays contributions to a treasury account set up with INPS.

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

(euro/000)	31/12/2020	31/12/2019	Var.
Balance at year-beginning	**4,669**	**4,397**	**272**
Acquisition in business combination	-	326	(326)
Service cost	167	163	4
Interest cost	35	68	(33)
Actuarial (gain)/loss	173	195	(22)
Pensions paid	(197)	(480)	283
Changes	**178**	**272**	**(94)**
Retirement benefit obligations	**4,847**	**4,669**	**178**

Values recognised in the income statement are as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Amounts booked under personnel costs	167	163	4
Amounts booked under financial costs	35	68	(33)
Total	**202**	**231**	**(29)**

The change in the 'actuarial gains or losses' compared with last year is mainly related to the experience adjustments that reflect the deviation of forward-looking assumptions used in the valuation as at 31 December 2019 and the actual development of the provision as at 31 December 2020 (members, payments occurred, benefit revaluation). The discount rate reflects the market returns, at the financial statements date of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in the Group's companies (higher than 10 years)[7].

The 'Projected Unit Credit Method' used to assess the staff severance provision ('TFR') as per the IAS 19 accounting standard is based on demographic assumptions and on the following economic-financial assumptions:

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. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel;
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;

[7] Please note that, the iBoxx Eurozone Corporates AA10+ index was used as parameter for the above mention calculation.

- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics, with the exception of the subsidiary 4 Side S.r.l. for which an annual frequency of 10% was considered;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/2020	31/12/2019
Cost of living increase	1.00%	1.00%
Discouting rate (2)	0.34%	0.77%
Remuneration increase	2.50%	2.50%
Staff severance indemnity (TFR) - annual rate increase	2.25%	2.25%

(1) The assumption relating to a remuneration increase refers solely to Celly S.p.A.
(1) iBoxx Eurozone Corporates AA10+ index has been used for the calculation.

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
The scenario described in the previous paragraphs was considered as the baseline scenario and from that the most significant assumptions were increased and decreased, i.e. the average annual discount rate, the average inflation rate and the turnover rate, respectively, by one quarter and two percentage points. The outputs thus obtained are summarised as follows:

(euro)		Sensitivity analysis
		Esprinet Group
Past Service Liability		
Annual discount rate	*+0,50%*	4,645,955
	-0.50%	5,083,590
Annual inflation rate	*+0,25%*	4,914,160
	-0.25%	4,800,574
Annual turnover rate	*+2,00%*	5,350,408
	-2.00%	4,991,212

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	**Future Cash Flow**
Year	***Future Cash Flow***
0 - 1	380,526
1 - 2	337,022
2 - 3	321,353
3 - 4	284,185
4 - 5	316,466
5 - 6	304,125
6 - 7	394,673
7 - 8	284,772
8 - 9	360,461
9 - 10	289,115
Over 10	3,790,969

49) Debts for investments in subsidiaries

(euro/000)	**31/12/2020**	**31/12/2019**	**Var.**
Debts for investments in subsidiaries (non-current)	230	-	230

Payables for equity investments in subsidiaries (non-current) as at 31 December 2020 relate to the consideration to be paid, after 12 months, for the acquisition of 15% of the share capital of the subsidiary Celly S.p.A. by the parent company Esprinet S.p.A.

For further information please refer to the *'Significant events occurred in the period'* paragraph under 'Directors' Report on Operations'.

26) Provisions and other liabilities

(euro/000)	**31/12/2020**	**31/12/2019**	**Var.**
Long-term liabilities for cash incentives	1,721	710	1,011
Provisions for pensions and similar obligations	1,691	1,661	30
Other provisions	290	127	163
Non-current provisions and other liabilities	**3,702**	**2,498**	**1,204**

The item *Payables for monetary incentives* refers, in the amount of 1.6 million euro, to the value acquired within the acquisition transaction of the GTI Group, and related incentives accrued by the beneficiaries of the incentive plan signed in 2019 by GTI Software & Networking S.A. and payable as from 2022. The remaining portion refers to the monetary incentives, being accrued by the beneficiaries, of the 'Long-term Incentive Plan' (LTIP) and its payment is subject to achievement of Group profit targets for the 2018-2020 period and subject to the beneficiary being still employed by the Group at the date the 2020 Consolidated Financial Statements will be presented.

The item '*Provisions for pensions and similar obligations*' includes the supplementary customer indemnity provision payable to agents based on current regulations governing the subject. The changes in the period were as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Provisions for pensions: year-beginning	**1,661**	**1,678**	**(17)**
Uses/Releases	(105)	(155)	50
Accruals	135	138	(3)
Total variation	**30**	**(17)**	**47**
Provisions for pensions: period-end	**1,691**	**1,661**	**30**

The amount entered under *other provisions*, is intended to cover risks relating to current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2020	31/12/2019	Var.
Other provisions: year-beginning	**127**	**106**	**21**
Uses/Releases	(40)	(84)	44
Accruals	203	105	98
Subtotal	**163**	**21**	**142**
Other provisions: period-end	**290**	**127**	**163**

Developments in Group disputes

The main disputes involving the Group are provided below, along with developments in 2020 (and thereafter, until the date this financial report was drafted), for which the Group has conducted the pertinent risk assessments, with the support of its legal and/or tax consultants, and, where deemed appropriate, recognised the ensuing allocations to the provision for risks.

The main legal disputes, for which no provision has been deemed to exist since the risk has been assessed as possible, are as follows:

Esprinet S.p.A., supplier of 'Sport Technology' line and its shareholders

The Esprinet Group has legal disputes with the long-standing supplier and its shareholders of the '*Sport Technology*' line, which, since 2008 was managing, on behalf of the Group and under an exclusive agreement, the production, the import and the after-sale support process of a number of the above-mentioned product line.

In December 2018, the importer had commenced voluntary liquidation proceedings and, on 21 May 2019, had filed an application for composition proceedings with the Court of Milan, which was subsequently upheld. The above facts led the management of Esprinet S.p.A., as from 31 December 2018, to estimate a possible write-down in receivables due from the importing company and to apply the related impairment to the 2018 financial statements.

As a result of the settlement agreement reached, the completion of which was authorised on 9 December 2020 by the Court of Milan pursuant to Art. 167, paragraph 2, of the Italian Bankruptcy Law, Esprinet S.p.A. will be excluded from the list of creditors of the Hellatron settlement agreement and has consequently fully written off the residual portion of receivables from the importing company, amounting to 2.6 million euro, that is still recorded in its financial statements.

It is worth noting that the settlement agreements reached between the parties provide for the final withdrawal, at fully offset costs, from all further pending litigation between them, as well as the irrevocable and mutual waiver by the parties of any further right, claim, demand, action, reason and objection claimed, for any reason, cause or title, by either party against the other.

The following list summarises the development of the main tax disputes in progress for which it has not been considered that the elements for making provisions exist, since the risk of each is assessed as unlikely.

Esprinet S.p.A. direct taxes for the year 2002

In the tax dispute for the 2002 tax period relating to VAT, IRPEG and IRAP, amounting to 6.0 million euro plus penalties and interest, it should be noted that, after Esprinet S.p.A. had obtained favourable judgements in both the first and second instance against the assessment notice issued in late 2007, on 3 August 2016 a Supreme Court judgement was filed that partially accepted the appeal made by the Italian Revenue Office. The Supreme Court referred the case to another section of the Regional Tax Commission, which will have to determine which part of the assessment will be upheld in relation to the disputed notice.
The Company reactivated the proceeding with the Regional Tax Commission on 10 November 2016. The hearing, fixed on 17 September 2020, was then postponed.

Actebis Computer S.p.A. (now Esprinet S.p.A.) direct taxes for the year 2005

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged by incorporation into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and after the failure of a tax settlement proposal, paid the reduced penalties and lodged an appeal with the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., at the recommendation of the seller's advisor, lodged an appeal, which was registered with the Regional Tax Commission on 20 May 2013.
On 23 September 2014, the appeal was rejected and Esprinet paid the sums inscribed on the tax roll as per the Regional Tax Commission decision, after receiving the corresponding funds from the seller. The seller's advisor lodged an appeal against the ruling with the Supreme Court.
Based on information available, the hearing has not been scheduled.

Esprinet S.p.A. indirect taxes for the year 2011

On 30 November 2016, the Company was served a notice relating to an assessment claiming VAT of 1.0 million euro, plus penalties and interests. The tax authority claims that some transactions are taxable in respect of which a customer had previously filed a declaration of intent, but later failed to fulfil the requirements needed to qualify as a frequent exporter.
The notice of assessment follows tax checks carried out by the Direzione Regionale delle Entrate (Regional Revenue Office) - Large Taxpayer Office through questionnaires sent on 3 October 2016.
On 23 January 2017 the Company filed an appeal against the assessment notice and, pursuant to the administrative procedure, made an advance payment equal to 0.4 million euro, booked under 'Other tax assets'.
The hearing on the merit of the appeal was fixed on 24 November 2017.
On 10 January 2018 a judgement was issued that rejected the first instance claim.
On 23 February 2018 another advance equal to 1.5 million euro was paid, also posted under 'Other tax assets'.
The Company appealed on 16 July 2018 and the hearing was held before the Regional Tax Commission on 12 February 2019.
On 8 May 2019 a judgement was issued that rejected the Company's claim, condemning the Company to pay legal costs.

The Company filed an appeal before the Supreme Court on 4 December 2019.

Esprinet S.p.A. indirect taxes for the year 2012

On 2 October 2017 the Company was served a notice of assessment claiming VAT on taxable transactions entered with three customers for 3.1 million euro, along with penalties and interest.
The tax assessment refers to business relations with the three companies that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows the tax audit carried out by the Direzione Regionale della Lombardia (Lombardy Regional Revenue Office) - Large Taxpayer Office.
The Company appealed against the notice of assessment on 30 November 2017.
On 18 May 2018 the hearing was held where the Provincial Tax Commission requested the appellant to file some documents by 30 June 2018 and scheduled the next hearing on 21 September 2018.
On 9 October 2018 a judgement was issued that upheld the Company's claim.
On 1 April 2019 the Italian Revenue Office lodged an appeal with the Regional Tax Commission against the first instance judgement favourable to the Company. On 31 May 2019, the Company filed its arguments.
On 17 February 2020, the hearing was held and the Commission upheld the Office's appeal, confirming the assessment notice.
The Company filed an appeal before the Supreme Court.

Esprinet S.p.A. indirect taxes for the year 2013

On 31 July 2018 the Company was served a notice of assessment claiming VAT on taxable transactions entered with a customer for 66 thousand euro, along with penalties and interest.
The tax assessment refers to business relations with the customer company that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters.
On 29 October 2018 the Company lodged an appeal.
The hearing was held on 29 January 2019 and on 13 February 2019 the Provincial Tax Commission filed a judgment rejecting the claim.
The Company filed an appeal with the Regional Tax Commission on 10 June 2019. A hearing was held on 29 January 2020 and the appeal was upheld on 23 September 2020.

Esprinet S.p.A. indirect taxes for the year 2013

On 20 December 2018 the company was served a notice relating to an assessment claiming VAT for 2013 of 14.5 million euro, plus penalties and interest, due to alleged non-application of VAT to transactions with frequent exporters.
On 5 February 2019, the Company filed a tax settlement proposal pursuant to Art. 6, paragraph 2 of Italian Legislative Decree 218/1997, whose proceedings were not defined.
Thus, the Company appealed on 30 May 2019.
Having failed to obtain a suspension of collection, the Company made the payment pending judgement on 11 November 2019.
The first instance hearing was held on 23 September 2020 and on 19 November 2020 the judgement was filed, which rejected the first instance appeal.
The Company filed an appeal.

Monclick S.r.l. direct taxes for the year 2012

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (a year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arose resulting in a disallowance of costs equal to 82 thousand euro, plus penalties and interest.
On 2 November the Company filed its comments. On 20 July 2016 the Italian Revenue Office notified tax assessment notices related to IRAP and direct taxation. On 29 September the Company filed a tax settlement proposal, leading to a cross-examination with the Office.

On 25 November 2016 the Office rejected the settlement proposal, and as a consequence the Company lodged a partial appeal on 16 January 2017.
On 26 June 2017 the matter was discussed and on 10 July 2017 a judgement was issued that upheld the appeal.
In July, the company obtained cancellation of the amounts inscribed on the tax roll following the Provincial Tax Commission decision.
On 17 October 2017 the Italian Revenue Office lodged an appeal against the first instance judgement and the company entered an appearance filing its counter-arguments.
On 3 July 2018, the hearing was held and on 20 July 2018 the Regional Tax Commission issued a judgement that upheld the Italian Revenue Office's appeal.
On 16 July 2019 the Company lodged an appeal before the Supreme Court.

Edslan S.r.l. registration fees for the year 2016

On 4 July 2017, the Company was served a correction and settlement notice relating to the reassessment of the value of the business unit acquired on 8 June 2016 from Edslan S.p.A. (now I-Trading S.r.l.).
The higher registration fee claimed amounts to 182 thousand euro, plus penalties and interest.
On 21 September 2017, the company filed a tax settlement proposal and on 11 October the first meeting was held at Tax Office, with a negative outcome.
On 29 December 2017, the company lodged an appeal that was filed with the Provincial Tax Commission on 24 January 2018.
The hearing was held on 19 June 2018 and on 18 September 2018 a judgement was issued that upheld the appeal condemning the Tax Office to pay legal costs.
On 18 March 2019, the appeal from the Office was served and on 17 May 2019 the Company filed its counter-arguments. On 22 January 2020 the Regional Tax Commission rejected the appeal of the Italian Revenue Office with judgement filed on 28 February 2020.
The same Revenue Office filed an appeal to the Supreme Court on 1 December 2020 and the Company filed a cross-appeal on 8 January 2021.

Comprel S.r.l. direct and indirect taxes for the year 2006

On 16 September 2011, Comprel S.r.l. was served a notice of assessment relating to IRAP and VAT for the year 2006 and a further assessment relating to IRES for the year 2006 (the latter also notified to Esprinet S.p.A. being the consolidating company, under the new assessment proceeding, as per Art. 40-bis of Italian Presidential Decree No. 600/1973) with a total recovery of 99 thousand euro, plus penalties and interest.

With respect to these Tax assessments, Comprel filed a settlement proposal whose negative outcome led it to lodge an appeal with the Provincial Tax Commission, that issued its Judgement No. 106/26/13 on 9 May 2013, which rejected Comprel's joint appeals.

On 9 July 2013, an appeal was lodged against this judgement.

On 9 July 2014 the Judgement No. 3801/2014 was issued that upheld the company's appeal in relation to the related points 4, 6, 7 and 11.

On 14 January 2015 an appeal was lodged by the General Attorney with the Supreme Court challenging the Judgement No. 3801/2014 of 9 July 2014 rendered by the Regional Tax Commission of Milan. The Company filed a cross-appeal on 20 February 2015.
On 31 May 2019, the Company filed an application for facilitated settlement of the pending tax disputes (Arts. 6 and 7 Italian Decree Law No. 119/2018).

Current liabilities

27) Trade payables

(euro/000)	31/12/2020	31/12/2019	Var.
Trade payables - gross	1,244,250	1,217,536	26,714
Credit notes to be received	(136,424)	(128,290)	(8,134)
Trade payables	**1,107,826**	**1,089,246**	**18,580**

The item 'Receivables – credit notes' refers mainly to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections.

The net amount of Trade payables, which amounted to 1,107.8 million euro, increased by 18.6 million euro compared to the balance as at 31 December 2019 with the turnover rate decreasing by 9 days.

There are no trade payables with collaterals on corporate assets nor with a residual duration longer than 5 years.

28) Short-term financial liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Bank loans and overdrafts	44,725	19,830	24,895
Other financing payables	11,324	16,032	(4,708)
Short - term financial liabilities	**56,049**	**35,862**	**20,187**

Payables to banks refer almost entirely to the valuation at the amortised cost of the portion, falling due within next year, of the medium-long term loans granted to the Group companies (38.1 million euro as principal as at 31 December 2020 and 17.0 million euro, also as principal, as at 31 December 2019).
The change compared with previous year is due to the combined effect of the signing of new loans during the year and the reclassification, from non-current financial payables, of the portion falling due within 12 months, in accordance with the amortisation plan.

Details relating to the outstanding loans can be found in the following '*Net financial indebtedness and loans covenants*' paragraph.

Payables to other lenders are mainly advances obtained from factoring companies deriving from the usual with-recourse assignment of receivables by the Group, and from payments received in the name and on behalf of clients under the without-recourse factoring agreement. The change in payable is closely correlated to the volume and timing of the receivables factored.

36) Lease liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities (current)	8,867	8,597	270

The value of the current financial liability referring to the right-of-use assets as at 31 December 2020, equal to 8.8 million euro, was initially entered for 8.5 million euro as at 31 December 2019 and subsequently changed as better described below:

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities	**8,597**	**-**	**8,597**
Initial book value: 01/01/2019	-	8,539	(8,539)
Acquisition in business combination	107	-	107
Increase from subscribed contracts	43	313	(270)
Reclassification from non-current liabilities	8,773	8,530	243
Lease interest expenses	3,336	3,540	(204)
Payments	(11,777)	(12,325)	548
Termination/modification of contracts	(212)	-	(212)
Lease liabilities	**8,867**	**8,597**	**270**

29) Income tax liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Income tax liabilities	224	27	197

Income tax liabilities equal to 0.2 million euro, mainly refer to current taxes accrued by the companies GTI Software Y Networking S.A., Getix Companhia de Distribuição de Software Unipessoal Lda, GTI Software Y Networking SARLAU, Celly Pacific LTD and 4Side S.r.l. with reference to the 2020 tax year, with respect to the advances paid.

51) Debts for investments in subsidiaries

(euro/000)	31/12/2020	31/12/2019	Var.
Debts for investments in subsidiaries (current)	220	-	220

Payables for equity investments in subsidiaries (current) as at 31 December 2020 relate to the consideration to be paid, within 12 months, for the acquisition by the parent company Esprinet S.p.A. of 15% of the share capital of the subsidiary Celly S.p.A.

For further information please refer to the '*Significant events occurred in the period*' paragraph under 'Directors' Report on Operations'.

32) Provisions and other liabilities

Provisions and other liabilities solely includes payables whose maturity is within the following 12 months.

(euro/000)	31/12/2020	31/12/2019	Var.
Social security liabilities (A)	**4,825**	**4,237**	**588**
Associates companies liabilities (B)	**-**	**-**	**-**
VAT payables	14,800	9,116	5,684
Withholding tax liabilities	461	301	160
Other tax liabilities	1,264	1,731	(467)
Other payables to Tax authorities (C)	**16,525**	**11,148**	**5,377**
Payables to personnel	9,985	6,832	3,153
Payables to customers	7,165	6,146	1,019
Payables to others	1,686	1,926	(240)
Total other creditors (D)	**18,836**	**14,904**	**3,932**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	270	250	20
- Other deferred income	39	13	26
Accrued expenses and deferred income (E)	**309**	**263**	**46**
Provisions and other liabilities (F=A+B+C+D+E)	**40,495**	**30,552**	**9,943**

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

VAT liabilities, referring to the amount matured during the month of December. The change in the balance compared to the previous year is strictly influenced by the ratio of sales made to purchases from suppliers for the parent company Esprinet S.p.A. and the Spanish subsidiaries.

Other tax liabilities are mainly taxes withheld on wages and salaries paid to employees during the month of December.

Payables to personnel refer to December salaries as well as to deferred monthly payables (holidays not taken, year-end bonus, monetary incentives included) accruing at the end of 2020.

Payables to customers refer mainly to credit notes not yet paid relating to current trading relationships.

Other payables include mainly payables to Directors relating to emoluments accrued during this year amounting to 0.8 million euro (1.2 million euro in 2019), as well as payables of 0.5 million euro to the Group's network of agents relating to fees due and unpaid.

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

7. Guarantees, commitments and potential risks

Commitments and potential risks

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

(euro/000)	31/12/2020	31/12/2019	Var.
Third-party assets on consignment to the Group	46,192	51,948	(5,756)
Bank guarantees issued in favour of other companies	16,387	14,730	1,657
Total guarantees issued	**62,579**	**66,678**	**(4,099)**

Third-party assets

The amount refers mainly to the value of goods owned by third parties deposited at the Esprinet S.p.A.'s warehouses (32.9 million euro), as well as goods of Esprinet Iberica S.L.U. (5.5 million euro), Vinzeo Technologies S.A.U (3.3 million euro) and GTI Software & Networking S.A. (4.5 million euro).

Bank guarantees issued in favour of other companies

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

8. Notes to income statement items

33) Sales from contracts with customers

The following provides a breakdown of the Group’s revenue performance during the year. Further analyses of sales are provided in the '*Directors' Report on Operations*'.

Sales by products and services

(euro/million)	2020	%	2019	%		% Var.
Product sales	2,739.0	61.0%	2,513.6	63.7%	225.4	*9%*
Services sales	6.6	0.1%	5.8	0.1%	0.8	*14%*
Sales - Subgroup Italy	**2,745.6**	**61.1%**	**2,519.4**	**63.9%**	**226.2**	***9%***
Product sales	1,744.9	38.8%	1,424.9	36.1%	320.0	*22%*
Services sales	1.1	0.0%	1.1	0.0%	-	*0%*
Sales - Subgroup Spain	**1,746.0**	**38.9%**	**1,426.0**	**36.1%**	**320.0**	***22%***
Sales from contracts with customers	**4,491.6**	**100.0%**	**3,945.4**	**100.0%**	**546.2**	***14%***

Sales by geographical segment

(euro/million)	2020	%	2019	%	% Var.
Italy	2,722.0	60.6%	2,494.7	63.2%	9%
Spain	1,665.6	37.1%	1,378.0	34.9%	21%
Portugal	67.4	1.5%	38.5	1.0%	75%
Other EU countries	26.5	0.6%	20.1	0.5%	32%
Extra EU countries	10.1	0.2%	14.1	0.4%	-28%
Sales from contracts with customers	**4,491.6**	**100.0%**	**3,945.4**	**100.0%**	**14%**

Sales from contracts with customers amounted to 4,491.6 million euro, up by 14% compared to 3,945.4 million euro in 2019. In 2020, the Group's reference markets recorded significant growth: sales in Italy amounted to 2,722.0 million euro, an increase of +9% compared to 2019, in a market that, according to Context data, recorded overall growth of 11%, while in Spain the Group recorded sales of 1,665.6 million euro, +21% compared to 2019, outperforming a market that according to Context data grew by +13%. The Portuguese market is worth 67.4 million euro, +75% compared to 2019 (the market data show an increase of +6% compared to 2019).

Sales as 'Principal' or 'Agent'

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

(euro/million)	2020	%	2019	%	Var.	% Var.
Revenues from contracts with customers as 'principal'	4,484.8	*99.8%*	3,941.1	*99.9%*	543.7	*14%*
Revenues from contracts with customers as 'agent'	6.8	*0.2%*	4.3	*0.1%*	2.5	*58%*
Sales from contracts with customers	**4,491.6**	**100.0%**	**3,945.4**	**100.0%**	**546.2**	***14%***

35) Gross profit

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	4,491,613	100.00%	3,945,371	100.00%	546,242	*14%*
Cost of sales	4,297,946	95.69%	3,770,027	95.56%	527,919	*14%*
Gross profit	**193,667**	**4.31%**	**175,344**	**4.44%**	**18,323**	***10%***

The Gross Profit amounted to 193.7 million euro, up +10% compared to 2019 (175.3 million euro) due to higher sales, which offset the reduction in the percentage margin (4.44% compared to 4.31%), due to the higher incidence of PCs and Smartphones sales, and despite the diluting effect linked to the significant drop in sales and profit margin of Celly caused by the partial suspension of activities.

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

The sales margin has been reduced by the difference between the amount of receivables transferred 'without-recourse' to factoring companies within the usual revolving or securitisation programmes and the amounts collected. In 2020 such effect amounted to 4.2 million euro (4.4 million euro in 2019).

37-38-39) Operating costs

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Sales and marketing costs	51,775	1.15%	50,820	1.29%	955	*2%*
Overheads and administrative costs	90,038	2.00%	83,086	2.11%	6,952	*8%*
Impairment loss/reversal of financial assets	4,206	0.09%	370	0.01%	3,836	*>100%*
Operating costs	**146,019**	**3.25%**	**134,276**	**3.40%**	**11,743**	***9%***
- of which non recurring	7,193	0.16%	-	0.00%	7,193	*-100%*
'Recurring' operating costs	**138,826**	**3.09%**	**134,276**	**3.40%**	**4,550**	***3%***

In 2020, operating costs, amounting to 146.0 million euro, increased by 11.7 million euro with a percentage of sales of 3.25% compared to 3.40% in the previous year.
Net of non-recurring components referring, in the amount of (i) 0.9 million euro to costs related to the acquisition of the Spanish distributor of software and cloud solutions GTI Software y Networking S.A., (ii) 2.3 million euro to the partial impairment of goodwill related to the former CGU attributable to the distribution of mobile phone accessories, which is handled by the subsidiary Celly, merged into CGU1 as at 31 December 2020, (iii) 1.2 million euro to costs borne due to the termination of the contract of former Group Director and CFO, (iv) 2.6 million euro to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' line, following the settlement of the legal dispute, (v) 0.2 million euro to costs incurred to deal with the Covid-19 pandemic, operating costs showed an increase of 4.6 million euro of which 2.8 million euro borne by the GTI Group, acquired on 1 October 2020, with a percentage incidence of sales, which further decreased to 3.09%.

Operating costs include 2.8 million euro of charges borne by the GTI Networking Y Software S.A. Group, acquired on 1 October 2020.

The following table shows a detailed breakdown of consolidated operating costs and their performance:

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Sales & marketing personnel costs	45,738	*1.02%*	44,091	*1.12%*	1,647	*4%*
Other sales & marketing costs	6,037	*0.13%*	6,729	*0.17%*	(692)	*-10%*
Sales & marketing costs	**51,775**	***1.15%***	**50,820**	***1.29%***	**955**	***2%***
Administr., IT, HR and general service personnel costs	28,290	*0.63%*	26,845	*0.68%*	1,445	*5%*
Directors' compensation	4,747	*0.11%*	4,634	*0.12%*	113	*2%*
Consulting services	8,462	*0.19%*	5,829	*0.15%*	2,633	*45%*
Logistics services	14,474	*0.32%*	13,915	*0.35%*	559	*4%*
Amortisation, depreciation and provisions	16,162	*0.36%*	13,977	*0.35%*	2,185	*16%*
Other overheads and administrative costs	17,903	*0.40%*	17,886	*0.45%*	17	*0%*
Overheads and administrative costs	**90,038**	***2.00%***	**83,086**	***2.11%***	**6,952**	***8%***
Impairment loss/reversal of financial assets	4,206	*0.09%*	370	*0.01%*	3,836	*1037%*
Total SG&A	**146,019**	***3.25%***	**134,276**	***3.40%***	**11,743**	***9%***

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;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry stores.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of 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 property, plant and equipment, amortisation of intangible assets (excluding assets relating to logistic equipment and plants allocated by function to sales costs) as well as provisions for risks;
- overheads and administrative costs, including utilities, bank commissions and fees, insurance, data connection and telephone costs.

The item *Impairment loss/reversal of financial assets* includes the adjustment of the nominal value of receivables to their estimated realisable value. In 2020 this item also refers to the non-recurring loss related, in the amount of 2.6 million euro, to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' line, following the settlement of the current legal dispute, the details of which are described in the corresponding '*Provisions and other liabilities*' section in the '*Notes to the consolidated financial statements*'.

Reclassification by nature of some categories of costs

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

Personnel costs

(euro/000)	2020	%	2019	%	Var.	*% Var.*
Sales from contracts with customers	**4.491.613**		**3.945.371**		**546.242**	***14%***
Wages and salaries	49.309	1,10%	46.026	1,17%	3.283	*7%*
Social contributions	14.671	0,33%	13.819	0,35%	852	*6%*
Pension obligations	2.427	0,05%	2.412	0,06%	15	*1%*
Other personnel costs	1.160	0,03%	922	0,02%	238	*26%*
Employee termination incentives	1.201	0,03%	735	0,02%	466	*63%*
Share incentive plans	305	0,01%	289	0,01%	16	*6%*
Total labour costs (1)	**69.073**	**1,54%**	**64.203**	**1,63%**	**4.870**	***8%***

(1) Cost of temporary workers excluded.

In 2020, personnel costs amounted to 69.1 million euro and showed an increase (+8%) slightly higher than the growth in resources employed in the previous year mainly due to the acquisition of the Spanish GTI Software Y Networking S.A. Group on 1 October 2020, as well as salary increases pursuant to collective labour agreements. For further details, reference is made to table summarising the employees number of the Group - split by qualification - as detailed under '*Human Resources*' section of the '*Directors' Report on Operations*'.

Share incentive plans

On 25 June 2018 the rights to free assignment of the ordinary shares of Esprinet S.p.A. provided for in the 'Long Term Incentive Plan' approved by the Shareholders' Meeting of the same on 4 May 2018 were assigned.
The Company currently owns only 111,755 of the ordinary shares underlying the above-mentioned Plan. Therefore it will need to acquire the remaining amount relating to the 1,150,000 rights granted.

The plan was and will be booked at 'fair value' according to the 'Black-Scholes' method, taking into account the dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at assignment date.

The main elements of information and parameters used for the purposes of valuing the free allotment rights of the shares for the aforementioned Plan are summarised in the following table.

	2018-2020 Plan	
Allocation date	25/06/18	
Allocation date	30/04/21	
Expiry date	30/06/21	
Total number of stock grant	1,150,000	
Total number of stock grant allocated	1,150,000	
Total number of stock grant allowed	1,086,345	(1)
Unit fair value (euro)	3.20	
Unit fair value (euro)	3,476,304	
Risk free interest rate (BTP 3 years)	1.1%	(2)
Implied volatility (260 days)	36.5%	(2)
Duration (years)	3	
Spot price [3]	3.58	
"Dividend yield"	3.8%	

(1) Decrease due to employment termination of some beneficiaries.
(2) Source: Bloomberg, 22 June 2018
(3) Official price of Esprinet S.p.A. shares at assignment date

Costs in the current income statement relating to the share incentive plans with a contra entry in the '*Reserves*' item in the statement of financial position, totalled 305 thousand euro with reference to employees (289 thousand euro in 2019) and 945 thousand euro with reference to directors (962 thousand euro in 2019).

Amortisation, depreciation, write-downs and provisions

(euro/000)	2020	%	2019	%		% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Depreciation of tangible assets	4,019	0.09%	4,109	0.10%	(90)	*-2%*
Amortisation of intangible assets	326	0.01%	579	0.01%	(253)	*-44%*
Depreciation of right-of-use assets	9,891	0.22%	9,974	0.25%	(83)	-1%
Amort . & depreciation	**14,236**	**0.32%**	**14,662**	**0.37%**	**(426)**	***-3%***
Write-downs of fixed assets	2,300	0.05%	-	0.00%	2,300	0%
Amort. & depr., write-downs (A)	**16,536**	**0.37%**	**14,662**	**0.37%**	**1,874**	***13%***
Accruals for risks and charges (B)	338	0.01%	243	0.01%	95	*39%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**16,874**	**0.38%**	**14,905**	**0.38%**	**1,969**	***13%***

Leases and contracts for services of multi-year duration

The costs relating to leases of modest value and those with a duration of less than 12 months, for which the Company availed itself of the exclusion from the application of IFRS 16, amount to 128 thousand euro and 21 thousand euro, respectively.

The table below provides details of the costs related to contracts for services with a multi-year duration:

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Equipment	550	0.01%	533	0.01%	17	*3%*
Data connection lines	170	0.00%	153	0.00%	17	*11%*
Cost housing CED	124	0.00%	110	0.00%	14	*13%*
Total multi-year services costs	**844**	**0.02%**	**796**	**0.02%**	**48**	***6%***

(euro/000)	2021	2022	2023	2024	2025	Over	Total
Equipment	524	466	293	3	-	-	1,286
Data connection lines	226	132	-	-	-	-	358
Cost housing CED	149	87	-	-	-	-	236
Multi-year services commitments	**900**	**685**	**293**	**3**	**-**	**-**	**1,880**

42) Finance costs - net

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Interest expenses on borrowings	1,244	0.03%	2,068	0.05%	(824)	*-40%*
Interest expenses to banks	734	0.02%	375	0.01%	359	*96%*
Other interest expenses	3	0.00%	19	0.00%	(16)	*-84%*
Upfront fees amortisation	470	0.01%	1,398	0.04%	(928)	*-66%*
Financial charges for actualization	1	0.00%	-	0.00%	1	*-100%*
IAS 19 expenses/losses	35	0.00%	68	0.00%	(33)	*-49%*
IFRS financial lease interest expenses	3,336	0.07%	3,540	0.09%	(204)	*-6%*
Charges from fair value changes	5	0.00%	531	0.01%	(526)	*-99%*
Total financial expenses (A)	**5,828**	**0.13%**	**7,999**	**0.20%**	**(2,171)**	***-27%***
Interest income from banks	(17)	0.00%	(70)	0.00%	53	*-76%*
Interest income from others	(248)	-0.01%	(175)	0.00%	(73)	*42%*
Income from fair value changes	(2)	0.00%	(8)	0.00%	6	*-75%*
Total financial income(B)	**(267)**	**-0.01%**	**(253)**	**-0.01%**	**(14)**	***6%***
Net financial exp. (C=A+B)	**5,561**	**0.12%**	**7,746**	**0.20%**	**(2,185)**	***-28%***
Foreign exchange gains	(2,692)	-0.06%	(726)	-0.02%	(1,966)	*>100%*
Foreign exchange losses	2,230	0.05%	2,391	0.06%	(161)	*-7%*
Net foreign exch. (profit)/losses (D)	**(462)**	**-0.01%**	**1,665**	**0.04%**	**(2,127)**	***<100%***
Net financial (income)/costs (E=C+D)	**5,099**	**0.11%**	**9,411**	**0.24%**	**(4,312)**	***-46%***

The overall balance of financial income and expenses, a negative 5.1 million euro, improved by 4.3 million euro compared to the corresponding period of the previous year (9.4 million euro), due mainly to the lower net exchange losses, lower charges related to the improvement of the financial structure obtained through the subscription of medium/long-term loans of the Spanish subsidiaries, in addition to lower charges related to the arrangement fees of the pre-existing medium/long-term senior loan repaid on 26 September 2019.

45) Income tax expenses

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**4,491,613**		**3,945,371**		**546,242**	***14%***
Current income taxes	6,825	0.15%	6,398	0.16%	427	*7%*
Deferred income taxes	3,932	0.09%	1,706	0.04%	2,226	*130%*
Taxes	**10,757**	**0.24%**	**8,104**	**0.21%**	**2,653**	***33%***

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

(euro/000)	31/12/2020			31/12/2019		
	Group	Subgroup Italy	Subgroup Iberica	Group	Subgroup Italy	Subgroup Iberica
Profit before income taxes [A]	**42,549**	**17,523**	**25,026**	**31,477**	**13,016**	**18,461**
Operating profit (EBIT)	**47,648**	**21,305**	**26,343**	**41,069**	**20,777**	**20,292**
(+) bad debt provision	**771**	771	-	1,137	1,137	-
(+) provision for risks and charges	**332**	332	-	184	184	-
Taxable am out for IRAP [B]	**48,751**	**22,408**	**26,343**	**42,390**	**22,098**	**20,292**
Theoretical taxation IRES Subgroup Italy (= A*24%)	**4,215**	4,215	-	3,236	3,236	-
Theoretical taxation IRAP Subgroup Italy (= B*3,9%)	**875**	875	-	880	880	-
Theoretical taxation on Subgroup Spain's income [A*25,0%-21,0%-10%]	**5,870**	-	5,870	4,646	-	4,646
Total theoretical taxation [C]	**10,961**	**5,091**	**5,870**	**8,762**	**4,116**	**4,646**
Theoretical tax rate [C/A]	***25.8%***	***29.1%***	***23.5%***	***27.8%***	***31.6%***	***25.2%***
(-) Tax relief - ACE - Aiuto alla crescita economica (*)	**(315)**	(315)	-	(322)	(322)	-
Other permanent differenced	**111**	791	(680)	(336)	475	(811)
Total effective taxation [D]	**10,757**	**5,567**	**5,190**	**8,104**	**4,269**	**3,835**
Effective tax rate [D/A]	***25.3%***	***31.8%***	***20.7%***	***25.7%***	***32.8%***	***20.8%***

* The IRES/IRAP theoretical taxes are calculated excluding Nilox Deutschland GmbH, a German-law company.

46) Net income and earnings per share

(euro/000)	2020	2019	Var.	% Var.
Net income	**31,792**	**23,553**	**8,239**	***35%***
Weighed average no. of shares in circulation: basic	49,784,123	50,513,190		
Weighed average no. of shares in circulation: diluted	50,814,392	51,184,041		
Earnings per share in euro: basic	**0.63**	**0.46**	**0.17**	***37%***
Earnings per share in euro: diluted	**0.62**	**0.45**	**0.17**	***38%***

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

The potential shares involved in the stock grant plan approved on 4 May 2018 by the Esprinet S.p.A. Shareholders' Meeting were included in the calculation of the 'diluted' earnings per share. The plan provides for the allotment of 1,086,345 free shares due to the employment termination of some beneficiaries.

9. Other significant information

9.1 Emoluments to the board members, statutory auditors and key managers

(euro/000)

Name and surname	Office	Period for which office was held	Office expiry	Fixed compensation		Compensation for commitee participation	Variable non-equity compensation		Non monetary benefits[9]	Other remuneration	Total	Severance indemnity for end of office or termination of employment
				Fixed compensation	Remuneration from subordinate employment		Bonuses and other incentives[8]	Profit sharing				
Maurizio Rota	Chairman	01.01/31.12.2020	2021[1]	450	-	-	-	-	5	-	455	-
Alessandro Cattani	Chief Executive Officer	01.01/31.12.2020	2021[1]	450	-	-	290	-	4	-	744	-
Marco Monti[2]	Director	01.01/31.12.2020	2021[1]	30	-	18	-	-	-	-	48	-
Matteo Stefanelli[3]	Director	01.01/31.12.2020	2021[1]	30	-	41	-	-	-	-	71	-
Tommaso Stefanelli[4]	Director	01.01/31.12.2020	2021[1]	30	-	41	-	-	-	-	71	-
Mario Massari[5]	Director	01.01/31.12.2020	2021[1]	30	-	47	-	-	-	-	77	-
Chiara Mauri[6]	Director	01.01/31.12.2020	2021[1]	30	-	18	-	-	-	-	48	-
Cristina Galbusera[5]	Director	01.01/31.12.2020	2021[1]	30	-	36	-	-	-	-	66	-
Emanuela Prandelli	Director	01.01/31.12.2020	2021[1]	30	-	-	-	-	-	-	30	-
Ariela Caglio	Director	01.01/31.12.2020	2021[1]	30	-	-	-	-	-	-	30	-
Renata Maria Ricotti[7]	Director	01.01/31.12.2020	2021[1]	30	-	18	-	-	-	-	48	-
Valerio Casari	Director	01.01/27.07.2020		47	155	-	240	-	2	-	444	1,150
Giovanni Testa	Chief Operating Officer	27.07/31.12.2020		-	154	-	175	-	1	-	330	-
Bettina Solimando	Chairman Statutory auditor	01.01/31.12.2020	2021[1]	45	-	-	-	-	-	-	45	-
Patrizia Paleologo Oriundi	Acting statutory auditor	01.01/31.12.2020	2021[1]	40	-	-	-	-	-	-	40	-
Franco Aldo Abbate	Acting statutory auditor	01.01/31.12.2020	2021[1]	40	-	-	-	-	-	-	40	-
				1,342	**309**	**219**	**705**	**-**	**12**	**-**	**2,587**	**1,150**
(I) Compensation in the company preparing the financial statements												
Franco Aldo Abbate	Acting statutory auditor 4Side S.r.l.	01.01/31.12.2020	2022[10]	10	-	-	-	-	-	-	10	-
(II) Compensation from subsidiaries and associates				**10**				**-**		**-**	**10**	**-**
(III) Total				**1,352**	**309**	**219**	**705**	**-**	**12**	**-**	**2,597**	**1,150**

(1) At the date of approval of the financial statements for the year ending 31 December 2020.
(2) Marco Monti – compensation for participation in the Strategy Committee.
(3) Matteo Stefanelli – compensation for participation in the Strategy Committee of 18 thousand euro and in the Competitiveness and Sustainability Committee of 23 thousand euro.
(4) Tommaso Stefanelli – compensation for participation in the Strategy Committee of 23 thousand euro and in the Competitiveness and Sustainability Committee of 18 thousand euro.
(5) Compensation for the participation in the Control and Risk Committee and in the Remuneration and Nomination Committee. The compensation refers to the overall remuneration for the participation in both Committees.
(6) Compensation for participation in the Remuneration and Nomination Committee.
(7) Compensation for the participation in the Control and Risk Committee.
(8) See Table 3See the table relating to the monetary incentive plans for administration body's members 'Bonus for the year payable/paid" and 'Deferred bonus for the year'
(9) '*Fringe Benefit*' represented by the use of the company car.
(10) Date of the approval of the financial statements for the year ended 31 December 2021.

The table below illustrates the Monetary incentive plans for members of the Board of Directors, general managers and other key managers (data in thousand euro).

Beneficiaries	Bonus of the year			Bonus from previous year		
	Pyable/ Paid	Deferred	Period	No longer eligible for payment	Pyable/ Paid	Still deferred
Maurizio Rota [1]	-	-	2020	90	51	-
Alessandro Cattani	197	93	2020	-	51	-
Valerio Casari	160	80	2020	-	41	-
Giovanni Testa	142	33	2020	-	-	-
Total	**499**	**206**		**90**	**143**	**-**

[1] The Executive Chairman's share of previous years' bonuses is no longer payable due to unilateral waiver by the Executive Chairman

In the above reported tables, information is provided regarding the emoluments of directors, general managers and 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 2020.
As defined by IAS 24 accounting standard and recalled 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'.

No advances have been made and no loans have been granted to the directors and statutory auditors of Esprinet S.p.A. for the performance of these functions, including in companies within the scope of consolidation.

The aforementioned compensation includes all paid or payable emolument items (gross of tax and social contribution withholdings), benefits in kind and compensation received as directors or statutory auditors for Group companies.

The table below illustrates the incentive plans based on financial instruments other than stock options, for members of the Board of Directors, general managers and other key managers.

Beneficiaries	Options held at 1° January 2020		Options held in 2020	Options assigned (taken up) in 2020	Options assigned in 2020	Options held at 31 December 2020		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Quantity	Average strike price	Average due date
Maurizio Rota	264,343	free	-	-	-	264,343		from 25/06/2018 to 07/04/2021[1]
Alessandro Cattani	264,343	free	-	-	-	264,343		
Valerio Casari	242,314	free	-	-	-	242,314		
Giovanni Testa	75,000	free	-	-	-	75,000		

[1] Date of the Shareholders' Meeting met for approval of the Financial Statements as at 31 December 2020 and presentation of the Consolidated Financial Statements as at 31 December 2020.

9.2 Cash flow analysis

As highlighted in the table below, due to the cash flow development illustrated in the *consolidated statement of cash flows*, as at 31 December 2020 the Esprinet Group posted a 302.8 million euro cash surplus, versus a 272.3 million euro cash surplus as at 31 December 2019.

(euro/000)	2020	2019
Net financial debt at year-beginning	**(272,275)**	**(241,044)**
Cash flow provided by (used in) operating activities	77,612	161,057
Cash flow provided by (used in) investing activities	(44,289)	(3,979)
Cash flow provided by (used in) changes in net equity	(1,626)	(10,766)
Total cash flow	**31,697**	**146,312**
Unpaid interests	(919)	(1,619)
Unpaid leasing interests	(276)	-
Lease liabilities posting	-	(114,924)
20% Celly Call Option deletion	-	1,082
Increase/(decrease) in 'cash flow edge' equity reserve	-	380
Net financial debt at year-end	**(302,777)**	**(272,275)**
Short-term financial liabilities	56,049	35,862
Lease liabilities	8,867	8,597
Customers financial receivables	(9,617)	(9,719)
Current financial (assets)/liabilities for derivatives	(27)	-
Financial receivables from factoring companies	(147)	(3,526)
Current Debts for investments in subsidiaries	220	-
Cash and cash equivalents	(558,928)	(463,777)
Net current financial debt	**(503,583)**	**(432,563)**
Borrowings	107,069	61,045
Lease liabilities	93,999	100,212
Non current Debts for investments in subsidiaries	230	-
Customers financial receivables	(492)	(969)
Net financial debt at year-beginning	**(302,777)**	**(272,275)**

9.3 Net financial indebtedness and loans covenants

Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, net financial indebtedness (or 'net financial position') 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*' and referred to by CONSOB itself.

With reference to the same table, it should be underlined that net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial payables'.

(euro/000)	31/12/2020	31/12/2019
A. Bank deposits and cash on hand	558,928	463,776
B. Cheques	-	1
C. Trading securities	-	-
D. Liquidity (A+B+C)	558,928	463,777
Financial assets for derivatives	*27*	-
Other current financial receivables	*9,617*	*9,719*
Financial receivables from factoring companies	*147*	*3,526*
E. Current financial receivables	9,791	13,245
F. Current bank debt	6,612	2,879
G. Current portion of non current debt	38,113	16,951
H. Other current financial debt and financial liability for derivatives	20,411	24,629
I. Current financial debt (F+G+H)	65,136	44,459
J. Net current financial indebtedness (I-E-D)	**(503,583)**	**(432,563)**
K. Non-current bank loans	107,069	61,045
L. Other non - current financial receivables	(492)	(969)
M. Other financial debt & non-current financial liabilities for derivatives	94,229	100,212
N. Non-current financial indebtedness (K+L+M)	**200,806**	**160,288**
O. Net financial indebtedness (J+N)	**(302,777)**	**(272,275)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	56,049	35,862
Lease liabilities	8,867	8,597
Current debts for investments in subsidiaries	220	-
Current financial (assets)/liabilities for derivatives	(27)	-
Other current financial receivables	(9,617)	(9,719)
Financial receivables from factoring companies	(147)	(3,526)
Cash and cash equivalents	(558,928)	(463,777)
Net current financial debt	**(503,583)**	**(432,563)**
Other non - current financial receivables	(492)	(969)
Non - current debts for investments in subsidiaries	230	-
Borrowings	107,069	61,045
Lease liabilities	93,999	100,212
Net financial debt	**(302,777)**	**(272,275)**

The Group's net financial position, positive in the amount of 302.8 million euro, corresponds to a net balance of gross financial payables of 163.1 million euro, financial receivables equal to 10.3 million euro, payables for equity investments in subsidiaries equal to 0.4 million euro, cash and cash equivalents equal to 558.9 million euro and financial lease liabilities of 102.9 million euro.

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

During 2020, as part of the working capital management policies, the programme of non-recourse assignment of receivables without recourse on a revolving basis to selected segments of customers in Italy and Spain, mostly belonging to the large-scale retail sector, continued. In addition to this, the securitisation programme also continued during the period, launched in Italy in July 2015 and renewed in July 2018, for additional trade receivables. Considering the fact that the aforementioned programmes entail the full transfer of the risks and benefits to the assignees, the receivables subject to assignment are eliminated from income statement assets in compliance with IFRS 9. The overall effect on the level of net financial payables as at 31 December 2020 is quantified at roughly 536.6 million euro (480.1 million euro as at 31 December 2019).

With regard to medium/long-term financial payables, the table below shows, separately for each lender, the principal amount of loans due within and beyond the next financial year, broken down into 'Subgroup Italy' and 'Subgroup Iberica'. It should be noted that the amounts shown may differ from the individual carrying amounts because the latter are representative of the amortised cost calculated by applying the effective interest rate method.

(euro/000)	31/12/2020			31/12/2019			Var.		
	Current	Non curr.	Tot.	Current	Non curr.	Tot.	Current	Non curr.	Tot.
Carige	2,564	-	2,564	2,521	2,564	5,085	43	(2,564)	(2,521)
BCC Carate	2,532	1,277	3,809	2,499	3,809	6,308	33	(2,532)	(2,499)
Intesa Sanpaolo (GdF loan)	476	497	973	458	973	1,431	18	(476)	(458)
Banca Pop. di Sondrio	4,920	10,080	15,000	-	15,000	15,000	4,920	(4,920)	-
Cassa Depositi e Prestiti	7,000	28,000	35,000	-	-	-	7,000	28,000	35,000
Total Subgroup Italy	**17,492**	**39,854**	**57,346**	**5,478**	**22,346**	**27,824**	**12,014**	**17,508**	**29,522**
Banco Sabadell	3,746	12,722	16,468	1,803	7,468	9,271	1,943	5,254	7,197
Bankia	1,993	9,584	11,577	1,966	6,577	8,543	27	3,007	3,034
Ibercaja	3,226	8,324	11,550	1,978	11,554	13,532	1,248	(3,230)	(1,982)
Bankinter	4,545	5,983	10,528	2,994	3,776	6,770	1,551	2,207	3,758
La Caixa	2,847	10,653	13,500	1,000	3,500	4,500	1,847	7,153	9,000
Kutxabank	750	1,125	1,875	750	1,875	2,625	-	(750)	(750)
Cajamar	1,368	6,150	7,518	982	4,018	5,000	386	2,132	2,518
BBVA	1,639	8,361	10,000	-	-	-	1,639	8,361	10,000
Santander	507	4,493	5,000	-	-	-	507	4,493	5,000
Total Subgroup Iberica	**20,621**	**67,395**	**88,016**	**11,473**	**38,768**	**50,241**	**9,148**	**28,627**	**37,775**
Total Group	**38,113**	**107,249**	**145,362**	**16,951**	**61,114**	**78,065**	**21,162**	**46,135**	**67,297**

The carrying amount of principals of the loans granted to the Group is as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in yearly instalments by January 2022	973	1,431	(458)
Unsecured loan (agent: Carige) to Esprinet S.p.A. repayable in six-monthly instalments by December 2021	2,564	5,085	(2,521)
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in six-monthly instalments by March 2022	3,809	6,308	(2,499)
Unsecured loan (agent: Banca Popolare di Sondrio) to Esprinet S.pA repayable in quarterly instalments by November 2023	15,000	15,000	-
Unsecured loan (agent: Cassa Depositi e Prestiti S.p.A.) to Esprinet S.p.A. repayable in six-monthly instalments by December 2025	35,000	-	35,000
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in quarterly instalments by March 2024	3,287	4,271	(984)
Unsecured loan (agent: Bankia) to Esprinet Iberica repayable in quarterly instalments by February 2024	6,577	8,543	(1,966)
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in quarterly instalments by February 2024	6,550	8,532	(1,982)
Unsecured loan (agent: Bankinter) to Esprinet Iberica repayable in quarterly instalments by February 2022	3,778	6,770	(2,992)
Secured loan "ICO" (agent: Banco Sabadell) to Esprinet Iberica repayable in monthly instalments by June 2025	3,000	-	3,000
Secured loan "ICO" (agent: La Caixa) to Esprinet Iberica repayable in monthly instalments by June 2025	5,000	-	5,000
Secured loan "ICO" (agent: BBVA) to Esprinet Iberica repayable in monthly instalments by June 2025	5,000	-	5,000
Secured loan "ICO" (agent: Bankia) to Esprinet Iberica repayable in six-monthly instalments by July 2025	2,500	-	2,500
Secured loan "ICO" (agent: Bankinter) to Esprinet Iberica repayable in quaterly instalments by July 2023	2,750	-	2,750
Unsecured loan (agent: Cajamar) to Vinzeo S.A.U repayable in yearly instalments by December 2024	4,018	5,000	(982)
Unsecured loan (agent: Ibercaja) to Vinzeo S.A.U repayable in six-monthly instalments by November 2024	5,000	5,000	-
Unsecured loan (agent: Banco Sabadell) to Vinzeo S.A.U repayable in six-monthly instalments by June 2023	4,181	5,000	(819)
Unsecured loan (agent: La Caixa) to Vinzeo S.A.U repayable in quarterly instalments by May 2024	3,500	4,500	(1,000)
Unsecured loan (agent: Banco Kutxabanka) to Vinzeo S.A.U repayable in six-monthly instalments by March 2023	1,875	2,625	(750)
Unsecured loan (agent: Cajamar) to Vinzeo S.A.U repayable in six-monthly instalments by September 2025	3,500	-	3,500
Secured loan "ICO" (agent: Banco Sabadell) to Vinzeo S.A.U repayable in monthly instalments by June 2025	6,000	-	6,000
Secured loan "ICO" (agent: La Caixa) to Vinzeo S.A.U repayable in monthly instalments by June 2023	5,000	-	5,000
Secured loan "ICO" (agent: Bankinter) to Vinzeo S.A.U repayable in quaterly instalments by July 2023	4,000	-	4,000
Secured loan "ICO" (agent: Banco Santander) to Vinzeo S.A.U repayable in monthly instalments by July 2025	5,000	-	5,000
Secured loan "ICO" (agent: BBVA) to Vinzeo S.A.U repayable in monthly instalments by July 2023	5,000	-	5,000
Secured loan "ICO" (agent: Bankia) to Vinzeo S.A.U repayable in six-monthly instalments by July 2025	2,500	-	2,500
Total book value	**145,362**	**78,065**	**67,297**

The weighted average rate charged in 2020 on the aforementioned loans was 1.3% (1.5% or 1.7% taking into account the cost of existing IRS to partially hedge the risk exposure to interest variability, in 2019).

The loan granted by Intesa Sanpaolo to the parent company Esprinet S.p.A. and identified as the 'GdF loan' relates to a supply of products to the customer 'Guardia di Finanza' (GdF). In relation to this transaction, a financial receivable of the same amount, broken down into current and non-current portions, was booked.

Two unsecured "amortising" 5-year loans expiring in February 2024, granted to the subsidiary Esprinet Iberica S.L.U. for a total value of 13.1 million euro in principal as at 31 December 2020, require the annual commitment of observance (i) of a given ratio of extended net financial indebtedness to EBITDA at consolidated level and (ii) a maximum value of medium/long-term loans in favour of Esprinet Iberica.

In addition to the afore mentioned medium/long-term loans, during the previous year, the Group signed a 3-year "unsecured" RCF-Revolving Credit Facility with a pool of domestic and international banks for a total of 152.5 million euro (used for ca. three months during the first half-year and not used at the financial statement closing date), secured by a structure of financial covenants to be verified on a half-yearly basis on the consolidated and certified financial statements data, typical for transactions of this nature, which make provision for the possible acceleration clause for reimbursements in the event they are not respected. These covenants are determined as follows:
- ratio of net financial indebtedness to EBITDA;
- ratio of extended net financial indebtedness to Equity;
- ratio of EBITDA to net financial charges;
- absolute amount of gross financial indebtedness.

As at 31 December 2020 all covenants to which the various loans are subject, including the Revolving Credit Facility, according to management estimates (as the same must be verified in the consolidated financial statements and certified by the independent auditors), were respected.

These loan agreements, including those that do not contain financial covenants, contain also the usual 'negative pledge', 'pari passu' and similar clauses none of which had been breached at the time this report was drafted.

9.4 Lines of credit

Apart from the uses described in the previous paragraphs, the Esprinet Group had a total 1,334 million euro (1,308 million euro in cash) at its disposal in bank credit lines as at 31 December 2020, broken down as follows:

(euro/000)	Group	Subgroup Italy	Subgroup Iberica
Short-term lines	313,300	182,650	130,650
Medium/long-term borrowings	144,388	56,373	88,016
Line revolving POOL	152,500	152,500	-
Factoring (trasferor) [1]	690,830	415,300	275,530
Bank overdrafts	1,397	1,397	-
Credit cards	872	700	172
Derivatives / forward currency transactions	3,855	500	3,355
Endorsement credit	26,397	23,658	2,739
Total	**1,333,539**	**833,078**	**500,462**

[1] Includes both with-recourse and without-recourse maximums.

The financial situation as at 31 December 2020, 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 24% (15% in the previous year) of credit lines was used, as can be seen in the table below:

(euro/000)	**Uses %**	**Uses**	**Credit lines**
Short-term lines	0.8%	2,462	313,300
Medium/long-term borrowings	100.0%	144,388	144,388
Line revolving POOL	0.0%	0	152,500
Factoring - with recourse	0.0%	0	5,300
Bank overdrafts	0.0%	0	1,397
Credit cards	5.9%	51	872
Derivatives / forward currency transactions	87.0%	3,355	3,855
Total Group	**24%**	**150,256**	**621,612**

Maintaining short-term credit lines with contained usage rates and high flexibility of usage is the main liquidity risk management method used by the Group.

9.5 Seasonal nature of business

The table below highlights the impact of sales per calendar quarter in the two-year period 2020-2019:

	2020			**2019**		
	Group	**Italy**	**Iberica**	**Group**	**Italy**	**Iberica**
Sales Q1	20.3%	22.0%	18.0%	22.2%	23.3%	20.4%
Sales Q2	20.5%	21.4%	18.8%	21.3%	21.6%	21.0%
Sales H1	**40.8%**	**43.4%**	**36.8%**	**43.5%**	**44.8%**	**41.4%**
Sales Q3	25.0%	24.2%	26.3%	22.6%	22.6%	22.6%
Sales Q4	34.1%	32.3%	36.9%	33.8%	32.5%	35.9%
Sales H2	**59.2%**	**56.6%**	**63.2%**	**56.5%**	**55.2%**	**58.6%**
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 calendar year, essentially in terms of purchases concentrated in the pre-Christmas and 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 seasonal 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, particularly in the business sector.

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 portion of borrowings that is closely linked to working capital needs, which peak in the last part of each calendar year.

The level of net borrowings fluctuates dramatically not only throughout 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 particularly 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 businesses, which are less subject to seasonal fluctuations.

9.6 Non-recurring significant events and operations

In the 2020, the following non-recurring items were identified:

- 2.3 million euro related to the partial impairment of goodwill allocated to the CGU for the distribution of mobile telephone accessories and attributable to the Celly Group;
- 1.2 million euro of charges borne due to the termination of the contract of former Group and Company Director and CFO;
- 0.9 million euro, of sundry costs relating primarily to advisory services, incurred by the parent company Esprinet S.p.A. in relation to the business combination to be carried out in Spain (GTI Group);
- 0.2 million euro relating to the costs incurred to face the Covid-19 health emergency;
- 2.6 million euro relating to the write-off of the residual balance of the receivables (nominal value of 11.4 million euro and already written-down in 2018 for the amount of 8.8 million euro) from the supplier of the 'Sport Technology' line, following the settlement of the legal dispute.

During the corresponding period of 2019 non-recurring items were not identified.

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

Non-recurring Income and expenses (euro/000)	**2020**	**2019**	**Var.**
Impairment of goodwill	(2,300)	-	(2,300)
Employee termination incentives	(1,150)	-	(1,150)
Business combination acquisition costs	(905)	-	(905)
Covid-19 costs	(211)	-	(211)
Overheads and administrative costs	**(4,566)**	**-**	**(4,566)**
Write-off of the residual balance receivable "Sport Technology" product line	(2,627)	-	(2,627)
Impairment loss/reversal of financial assets	**(2,627)**	**-**	**(2,627)**
Operating Income (EBIT)	**(7,193)**	**-**	**(7,193)**
Profit before income taxes	**(7,193)**	**-**	**(7,193)**
Non -recurring Income tax expenses	1,262	-	1,262
Net income/(loss)	**(5,931)**	**-**	**(5,931)**

9.7 Main disputes pending

Developments in pending 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*'.

9.8 Derivatives analysis

Disclosures regarding operations relating to derivative instruments can be found under the '*Disclosures on risks and financial instruments*' paragraph.

9.9 Subsequent events

Relevant events occurred after period end are described in the 'Subsequent events' paragraph of the Directors' Report on Operations, to which reference is made for more information.

9.10 Compensation for Group auditing services

The following table drafted pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, shows the emoluments posted during the 2020 financial year on the accrual basis of accounting for auditing services and others performed by the same independent auditors and/or bodies belonging to its network:

Description	Provider of serivice	Entity	Fees (euro/000)	
			2020	2019
Auditing services				
	PwC S.p.A.	Esprinet S.p.A.	252.0	220.0
	PwC S.p.A.	Subsidiaries	73.0	91.0
	PwC network	Subsidiaries	267.0	216.2
Other services				
	PwC S.p.A.	Esprinet S.p.A.	71.0	30.0
	PwC network	Subsidiaries	79.0	80.4
Total			**742.0**	**637.6**

10. 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 1 March 2021, 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.

Vimercate, 1 March 2021

On behalf of the Board of Directors
The Chairman
Maurizio Rota

2020 Financial Statements of Esprinet S.p.A.

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 the IFRS International Accounting Standards

Statement of financial position

The table below shows the Esprinet S.p.A. statement of financial position drawn up according to IFRS[8] requirements:

(euro)	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment	1	9,579,655	9,052,686
Right-of-use assets	4	80,437,000	86,941,000
Goodwill	2	16,429,107	16,429,107
Intangible assets	3	599,528	292,270
Investments	5	83,073,182	86,412,829
Deferred income tax assets	6	2,557,246	4,972,414
Receivables and other non-current assets	9	2,236,342	2,712,431
		194,912,060	**206,812,737**
Current assets			
Inventory	10	259,170,028	335,188,290
Trade receivables	11	301,561,059	272,957,255
Income tax assets	12	172,517	1,318,529
Other assets	13	89,035,758	100,710,012
Cash and cash equivalents	17	327,089,505	289,641,766
		977,028,867	**999,815,852**
Total assets		**1,171,940,927**	**1,206,628,589**
EQUITY			
Share capital	19	7,860,651	7,860,651
Reserves	20	287,055,390	282,947,632
Net result for the period	21	9,370,020	4,603,878
Total equity		**304,286,061**	**295,412,161**
LIABILITIES			
Non-current liabilities			
Borrowings	22	39,715,265	22,293,756
Lease liabilities	31	76,382,000	81,742,000
Derivative financial liabilities	23	620,000	-
Deferred income tax liabilities	24	3,063,776	2,929,561
Retirement benefit obligations	25	3,719,286	3,721,068
Debts for investments in subsidiaries	33	230,000	-
Provisions and other liabilities	26	2,182,198	2,284,989
		125,912,525	**112,971,374**
Current liabilities			
Trade payables	27	671,242,492	743,962,689
Short-term financial liabilities	28	44,964,749	30,732,740
Lease liabilities	34	6,400,000	6,374,000
Debts for investments in subsidiaries	35	220,000	-
Provisions and other liabilities	32	18,915,100	17,175,625
		741,742,341	**798,245,054**
Total liabilities		**867,654,866**	**911,216,428**
Total equity and liabilities		**1,171,940,927**	**1,206,628,589**

[8] 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

Below is the income statement by *'function'* of the company Esprinet S.p.A. prepared in accordance with IFRS[9]:

(euro)	Note	2020	2019
Sales from contracts with customers	33	2,744,367,971	2,524,171,014
Cost of sales		(2,622,681,183)	(2,414,385,268)
Gross profit	35	**121,686,788**	**109,785,746**
Sales and marketing costs	37	(33,679,674)	(33,743,406)
Overheads and administrative costs	38	(60,678,424)	(58,326,246)
Impairment loss/reversal of financial assets	39	(3,474,198)	(570,129)
Operating income (EBIT)		**23,854,492**	**17,145,965**
Finance costs - net	42	(4,262,395)	(7,928,700)
Investments expenses/(incomes)	43	(4,755,000)	(1,600,000)
Result before income taxes		**14,837,097**	**7,617,265**
Income tax expenses	45	(5,467,077)	(3,013,387)
Net result		**9,370,020**	**4,603,878**
- of which attributable to non-controlling interests		-	-
- of which attributable to Group		9,370,020	4,603,878

Statement of comprehensive income

(euro)	2020	2019
Net result	**9,370,020**	**4,603,878**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	-	500,575
- Taxes on changes in 'cash flow hedge' equity reserve	-	(119,736)
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	(118,565)	(150,108)
- Taxes on changes in 'TFR' equity reserve	28,456	36,026
Other comprehensive income	**(90,109)**	**266,758**
Total comprehensive income	**9,279,911**	**4,870,636**
- of which attributable to Group	9,279,911	4,870,636
- of which attributable to non-controlling interests	-	-

[9] Pursuant to the 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 changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity
Balance at 31 December 2018	**7,861**	**297,982**	**(4,800)**	**(1,030)**	**300,013**
Total comprehensive income/(loss)	-	**267**	-	**4,604**	**4,871**
Allocation of last year net income/(loss)	-	(1,030)	-	1,030	-
Dividend payment	-	(6,919)	-	-	**(6,919)**
Purchases of own shares	-	-	(3,847)	-	**(3,847)**
Transactions with owners	-	**(7,949)**	**(3,847)**	**1,030**	**(10,766)**
Grant of share under share plans	-	1,251	-	-	**1,251**
Other movements	-	43	-	-	**43**
Balance at 31 December 2019	**7,861**	**291,594**	**(8,647)**	**4,604**	**295,412**
Total comprehensive income/(loss)	-	**(90)**	-	**9,370**	**9,280**
Allocation of last year net income/(loss)	-	4,604	-	(4,604)	-
Acquisition and deletion of Esprinet own shares	-	(5,503)	3,847	-	**(1,656)**
Transactions with owners	-	**(899)**	**3,847**	**(4,604)**	**(1,656)**
Equity plans in progress	-	1,250	-	-	**1,250**
Balance at 31 December 2020	**7,861**	**291,855**	**(4,800)**	**9,370**	**304,286**

Statement of cash flows[10]

(euro/000)	2020	2019
Cash flow provided by (used in) operating activities (D=A+B+C)	**15,194**	**129,166**
Cash flow generated from operations (A)	**35,182**	**29,533**
Operating income (EBIT)	23,854	17,146
Depreciation, amortisation and other fixed assets write-downs	10,418	10,621
Net changes in provisions for risks and charges	(102)	884
Net changes in retirement benefit obligations	(148)	(278)
Stock option/grant costs	1,160	1,160
Cash flow provided by (used in) changes in working capital (B)	**(15,398)**	**107,057**
Inventory	76,018	(30,951)
Trade receivables	(28,604)	(73,086)
Other current assets	9,342	(5,100)
Trade payables	(72,533)	223,030
Other current liabilities	379	(6,836)
Other cash flow provided by (used in) operating activities (C)	**(4,590)**	**(7,424)**
Interests paid	(3,525)	(5,255)
Received interests	240	525
Foreign exchange (losses)/gains	223	(1,529)
Income taxes paid	(1,528)	(1,165)
Cash flow provided by (used in) investing activities (E)	**(5,625)**	**(5,025)**
Net investments in property, plant and equipment	(4,279)	(3,187)
Net investments in intangible assets	(470)	66
Changes in other non current assets and liabilities	(1)	(68)
Celly change shareholding	(800)	(458)
'Esprinet Portugal change shareholding	(75)	(30)
4Side business combination	-	(1,348)
Cash flow provided by (used in) financing activities (F)	**27,879**	**(8,180)**
Medium/long term borrowing	35,000	15,000
Repayment/renegotiation of medium/long-term borrowings	(5,479)	(106,886)
Leasing liabilities remboursement	(5,558)	(5,220)
Net change in financial liabilities	996	(2,281)
Borrowed due within 12 months received/(granted)	-	103,500
Net change in financial assets and derivative instruments	4,576	(1,527)
Dividend payments	-	(6,919)
Share buyback	(1,656)	(3,847)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**37,448**	**115,961**
Cash and cash equivalents at year-beginning	**289,642**	**173,681**
Net increase/(decrease) in cash and cash equivalents	**37,448**	**115,961**
Cash and cash equivalents at year-end	**327,090**	**289,642**

[10] Effects of relationships with related parties were omitted as deemed non-significant.

Statement of financial position (pursuant to CONSOB Resolution No. 15519 of 27 July 2006)

(euro/000)	31/12/2020	related parties	31/12/2019	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	9,580		9,053	
Right-of-use assets	80,437		86,941	
Goodwill	16,429		16,429	
Intangible assets	600		292	
Investments	83,073		86,413	
Deferred income tax assets	2,557		4,972	
Receivables and other non-current assets	2,236	-	2,712	-
	194,912	**-**	**206,812**	**-**
Current assets				
Inventory	259,170		335,188	
Trade receivables	301,561	5	272,957	1
Income tax assets	173		1,319	
Other assets	89,035	58,043	100,710	63,911
Cash and cash equivalents	327,090		289,642	
	977,029	**58,048**	**999,816**	**63,912**
Total assets	**1,171,941**	**58,048**	**1,206,628**	**63,912**
EQUITY				
Share capital	7,861		7,861	
Reserves	287,055		282,947	
Net result for the period	9,370		4,604	
Total equity	**304,286**		**295,412**	
LIABILITIES				
Non-current liabilities				
Borrowings	39,715		22,294	
Lease liabilities	76,382		81,742	
Derivative financial liabilities	620		-	
Deferred income tax liabilities	3,064		2,930	
Retirement benefit obligations	3,719		3,721	
Debts for investments in subsidiaries	230		-	
Provisions and other liabilities	2,182		2,284	
	125,912		**112,971**	
Current liabilities				
Trade payables	671,242	8	743,963	-
Short-term financial liabilities	44,965	12,945	30,733	7,921
Lease liabilities	6,400		6,374	
Debts for investments in subsidiaries	220		-	
Provisions and other liabilities	18,916	1,395	17,175	1,079
	741,743	**14,348**	**798,245**	**9,000**
Total liabilities	**867,655**	**14,348**	**911,216**	**9,000**
Total equity and liabilities	**1,171,941**	**14,348**	**1,206,628**	**9,000**

For further details regarding related parties please see the 'Relationships with related parties' section 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)	2020	non-recurring	related parties*	2019	non-recurring	related parties*
Sales from contracts with customers	**2,744,368**	-	30,337	**2,524,171**	-	42,113
Cost of sales	(2,622,681)	-	(1,619)	(2,414,385)	-	(1,377)
Gross profit	**121,687**	-		**109,786**	-	
Sales and marketing costs	(33,680)	-	(2,191)	(33,744)	-	(2,362)
Overheads and administrative costs	(60,679)	(2,266)	2,129	(58,326)	-	2,395
Impairment loss/reversal of financial assets	(3,474)	(2,627)		(570)	-	
Operating income (EBIT)	**23,854**	**(4,893)**		**17,146**	-	
Finance costs - net	(4,262)	-	(3)	(7,929)	-	327
Investments expenses/(incomes)	(4,755)	-	-	(1,600)	-	-
Result before income tax	**14,837**	**(4,893)**		**7,617**	-	
Income tax expenses	(5,467)	1,262	-	(3,013)	-	-
Net result	**9,370**	**(3,631)**		**4,604**	-	
- of which attributable to non-controlling interests	-			-		
- of which attributable to Group	9,370	(3,631)		4,604	-	

(*) Emoluments to key managers excluded.

Notes to the Esprinet S.p.A. financial statements

1. General information

Esprinet S.p.A. distributes IT products (hardware, software and services) and consumer electronics pitching itself at a customer base made up of resellers that in turn target both consumer and business end-users.

It is also the Parent Company with both direct and indirect shareholdings in companies operating in Italy, Spain and Portugal.

In Italy and in the Iberian peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza).
The ordinary shares of Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment (High Requirements Securities Segment) of the MTA (Italian Electronic Stock Market) of Borsa Italiana S.p.A. since 27 July 2001.
The parent company Esprinet S.p.A. drafted the Esprinet Group consolidated financial statements as at 31 December 2020.

2. Accounting principles and valuation criteria

The 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 2020 have been drawn up in compliance with IFRS requirements issued by the

International Accounting Standards Board (IASB) and approved by the European Union, as well as measures issued in accordance with Art. 9 of Italian Legislative Decree No. 38/2005.
The IFRS standards 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.

Business continuity

This financial statements has been prepared on a going concern basis as there is a reasonable expectation that the Esprinet S.p.A will continue to operate in the future (at least in the foreseeable future and in any case over a period of at least 12 months).
The Covid-19 pandemic, which was and still is a significant event likely to have a significant impact on every company's on the equity, economic and financial position, is not considered an event capable of jeopardising the Esprinet's business continuity.
In fact, even during the chaotic months in which the government authorities of the various countries issued random measures to stop production and commercial activities, in many cases restricting people's freedom of movement (the so-called 'lock-down') within and across national borders, the Company continued to operate effectively. Therefore it kept its profitability unchanged, thanks to the implementation of the necessary business continuity controls, rigorous observance of the health protocols aimed at protecting the health and safety of employees and associates, to the operation in the various countries in a chain, like that of ICT production, distribution and sale, which did not suffer any particular interruptions due to Government restrictions.
The large-scale use of smart working and e-learning resulting, first, from the lock-down measures, then, social distancing, in addition, expanded and accelerated the need of all types of customers (business, public administrations, private entities) for rapid and effective implementation of the most cutting edge IT solutions, as well as full availability of devices. This favoured market growth, bucking the trend in the majority of economic sectors and, in this market, the Company continued to operate from a position of leadership and as a point of reference for suppliers and customers.

The lack of supply of a number of products, especially in the first months of 2020, was almost entirely overcome during the year. This lack was due to the reduction in the capacity of the suppliers most dependent on production plants located in areas such as China and South Korea, which were initially strongly affected by the restrictive measures adopted to contain the coronavirus.

The extension of the pandemic into the year 2021 is causing the various national and supranational authorities to maintain, or could lead to, the reintroduction of restrictions on the movement of people and products. A certain degree of uncertainty therefore remains. The persistence of the pandemic could also generate difficulties in the solvency of customers, although the financial evidence obtained during the year, but also afterwards, does not currently suggest that the creditworthiness of customers has deteriorated significantly.

At the current state of play, we can conclude, based on the information available and taking account of the Company financial situation, as well as after analysing the following main factors:

- the main exogenous risks to which the Company is exposed;
- changes in the general macroeconomic situation in the European market, particularly in Italy, Spain and Portugal;
- changes in environmental and business conditions and competitive dynamics;
- changes in legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;

- financial risks;

that there are no elements of uncertainty as to the Company's going concern prospects.

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

2.3 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 amortised over their useful life, taken as the estimate of the period that the assets shall be used by the Company. In particular the item 'Industrial and other patent rights' is amortised within three years.
Goodwill and other intangible assets with indefinite useful lives are not amortised 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 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 book value 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 recognised 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 10% to 19%
Conditioning plants	from 13% to 14,3%
Telephone systems and equipment	20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7,1% to 14%
Electronic office machines	20%
Furniture and fittings	11%
Other assets	from 10% to 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. Reversals of impairment losses may not exceed the book value that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous 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 leases are recognised in accordance with IFRS 16, among fixed assets through the recognition of an asset representing the right of use of the underlying asset for the duration of the contract (Right of Use), recording a corresponding liability for future lease payments under 'Lease liabilities'.
Subsequent to initial recognition, the right of use is amortised in accordance with IAS 16, while the carrying amount of the lease liability increases due to the interest accrued in each period and decreases due to payments made.
Interest expenses on the lease liability and amortisation of the right to use the asset are recognised separately in the income statement. Future lease payments contractually due are discounted using the interest rate implicit in the relevant contract; where this is not easily and reliably determinable, the lessee's incremental borrowing rate is used.
The standard also requires that on the occurrence of specified events (for example, a change in the terms of the lease contract, a change in future lease payments resulting from a change in an index or rate used to determine such payments) the financial liability for the lease shall be remeasured with an adjustment for the right to use the asset.
The standard also establishes two exemptions for application in relation to assets considered to be of 'low value' and short-term leasing contracts whose sales/costs are recognised on a straight-line basis in the income statement over the term 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 this test must be conducted at least annually.

In the case of goodwill, the Company 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 the carrying amount recorded in the financial statements with the greater of fair value net of disposal costs, when there is an active market, and the value in use of the asset. 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. Expected future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the cost of money in relation to the investment period and the risks specific to the asset. An impairment loss is recognised in the income statement when the carrying value of the asset, or of the related CGU to which it is allocated, is higher than its recoverable value. 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.

Investments in subsidiaries and other companies

Investments in subsidiaries, associates and other companies are valued at acquisition or subscription cost.
Cost is reduced of impairment losses, where investments have endured losses and – in the immediate future – profits are not expected as 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. The cost of impairment losses and any reversal are recognised in the separate income statement under '*Investment income and charges*'.
When objective impairment occurs, the recoverability of a carrying amount is assessed by comparing the recoverable amount, which is the greater of fair value, net of disposal costs, and the value in use of the asset.

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 (non-current and current)

Upon their initial recognition, financial assets are entered at fair value and then classified in one of the following categories:

d) financial assets measured at amortised cost;
e) financial assets measured at fair value with impact on overall profitability (and therefore on the equity reserve named 'Fair value measurement reserve');
f) financial assets measured at fair value with impact on income statement.

Financial assets are classified on the basis of the business model adopted by the Company in managing their cash flows and on the basis of the contractual characteristics of the cash flows obtainable from the asset. The business models identified are as follows:
- Hold to collect: In this category financial assets are classified for which the following requirements are met, (i) the asset is held under a business model whose objective is to hold the

asset for the purpose of collecting contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented only by payments of principal and interest on the amount of principal to be returned.

These assets fall within the category of assets measured at amortised cost. These are mainly trade and other receivables, as described in the 'Trade and other receivables' section. Receivables, with the exception of trade receivables that do not contain a significant financial component, are initially recognised in the financial statements at their fair value; when subsequently measured, they are measured at amortised cost using the effective interest rate. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction (determined in accordance with IFRS 15 Revenue from Contracts with Customers). At subsequent measurement, assets in this category are measured at amortised cost, using the effective interest rate. The effects of this measurement are recognised among the financial components of income. These assets are also subject to the impairment model as defined in the 'Trade and other receivables' section.

- Hold to collect and sell: this category includes financial assets whose business model provides both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal. These assets fall under the category of assets measured at fair value with the effects attributed to OCI. In this case, changes in the fair value of the asset are recognised in equity as other components of comprehensive income. The cumulative amount of changes in fair value, recognised in the equity reserve which includes the other components of comprehensive income, is reversed to the income statement when the asset is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and impairments is recorded in the income statement. It should be noted that as at 31 December 2020 there were no financial assets recognised at fair value through OCI.
- Hold to sell: this category includes financial assets that are not classified in any of the above categories (i.e. residual category). These assets are recognised at fair value both at initial recognition and at subsequent measurement. Profits and losses arising from changes in fair value are recognised in the income statement in the period in which they are recognised. This category mainly includes receivables subject to mass and recurring selling.

See also the 'Trade and other receivables' section.

Purchases and disposals of financial assets are accounted for on the settlement date.

In the case of financial assets measured at fair value, if they are traded on an active market, the fair value is defined, at each reporting date, in terms of the quoted market price or 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.

Derecognition of financial assets

A financial asset (or, when applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the first instance (e.g., written-off from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have ceased; or

- the Company has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and: (i) transferred substantially all the risks and benefits of ownership of the financial asset; or (ii) neither transferred nor retained substantially all the risks and benefits of the asset, but transferred control of it.

If the Company has transferred the rights to receive the cash flows from an asset or entered into an agreement under which it retains the contractual rights to receive cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients (pass-through), the Company assesses whether and to what extent it has retained the risks and benefits of ownership. If the Company has neither transferred nor retained substantially all risks and benefits or has not lost control over it, the asset continues to be recognised in the Company's financial statements to the extent of its continuing involvement in the asset. In this case, the Company also recognised an associated liability. The transferred asset and the associated liability are measured so as to reflect the rights and obligations that are still pertaining to the Company.

When the Company's residual involvement is a guarantee on the transferred asset, the involvement is measured based on the amount related to the asset and the maximum amount of the consideration received that the Company might have to refund, whichever lower.

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, unless otherwise specified, are entered at their nominal value, which is equivalent to the value determined by using the amortised cost method if the receivable is non-interest-bearing and has a short payment period, but no longer than twelve months, as almost all Company receivables are. This is due to the fact that the impact of the discounting logic is negligible, also given that the Company is not operating in systems characterised by hyperinflation and therefore by high interest rates.
If scenarios change and in case of receivables that do not feature the aforementioned characteristics, the Company would account them based on the amortised cost method.
On initial recognition they are measured at fair value, except for trade receivables that do not include a significant financial component as described in the 'Financial assets (non-current and current)' section.
The value of receivables is reduced, where impairment losses occur, to their realisable value.
Impairments are carried out on the basis of expected loss ('Expected Credit Loss model'), by applying a simplified approach. Therefore, the Company does not monitor changes in credit risk, but entirely recognises the expected loss at each reporting date. In particular, expected losses 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.
Transactions involving the assignment of receivables without recourse, for which substantially all risks and benefits are transferred to the assignee, result in the derecognition of receivables from the Assets, since the requirements of IFRS 9 are met.
On the other hand, transactions involving the assignment of receivables with recourse continue to be recorded as Assets since not all risks and benefits have been transferred to the assignee.

The need to manage credit risk, working capital and, consequently, cash flows requires also the systematic execution of operations such as the assignment of such receivables to financial operators either definitively (without recourse) or temporarily (with recourse).
For the Esprinet, these transactions take the form of contractually agreed revolving factoring programmes to factoring companies or banks, and securitisation programmes for loans.
The receivables that are the subject of the aforementioned factoring programs are measured, as defined in the Financial assets section, at fair value through profit and loss.
Impairments carried out in accordance with IFRS 9 are recognised in the income statement and are represented under the '*Impairment loss/reversal of financial assets*' item.

Tax assets

Tax 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. See also the comment under item 'Income taxes'.

Cash and cash equivalents

Cash and cash equivalents 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 its continuing use. Consequently 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.

Equity

Own shares

Own shares are deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognised 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 debt is stated at the amortised 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 carrying amount of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.

In the case of financial liabilities measured at fair value, if they are traded on an active market, the fair value is defined, at each reporting date, in terms of the quoted market price or 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 there is the probable existence of an obligation, be it actual, legal or implicit, due to past events and the amount of the obligation can be reliably estimated. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year-end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provisions linked to the passing of time is stated in the income statement under the item '*Financial income and expense*'. Risks for which a liability is only possible are disclosed in a separate contingent liability disclosure section and no provision is made.

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, resulted in 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.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
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.
Subsequently, they are recorded at amortised cost, which, since it is not considered necessary to carry out any discounting and separate entry in the income statement of the explicit or unbundled

interest expense as it is not material in view of the expected payment time, coincides with the face value.

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.

Income statement

Sales and expenses

On the basis of the five-stage model introduced by IFRS 15, the Company proceeds with the recognition of sales after identifying the contracts with its customers and the related services to be satisfied (transfer of goods/services), determining the consideration to which it believes it is entitled in exchange for the satisfaction of each of these services, and evaluating the manner in which these services are satisfied (performance at a given time versus fulfilment over time).
Specifically, sales are recognised only if the following requirements are met:

f) the parties to the contract have approved the contract and have undertaken to fulfil their respective obligations; there is therefore an agreement between the parties which creates rights and obligations due irrespective of the form in which such an agreement is expressed;
g) the Company may identify the rights of each party with respect to the goods or services to be transferred;
h) the Company can identify the terms of payment for the goods or services to be transferred;
i) the contract has commercial substance; and
j) it is likely that the Company will receive the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When the above requirements are met, the Company recognises sales as described below.

Revenues from sales are recognised when control of the goods subject to the transaction is transferred to the buyer or when the goods are delivered and the customer acquires the ability to decide on the use of the goods and to substantially reap all of the benefits.
Revenues are stated net of returns, discount, allowances and bonuses treated as variable components of the agreed consideration.
Revenues from the provision of services are recognised on completion of the service.

It should be noted that the payment times granted to the Company's customers do not exceed 12 months, therefore the Company does not record adjustments to the transaction price to consider components of a financial nature.

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 financial statements are presented in euro, which is the Company's functional and presentation currency.

Currency transactions and translation criteria

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.

Exchange rate	Punctual at 31.12.2020	Average 2020
US Dollar (USD)	1,23	1,14

Derivative instruments

Derivative instruments are accounted for in accordance with IFRS 9. At the date of execution they are initially recorded at fair value as 'fair value through profit and loss' financial assets when the fair value is positive or as 'fair value through profit and loss' financial liabilities when the fair value is negative.
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 subsequently reversed to the separate income statement when the economic effects of the hedged item manifest.
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, when it is reversed in the income statement.

If derivatives hedge the risk of changes in the fair value of assets and liabilities recorded in the balance sheet ('fair value hedge'), both changes in the fair value of the hedging instrument and changes in the hedged item are recognised in the income statement.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the 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 Main accounting estimates

2.4.1 Introduction

The IT and consumer electronics 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, etc.);

- development, co-marketing funds and other incentives;
- cash discounts (also called 'prompt payment discounts').

The 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. In particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash payment is 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, often it 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 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 characterised by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the carrying amounts 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, goodwill, rights of use and related lease liabilities.

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

Right of use and financial liabilities for leasing

The initial recognition of a right of use and the related lease liabilities in relation to leasing contracts of assets depends on various elements of estimation relating, mainly, to the duration of the non-cancellable period of the contract, the interest rate implicit in the lease, the costs of dismantling/replacement/restoration of the asset at the end of the contract.

At the effective date the lessee shall measure the lease liability at the current value of lease payments due in the non-cancellable period.
The non-cancellable period is in turn dependent on assessments of the probability of the lessee exercising the renewal or interruption options and, if the right to early termination is also under the control of the lessor, in relation to the possible costs for that party too resulting from the interruption.

Payments due for the lease shall be discounted using the interest rate implicit in the lease if this can be easily determined. If this is not possible, the lessee must use their marginal borrowing rate.
The interest rate that causes the current value of the lease payments due and the unsecured residual value to be equal to the sum of the fair value of the underlying asset and any initial direct costs of the lessor.
The marginal borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and with similar security, necessary to obtain a value similar to the right-of-use asset in a similar economic environment.

In order to determine the non-cancellable period of each contract, particularly with regard to real estate, the contractual terms were analysed and assumptions were made in relation to possible renewal periods connected with the location of the same, the possibility of moving to other areas, the costs associated with such transactions.
The leasing contracts in place do not show the implicit borrowing rate for which the marginal loan rate applicable to the Company has been determined, separately for clusters of contracts with a similar duration. In order to quantify the marginal lending rate, assessments were made in relation to the spread applicable to the Company based on its rating, the free risk lending rates applicable in the countries where the Company operates, the guarantees from which these loans would be supported and the materiality with respect to the Company's level of debt.

The above assessments are based on assumptions and analyses that are by their nature complex and changeable over time, which could therefore lead to subsequent amendments, in the event of a change in the non-cancellable period of the contract, or to the quantification of different rates in subsequent periods for new contracts to which they apply.

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.
The so-called 'Discounted Cash Flow Model' (DCF) has been used for this purpose, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

The evaluation of the recoverable amount for each Cash Generating Unit ('CGU'), in terms of value in use, is based on assumptions – sometimes complex - that by their nature involve the Directors' judgement, in particular with reference to future cash-flows forecasts, relating both to the period of the Group's strategic plan for 2021-2025E and beyond the period.

'Fair value' of derivatives

During the year it became necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in April 2017 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'. Such contracts, settled by the closing date of these financial statements, have been accounted for using the hedge accounting technique.

Their conditions fully comply with IFRS 9 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, insignificant effect of the credit risk of both counterparties in relation to the derivative value, constant hedge ratio over time) and as a consequence, the derivative contracts were subject to such 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. 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 plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs '*Share incentive plans*' and '*Share capital*'.
The cost of these plans 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 financial results and in part by the permanence of the beneficiary in the Company until the vesting date of the plans – 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 Company on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.
For revenue recognition purposes for services, the actual moment the service is rendered is considered.

Sales adjustments and credit notes to be issued toward customers

The Company usually estimates amounts to be recognised to customers as discounts for targets achievement, in order to promote the sales development also through temporary promotions, for different kind of incentives.
The Company has developed a series of procedures and checks to minimise potential errors in evaluations and estimates of the credit notes to be issued.
However, in the light of the significant judgements and estimates made, the large number and variety of customers dealings and the complexity of calculation, the possibility of differences between the estimated amounts and those actually received cannot be excluded.

Costs adjustments and 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.
However, in the light of the significant judgements and estimates made, the large number and variety of vendors dealings and the complexity of calculation, the possibility of differences between the estimated amounts and those actually received cannot be excluded.

Depreciation and amortisation of assets

Property, plant and equipment 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 amortisation 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 expected degree of solvency of the other parties ('Expected Credit Loss model') taking into account available information, collateral to contain credit risk and considering accumulated historical experience.
For loans that are planned to be transferred to third parties as part of securitisation programmes or to be sold to factoring companies or banks, the fair value through profit and loss is measured.
The actual realisable value 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 realisable value of obsolete, surplus or slow-moving 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 current economic and financial climate 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 and contingent liabilities

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.
This estimate is the result of a complex process involving legal and tax consultants as well as subjective judgement 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. If a financial outlay becomes possible but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

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 19.
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.

Income tax expenses

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

New or revised accounting standards and interpretations adopted by the Company

The accounting standards adopted in the preparation of the financial statements as at 31 December 2020 are consistent with those used in the financial statements as at 31 December 2019, except for the accounting standards and amendments described below and mandatory applied with effect from 1 January 2020 after being endorsed by the competent authorities.

The main changes are as follows:

Amendments to IFRS 3 - Business Definition: The amendments to IFRS 3 clarify that, in order to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and an underlying process that together contribute significantly to the ability to create an output. In addition, it was clarified that a business may exist without including all the inputs and processes needed to create an output. Since these amendments apply prospectively to transactions or other events that materialise at the date of first-time application or subsequently, there are no impacts on the Company's financial statements.

Amendments to IFRS 16 - Leases: Covid 19 - Related Rent Concessions: Published by IASB on 28 May 2020. The document envisages a practical expedient to simplify the accounting by lessees of rent concessions obtained as a result of the Covid-19 pandemic. This practical expedient is optional and does not apply to lessors. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after 1 June 2020 but, nonetheless, early application is permitted for the financial statements of previous years (including the relevant interim financial statements). The endorsement process was concluded on 9 October 2020.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform: The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a series of expedients, that apply to all hedging relationships that are directly concerned by the interest rate benchmark reform. A hedging relationship is influenced if the reform generates uncertainties over the timing and/or amount of the benchmark-based cash flows of the hedged element or the hedging instrument. These amendments had no impact on the Company's financial statements as the Company has no hedges of interest rates in place.

Amendments to IAS 1 and IAS 8: Definition of Material: The amendments provide a new definition of material in which it is affirmed that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements, considered as a whole.
Information is obscured if it is communicated in a way that would have, for primary users of financial statements, a similar effect to omitting or misstating the information.
These amendments had no significant impacts on the Company's financial statements.

Conceptual Framework for Financial Reporting: issued on 29 March 2018. The Conceptual Framework does not represent a standard and none of the concepts it contains takes priority over the concepts or requirements of a standard. The Conceptual Framework's purpose is to assist the IASB in developing standards, help those who prepare the financial statements to develop consistent accounting policies for areas that are not covered by a standard and to assist all parties involved to understand and interpret the standards. The revised version of the Conceptual Framework has envisaged the insertion of new changes and provisions, such as:

- restoring the concept of prudence as component of neutrality
- revising the definitions of assets and liabilities
- removing the probability threshold as a parameter for recognition;
- providing further guidance on derecognition.

These amendments had no significant impacts on the Company's financial statements.

Moreover, at the reporting date of the Company's Financial Statement, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

Amendments to IFRS 4 - Insurance Contracts. On 25 June 2020, the IASB issued the document 'Amendments to IFRS 4 Contracts - deferral of IFRS 9' with the aim at clarifying some application aspects of IFRS 9, awaiting for the final application of IFRS 17. The amendments apply to financial statements for years starting on 1 January 2021. Endorsement by the EU is expected in 2020.

IFRS 17 – Insurance Contracts - Issued in May 2017 by IASB, the new standard will replace IFRS 4 and will be effective from 1 January 2023.

Amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current – Issued by IASB on 23 January 2020, the document envisages that a liability be classified as current or non-current according to the existing rights at the reporting date. In addition, it establishes that the classification is not impacted by expectations about whether an entity will exercise its right to defer settlement of the liability. Lastly, it is clarified that this settlement refers to the transfer of cash, equities, other assets or services to the counterparty. The amendments are affective on annual reporting periods beginning on 1 January 2023. Early application is permitted. The approval process is still in progress.

Amendments to IFRS 3 (Business combinations), IFRS 16 (Property, Plant and Equipment) e IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) – Annual improvements 2018-2020: Issued by IASB on 14 May 2020 with the aim at make some specific improvements to the above standards. The amendments apply to financial statements for years starting on 1 January 2022. The approval process is still in progress by EFRAG.

Amendments to IAS 8 - Definition of accounting estimates - On 12 February 2021, the IASB issued the document 'Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates' with the aim of clarifying the difference between accounting policies and estimates. The amendments are affective on annual reporting periods beginning on 1 January 2023. The approval process is still in progress.

Amendments to IFRS 9 (Financial Instruments); IAS 39 (Financial Instruments: Recognition and Measurement); IFRS 7 (Financial Instruments: Disclosure); IFRS 4 (Insurance Contracts); IFRS 16 (Leases) – Interest Rate Benchmark Reform phase 2 – These amendments were endorsed by IASB in January 2020 and will be effective on annual reporting periods beginning on or after 1 January 2021. Early adoption is permitted. The Company did not elect for an early adoption of these amendments.

The Company will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate their potential impacts, when these standards, amendments and interpretations are endorsed by the European Union.

2.6 Changes in accounting estimates and reclassifications

Changes in accounting estimates

Pursuant to IAS 8, no changes in the accounting estimates regarding previous periods have been made in these financial statements.

Reclassifications in income statement

No reclassifications in income statement regarding previous periods have been made in these financial statements.

3. Notes to statement of financial position items

Non-current assets

1) Property, plant and equipment

(euro/000)	Plant and machinery	Ind. & comm. equipment & other assets	Assets under construction & advances	Total
Historical cost	11,498	27,567	115	**39,180**
Accumulated depreciation	(9,564)	(20,563)	-	**(30,127)**
Balance at 31/12/2019	**1,934**	**7,004**	**115**	**9,053**
Historical cost increase	220	3,232	356	**3,808**
Historical cost decrease	(81)	(951)	-	**(1,032)**
Historical cost reclassification	5	110	(115)	**-**
Increase in accumulated depreciation	(677)	(2,531)	-	**(3,208)**
Decrease in accumulated depreciation	81	878	-	**959**
Total changes	**(452)**	**738**	**241**	**527**
Historical cost	11,642	29,958	356	41,956
Accumulated depreciation	(10,160)	(22,216)	-	(32,376)
Balance at 31/12/2020	**1,482**	**7,742**	**356**	**9,580**

Property, plant and equipment as at 31 December 2020 amounted to 9.5 million euro, showing an increase of approximately 0.5 million euro compared with the value as at 31 December 2019.

As at 31 December 2020, investments essentially concerned security, surveillance and energy efficiency systems, as well as equipment for the Cavenago logistics hub (part of these have not yet been commissioned as of the period-end date) and electronic machines and furniture and furnishings.

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

(euro/000)	31/12/2020	31/12/2019	Var.
Electronic machines	4,591	4,015	576
Furniture and fittings	835	1,247	(412)
Industrial and commercial equipment	1,844	1,099	745
Other assets	472	643	(171)
Total	**7,742**	**7,004**	**738**

The useful life related to the various asset categories remained unchanged compared to the previous year.

It should also be noted that there are no temporarily unused tangible assets held for sale and that the supply contracts entered into by the end of the year, but not recognised in the financial statements, are not significant.

4) Right-of-use assets

Essential information, together with a summary of impacts emerging from the IFRS 16 (Leases) adoption from 1 January 2019, is displayed below.

(euro/000)	31/12/2020	31/12/2019	Var.
Right-of-use assets	80,437	86,941	(6,504)

Pursuant to IFRS 16, the accounting treatment of lease contracts as lessee (which are not a provision of services) provides for booking a financial liability in the statement of financial position, which is represented by the discounted lease payments, against the entry of the right-to-use of the leased asset under assets.

(euro/000)	Rental property	Cars	Total
Historical cost	92,239	2,234	**94,473**
Accumulated depreciation	(6,774)	(758)	**(7,532)**
Balance at 31/12/2019	85,465	1,476	**86,941**
Historical cost increase	310	698	**1,008**
Historical cost decrease	(286)	-	**(286)**
Historical cost reclassification	-	-	**-**
Increase in accumulated depreciation	(6,769)	(592)	**(7,361)**
Decrease in accumulated depreciation	135	-	**135**
Total changes	**(6,610)**	**106**	**(6,504)**
Historical cost	92,263	2,932	95,195
Accumulated depreciation	(13,408)	(1,350)	(14,758)
Balance at 31/12/2020	**78,855**	**1,582**	**80,437**

The contracts that fall within the scope of IFRS 16 mainly refer to:

- office and operating buildings;
- company vehicles;

The right-of-use assets and the financial liabilities relating to lease contracts are booked in specific entries in the statement of financial position.

Changes during the year are mainly attributable to the signing of new contracts for operating buildings for 0.3 million euro and new company vehicles rental contracts for 0.6 million euro, in addition to depreciation for the period determined on the basis of the residual duration of the contract.

For further information on the adoption of the new IFRS 16, please refer to the section 2.5 'Recently issued accounting standards'.

2) Goodwill

The total goodwill recorded in the financial statements amounts to 16.4 million euro and is perfectly in line with the value recorded as at 31 December 2019.
The following table summarises the values of the single goodwill items in terms of the business combinations from which they arose; each goodwill item is identified by the name of the company whose control has been acquired:

(euro/000)	31/12/2020	31/12/2019	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	-
Mosaico S.r.l.	5,803	5,803	-
Total	**16,429**	**16,429**	**-**

Assotrade S.p.A. represents the acquisition of the 'IT Distribution' business unit, while the Pisani S.p.A. and EspriLog S.r.l. goodwill represents the deficit resulting from the mergers by incorporation of the related companies, respectively.
Mosaico S.r.l. represents goodwill generated from the excess price paid for the business unit 'VAD-Value Added Distribution' over its equity value, which was acquired in 2016 by Itway S.p.A. and then merged into Esprinet S.p.A. after the merger by incorporation of the former Mosaico S.r.l. occurred in 2018.

Information on impairment testing of assets: goodwill

IAS 36 requires that the existence of impairment losses on property, plant and equipment and intangible assets with a finite useful life be assessed when there are indications that such a problem may exist.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out at least annually and whenever triggering events occur, i.e. extraordinary negative events implying the asset may be impaired.
Since, under international accounting standards, goodwill is not an asset in its own right because it is unable to generate cash flows independently from other assets or groups of assets, it cannot be subject to impairment testing separately from the assets to which it is attributable but must be allocated to a Cash Generating Unit (CGU) or a group of CGUs, since the maximum limit of aggregation coincides with the notion of 'segment' contained in IFRS 8.
In this case it was only possible to consider the Esprinet S.p.A. as a whole, since there are no smaller CGUs generating independent cash flows to which to allocate all or part of the goodwill highlighted.
The assessment process of goodwill and the assessment system adopted are described in detail in the corresponding section of the Consolidated Financial Statements and in the following comment to the item 'Equity investments', to which reference should be made.

As a result of the impairment tests carried out, it was not necessary to write down any of the values of goodwill recorded as at 31 December 2020, which are therefore confirmed.
Below are the parameters that the WACC and 'g' variables should have assumed in order for there to be a correspondence between recoverable value and carrying amount:

Key variables for: Enterprise Value = Carrying Amount	Italy IT&CE "B2B" CGU 1
"g" (long-term growth rate)	n.s.
WACC post-tax	17.67%

In addition to the estimated average flows used to determine value in use, for information purposes only as required by IAS 36 and on the basis of the indications contained in joint Bank of Italy/CONSOB/ISVAP document No. 4 of 3 March 2010, sensitivity analyses were also carried out on the following key variables:

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discount rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' decreased by -50% and equal to zero;
- WACC higher than +100 bps and +200 bps;
- EBITDA lower than -10% and -20%.

As a result of these analyses, in none of the scenarios arising from the different combinations of key assumptions as shown before, including the 'worst' scenario resulting from the use of a 'g' of 0% (equal to an actual negative 'g' of -1.4%), a WACC increased by +200 bps and a plan EBITDA reduced by -20%, the recoverable value is lower than the net carrying amount.

3) Intangible assets

(euro/000)	Industrial and other patent rights	Assets under construction and advances	Total
Historical cost	7,272	129	**7,401**
Accumulated amortisation	(7,109)	-	**(7,109)**
Balance at 31/12/2019	**163**	**129**	**292**
Historical cost increase	377	173	**550**
Historical cost decrease	-	-	**-**
Historical cost reclassification	129	(129)	**-**
Increase in accumulated amortisation	(242)	-	**(242)**
Decrease in accumulated amortisation	-	-	**-**
Total changes	**264**	**44**	**308**
Historical cost	7,778	173	7,951
Accumulated amortisation	(7,351)	-	(7,351)
Balance at 31/12/2020	**427**	**173**	**600**

The item '*Industrial patent and other intellectual property rights*' includes the costs sustained for the long-term renewal and upgrade of IT operating system (software).
The increase in '*Industrial patent and other intellectual property rights*' refers to the software updates carried out during the year.

This item is amortised in three years.

5) Investments

(euro/000)	31/12/2020	31/12/2019	Var.
Investments	83,073	86,413	(3,340)

The following information concerns the Company's investments in associates.
Data concerning equity and net income refer to the draft financial statements as at 31 December 2020 approved by the respective Boards of Directors.

(euro)	Headquarter	Net equity (1)	Profit/(loss)(1)	% possession	Cost	Value
Celly S.p.A.	Vimercate	3,279,797	(2,027,485)	100%	5,841,940	5,841,940
V-Valley S.r.l.	Vimercate	4,645,923	900,889	100%	20,000	20,000
4Side S.r.l	Legnano	3,673,520	937,943	51%	1,348,143	1,348,143
Nilox Deutschland GmbH	Düsseldorf (Germany)	(782,789)	(39,797)	100%	-	-
Esprinet Iberica S.L.U.	Saragozza (Spain)	111,880,268	4,039,213	100%	75,863,099	75,863,099
Esprinet Portugal Lda	Porto (Portugal)	1,809,003	340,143	5%	-	-
Total		**124,505,722**	**4,150,906**		**83,073,182**	**83,073,182**

(1) Data from draft financial statements as at 31 December 2020 drawn up in compliance with the respective national accounting standards.

The following table details the changes in the item '*Equity investments*':

(euro/000)	Amount at 31/12/2019	Increase	Decrease	Amount at 31/12/2020
Celly S.p.A.	9,192	1,250	4,600	5,842
V-Valley S.r.l.	20	-	-	20
4Side S.r.l.	1,348	-	-	1,348
Nilox Deutschland GmbH	-	-	-	-
Esprinet Iberica S.L.U.	75,773	90	-	75,863
Esprinet Portugal Lda	80	75	155	-
Total	**86,413**	**1,415**	**4,755**	**83,073**

The main increases for the year refer to the acquisition from the minority shareholder of 15% of the residual number of shares of Celly S.p.A. (from 85% to 100%).

The decreases relate to the impairment loss of 4.6 million euro concerning the equity investment in Celly S.p.A. and the entire write-down of the 5% equity investment in Esprinet Portugal Lda.

The subsidiary Nilox Deutschland GmbH, the organisational unit dedicated to the distribution on the German market of 'Nilox' own brand products placed in voluntary liquidation in September 2019, in addition to being written down in full in the previous year, a provision has also been made for future losses, as already occurred in the previous year, in order to meet the subsidiary's current obligations and the charges connected with the liquidation proceedings.
The total equity investment in V-Valley S.r.l., given its contractual nature as a 'commission agent' for the sale of the parent company Esprinet S.p.A. and its irrelevant value with respect to the equity of the latter, was not subject to specific verification.

Information concerning impairment testing of assets: equity investments

As required by IAS 36, the Company verified the recoverability of the book value of equity investments in subsidiaries in order to determine whether these assets may be impaired, by comparing their value in use and their carrying amount.
The value verification process and the valuation system adopted are described analytically in the corresponding section of the Consolidated Financial Statements.

A) Valuation framework

The valuation framework and the main procedural approaches to the notions of value and the criteria and methodologies used in valuation are summarised below.

In determining the recoverable value of the individual CGUs, the term 'value in use' has been used. The recoverable amount thus determined was compared with the carrying amount.
The recoverable amount of the individual equity investments was determined as the higher between value in use and fair value, the latter estimated using the income statement method. The recoverable amount thus determined was compared with the carrying amount.

The value in use is defined as 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.
For the purpose of determining value in use, the commonly accepted financial method is the so-called 'Discounted Cash Flow' (DCF), which discounts estimated future cash flows by applying an appropriate discount rate. The variant used is of the 'asset side' type and assumes the discounting of cash flows generated by operating activities gross of financial components, since the cash flows are calculated net of notional taxes by applying an estimated tax rate to the operating result (EBIT).

Disclosures required by the international accounting standards regarding the main methods chosen for the calculation of the recoverable amount are as follows.

Basis for estimates of future cash flows

The financial valuations for the purpose of calculating 'value in use' are based on five-year plans, approved by the Board of Directors of the parent company Esprinet S.p.A. on 1 March 2021, constructed starting from a management budget prepared for internal purposes for the year 2021 and extrapolating from it, through the application of forecasting techniques aimed at treating fixed and variable costs differently, the results for the 2022-2025 period.
As required by the IAS 36 accounting principle, paragraph 50, estimated cash flows exclude financial expenses, as per the 'asset side' approach already described, and are expressed in nominal terms.
In these 2020 Financial Statements, the Directors have assessed that, although the technology distribution business has not been impacted by the pandemic, the outlook for future economic conditions remains uncertain, with medium-term effects that could lead to more complex scenarios. Therefore, in order to reflect the uncertainty related to possible future economic developments resulting from the pandemic in the impairment plan for the year, the prospective determination of cash flows for each activity, unlike in the past, was based on the so-called 'multi scenario' and no longer on the so-called 'unique scenario'.
Through this mode, while drawing up the economic development plan over the 2021E-2025E period, cash flows were not defined as the 'normal' flow profile, assumed as the profile with the highest degree of probability of occurrence (so-called 'probabilistic approach'). These flows were defined as the expected average flow profile, based on a number of scenarios weighted by the probability of occurrence according to management's best estimates.

Forecasting methods

For the purposes of estimates, strict reference was made to the current conditions of use, i.e. regardless of the flows obtainable from any incremental investments and/or restructuring that represent a discontinuity with respect to normal business operations.

Flows discounted or weighted for probability

In the preparation of the forecast plans used in the 'Discounted Cash Flow' models, the expected trends in sales and gross product margins were defined on the basis of data and information on the distribution sector and consumption of consensus technology from sources commonly considered reliable (EITO, Euromonitor, Net Consulting Cube), assuming different trends for the subsidiaries according to competitive positioning, strategies and environmental conditions.
The prospective determination of cash flows for each investee company was based on the so-called 'multi-scenario', as specified hereabove.
The verification of the operational sustainability of the forecasting plans focused on the maintenance of 'business models' and competitive advantages for each investee company, including on the basis of the best external evidence regarding the prospects of each reference sector/market and the performance historically achieved.
The financial sustainability of the plans is based on an analysis of the intrinsic consistency between expected cash flows over the plan timeframe and prospective investment needs in working capital and fixed assets, taking into account cash reserves.

Effects of the Covid-19 pandemic

The effects from the Covid-19 health emergency were incorporated into the application of the 'multi-scenario' as opposed to the ordinary way of applying the so-called 'unique scenario'.

Key critical issues

As regards the subsidiary Celly S.p.A., a company operating in the distribution of accessories for mobile devices, during lock-down periods and as a result of the still current restrictions on foreign travel imposed by the various national authorities to combat the Covid-19 pandemic, commercial activities were stopped. Given the type of business carried out by the subsidiary, these activities require that commercial relations be maintained on site; this halt led to the realisation of lower results than expected but also compared to the normal operations of previous years.

While performing impairment testing, a higher discount rate was also used with respect to that used to verify the value of the goodwill of Esprinet S.p.A. itself, in order to reflect a greater dimensional risk.
The impairment test carried out took into account certain critical issues that emerged in application of the related procedure; in particular, any deviations between budget and actual figures were assessed. The quality and completeness of the information base and the degree of verifiability of the plan inputs and the inherent risk of the activities to be assessed were also considered.
Conversely, the impairment test carried out in relation to the investee Esprinet Portugal LdA took into account the following critical issues:
- a profit and loss account structure characterised by a very low unit margins;
- a poor management of the working capital;

which led to adopt, also for this impairment test, a higher discount rate with respect to that used to assess the value of the equity investments of Esprinet Iberica S.l.u., in order to reflect a greater dimensional risk.

Discount rate

The discount rate used is representative 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 investee company.
This rate corresponds to a notion of capital cost in the meaning of Weighted Average Cost of Capital (WACC) and is unique for the valuation of the Terminal Value and the discounting of flows over the explicit forecast period.
In particular, for the purpose of determining the Levered Cost of Equity, the median Beta Unlevered Coefficient of a sample of comparable companies, listed on regulated markets, operating internationally, was calculated, which was subsequently 're-levered' on the basis of a target financial structure for each of the investees, assuming that it coincided with the average financial structure of the sample. In this way the condition of independence of the discount rate from the current financial structure has been achieved.
The sample of comparable companies used is composed of the following companies:

Entity	Country
Action S.A.	Poland
ALSO Holding AG	Switzerland
Arrow Electronics, Inc.	USA
Avnet, Inc.	USA
SYNNEX Corporation	USA
AB S.A.	Poland
Digital China Holdings Limited	Hong Kong
Redington (India) Limited	India
Datatec Limited	South Africa
Arena Bilgisayar Sanayi ve Ticaret A.S.	Turkey
ASBISc Enterprises Plc	Cyprus
ScanSource, Inc.	USA

The values attributed to the main components of the discount rate are as follows:

- the risk-free rate is equal to the 10-year BTP 'benchmark' average rate of return in 2019-2020, equal to 1.51% for the Italian subsidiaries and the 10-year Bonos average rate of return, equal to 0.51%, for the Iberian subsidiaries;
- the Market Risk Premium is equal to 5.4% (source: Damodaran, 24-month average);
- the Beta Levered Coefficient is 0.99 (based on a Beta Levered calculated as a 5-year average of the monthly 'adjusted' Beta of the sample);
- the gross marginal cost of the debt was obtained as the sum of two components: the base rate, equal to the 12-month average of the 10-year IRS, and a credit spread estimated on the basis of databases commonly used by analysts and investors;
- the tax rate used is the nominal corporate income tax rate of the countries where the investees are domiciled for tax purposes.

The IAS 36, paragraph 55, requires that the discount rate be calculated before tax ('pre-tax') but allows for the discounting of flows to be carried out using an estimated rate net of the tax effect ('post-tax'), provided that the expected flows are also expressed net of the tax effect.
Nevertheless, the WACC calculated in the post-tax version has also been converted into the pre-tax equivalent defined as pre-tax WACC that leads to the same result when discounting back pre-tax cash flows.

Terminal Value

The Terminal Value recorded at the end of the explicit forecasting period was calculated on the basis of the 'Perpetuity Method' (last year's unlimited cash flow capitalisation model), assuming long-term sustainable cash flow growth from year 5 onwards at a constant rate ('g').
This rate is equal, hypothetically, to the inflation rate expected for 2025 in Italy, Spain and Portugal (1.35%, 1.69% e 1.52%, respectively - source: International Monetary Fund).

B) Basic assumption / critical variables

The following table describes the main basic assumptions used to calculate the recoverable value for each shareholding with reference to the technical methods underlying the 'DCF Model':

	Italy Celly S.p.A. 4 Sidel S.r.l.	Spain Esprinet Iberica S.l.u.	Portugal Esprinet Portugal Lda
Future cash flow expected:			
Forecast horizon	5 years	5 years	5 years
"g" (long-term growth rate)	1.35%	1.69%	1.52%
Discount rates:			
Market Risk Premium	5.4%	5.4%	5.4%
Unlevered Beta	0.83	0.83	0.83
Levered Beta	0.99	0.99	0.99
Additional Specific Risk Premium	5.0%	3.2%	5.0%
Target financial structure (D/D+E)	0.21	0.21	0.21
Target financial structure (E/D+E)	0.79	0.79	0.79
Tax rate	24.0%	25.0%	25.0%
WACC post-tax	10.00%	7.75%	9.15%
WACC pre-tax	13.39%	9.94%	14.07%

With reference to the key assumptions used in the cash flow forecast and for the 'value in use calculation' we point out that the investee values are particularly sensitive to the following parameters:

- revenue growth rates;
- gross product margin / fixed costs contribution margin;
- operating leverage;
- cash flow discount rates;
- growth rate 'g' applied to the cash flow of the last defined year utilised for the Terminal Value calculation.

C) Value adjustments and 'sensitivity analysis'

As a result of the impairment tests it was necessary to write down the equity investment in Celly S.p.A. by 4.6 million euro and 5% stake in Esprinet Portugal Lda. by its entire value of 0.2 million euro.

In addition to the expected average flows used to determine value in use, sensitivity analyses were also carried out on the following key variables for information purposes only, as required by IAS 36:

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discount rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' decreased by -50% and equal to zero;
- WACC higher than +100 bps and +200 bps;
- EBITDA lower than -10% and -20%.

As a result of these analyses it has emerged that some of the scenarios arising from the different combinations of the key assumptions varied as above, including the 'worst' scenario characterised by the use of a 'g' equal to 0% (equal to a real negative 'g' of -1.4%), a WACC increased by +200 bps and a plan EBITDA reduced by -20%, lead to a value in use lower than the carrying amount as at 31 December 2020, therefore already net of impairment performed over the year, of the equity investment in Celly S.p.A. up to an extreme value of over 3.0 million euro.
However, taking into account the specific methodological customisations adopted to determine the 'value in use' of the equity investment, these results are not considered particularly evocative of critical elements such as to lead to such further devaluation as they are amplifying the already conservative base scenario.

6) Deferred income tax assets

(euro/000)	31/12/2020	31/12/2019	Var.
Deferred income tax assets	2,557	4,972	(2,415)

The balance of this item is represented by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes that the Company expects to recover in future years following the realisation of taxable profits.

(euro/000)	31/12/2020			31/12/2019		
	Temporary differences	Fiscal effect (taxe rate %)	Amount	Temporary differences	Fiscal effect (taxe rate %)	Amount
Bad debt provision	2,731	24.00%	655	3,251	24.00%	780
Director's fees not paid	693	27.90%	140	938	27.90%	215
Inventory obsolescence provision	3,108	27.90%	867	4,132	27.90%	1,153
IFRS 16 - Leases	598	24.00%	144	295	24.00%	71
Agent suppl. indemnity provision	634	27.90%	177	634	27.90%	177
Provision sales returns	1,138	27.90%	318	890	27.90%	248
Provision risk	112	24.00%	27	8,921	24.00%	2,141
Other	976	24%-27,9%	229	711	24%-27,9%	187
Deferred income tax assets			**2,557**			**4,972**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the estimated exchange losses, on the actuarial valuation of the staff severance indemnity (TFR) and on the derivatives valuation.

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

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
Deferred income tax assets	31/12/2020	1,032	1,525	-	2,557
	31/12/2019	3,269	1,703	-	4,972

9) Receivables and other non-current assets

(euro/000)	31/12/2020	31/12/2019	Var.
Guarantee deposits receivables	1,744	1,743	1
Trade receivables	492	969	(477)
Receivables and other non-current assets	**2,236**	**2,712**	**(476)**

The item '*Guarantee deposits receivables*' refers mainly to guarantee deposits for utilities for existing lease contracts.

Trade receivables refer to the portion of credit toward the customer 'Revenue Guard Corps' (Guardia di Finanza – GdF) with an expiring date after one year and arose from a delivery of goods from Esprinet S.p.A. toward the GdF in 2011.
This receivable provides for an annual payment plan that extends until January 2022 and in relation to which in 2013 Esprinet S.p.A. has taken out a loan with Intesa Sanpaolo whose fees will be paid directly by the customer. Since the counterparties of the two transactions are different, it is necessary, until they are completely repaid, to keep the receivable from the customer and the payable from the credit institution separate.
The change, compared with 31 December 2019, is due to the allocation to current receivables of the portion expiring within the next year.

Current assets

10) Inventory

(euro/000)	31/12/2020	31/12/2019	Var.
Finished products and goods	262,278	339,320	(77,042)
Provision for obsolescence	(3,108)	(4,132)	1,024
Inventory	**259,170**	**335,188**	**(76,018)**

Inventory totalling 259.2 million euro shows a decrease of 76 million euro, with an improved turnover ratio of 15 days.

3.1 million euro allocated to *Write-down provision for inventory* 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)	31/12/2020	31/12/2019	Var.
Provision for obsolescence: year-beginning	**4.132**	**4.607**	**(475)**
Uses/Releases	(2.816)	(4.046)	1.230
Accruals	1.792	3.571	(1.779)
Provision for obsolescence: year-end	**3.108**	**4.132**	**(1.024)**

11) Trade receivables

(euro/000)	31/12/2020	31/12/2019	Var.
Trade receivables - gross	305,180	277,038	28,142
Bad debt provison	(3,619)	(4,081)	462
Trade recevables - net	**301,561**	**272,957**	**28,604**

Trade receivables arise from normal sales dealings engaged in by the Company in the context of ordinary marketing activities. These operations are carried out almost entirely with customers resident in Italy, are wholly in euro and are short-term.

Net trade receivables are adjusted by credit notes to be issued to customers for an amount equal to 40.5 million euro at the end of 2020, 29.0 million euro at the end of 2019.

Trade receivables, gross include 130.6 million euro of receivables measured at fair value (130.2 million euro as at 31 December 2019).

There was an increase in gross receivables of 28.1 million euro substantially due to an increase in business volumes, with a turnover ratio substantially in line, offset by a lower use compared to 2019, of technical forms of receivables finance (i.e. approx. 276.7 million euro at the end of 2020 vs 258.3 million in 2019).

The *Trade receivables* balance includes 6.8 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement (34.2 million euro in 2019).

The bad debt provision, which is used to adjust receivables to their estimated realisable value, is replenished by provisions determined on the basis of an analytical evaluation process for each individual customer in relation to the related past due receivables and outstanding commercial disputes, taking into account insurance coverage (for further information, please refer to the '*Disclosure on risks and financial instruments*' section). The table below illustrates its movements:

(euro/000)	31/12/2020	31/12/2019	Var.
Bad debt provision: year-beginning	**4,081**	**3,899**	**182**
Uses/Releases	(1,173)	(893)	(280)
Accruals	711	1,075	(364)
Bad debt provision: year-end	**3,619**	**4,081**	**(462)**

12) Income tax assets

(euro/000)	31/12/2020	31/12/2019	Var.
Income tax assets	173	1,319	(1,146)

Income tax assets (current) result mainly from the higher tax advances paid compared with the current taxes accrued in 2020.

13) Other assets

(euro/000)	31/12/2020	31/12/2019	Var.
Receivables from subsidiaries (A)	**58,043**	**63,911**	**(5,868)**
VAT receivables	-	19	(19)
Other tax assets	9,434	8,875	559
Other receivables from Tax authorities (C)	**9,434**	**8,894**	**540**
Receivables from factoring companies	147	3,526	(3,379)
Other financial receivables	9,617	9,717	(100)
Receivables from insurance companies	417	377	40
Receivables from suppliers	7,855	9,929	(2,074)
Receivables from others	89	130	(41)
Other receivables (D)	**18,125**	**23,679**	**(5,554)**
Prepayments (E)	**3,433**	**4,226**	**(793)**
Other assets (F= A+B+C+D+E)	**89,035**	**100,710**	**(11,675)**

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 'Relationships with related parties' section.

(euro/000)	31/12/2020	31/12/2019	Var.
Celly S.p.A.	1,437	1,653	(216)
V-Valley S.r.l.	50,801	53,795	(2,994)
Nilox Deutschland GmbH	959	1,564	(605)
4Side S.r.l.	57	60	(3)
Esprinet Iberica S.L.U.	2,647	4,192	(1,545)
Esprinet Portugal Lda	903	1,547	(644)
Vinzeo Technologies SAU	213	90	123
V-Valley Iberian S.L.U.	9	7	2
Trade receivables (a)	**57,026**	**62,908**	**(5,882)**
V-Valley S.r.l.	17	3	14
Receivables as per national cons. tax regime (b)	**17**	**3**	**14**
4Side S.r.l.	1,000	1,000	-
Financial receivables (c)	**1,000**	**1,000**	**-**
Total receivables from subsidiaries (a+b+c)	**58,043**	**63,911**	**(5,868)**

(euro/000)	31/12/2020	31/12/2019	Var.
Celly S.p.A.	1,437	1,653	(216)
V-Valley S.r.l.	50,818	53,798	(2,980)
Nilox Deutschland GmbH	959	1,564	(605)
4Side S.r.l.	1,057	1,060	(3)
Esprinet Iberica S.L.U.	2,647	4,192	(1,545)
Esprinet Portugal Lda	903	1,547	(644)
Vinzeo Technologies SAU	213	90	123
V-Valley Iberian S.L.U.	9	7	2
Total receivables from subsidiaries	**58,043**	**63,911**	**(5,868)**

The '*Income tax assets*' item refers mainly to the financial receivables from the Tax Authorities, due to a partial payment of tax notices relating to indirect taxes on a provisional basis. The above led to tax disputes described in the '*Development of disputes involving Esprinet S.p.A.*' section, in the notes to item '26) Provisions and other liabilities'. The balance includes also around 0.5 million euro related to tax assets generated by applying Italian Law 160/2019 on tax recovery on investments made during 2020.

Receivables from factoring companies include sums owed to the Company as a result of 'without recourse' factoring operations effected. The material decrease compared with the previous year balance is mainly due to the temporary differences in the collection of transferred receivables. At the draft date of this report, all the receivables had been collected.

Other financial receivables include 9.1 million euro for a guarantee deposit provided to the buyer of the receivables assigned in the securitisation transaction executed by the Company to cover any dilution that may occur in the course of this activity or in the months following the transaction closing. The remaining portion of the amount, equal to 0.5 million euro, refer to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 to the customer 'Guardia di Finanza - GdF'. For further information please refer also to the '*Receivables and other non-current assets*' section.

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

Receivables from suppliers, as at 31 December 2020, refer to credit notes received exceeding the amount owed at the end of December for a mismatch between the timing of their quantification and the payment of suppliers. They also include receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from hauliers for advance VAT payments and customs duties pertaining to imports.
As at 31 December 2019, receivables from suppliers included 2.6 million euro due to the net receivable from the supplier of the 'Sport Technology' line, which is now entirely cancelled following the settlement of the legal dispute with the supplier. Therefore, the credit position was closed by using the provision previously set aside and a loss was recorded for the remaining part. The following table illustrates the change in the bad debt provision:

(euro/000)	Starting provision	Additions	Uses	Final provision
2020 Financial year	8,823	-	(8,823)	-
2019 Financial year	8,823	-	-	8,823

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)	31/12/2020	31/12/2019	Var.
Bank and postal deposit	327,068	289,620	37,448
Cash	22	21	1
Cheques	-	1	(1)
Total cash and cash equivalents	**327,090**	**289,642**	**37,448**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. These cash balances are in part temporary in nature as they arise as a result of the normal short-term financial cycle of collections/payments, which involves in particular a concentration of collections from customers in the middle and at the end of the month, where financial outgoings related to payments to suppliers are distributed more evenly over the month. The market value of the cash and cash equivalents corresponds to their carrying amount.

The increase compared with 31 December 2019 is shown in the Statement of cash flows to which reference is made for further details.

Equity

Items composing the equity are explained in the following notes:

(euro/000)	31/12/2020	31/12/2019	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	291,855	291,593	262
Own shares (C)	(4,800)	(8,646)	3,846
Total reserves (D=B+C)	**287,055**	**282,947**	**4,108**
Net income for the year (E)	**9,370**	**4,604**	**4,766**
Net equity (F=A+D+E)	**304,286**	**295,412**	**8,874**
Non-controlling interests (G)	-	-	-
Total equity (H=F+G)	**304,286**	**295,412**	**8,874**

19) Share capital

The Company's *share capital*, fully subscribed and paid-in as at 31 December 2020, is 7,860,651 euro and comprises 50,934,123 shares with no face value, following the cancellation, on 22 June 2020, of 1,470,217 shares, as set forth in the resolution of the Shareholders' Meeting of 25 May 2020.

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 '*Reserves*' item.

20) Reserves

Reserves and profit carried over

The value of *Reserves and profit carried over* increased by 0.3 million euro due mainly to the combined effect of the allocation of profits from previous years, the succession of share-based incentive plans implemented (1.3 million euro) and the effect of reserves that is generated by the cancellation of own shares on hand (5.5 million euro).

The value of the rights for the free assignment of the shares to Group Directors and Managers is recorded under Reserves. The main information items used for accounting are described 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 an offsetting item reported in the statement of financial position under the item '*Reserves*'.

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of 1,150,000 Esprinet S.p.A. shares owned by the Company. The change relates to the 535,134 shares (out of overall 646,889 shares owned) granted in June 2018 as per the 2015-2017 'Share Incentive Plan' approved on 30 April 2015 by Esprinet S.p.A. Shareholders' Meeting, as well as to the purchase of 1,038,245 shares, at an average price (net of fees) of 3.78 euro, as set forth in the resolution of Esprinet S.p.A. Shareholders' Meeting of 4 May 2018.

The total value fell by 3.8 million euro, in consideration of the cancellation of 1,470,217 rights from a total of 2,620,217 rights as at 31 December 2019 of the purchase programme, as established at the extraordinary shareholders' meeting of 25 May 2020. For further information please refer to the '*Significant events occurred in the period* paragraph under 'Directors' Report on Operations'.

The following table shows the amount and the distributability of the reserves composing the equity as per Art. 2427(7-bis) of the Italian Civil Code and their past usage.

(euro/000)				Summary of the uses in the three previous years:	
Type/description	**Amount**	**Possible uses**	**Quota available**	**To cover losses**	**For other reason**
Share capital	**7,861**	---	-		
Reserves:					
Share premium reserve (*)	6,180	A,B,C	6,180		
Revaluation reserve	30	A,B,C	30		
Legal reserve	1,572	B	-		
Merger surplus	9,855	A,B,C	9,855		
Extraordinary reserve	257,624	A,B,C	257,624		
Extraordinary reserve (**)	4,800	---	-		
Net profit from exchange operations reserve	60	---	-		
IFRS reserve	11,734	---	-		-
Total Reserves	**291,855**		**273,689**	-	-
Total share capital and reserves	**299,716**		**273,689**		
Non-distributable quota (***)			-		
Residual distributable quota			**273,689**		

(*) Pursuant to Art. 2431 of the Italian Civil Code the entire amount of this reserve can be distributed solely provided that the legal reserve has reached the limit established by Art. 2430 of the Italian Civil Code, including through the transfer of the share premium reserve. This limit has been reached as at 31 December 2019.
(**) Pursuant to Art. 2358 of the Italian Civil Code, it represents the non-distributable portion corresponding to own shares on hand.
(***) Pursuant to Art. 2426(5), this is the non-distributable portion 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 equity during 2020 can be found in the '*Statement of changes in equity*'.

21) <u>Net result for the period</u>

The year's net result amounts to 9.4 million euro, increasing by 4.8 million euro from previous year's net result of 4.6 million euro.

Non-current liabilities

22) <u>Borrowings</u>

(euro/000)	31/12/2020	31/12/2019	Var.
Borrowings	39,715	22,294	17,421

The *Payables to banks* value refers to the valuation at the amortised cost of the portion of the medium-long term loans falling due beyond the following year.
The change compared with previous year is due to the combined effect of the signing, in December 2020 with Cassa Depositi e Prestiti, of a new loan and the reclassification of current payables, in accordance with the amortisation plans of loans and the instalments falling due within twelve months.

Details relating to the outstanding loans can be found in the following '*Net financial indebtedness and loans covenants*' paragraph.

23) Derivative financial liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Derivative financial liabilities	620	-	620

The balance of *Derivative financial liabilities (non-current)*, as at 31 December 2020, relates to the fair value of the Option subscribed between the Company and non-controlling shareholders of 4Side S.r.l. for the purchase of the remaining 49% of the subsidiary's share capital. This option may be exercised against non-controlling shareholders between the 4th and 6th year after the transaction date.

31) Lease liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities (non-current)	76,382	81,742	(5,360)

The value of the non-current financial liability referring to the right-of-use assets as at 31 December 2020, equal to 76.3 million euro, compared to 31 December 2019 (81.7 million euro), as better described in the statement of changes below:

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities	**81,742**	**-**	**81,742**
Initial book value: 01/01/2019	-	86,736	(86,736)
Increase from subscribed contracts	956	1,323	(367)
Termination/modification of contracts	(83)	(80)	(3)
Reclassification in current liabilities	(6,233)	(6,237)	4
Lease liabilities	**76,382**	**81,742**	**(5,360)**

The following table analyses the maturing dates of the financial liabilities booked as at 31 December 2020:

(euro/000)	Within 5 year	After 5 year	31/12/2020
Lease liabilities (non-current)	23,166	53,216	76,382

With reference to the application of IFRS 16 occurred as from the financial statements as at 31 December 2019, the Company did not apply the IFRS 16 standard to leases of intangible assets. Moreover, the Company analysed the lease contracts with regards to the lease term, defining the 'non-cancellable' period for each of them, together with the effects of extension and early termination clauses whose exercise was deemed reasonably certain. Specifically, for buildings, this valuation considered the specific facts and circumstances of each activity. With regard to the other

categories of assets, mainly company vehicles, the Company generally considered it unlikely that any extension or early termination clauses would be exercised in view of the Company's usual practice.
In addition, liabilities related to rights of use are measured considering the variable payments due for the leases linked to indices or rates (e.g. ISTAT index), where contractually provided for.

24) Deferred income tax liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Deferred income tax liabilities	3,064	2,930	134

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 estimated foreign exchange gains and the adjustment of the staff severance provision ('TFR') to the actuarial valuation.

(euro/000)	31/12/2020			31/12/2019		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax liabilities						
Goodwills' amortisation	10,796	27.90%	3,012	10,128	27.90%	2,826
TFR' variation	-	24.00%	-	-	24.00%	-
Foreign exchange estimate	214	24.00%	52	432	24.00%	104
Other	-	24.00%	-	-	24.00%	-
Total deferred income tax liabilities			**3,064**			**2,930**

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

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
Deferred income tax liabilities	31/12/2020	52	-	3,012	3,064
	31/12/2019	104	-	2,827	2,930

25) Retirement benefit obligations

Retirement benefit obligations reflect the staff severance provision ('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 2007 important modifications governing the Staff Severance Provision, among which the possibility for the worker to choose the destination of the accruing Staff Severance Provision, were introduced.
The new contributions can therefore be directed to selected pension schemes or maintained in the company, in which case it is the company itself that pays contributions to a treasury account set up with INPS.

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

(euro/000)	31/12/2020	31/12/2019	Var.
Balance at year-beginning	**3,721**	**3,793**	**(72)**
Service cost	-	-	-
Interest cost	28	55	(27)
Actuarial (gain)/loss	118	150	(32)
Merger changes	-	-	-
Pensions paid	(148)	(277)	129
Changes	**(2)**	**(72)**	**70**
Retirement benefit obligations	**3,719**	**3,721**	**(2)**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Amounts booked under personnel costs	-	-	-
Amounts booked under financial costs	28	55	(27)
Total	**28**	**55**	**(27)**

The Company, which has more than 50 employees as at 1 January 2017, transfers the staff severance provision quotas to third parties.

The change in the 'actuarial gains or losses' compared with last year is mainly related to the experience adjustments that reflect the deviation of forward-looking assumptions used in the valuation as at 31 December 2019 and the actual development of the provision as at 31 December 2020 (members, payments occurred, benefit revaluation). The discount rate reflects the market returns, at the financial statements date, of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in Esprinet S.p.A. (higher than 10 years)[11].

The method known as 'Project Unit Credit Cost' used to assess the Staff Severance Provision (TFR) as per the IAS 19 accounting standard is based on the following assumptions:

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. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel;
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;
- 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.

[11] Please note that, the iBoxx Eurozone Corporates AA10+ index was used as parameter for the above mention calculation.

b) Economic-financial assumptions

	31/12/2020	31/12/2019
Cost of living increase	1.0%	1.0%
Discounting rate	0.3%	0.8%
Remuneration increase	n/a	n/a
Staff severance indemnity (TFR) - annual rate increase	2.3%	2.3%

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
As basic scenario the one above described was assumed and from that the most significant hypotheses (i.e. annual average discount rate, average cost of living increase and turn-over rate) were increased and decreased by half, a quarter and two percentage points respectively. The outputs thus obtained are summarised as follows:

(euro)		Sensitivity analysis
		Esprinet S.p.A.
Past Service Liability		
Annual discount rate	*+0,50%*	3,566,662
	-0.50%	3,882,382
Annual inflation rate	*+0,25%*	3,765,200
	-0.25%	3,674,140
Annual turnover rate	*+2,00%*	3,673,750
	-2.00%	3,787,691

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	Future Cash Flow
Year	*Esprinet S.p.A.*
0 - 1	304,747
1 - 2	263,795
2 - 3	234,822
3 - 4	196,985
4 - 5	213,548
5 - 6	212,863
6 - 7	280,106
7 - 8	191,933
8 - 9	251,857
9 - 10	200,681
Over 10	1,477,661

33) Debts for investments in subsidiaries

(euro/000)	31/12/2020	31/12/2019	Var.
Debts for investments in subsidiaries (non-current)	230	-	230

The corresponding balance refers to the portion due beyond the year of the consideration to be paid for the acquisition of 15% of the share capital of the subsidiary Celly S.p.A.

26) Provisions and other liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Long-term liabilities for cash incentives	82	260	(178)
Provisions for pensions and similar obligations	1,189	1,171	18
Other provisions	911	853	58
Non-current provisions and other liabilities	**2,182**	**2,284**	**(102)**

The item '*Provisions for pensions and similar obligations*' includes the supplementary customer indemnity provision payable to agents based on current regulations governing the subject. The changes in the period were as follows:

(euro/000)	31/12/2020	31/12/2019	Var.
Provisions for pensions: year - beginning	**1,171**	**1,218**	**(47)**
Uses/Releases	(72)	(126)	54
Accruals	90	79	11
Provisions for pensions: year - end	**1,189**	**1,171**	**18**

The amount entered under *Other provisions*, is intended to cover risks relating to current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2020	31/12/2019	Var.
Other provisions: year-beginning	**853**	**77**	**776**
Uses/Releases	(23)	(72)	49
Accruals	81	848	(767)
Other provisions: year-end	**911**	**853**	**58**

The provisions under '*Other provisions*' refer for 40 thousand euro to the adjustment to the provision for valuation of the risk coverage referring to the subsidiary Nilox Deutschland Gmbh (743 thousand euro in 2019), in liquidation at 31 December 2020, whose equity was negative at the date of preparation of the financial statements.

Developments in disputes

The main disputes involving the Company are provided below, along with developments in 2020 (and thereafter, until the date this financial report was drafted), for which the Company has conducted the pertinent risk assessments, with the support of its legal and/or tax consultants, and, where deemed appropriate, recognised the ensuing allocations to the provision for risks.

The main legal disputes, for which no provision has been deemed to exist since the risk has been assessed as possible, are as follows:

Esprinet S.p.A., supplier of 'Sport Technology' line and its shareholders

The Company has legal disputes with the long-standing supplier and its shareholders of the '*Sport Technology*' line, which, since 2008 was managing, on behalf of the Company and under an exclusive agreement, the production, the import and the after-sale support process of a number of the above-mentioned product line.

In December 2018, the importer had commenced voluntary liquidation proceedings and, on 21 May 2019, had filed an application for composition proceedings with the Court of Milan, which was subsequently upheld. The above facts led the management of Esprinet S.p.A., as from 31 December 2018, to estimate a possible write-down in receivables due from the importing company and to apply the related impairment to the 2018 financial statements.

As a result of the settlement agreement reached, the completion of which was authorised on 9 December 2020 by the Court of Milan pursuant to Art. 167, paragraph 2, of the Italian Bankruptcy Law, Esprinet S.p.A. will be excluded from the list of creditors of the Hellatron settlement agreement and has consequently fully written off the residual portion of receivables from the importing company, amounting to 2.6 million euro, that is still recorded in its financial statements.

It is worth noting that the settlement agreements reached between the parties provide for the final withdrawal, at fully offset costs, from all further pending litigation between them, as well as the irrevocable and mutual waiver by the parties of any further right, claim, demand, action, reason and objection claimed, for any reason, cause or title, by either party against the other.

The following list summarises the development of the main tax disputes in progress for which it has not been considered that the elements for making provisions exist, since the risk of each is assessed as unlikely.

Esprinet S.p.A. direct taxes for the year 2002

In the tax dispute for the 2002 tax period relating to VAT, IRPEG and IRAP, amounting to 6.0 million euro plus penalties and interest, it should be noted that, after Esprinet S.p.A. had obtained favourable judgements in both the first and second instance against the assessment notice issued in late 2007, on 3 August 2016 a Supreme Court judgement was filed that partially accepted the appeal made by the Italian Revenue Office. The Supreme Court referred the case to another section of the Regional Tax Commission, which will have to determine which part of the assessment will be upheld in relation to the disputed notice.
The Company reactivated the proceeding with the Regional Tax Commission on 10 November 2016.
The hearing, fixed on 17 September 2020, was then postponed.

Actebis Computer S.p.A. (now Esprinet S.p.A.) direct taxes for the year 2005

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged by incorporation into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been resolved, with the

exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and after the failure of a tax settlement proposal, paid the reduced penalties and lodged an appeal with the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., at the recommendation of the seller's advisor, lodged an appeal, which was registered with the Regional Tax Commission on 20 May 2013.
On 23 September 2014, the appeal was rejected and Esprinet paid the sums inscribed on the tax roll as per the Regional Tax Commission decision, after receiving the corresponding funds from the seller. The seller's advisor lodged an appeal against the ruling with the Supreme Court.
Based on information available, the hearing has not been scheduled.

Esprinet S.p.A. indirect taxes for the year 2011

On 30 November 2016, the Company was served a notice relating to an assessment claiming VAT of 1.0 million euro, plus penalties and interests. The tax authority claims that some transactions are taxable in respect of which a customer had previously filed a declaration of intent, but later failed to fulfil the requirements needed to qualify as a frequent exporter.
The notice of assessment follows tax checks carried out by the Direzione Regionale delle Entrate (Regional Revenue Office) - Large Taxpayer Office through questionnaires sent on 3 October 2016.
On 23 January 2017 the Company filed an appeal against the assessment notice and, pursuant to the administrative procedure, made an advance payment equal to 0.4 million euro, booked under 'Other tax assets'.
The hearing on the merit of the appeal was fixed on 24 November 2017.
On 10 January 2018 a judgement was issued that rejected the first instance claim.
On 23 February 2018 another advance equal to 1.5 million euro was paid, also posted under 'Other tax assets'.
The Company appealed on 16 July 2018 and the hearing was held before the Regional Tax Commission on 12 February 2019.
On 8 May 2019 a judgement was issued that rejected the Company's claim, condemning the Company to pay legal costs.
The Company filed an appeal before the Supreme Court on 4 December 2019.

Esprinet S.p.A. indirect taxes for the year 2012

On 2 October 2017 the Company was served a notice of assessment claiming VAT on taxable transactions entered with three customers for 3.1 million euro, along with penalties and interest.
The tax assessment refers to business relations with the three companies that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters. The notice of assessment served to the Company follows the tax audit carried out by the Direzione Regionale della Lombardia (Lombardy Regional Revenue Office) - Large Taxpayer Office.
The Company appealed against the notice of assessment on 30 November 2017.
On 18 May 2018 the hearing was held where the Provincial Tax Commission requested the appellant to file some documents by 30 June 2018 and scheduled the next hearing on 21 September 2018.
On 9 October 2018 a judgement was issued that upheld the Company's claim.
On 1 April 2019 the Italian Revenue Office lodged an appeal with the Regional Tax Commission against the first instance judgement favourable to the Company. On 31 May 2019, the Company filed its arguments.
On 17 February 2020, the hearing was held and the Commission upheld the Office's appeal, confirming the assessment notice.
The Company filed an appeal before the Supreme Court.

Esprinet S.p.A. indirect taxes for the year 2013

On 31 July 2018 the Company was served a notice of assessment claiming VAT on taxable transactions entered with a customer for 66 thousand euro, along with penalties and interest.

The tax assessment refers to business relations with the customer company that, subsequent to a tax audit, failed to fulfil the requirements needed to qualify as frequent exporters.
On 29 October 2018 the Company lodged an appeal.
The hearing was held on 29 January 2019 and on 13 February 2019 the Provincial Tax Commission filed a judgment rejecting the claim.
The Company filed an appeal with the Regional Tax Commission on 10 June 2019. A hearing was held on 29 January 2020 and the appeal was upheld on 23 September 2020.

Esprinet S.p.A. indirect taxes for the year 2013

On 20 December 2018 the company was served a notice relating to an assessment claiming VAT for 2013 of 14.5 million euro, plus penalties and interest, due to alleged non-application of VAT to transactions with frequent exporters.
On 5 February 2019, the Company filed a tax settlement proposal pursuant to Art. 6, paragraph 2 of Italian Legislative Decree 218/1997, whose proceedings were not defined.
Thus, the Company appealed on 30 May 2019.
Having failed to obtain a suspension of collection, the Company made the payment pending judgement on 11 November 2019.
The first instance hearing was held on 23 September 2020 and on 19 November 2020 the judgement was filed, which rejected the first instance appeal.
The Company filed an appeal.

Monclick S.r.l. direct taxes for the year 2012

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (a year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arose resulting in a disallowance of costs equal to 82 thousand euro, plus penalties and interest.
On 2 November the Company filed its comments. On 20 July 2016 the Italian Revenue Office notified tax assessment notices related to IRAP and direct taxation. On 29 September the Company filed a tax settlement proposal, leading to a cross-examination with the Office.
On 25 November 2016 the Office rejected the settlement proposal, and as a consequence the Company lodged a partial appeal on 16 January 2017.
On 26 June 2017 the matter was discussed and on 10 July 2017 a judgement was issued that upheld the appeal.
In July, the company obtained cancellation of the amounts inscribed on the tax roll following the Provincial Tax Commission decision.
On 17 October 2017 the Italian Revenue Office lodged an appeal against the first instance judgement and the company entered an appearance filing its counter-arguments.
On 3 July 2018, the hearing was held and on 20 July 2018 the Regional Tax Commission issued a judgement that upheld the Italian Revenue Office's appeal.
On 16 July 2019 the Company lodged an appeal before the Supreme Court.

Edslan S.r.l. registration fees for the year 2016

On 4 July 2017, the Company was served a correction and settlement notice relating to the reassessment of the value of the business unit acquired on 8 June 2016 from Edslan S.p.A. (now I-Trading S.r.l.).
The higher registration fee claimed amounts to 182 thousand euro, plus penalties and interest.
On 21 September 2017, the company filed a tax settlement proposal and on 11 October the first meeting was held at Tax Office, with a negative outcome.
On 29 December 2017, the company lodged an appeal that was filed with the Provincial Tax Commission on 24 January 2018.
The hearing was held on 19 June 2018 and on 18 September 2018 a judgement was issued that upheld the appeal condemning the Tax Office to pay legal costs.

On 18 March 2019, the appeal from the Office was served and on 17 May 2019 the Company filed its counter-arguments. On 22 January 2020 the Regional Tax Commission rejected the appeal of the Italian Revenue Office with judgement filed on 28 February 2020.
The same Revenue Office filed an appeal to the Supreme Court on 1 December 2020 and the Company filed a cross-appeal on 8 January 2021.

Comprel S.r.l. direct and indirect taxes for the year 2006

On 16 September 2011, Comprel S.r.l. was served a notice of assessment relating to IRAP and VAT for the year 2006 and a further assessment relating to IRES for the year 2006 (the latter also notified to Esprinet S.p.A. being the consolidating company, under the new assessment proceeding, as per Art. 40-bis of Italian Presidential Decree No. 600/1973) with a total recovery of 99 thousand euro, plus penalties and interest.

With respect to these Tax assessments, Comprel filed a settlement proposal whose negative outcome led it to lodge an appeal with the Provincial Tax Commission, that issued its Judgement No. 106/26/13 on 9 May 2013, which rejected Comprel's joint appeals.

On 9 July 2013, an appeal was lodged against this judgement.

On 9 July 2014 the Judgement No. 3801/2014 was issued that upheld the company's appeal in relation to the related points 4, 6, 7 and 11.

On 14 January 2015 an appeal was lodged by the General Attorney with the Supreme Court challenging the Judgement No. 3801/2014 of 9 July 2014 rendered by the Regional Tax Commission of Milan. The Company filed a cross-appeal on 20 February 2015.
On 31 May 2019, the Company filed an application for facilitated settlement of the pending tax disputes (Arts. 6 and 7 Italian Decree Law No. 119/2018).

The policies followed by the Company and the Group for the management of legal and tax disputes are reported in the section 'Main risks and uncertainties facing the Group and Esprinet S.p.A.
' of the Directors' report on Operations, to which reference should be made.

Current liabilities

27) Trade payables

(euro/000)	31/12/2020	31/12/2019	Var.
Trade payables	770,583	835,298	(64,715)
Receivables - credit notes	(99,341)	(91,335)	(8,006)
Total trade payables	**671,242**	**743,963**	**(72,721)**

Trade payables decreased by -10% compared with the previous year as a consequence of the reduction in the payment average days.

The item 'Receivables – credit notes' refers mainly to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections.

There are no trade payables with collaterals on corporate assets nor with a residual duration longer than 5 years.

28) Short-term financial liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Bank loans and overdrafts	21,035	6,818	14,217
Other financing payables	10,985	15,994	(5,009)
Financial payables to subsidiaries	12,945	7,921	5,024
Short - term financial liabilities	**44,965**	**30,733**	**14,232**

Payables to banks refer almost entirely to the valuation at the amortised cost of the portion of the medium-long term loans expiring within the following year (17.5 million euro as principal as at 31 December 2020 and 5.5 million euro, always as principal, as at 31 December 2019).
The change compared with previous year is due to the combined effect of the signing, in December 2020 with Cassa Depositi e Prestiti, of a new loan and the reclassification of non-current financial payables, in accordance with the amortisation plans of loans and the instalments falling due within twelve months.
Details relating to the outstanding loans can be found in the following '*Net financial indebtedness and loans covenants*' paragraph.

Payables to other lenders 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. The change in debt is closely correlated to the volume and timing of the receivables factored.

Financial payables to subsidiaries refer to the relationship with the subsidiary V-Valley S.r.l. under the cash pooling contract signed in the previous year for centralised treasury management.

34) Lease liabilities

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities (current)	6.400	6.374	26

The value of the current financial liability referring to the right-of-use assets as at 31 December 2020, equal to 6.4 million euro, was entered for 6.3 million euro as at 31 December 2019 and subsequently changed as better described below:

(euro/000)	31/12/2020	31/12/2019	Var.
Lease liabilities	**6,374**	**-**	**6,374**
Initial book value: 01/01/2019	-	6,361	(6,361)
Increase from subscribed contracts	52	133	(81)
Reclassification from non-current liabilities	6,233	6,237	(4)
Lease interests expenses	2,720	2,878	(158)
Termination/modification of contracts	(70)	-	(70)
Payments	(8,909)	(9,235)	326
Lease liabilities	**6,400**	**6,374**	**26**

For further information on the adoption of the new IFRS 16, please refer to the section 2.5 'Recently issued accounting standards'.

35) Debts for investments in subsidiaries

(euro/000)	31/12/2020	31/12/2019	Var.
Debts for investments in subsidiaries (current)	220	-	220

Payables for equity investments in subsidiaries (current) as at 31 December 2020 relate to the consideration to be paid, within 12 months, for the acquisition of 15% of the share capital of the subsidiary Celly S.p.A.

For further information please refer to the *'Significant events occurred in the period'* paragraph under 'Directors' Report on Operations'.

32) Provisions and other liabilities

Provisions and other liabilities solely includes payables whose maturity is within the following 12 months.

(euro/000)	31/12/2020	31/12/2019	Var.
Payables to subsidiary and associated companies (A)	**1,395**	**1,079**	**316**
Social security liabilities (B)	**3,483**	**3,388**	**95**
VAT payables	3,485	1,330	2,155
Withholding tax liabilities	46	24	22
Other tax liabilities	1,152	1,176	(24)
Other payables to Tax authorities (C)	**4,683**	**2,530**	**2,153**
Payables to personnel	4,782	4,257	525
Payables to customers	3,044	4,072	(1,028)
Payables to others	1,231	1,586	(355)
Total other creditors (D)	**9,057**	**9,915**	**(858)**
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	270	250	20
- Other deferred income	28	13	15
Accrued expenses and deferred income (E)	**298**	**263**	**35**
Provisions and other liabilities (F=A+B+C+D+E)	**18,916**	**17,175**	**1,741**

The amount of *Payables to subsidiaries and associated companies* and the breakdown by nature, specifying that in the two years under comparison the values relate exclusively to transactions with subsidiaries, are summarised in the tables below:

(euro/000)	31/12/2020	31/12/2019	Var.
Celly S.p.A.	140	186	(46)
V-Valley S.r.l.	7	1	6
4Side S.r.l.	403	118	285
Esprinet Iberica S.L.U.	398	145	253
Vinzeo Technologies S.A.U.	110	35	75
GTI Software Y Networking S.A.	12	-	12
Trade payables (a)	**1,070**	**485**	**585**
Celly S.p.A.	325	594	(269)
Payables due to the national cons. tax regime (b)	**325**	**594**	**(269)**
Financial payables (c)	**-**	**-**	**-**
Total payables to subsidiary and associated companies (a+b+c)	**1,395**	**1,079**	**316**

(euro/000)	31/12/2020	31/12/2019	Var.
Celly S.p.A.	465	780	(315)
V-Valley S.r.l.	7	1	6
4Side S.r.l.	403	118	285
Esprinet Iberica S.L.U.	398	145	253
Vinzeo Technologies S.A.U.	110	35	75
GTI Software Y Networking S.A.	12	-	12
Total payables to subsidiary and associated companies	**1,395**	**1,079**	**316**

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, monetary incentives included.

VAT liabilities, referring to the amount matured during the month of December.

Other tax liabilities are mainly taxes withheld by the Company from employees' income of December and from fees to consultants.

Payables to customers mainly refer to accounting movements linked to credit notes not yet settled relating to current trading relationships.

Payables to personnel refer to deferred monthly payables (holidays not taken, year-end bonus, summer salary, monetary incentives included) accrued at the end of the year.

Payables to others mainly include payables amounting to 0.7 million euro to Directors for fees accrued and unpaid relating to the year (1.2 million euro in 2019), as well as payables of 0.3 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)	31/12/2020	31/12/2019	Var.
Third-party assets on consignment to the Company	32,881	43,506	(10,625)
Bank guarantees issued in favour of subsidiaries	343,218	309,129	34,089
Bank guarantees issued in favour of other companies	11,845	10,831	1,014
Total guarantees issued	**387,944**	**363,466**	**24,478**

Third-party assets

This refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. warehouses.

Guarantees issued for the benefit of subsidiaries

The amount refers to letters of credit or comfort letters issued in favour of some banks and factor companies as guarantee for credit limits granted to the Company's subsidiaries as well as guarantees to some suppliers. The change compared with the previous year mainly refers to the increase in guarantees on behalf of the subsidiaries Esprinet Iberica SLU (16.2 million euro), the subsidiary Vinzeo Technologies S.A.U. (12.9 million euro) and the subsidiary Esprinet Portugal (5.0 million euro).

Bank guarantees issued in favour of other companies

The amount refers mainly 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. The change compared to the previous year refers mainly to the new guarantees granted during the year.

5. Notes to income statement items

It should be noted that in the *Directors' Report on Operations*, after comments on the Group's performance, some analyses of the economic results of Esprinet S.p.A. have been provided, completing the information provided in the following section.

33) Sales from contracts with customers

The following are some breakdowns of sales performance. Sales by product family and by customer type has been moved to *Directors' Report on Operations*.

Sales by products and services

(euro/million)	2020	%	2019	%		% Var.
Product sales	2,737.8	99.8%	2,518.4	99.8%	219.4	*9%*
Services Sales	6.6	0.2%	5.8	0.2%	0.8	*13%*
Sales from contracts with customers	**2,744.4**	**100.0%**	**2,524.2**	**100.0%**	**220.2**	***9%***

Sales by geographical segment

(euro/million)	2020	%	2019	%	% Var.
Italy	2,697.1	98.3%	2,468.3	97.8%	9%
Spain	28.8	1.0%	38.3	1.5%	-25%
Portugal	2.7	0.1%	2.9	0.1%	-7%
Other EU countries	13.9	0.5%	6.1	0.2%	>100%
Extra EU countries	1.9	0.1%	8.5	0.3%	-78%
Sales from contracts with clients Esprinet S.p.A.	**2,744.4**	**100.0%**	**2,524.2**	**100.0%**	**9%**

Sales of which 'Principal' or 'Agent'

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

(euro/million)	2020	%	2019	%	Var.	% Var.
Revenues from contracts with customers as 'principal'	2,740.8	*99.9%*	2,520.7	*99.9%*	220.1	*9%*
Revenues from contracts with customers as 'agent'	3.6	*0.1%*	3.5	*0.1%*	0.1	*3%*
Sales from contracts with customers	**2,744.4**	**100.0%**	**2,524.2**	**100.0%**	**220.2**	***9%***

35) Gross profit

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	2,744,368	100.00%	2,524,171	100.00%	220,197	*9%*
Cost of sales	2,622,681	95.57%	2,414,385	95.65%	208,296	*9%*
Gross profit	**121,687**	**4.43%**	**109,786**	**4.35%**	**11,901**	***11%***

The Gross profit amounted to 121.7 million euro, marking an increase of 11% compared to 2019 (109.8 million euro) due to higher sales, an increase also in the percentage margin (4.43% in 2020 compared to 4.35% in 2019).

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

The sales margin has been reduced by the difference between the amount of receivables transferred 'without-recourse' to factoring companies within the usual revolving programmes and the amounts collected. In 2020 such effect amounts to 2.1 million euro (2.5 million euro in 2019).

37-38-39) Operating costs

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Sales and marketing costs	33,680	1.23%	33,744	1.34%	(64)	*0%*
Overheads and administrative costs	60,679	2.21%	58,326	2.31%	2,353	*4%*
Impairment loss/reversal of financial assets	3,474	0.13%	570	0.02%	2,904	*>100%*
Operating costs	**97,833**	**3.56%**	**92,640**	**3.67%**	**5,193**	***6%***
- of which non recurring	4,893	0.18%	-	0.00%	4,893	*-100%*
'Recurring' operating costs	**92,940**	**3.39%**	**92,640**	**3.67%**	**300**	***0%***

2020 operating costs of 97.8 million euro increased by +6% (in line with the previous year if excluding non-recurring cost items), with an operating costs margin down from 3.67% in 2019 to 3.56% in 2020 (down from 3.67% to 3.39% if excluding non-recurring costs).

The following were identified during 2020 as non-recurring items:
- 0.9 million euro of charges related to the purchase of the equity investment in GTI Software y Networking S.A., Spanish distributor of cloud software and solutions;
- 1.2 million euro of charges borne due to the termination of the contract of former Group and Company Director and CFO;
- 2.6 million euro relating to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' product line, following the settlement of the legal dispute;
- 0.2 million euro of costs incurred to deal with the Covid-19 pandemic.

In 2019 no non-recurring items were identified.

The following table gives a detailed breakdown of operating costs and their performance in the two years compared:

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Sales & marketing personnel costs	30,806	*1.12%*	31,210	*1.24%*	(404)	*-1%*
Other sales & marketing costs	2,874	*0.10%*	2,534	*0.10%*	340	*13%*
Sales & marketing personnel costs	**33,680**	***1.23%***	**33,744**	***1.34%***	**(64)**	***0%***
Administr., IT, HR and general service personnel costs	17,099	*0.62%*	16,046	*0.64%*	1,053	*7%*
Directors' compensation	3,576	*0.13%*	3,383	*0.13%*	193	*6%*
Consulting services	6,387	*0.23%*	3,993	*0.16%*	2,394	*60%*
Logistics services	11,520	*0.42%*	11,263	*0.45%*	257	*2%*
Amortisation, depreciation and provisions	9,622	*0.35%*	10,741	*0.43%*	(1,119)	*-10%*
Other overheads and administrative costs	12,475	*0.45%*	12,900	*0.51%*	(425)	*-3%*
Overheads and administrative costs	**60,679**	***2.21%***	**58,326**	***2.31%***	**2,353**	***4%***
Impairment loss/reversal of financial assets	3,474	*0.13%*	570	*0.02%*	2,904	*>100%*
Total SG&A	**97,833**	***3.56%***	**92,640**	***3.67%***	**5,193**	***6%***

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;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry stores.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of 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 property, plant and equipment, amortisation of intangible assets (excluding assets relating to logistic equipment and plants allocated by function to sales costs) as well as provisions for risks;
- overheads and administrative costs, including utilities, bank commissions and fees, insurance, data connection and telephone costs.

The item *Impairment loss/reversal of financial assets* includes the adjustment of the nominal value of receivables to their estimated realisable value. In 2020 this item refers mainly to the non-recurring loss related, in the amount of 2.6 million euro, to the write-off of the residual balance of the receivables due to the parent company from the importing supplier of the 'Sport Technology' product line, following the settlement of the current legal dispute, the details of which are described in the corresponding section '*Provisions and other liabilities*' in the '*Notes to the financial statements*'.

Reclassification by nature of some categories of costs

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

Amortisation, depreciation, write-downs and provisions

(euro/000)	2020	%	2019	%		% Var.
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Depreciation of tangible assets	2,895	0.11%	2,798	0.11%	97	*3%*
Amortisation of intangible assets	162	0.01%	291	0.01%	(129)	*-44%*
Depreciation of right-of-use assets	7,361	0.27%	7,532	0.30%	(171)	*-2%*
Amort . & depreciation	**10,418**	**0.38%**	**10,621**	**0.42%**	**(203)**	***-2%***
Write-downs of fixed assets	-	0.00%	-	0.00%	-	*0%*
Amort. & depr., write-downs (A)	**10,418**	**0.38%**	**10,621**	**0.42%**	**(203)**	***-2%***
Accruals for risks and charges (B)	171	0.01%	927	0.04%	(756)	*-82%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**10,589**	**0.39%**	**11,548**	**0.46%**	**(959)**	***-8%***

(euro/000)	2020	2019	Var.
Depreciation of tangible assets increasing the accumulated deprec.	3,208	3,227	(19)
Debited to subsidiaries	(313)	(429)	116
Depreciation of tangible assets	**2,895**	**2,798**	**97**
Amortisation of intangible assets increasing the accumulated deprec.	242	503	(261)
Debited to subsidiaries	(80)	(212)	132
Amortisation of intangible assets	**162**	**291**	**(129)**

Depreciation and amortisation of fixed assets, both property, plant and equipment and intangible assets, reflect the adjustments shown in the second table, which allow for reconciliation with the respective tables.

Personnel costs

(euro/000)	2020	%	2019	%	Var.	*% Var.*
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Wages and salaries	29,447	1.07%	28,970	1.15%	477	*2%*
Social contributions	8,980	0.33%	8,871	0.35%	109	*1%*
Pension obligations	2,177	0.08%	2,191	0.09%	(14)	*-1%*
Other personnel costs	994	0.04%	819	0.03%	175	*21%*
Employee termination incentives	1,014	0.04%	187	0.01%	827	*442%*
Share incentive plans	305	0.01%	289	0.01%	16	*6%*
Total labour costs [1]	**42,917**	**1.56%**	**41,327**	**1.64%**	**1,590**	***4%***

[1] Costs of temporary workers excluded.

Personnel costs, amounting to 42.9 million euro in 2020, increased by 4% compared with 2019, a more than proportional increase with respect to the average increase in staff employed during the year (+2%), resulting from higher charges borne due to the termination of the contract of former Group Director and CFO.

Details of the Company's employees as at 31 December 2020, broken down by qualification, can be found under '*Human Resources*' in the '*Directors' Report on Operations*'.

<u>Share incentive plans</u>

On 25 June 2018 the rights to free assignment of the ordinary shares of Esprinet S.p.A. provided for in the "Long Term Incentive Plan" approved by the Shareholders' Meeting of the same on 4 May 2018 were assigned.
The Company currently owns only 111,755 of the ordinary shares underlying the above-mentioned Plan. Therefore it will need to acquire the remaining amount relating to the 1,150,000 rights granted.

The plan was and will be booked at 'fair value' according to the 'Black-Scholes' method, taking into account the dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at assignment date.

The main elements of information and parameters used for the purposes of valuing the free allotment rights of the shares for the aforementioned Plan, limited to rights intended for the Company's directors and employees, are summarised in the following table.

	2018-2020 Plan
Allocation date	25/06/18
Vesting date	30/04/21
Expiry date	30/06/21
Total number of stock grant	1,070,000
Total number of stock grant allocated	1,070,000
Total number of stock grant allowed	1,006,345 (1)
Unit fair value (euro)	3.20
Total fair value (euro)	3,220,304
Risk free interest rate (BTP 3 years)	1.1% (2)
Implied volatility (260 days)	36.5% (3)
Duration (years)	3
Spot price (3)	3.58
"Dividend yield"	3.8%

(1) Decrease due to employment termination of some beneficiaries.
(2) Source: Bloomberg, 22 June 2018
(3) Official price of Esprinet S.p.A. shares at assignment date

Costs in the current income statement relating to the above-mentioned plans with a contra entry in the '*Reserves*' item in the statement of financial position, totalled 305 thousand euro with reference to employees (289 thousand euro in 2019) and 854 thousand euro with reference to directors (871 thousand euro in 2019).

Leases and contracts for services of multi-year duration

The costs relating to leases of modest value and those with a duration of less than 12 months, for which the Company availed itself of the exclusion from the application of IFRS 16, amount to 102 thousand euro and 4 thousand euro, respectively.

The table below provides details of the costs related to contracts for services with a multi-year duration:

(euro/000)	2020	%	2019	%	Var.	*% Var.*
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Equipment	107	0.00%	101	0.00%	6	*6%*
Data connection lines	157	0.01%	144	0.01%	13	*9%*
Cost housing CED	114	0.00%	102	0.00%	12	*12%*
Total multi-year services costs	**378**	**0.01%**	**347**	**0.01%**	**31**	***9%***

Below are the commitments for future payments for service contracts with a multi-year duration:

(euro/000)	2021	2022	2023	2024	2025	Over	Total
Equipment	53	23	4	2	-	-	83
Data connection lines	226	132	-	-	-	-	358
Cost housing CED	149	87	-	-	-	-	236
Multi-year services commitments	**429**	**242**	**4**	**2**	**-**	**-**	**677**

42) Finance costs - net

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Interest expenses on borrowings	424	0.02%	1,625	0.06%	(1,201)	*-74%*
Interest expenses to banks	665	0.02%	327	0.01%	338	*>100%*
Other interest expenses	1	0.00%	3	0.00%	(2)	*-67%*
Upfront fees amortisation	447	0.02%	1,389	0.06%	(942)	*-68%*
IAS 19 expenses/losses	28	0.00%	56	0.00%	(28)	*-50%*
IFRS financial lease interest expenses	2,720	0.10%	2,878	0.11%	(158)	*-5%*
Expenses for changes in FV	625	0.02%	907	0.04%	(282)	*-31%*
Intercompany interest expenses	6	0.00%	19	0.00%	(13)	*-70%*
Total financial expenses (A)	**4,916**	**0.18%**	**7,204**	**0.29%**	**(2,288)**	***-32%***
Interest income from banks	(12)	0.00%	(59)	0.00%	47	*-80%*
Interest income from others	(226)	-0.01%	(131)	-0.01%	(95)	*73%*
Interest incomes from intercompany	(3)	0.00%	(335)	-0.01%	332	*-99%*
Gains for changes in FV	(2)	0.00%	(9)	0.00%	7	*-78%*
Total financial income(B)	**(243)**	**-0.01%**	**(534)**	**-0.02%**	**291**	***-54%***
Net financial exp. (C=A+B)	**4,673**	**0.17%**	**6,670**	**0.26%**	**(1,997)**	***-30%***
Foreign exchange gains	(2,005)	-0.07%	(581)	-0.02%	(1,424)	*>100%*
Foreign exchange losses	1,595	0.06%	1,840	0.07%	(245)	*-13%*
Net foreign exch. (profit)/losses (D)	**(411)**	**-0.01%**	**1,259**	**0.05%**	**(1,670)**	***<100%***
Net financial (income)/costs (E=C+D)	**4,262**	**0.16%**	**7,929**	**0.31%**	**(3,667)**	***-46%***

The overall balance of financial income and expenses, a negative 4.3 million euro, up by 3.7 million euro compared to the corresponding period of the previous year (7.9 million euro), due mainly to the higher net exchange losses, in addition to lower charges related to the arrangement fees of the pre-existing medium/long-term senior loan repaid on 26 September 2019.

On the other hand, net bank interest expense shows an improvement of 0.8 million euro, from 1.9 to 1.1 million euro, due to a lower average use of bank funding sources, at the same average cost of debt.

43) Investment expenses/(incomes)

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**2,744,368**		**2,524,171**		**220,197**	***9%***
Investments expenses / (incomes)	(4,755)	-0.17%	(1,600)	-0.06%	(3,155)	*197%*

The item as at 31 December 2020 includes the write-downs made during the year on the equity investments of the subsidiaries Celly S.p.A. (4.6 million euro) and Esprinet Portugal Lda (155 thousand euro).

For further information reference is made to item '*5) Equity investments*'.

45) Income tax expenses

(euro/000)	2020	%	2019	%	Var.	% Var.
Sales from contracts with customers	**2,744,367**		**2,524,171**		**220,196**	***9%***
Current tax - IRES (Corporation income tax)	1,726	0.06%	2,011	0.08%	(285)	*-14%*
Current tax - IRAP (Regional tax on productive activities)	1,293	0.05%	922	0.04%	371	*40%*
Income taxes previous years	(130)	0.00%	34	0.00%	(164)	*<-100%*
Current income taxes	**2,889**	**0.11%**	**2,967**	**0.12%**	**(78)**	***-3%***
Deferred tax - IRES (Corporation income tax)	2,523	0.09%	7	0.00%	2,516	*>100%*
Deferred tax - IRAP (Regional tax on productive activities)	55	0.00%	39	0.00%	16	*41%*
Deferred income taxes	**2,578**	**0.09%**	**46**	**0.00%**	**2,532**	***>100%***
Total tax - IRES (Corporation income tax)	4,119	0.15%	2,052	0.08%	2,067	*>100%*
Total tax - IRAP (Regional tax on productive activities)	1,348	0.05%	961	0.04%	387	*40%*
Total taxes	**5,467**	**0.20%**	**3,013**	**0.12%**	**2,454**	***81%***

Income taxes, amounting to 5.5 thousand euro, increased by 2.5 million euro compared with previous year.

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

(euro/000)	2020	2019
Result before taxes [A]	**14,837**	**7,617**
Operating profit (EBIT)	**23,854**	**17,146**
(+) bad debt provision	711	1,075
(+) provision for risks and charges	171	184
Taxable amout for IRAP [B]	**24,736**	**18,405**
Theoretical taxation IRES (= A*24%)	3,561	1,828
Theoretical taxation IRAP (= B*3,90%)	965	718
Total theoretical taxation [C]	**4,526**	**2,546**
Theoretical tax rate [C/A]	***30.5%***	***33.4%***
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(303)	(298)
Other permanent differences	1,244	765
Total effective taxation [D]	**5,467**	**3,013**
Effective tax rate [D/A]	***36.8%***	***39.6%***

6. Other significant information

6.1 Emoluments to the board members, statutory auditors and key managers

(euro/000)

Name and surname	Office	Period for which office was held	Office expiry	Fixed compensation: Fixed compensation	Fixed compensation: Remuneration from subordinate employment	Compensation for commitee participation	Variable non-equity compensation: Bonuses and other incentives [8]	Variable non-equity compensation: Profit sharing	Non monetary benefits [9]	Other remuneration	Total	Severance indemnity for end of office or termination of employment
Maurizio Rota	Chairman	01.01/31.12.2020	2021 [1]	450	-	-	-	-	5	-	455	-
Alessandro Cattani	Chief Executive Officer	01.01/31.12.2020	2021 [1]	450	-	-	290	-	4	-	744	-
Marco Monti [2]	Director	01.01/31.12.2020	2021 [1]	30	-	18	-	-	-	-	48	-
Matteo Stefanelli [3]	Director	01.01/31.12.2020	2021 [1]	30	-	41	-	-	-	-	71	-
Tommaso Stefanelli [4]	Director	01.01/31.12.2020	2021 [1]	30	-	41	-	-	-	-	71	-
Mario Massari [5]	Director	01.01/31.12.2020	2021 [1]	30	-	47	-	-	-	-	77	-
Chiara Mauri [6]	Director	01.01/31.12.2020	2021 [1]	30	-	18	-	-	-	-	48	-
Cristina Galbusera [5]	Director	01.01/31.12.2020	2021 [1]	30	-	36	-	-	-	-	66	-
Emanuela Prandelli	Director	01.01/31.12.2020	2021 [1]	30	-	-	-	-	-	-	30	-
Ariela Caglio	Director	01.01/31.12.2020	2021 [1]	30	-	-	-	-	-	-	30	-
Renata Maria Ricotti [7]	Director	01.01/31.12.2020	2021 [1]	30	-	18	-	-	-	-	48	-
Valerio Casari	Director	01.01/27.07.2020		47	155	-	240	-	2	-	444	1,150
Giovanni Testa	Chief Operating Officer	27.07/31.12.2020		-	154	-	175	-	1	-	330	-
Bettina Solimando	Chairman Statutory auditor	01.01/31.12.2020	2021 [1]	45	-	-	-	-	-	-	45	-
Patrizia Paleologo Oriundi	Acting statutory auditor	01.01/31.12.2020	2021 [1]	40	-	-	-	-	-	-	40	-
Franco Aldo Abbate	Acting statutory auditor	01.01/31.12.2020	2021 [1]	40	-	-	-	-	-	-	40	-
				1,342	**309**	**219**	**705**	**-**	**12**	**-**	**2,587**	**1,150**
(I) Compensation in the company preparing the financial statements												
Franco Aldo Abbate	Acting statutory auditor 4Side S.r.l.	01.01/31.12.2020	2022 [10]	10	-	-	-	-	-	-	10	-
(II) Compensation from subsidiaries and associates				**10**				**-**		**-**	**10**	**-**
(III) Total				**1,352**	**309**	**219**	**705**	**-**	**12**	**-**	**2,597**	**1,150**

[1] At the date of approval of the financial statements for the year ending 31 December 2020.
[2] Marco Monti – compensation for participation in the Strategy Committee.
[3] Matteo Stefanelli – compensation for participation in the Strategy Committee of 18 thousand euro and in the Competitiveness and Sustainability Committee of 23 thousand euro.
[4] Tommaso Stefanelli – compensation for participation in the Strategy Committee of 23 thousand euro and in the Competitiveness and Sustainability Committee of 18 thousand euro.
[5] Compensation for the participation in the Control and Risk Committee and in the Remuneration and Nomination Committee. The compensation refers to the overall remuneration for the participation in both Committees.
[6] Compensation for participation in the Remuneration and Nomination Committee.
[7] Compensation for the participation in the Control and Risk Committee.
[8] See Table 3See the table relating to the monetary incentive plans for administration body's members 'Bonus for the year payable/paid" and 'Deferred bonus for the year'
[9] '*Fringe Benefit*' represented by the use of the company car.
[10] Date of the approval of the financial statements for the year ended 31 December 2021.

The table below illustrates the Monetary incentive plans for members of the Board of Directors, general managers and other key managers (data in thousand euro).

Beneficiaries	Bonus of the year: Pyable/ Paid	Bonus of the year: Deferred	Bonus of the year: Period	Bonus from previous year: No longer eligible for payment	Bonus from previous year: Pyable/ Paid	Bonus from previous year: Still deferred
Maurizio Rota [1]	-	-	2020	90	51	-
Alessandro Cattani	197	93	2020	-	51	-
Valerio Casari	160	80	2020	-	41	-
Giovanni Testa	142	33	2020	-	-	-
Total	**499**	**206**		**90**	**143**	**-**

[1] The Executive Chairman's share of previous years' bonuses is no longer payable due to unilateral waiver by the Executive Chairman

In the above reported tables, information is provided regarding the emoluments of directors, general managers and 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 2020.
As defined by IAS 24 accounting standard and recalled 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'.

No advances have been made and no loans have been granted to the directors and statutory auditors of Esprinet S.p.A. for the performance of these functions, including in companies within the scope of consolidation.

The aforementioned compensation includes all paid or payable emolument items (gross of tax and social contribution withholdings), benefits in kind and compensation received as directors or statutory auditors for Group companies.

The table below illustrates the incentive plans based on financial instruments other than stock options, for members of the Board of Directors, general managers and other key managers.

Beneficiaries	Options held at 1° January 2020		Options held in 2020	Options assigned (taken up) in 2020	Options assigned in 2020	Options held at 31 December 2020		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Quantity	Average strike price	Average due date
Maurizio Rota	264,343	free	-	-	-	264,343		from 25/06/2018 to 07/04/2021[1]
Alessandro Cattani	264,343	free	-	-	-	264,343		
Valerio Casari	242,314	free	-	-	-	242,314		
Giovanni Testa	75,000	free	-	-	-	75,000		

[1] Date of the Shareholders' Meeting met for approval of the Financial Statements as at 31 December 2020 and presentation of the Consolidated Financial Statements as at 31 December 2020.

6.2 Net financial indebtedness and financial payables analysis

Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, net financial indebtedness (or 'net financial position') 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*' and referred to by CONSOB itself.

(euro/000)	31/12/2020	31/12/2019
A. Bank deposits and cash on hand	327,090	289,641
B. Cheques	-	1
C. Trading securities	-	-
D. Liquidity (A+B+C)	327,090	289,642
Other current financial receivables	*9,617*	*9,718*
Financial receivables from factoring companies	*147*	*3,526*
Intercompany financial receivables/(loans)	*(11,945)*	*(6,921)*
E. Current financial receivables	(2,181)	6,323
F. Current bank debt	3,543	1,340
G. Current portion of non current debt	17,492	5,478
H. Other current financial debt and financial liability for derivatives	17,605	22,368
I. Current financial debt (F+G+H)	38,640	29,186
J. Net current financial indebtedness (I-E-D)	**(286,269)**	**(266,779)**
K. Non-current bank loans	39,715	22,294
L. Other non - current financial receivables	(492)	(969)
M. Other financial debt & non-current financial liabilities for derivatives	77,232	81,742
N. Non-current financial indebtedness (K+L+M)	**116,455**	**103,067**
O. Net financial indebtedness (J+N)	**(169,814)**	**(163,712)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	32,020	22,812
Lease liabilities	6,400	6,374
Debts for investments in subsidiaries (current)	220	-
Other current financial receivables	(9,617)	(9,718)
Financial receivables from factoring companies	(147)	(3,526)
Financial receivables/liabilities from/to Group companies	11,945	6,921
Cash and cash equivalents	(327,090)	(289,642)
Net current financial debt	**(286,269)**	**(266,779)**
Non-current financial (assets)/liabilities for derivatives	620	-
Other non - current financial receivables	(492)	(969)
Borrowings	39,715	22,294
Lease liabilities	76,382	81,742
Debts for investments in subsidiaries (non-current)	230	-
Net financial debt	**(169,814)**	**(163,712)**

With reference to the same table, it should be underlined that the net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial payables'.

The net financial payables, showing a surplus of 169.8 million euro, results from the balance between gross financial payables of 71.7 million euro, financial payables to Group companies for 11.9 million euro, other financial payables for 1.1 million euro, financial receivables for 10.3 million euro, lease financial liabilities for 82.8 million euro, cash and cash equivalents for 327.1 million euro.

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

In 2020, the without-recourse sale of account receivables revolving programme focussing mainly on the large-scale distribution sector, continued as part of the processes aimed at the structural optimisation of the management of working capital. In addition to this, the securitisation programme also continued during the period, launched in Italy in July 2015 and renewed in July 2018, for additional trade receivables.

Considering the fact that the aforementioned programmes entail the full transfer of the risks and benefits to the assignees, the receivables subject to assignment are eliminated from income statement assets in compliance with IFRS 9. The overall effect on the level of net financial payables as at 31 December 2020 is quantified at roughly 276.7 million euro (258.3 million euro as at 31 December 2019).

With regard to medium/long-term financial payables, the table below shows, for each loan obtained, the principal amount of loans due within and beyond the next financial year. It should be noted that the amounts shown may differ from the individual carrying amounts because the latter are representative of the amortised cost calculated by applying the effective interest rate method.

(euro/000)	31/12/2020			31/12/2019			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Cassa Depositi e Prestiti loan	7.000	28.000	35.000	-	-	-	7.000	28.000	35.000
Carige	2.564	-	2.564	2.521	2.564	5.085	43	(2.564)	(2.521)
BCC Carate	2.532	1.277	3.809	2.499	3.809	6.308	33	(2.532)	(2.499)
Intesa Sanpaolo (GdF loan)	476	497	973	458	973	1.431	18	(476)	(458)
Banca Pop. di Sondrio	4.920	10.080	15.000	-	15.000	15.000	4.920	(4.920)	-
Total loan	**17.492**	**39.854**	**57.346**	**5.478**	**22.346**	**27.824**	**12.014**	**17.508**	**29.522**

The following table displays the book value of principal of the loans granted to the Company, having a weighted average rate in 2020 of approx. 1.5% (approx. 1.6%, or approx. 1.9% taking into account the cost of existing IRS to partially hedge the risk exposure to interest variability, in 2019).

(euro/000)	31/12/2020	31/12/2019	Var.
Unsecured loan (agent: Cassa Depositi e Prestiti) repayable in six-monthly instalments by December 2025	35,000	-	35,000
Pool loan 'GdF' (agent: Intesa Sanpaolo) repayable in yearly instalments by January 2022	973	1,431	(458)
Unsecured loan (agent: Carige) repayable in six-monthly instalments by December 2021	2,564	5,085	(2,521)
Unsecured loan (agent: BCC Carate) repayable in six-monthly instalments by March 2022	3,809	6,308	(2,499)
Unsecured loan (agent: Banca Popolare di Sondrio) repayable in quarterly instalments by November 2023	15,000	15,000	-
Total book value	**57,346**	**27,824**	**29,522**

The loan granted by Intesa Sanpaolo and identified as the 'GdF loan' relates to a supply of products to the customer 'Guardia di Finanza' (GdF). In relation to this transaction, a financial receivable of the same amount, broken down into current and non-current portions, was booked.

In addition to the afore mentioned medium/long-term loans, during the previous year, the Company signed a 3-year “unsecured” RCF-Revolving Credit Facility with a pool of domestic and international banks for a total of 152.5 million euro (used for ca. three months during the first half-year and not used at the financial statement closing date), secured by a structure of financial covenants to be

verified on a half-yearly basis on the consolidated and certified financial statements data, typical for transactions of this nature, which make provision for the possible acceleration clause for reimbursements in the event they are not respected. These covenants are determined as follows:
- ratio of net financial indebtedness to EBITDA;
- ratio of extended net financial indebtedness to Equity;
- ratio of EBITDA to net financial charges;
- absolute amount of gross financial indebtedness.

These covenants as at 31 December 2020, according to management's estimates (as the same must be verified in the consolidated financial statements and certified by the independent auditors), were respected.

Loan agreements, including those that do not contain financial covenants and the Revolving Credit Facility mentioned above, also contain the usual 'negative pledge', 'pari passu' and similar clauses none of which had been breached at the time this report was drafted.

6.3 Cash flow analysis

(euro/000)	2020	2019
Net financial debt at year-beginning	**(163,712)**	**(144,936)**
Cash flow provided by (used in) operating activities	15,194	129,166
Cash flow provided by (used in) investing activities	(5,625)	(5,025)
Cash flow provided by (used in) changes in net equity	(1,656)	(10,765)
Total cash flow	**7,913**	**113,376**
Unpaid interests	(517)	(1,882)
Unpaid leasing interests	(224)	-
Variation FV 4Side option	(620)	-
Deferred price Celly investment	(450)	-
Lease liabilities posting	-	(93,099)
Increase/(decrease) in 'cash flow edge' equity reserve	-	381
Net financial debt at year-end	**(169,814)**	**(163,712)**
Short-term financial liabilities	32,020	22,812
Lease liabilities	6,400	6,374
Other current financial receivables	(9,617)	(9,717)
Financial receivables from factoring companies	(147)	(3,526)
Debts for investments in subsidiaries (current)	220	-
Financial (assets)/liab. From/to Group companies	11,945	6,921
Cash and cash equivalents	(327,090)	(289,642)
Net current financial debt	**(286,269)**	**(266,778)**
Borrowings	39,715	22,294
Lease liabilities	76,382	81,742
Debts for investments in subsidiaries (non-current)	230	-
Non-current financial (assets)/liab. for derivatives	620	-
Other non - current financial receivables	(492)	(969)
Net financial debt at year-beginning	**(169,814)**	**(163,712)**

As shown in the table, as a result of cash flow developments detailed in the *Statement of cash flows*, Esprinet S.p.A. books a cash surplus equal to 169.8 million euro compared to 163.7 million euro as at 31 December 2019.

6.4 Shareholdings

Below is the *Shareholding schedule*, which provides data relating to the investee companies obtained from the respective 'reporting packages' for the year ended 31 December 2020 prepared in accordance with IFRS accounting standards:

Direct subsidiaries:

N.	Name	Headquarters	Interest held	Group interest held
1	Celly S.p.A.	Vimercate (MB) - Italy	100.00%	100.00%
2	V-Valley S.r.l.	Vimercate (MB) - Italy	100.00%	100.00%
3	4Side S.r.l.	Legnano (MI) - Italy	51.00%	51.00%
4	Nilox Deutschland GmbH	Düsseldorf - Germany	100.00%	100.00%
5	Esprinet Iberica S.L.U.	Saragozza - Spain	100.00%	100.00%
6	Esprinet Portugal Lda	Porto - Portugal	5.00%	100.00%

N.	Name	Currency	Share capital	Net equity	Result for the period	Carrying amount
1	Celly S.p.A.	EUR	1,250,000	3,627,860	(2,157,760)	5,841,940
2	V-Valley S.r.l.	EUR	20,000	4,605,738	903,278	20,000
3	4Side S.r.l.	EUR	100,000	4,275,517	928,101	1,348,143
4	Nilox Deutschland GmbH	EUR	400,000	(782,789)	(39,797)	-
5	Esprinet Iberica S.L.U.	EUR	54,692,844	133,510,568	8,089,848	75,863,099
6	Esprinet Portugal Lda	EUR	2,500,000	1,810,174	370,039	-

Compared to 31 December 2019, it should also be noted that on 28 October 2020 a further 15% stake in Celly S.p.A. was purchased, a transaction that increased the shareholding from 85% to 100%.

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

6.5 Summary of subsidiaries' main financial and economic figures

The following tables show key data from the subsidiaries' draft financial statements as at 31 December 2020 as approved by the respective Boards of Directors. Please note that the financial statements have been drawn up in accordance with local accounting policies.

(euro/000)	Celly S.p.A.	Nilox Deutschland GmbH	V-Valley S.r.l.	4 Side s.r.l.	Esprinet Iberica S.L.U.
Sales from contracts with customers	18,154	(72)	148,437	15,326	875,741
Cost of sales	(12,652)	103	(146,406)	(12,416)	(843,171)
Gross profit	**5,502**	**31**	**2,032**	**2,909**	**32,569**
Sales and marketing costs	(5,522)	(16)	-	(1,032)	(5,333)
Overheads and administrative costs	(2,732)	(55)	(828)	(679)	(19,455)
Impairment loss/reversal of financial assets	38	-	(8)	77	(98)
Operating income (EBIT)	**(2,714)**	**(40)**	**1,196**	**1,276**	**7,683**
Finance costs - net	38	(0)	6	(3)	(388)
Investments expenses / (incomes)	-	-	-	-	(1,425)
Result before income taxes	**(2,676)**	**(40)**	**1,202**	**1,273**	**5,871**
Income tax expenses	649	-	(301)	(335)	(1,832)
Net result before non-controlling interests	**(2,027)**	**(40)**	**901**	**938**	**4,039**
Net result	**(2,027)**	**(40)**	**901**	**938**	**4,039**

(euro/000)	Celly S.p.A.	Nilox Deutschland GmbH	V-Valley S.r.l.	4 Side s.r.l.	Esprinet Iberica S.L.U.
ASSETS					
Non-current assets					
Property, plant and equipment	39	-	-	108	2,201
Right of use assets	-	-	-	-	-
Goodwill	-	-	-	-	29,280
Intangible assets	5	-	-	18	56
Investments in associates	-	-	-	-	-
Investments	3	-	-	-	91,394
Deferred income tax assets	733	-	11	1,069	4,781
Receivables and other non-current assets	-	135	-	2	348
	781	**135**	**11**	**1,197**	**128,061**
Current assets					
Inventory	3,880	-	-	776	56,358
Trade receivables	3,890	30	41,773	5,466	68,353
Income tax assets	99	-	4	-	104
Other assets	791	8	14,280	477	28,380
Cash and cash equivalents	590	73	-	3,708	80,736
	9,250	**111**	**56,057**	**10,427**	**233,931**
Total assets	**10,031**	**246**	**56,068**	**11,624**	**361,992**
EQUITY					
Share capital	1,250	400	20	100	55,203
Reserves	4,057	(1,143)	3,725	2,636	52,645
Net income for the period	(2,027)	(40)	901	938	4,039
	3,280	**(783)**	**4,646**	**3,674**	**111,887**
Non-controlling interests					
Total equity	**3,280**	**(783)**	**4,646**	**3,674**	**111,887**
LIABILITIES					
Non-current liabilities					
Borrowings	-	-	-	-	28,506
Lease liabilities	-	-	-	-	-
Deferred income tax liabilities	5	-	-	-	-
Retirement benefit obligations	607	-	-	234	-
Provisions and other liabilities	1,031	-	-	289	45
	1,643	**-**	**-**	**523**	**28,551**
Current liabilities	-				
Trade payables	2,614	70	58	5,927	171,440
Short-term financial liabilities	264	-	312	1,000	35,150
Lease liabilities	-	-	-	-	-
Income tax liabilities	-	-	-	48	-
Provisions and other liabilities	2,229	959	51,052	452	14,964
	5,108	**1,029**	**51,422**	**7,427**	**221,554**
Total liabilities	**6,751**	**1,029**	**51,422**	**7,950**	**250,105**
Total equity and liabilities	**10,031**	**246**	**56,068**	**11,624**	**361,992**

6.6 Relationships with related parties

The following sections provide details of the statement of financial position and the separate income statement arising from transactions with related parties, identified in accordance with IAS 24, with the exception of transactions with directors and key managers highlighted in the section of the same name to which reference should be made.

6.6.1 Intercompany costs and sales

Details of sales and costs recorded by Esprinet S.p.A. in relation to Group companies are as follows:

6.6.2 Relationships with subsidiaries

The following is a summary of 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'. Intercompany costs and sales have been detailed in the previous section.
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

(euro/000)	Type	2020		2019	
		Sales	Cost	Sales	Cost
Sales					
Nilox Deutschland GmbH	Sales of goods	(105)	-	560	-
Esprinet Iberica S.L.U.	Sales of goods	27,312	-	38,563	-
Vinzeo SAU	Sales of goods	151	-	(237)	-
Esprinet Portugal Lda	Sales of goods	2,722	-	2,889	-
Celly S.p.A.	Sales of goods	237	-	329	-
Subtotal		**30,317**	**-**	**42,105**	**-**
Cost of sales					
4Side s.r.l.	Purchase of goods	-	121	-	352
4Side s.r.l.	Transport costs	-	(4)	-	(6)
Nilox Deutschland GmbH	Transport costs	-	-		(45)
Esprinet Iberica S.L.U.	Purchase of goods	-	1,266	-	836
Celly S.p.A.	Transport costs	-	(7)	-	(6)
Celly S.p.A.	Purchase of goods	-	235	-	246
Subtotal		**-**	**1,611**	**-**	**1,377**
Sales and marketing costs					
V-Valley S.r.l.	Fees on sales	-	2,194	-	2,362
Subtotal		**-**	**2,194**	**-**	**2,362**
Overheads and administrative costs					
4Side s.r.l.	Administrative services	-	152	-	152
V-Valley S.r.l.	Hardware and software support costs	-	(70)	-	(68)
V-Valley S.r.l.	Administrative services	-	(134)	-	(98)
Esprinet Iberica S.L.U.	Hardware and software support costs	-	(969)	-	(1,238)
Esprinet Iberica S.L.U.	Administrative services	-	(85)	-	(79)
Vinzeo SAU	Hardware and software support costs	-	(62)	-	(71)
Vinzeo SAU	Administrative services	-	3	-	(49)
V-Valley Iberian S.L.U.	Administrative services	-	(12)	-	(5)
V-Valley Iberian S.L.U.	Hardware and software support costs	-	(11)	-	(6)
Esprinet Portugal Lda	Hardware and software support costs	-	(63)	-	(100)
Esprinet Portugal Lda	Administrative services	-	(64)	-	(58)
Celly S.p.A.	Hardware and software support costs	-	(159)	-	(124)
Celly S.p.A.	Administrative services	-	(657)	-	(666)
Subtotal		**-**	**(2,129)**	**-**	**(2,409)**
Finance costs - net					
4Side s.r.l.	Interests income	3	-	4	-
Esprinet Portugal Lda	Interests income	-	-	43	-
Vinzeo SAU	Interests expenses	-	-	-	18
V-Valley Iberian S.l.u.	Interests income	-	-	46	-
V-Valley S.r.l.	Interests expenses	-	6		1
Esprinet Iberica S.L.U.	Interests income	-	-	243	-
Subtotal		**3**	**6**	**335**	**19**
Total		**30,320**	**1,682**	**42,440**	**1,349**

Esprinet S.p.A. manages and co-ordinates its subsidiaries resident in Italy.
These activities 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 Management and Organisational Model pursuant to Italian Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Italian Legislative Decree 196/03;
- 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 subsidiaries 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 subsidiary Celly S.p.A. have opted for the tax regime as established in the 'National consolidated tax regime', as per Articles 117 and followings of Italian Presidential Decree 917/86 (TUIR - Italian Income Tax Code), in 2018 for the 3-years period 2018-2020.
In 2019, V-Valley opted again for the 'National consolidated tax regime' for the 3-year period 2019-2021.
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 '*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 '*Income tax liabilities*' calculated on the basis of the estimated positive and negative taxable amounts of the subsidiaries that participated in the national consolidated tax regime, net of advances paid, withholding taxes withheld and tax credits attributable to the companies themselves; as a contra-entry to the tax liability, the corresponding receivables of the consolidating company from Group companies for the current tax corresponding to the positive taxable amounts transferred under the national consolidated tax regime are recorded.
Payables for compensations due to subsidiaries with negative taxable amounts are reported under the item '*Payables to subsidiaries*'.

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 statutory requirements 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.

Celly S.p.A.

During the year Celly S.p.A. purchased goods from the parent company totalling 0.2 million euro and also sold products to Esprinet S.p.A. totalling 0.2 million euro.
Moreover, Celly S.p.A. paid to the parent company approximately 0.8 million euro for office rental, headquarters management expenses, personnel costs charge back, EDP consultancy, debiting of general expenses, 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.

V-Valley S.r.l.

As a result of the commission agreement signed on 20 October 2010, in 2020, V-Valley entered into purchase agreements in its own name, but on behalf of Esprinet S.p.A. The total amount of the agreements signed was 146 million euro (158 million euro in 2019), against which commission on sales accrued for 2.2 million euro (2.4 million euro in 2019).
Moreover, on the basis of a 'service agreement' signed between Esprinet S.p.A. and V-Valley, the latter paid a fee of 0.2 million euro to the parent company in 2020 for the rental of equipment, recharging 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.

In 2011, Esprinet S.p.A. resolved in favour of V-Valley, a letter of credit (granted to Aosta Factor and still outstanding in 2020) for 20 million euro, in 2013 a letter of credit (granted to IFI Italia S.p.A. and still outstanding in 2020) was approved for 18 million euro, as well as a letter of credit granted to

Ubi Factor S.p.A. in 2018 for 5 million euro through which Esprinet acts as guarantor for the company's use of the same.
On the other hand, the letter of credit granted in 2010 to Intesa San Paolo for approximately 1 million euro and the letter of credit granted to MBFacta (formerly Creditech) in 2016 for 5 million euro, with which Esprinet acts as guarantor for the company's use of the same, were terminated in the previous year.

4 Side S.r.l.

During the year 4Side S.r.l. sold goods from the parent company for 0.1 million euro.
4Side S.r.l. paid also approximately 0.2 million euro to the parent company mainly for administrative activities related to the corporate purpose and interest on the outstanding loan amounting to 3 thousand euro.

Nilox Deutschland GmbH

During the year, the parent company issued credit notes to the subsidiary Nilox Deutschland GmbH for 0.1 million euro.

Esprinet Iberica S.L.U.

During the year Esprinet Iberica purchased goods from Esprinet S.p.A. totalling 27.3 million euro and also sold products to Esprinet S.p.A. totalling 1.3 million euro.

Esprinet Iberica also paid approx. 1.1 million euro according to a service agreement to lease equipment, for the use of data lines and administrative services.

Vinzeo Technologies S.A.U.

During the year, Vinzeo purchased approx. 0.2 million euro of goods from the parent company and paid also around 59 thousand euro for the use of data lines and administrative services to the parent company.

Esprinet Portugal Lda

In 2020 Esprinet Portugal purchased 2.7 million euro of goods from the parent company and paid approx. 0.1 million euro mainly for the recharge of EDP consultancy and sundry administrative services.

V-Valley Iberian S.L.U.

In 2020 V-Valley Iberian S.L.U. paid approx. 22 thousand euro to the parent company, mainly for the recharge of EDP consultancy and sundry administrative services.

6.6.3 Relationships with 'other related parties'

Relationships with other related parties, as defined by IAS 24, are described in "*3. Relations with related parties*" paragraph in the Directors' Report on Operations, to which refer for more details.

6.7 Non-recurring significant events and operations

In the 2020, the following non-recurring items were identified:

- 1.2 million euro of charges borne due to the termination of the contract of former Group and

Company Director and CFO;
- 0.9 million euro, relating primarily to advisory services, incurred in relation to the business combination in Spain (GTI Group);
- 0.2 million euro relating to the costs incurred to face the Covid-19 health emergency;
- 2.6 million euro relating to the write-off of the residual balance of the receivables (nominal value of 11.4 million euro and already written-down in 2018 for the amount of 8.8 million euro) from the supplier of the 'Sport Technology' line, following the settlement of the legal dispute.

During the corresponding period of 2019 non-recurring items were not identified.

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

Non-recurring Income and expenses (euro/000)	**2020**	**2019**	**Var.**
Employee termination incentives	(1,150)	-	(1,150)
Business combination acquisition costs	(905)	-	(905)
Covid-19 costs	(211)	-	(211)
Overheads and administrative costs	**(2,266)**	**-**	**(2,266)**
Write-off of the residual balance receivable "Sport Technology" product line	(2,627)	-	(2,627)
Impairment loss/reversal of financial assets	**(2,627)**	**-**	**(2,627)**
Operating Income (EBIT)	**(4,893)**	**-**	**(4,893)**
Profit before income taxes	**(4,893)**	**-**	**(4,893)**
Non -recurring Income tax expenses	1,262	-	1,262
Net income/(loss)	**(3,631)**	**-**	**(3,631)**

6.8 Main disputes pending

Developments in pending 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*'. Similarly, the '*Report on Operations*' also contains the Group's policies regarding the management of legal and tax-related disputes under '*Main risks and uncertainties*'.

6.9 Disclosure on risks and financial instruments

6.9.1 Financial instruments pursuant to IFRS 9: classes of risk and fair value

The following tables illustrate together the financial instrument items in the statement of financial position and the financial assets and liabilities categories in accordance with the accounting standard IFRS 9.
For further details about the contents of individual items please see the analyses provided in the specific sections in the chapter '*Notes to the statement of financial position items*'.

Assets (euro/000)	31/12/2020 Carrying amount	31/12/2020 Financial assets FVTPL (1)	31/12/2020 Financial assets amortized cost	31/12/2020 Out of scope IFRS 9	31/12/2019 Carrying amount	31/12/2019 Financial assets FVTPL (1)	31/12/2019 Financial assets amortized cost	31/12/2019 Out of scope IFRS 9
Customer financial receivables	*492*		*492*		*969*		*969*	
Guarantee deposits	*1,744*		*1,744*		*1,743*		*1,743*	
Receiv and other non-curr. Assets	2,236		2,236	-	2,712		2,712	-
Non-current assets	**2,236**	**-**	**2,236**	**-**	**2,712**	**-**	**2,712**	**-**
Trade receivables	301,561	130,638	170,923		272,957	130,230	142,727	
Receivables from subsidiaries	*58,043*		*58,043*		*63,911*		*63,911*	
Other tax receivable	*9,434*			*9,434*	*8,894*			*8,894*
Receivables from factors	*147*		*147*		*3,526*		*3,526*	
Customer financial receivables	*9,617*		*9,617*		*9,717*		*9,717*	
Receivables from insurances	*417*		*417*		*377*		*377*	
Receivables from suppliers	*7,855*		*7,855*		*9,929*		*9,929*	
Receivables from others	*89*		*89*		*130*		*130*	
Pre-payments	*3,433*			*3,433*	*4,226*			*4,226*
Receiv and other curr. Assets	89,035		76,168	12,867	100,710		87,590	13,120
Cash and cash equivalents	327,090		327,090		289,642		289,642	
Current assets	**717,686**	**130,638**	**574,181**	**12,867**	**663,309**	**130,230**	**519,959**	**13,120**

Liabilities (euro/000)	31/12/2020 Carrying amount	31/12/2020 Financial liabilities FVTPL (1)	31/12/2020 Financial liabilities amortized cost	31/12/2020 Out of scope IFRS 9	31/12/2019 Carrying amount	31/12/2019 Financial liabilities FVTPL (1)	31/12/2019 Financial liabilities amortized cost	31/12/2019 Out of scope IFRS 9
Borrowings	39,715		39,715		22,294		22,294	
Lease liabilities	76,382		76,382		81,742		81,742	
Derivative financial liabilities	620	620			-	-		
Debts for investments in subsidiaries	230		230		-		-	
Provisions for pensions	*1,189*			*1,189*	*1,171*			*1,171*
Other provisions	*911*			*911*	*853*			*853*
Cash incentive liabilities	*82*		*82*		*260*		*260*	
Provis. and other non-curr. liab.	2,182		82	2,100	2,284		260	2,024
Non-current liabilities	**119,129**	**620**	**116,409**	**2,100**	**106,320**	**-**	**104,296**	**2,024**
Trade payables	671,242		671,242		743,963		743,963	
Short-term financial liabilities	44,965		44,965		30,733		30,733	
Lease liabilities	6,400		6,400		6,374		6,374	
Debts for investments in subsidiaries	220		220		-		-	
Payables to assoc. and subsidiar	*1,395*		*1,395*		*1,079*		*1,079*	
Social security liabilities	*3,483*		*3,483*		*3,388*		*3,388*	
Other tax liabilities	*4,683*			*4,683*	*2,530*			*2,530*
Payables to others	*9,057*		*9,057*		*9,915*		*9,915*	
Accrued expenses (insurance)	*270*		*270*		*250*		*250*	
Deferred income	*28*			*28*	*13*			*13*
Provisions and other liabilities	18,916	-	14,205	4,711	17,175	-	14,632	2,543
Current liabilites	**741,743**	**-**	**737,032**	**4,711**	**798,245**	**-**	**795,702**	**2,543**

(1) 'FVTPL' - Fair Value Through Profit and Loss: includes derivatives at 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 financial receivables;
  - receivables from insurance companies;
  - intercompany receivables;
  - trade receivables (except for component measured at fair value);

- other receivables;
- receivables from suppliers;
- receivables from employees;
- trade payables;
- financial payables;
- lease liabilities;
- financial payables for investments in subsidiaries;
- intercompany payables;
- sundry payables.

- financial instruments measured at fair value since initial recognition:
    - derivative financial assets;
    - derivative financial liabilities;
    - trade receivables (portion not measured at amortised cost).

Assets and liabilities recorded in the financial statements at fair value, as specified in greater detail below, corresponds to a level 2 in the hierarchy with the exception of 'Trade receivables (portion not measured at amortised cost)' and 'Financial payables for investments in subsidiaries' which, also deriving from estimates made by management, corresponds to level 3.
'Trade receivables' as at 31 December 2019 were entirely collected in 2020 while 'Financial payables for investments in subsidiaries' occurred during the year in relation to the value adjustment of the purchase option of the non-controlling interests in the company 4Side S.r.l.

Qualitative disclosures regarding the different risk categories can be found under the same section in the '*Notes to the consolidated financial statements*'.

The fair value measurement of financial assets and liabilities reported in the statement of financial position as provided for by IFRS 9 and governed by IFRS 7 and IFRS 13, grouped by category, and the methods and the assumptions applied in determining them, are as follows:

Assets	31/12/2020						31/12/2019					
		Fair value						Fair value				
(euro/000)	Carrying amount	Trade receiv	Financial receiv	Receiv. from insurers	Receiv. from Group	Other Receiv.	Carrying amount	Trade receiv	Financial receiv	Receiv. from insurers	Receiv. from Group	Other Receiv.
Customer financial receivable	*492*		*522*				*969*		*1,036*			
Guarantee deposits	*1,744*	-	-			*1,825*	*1,743*					*1,831*
Rec. and other non-curr. Assets	2,236	-	522			1,825	2,712	-	1,036			1,831
Non-current assets	**2,236**	**-**	**522**	**-**	**-**	**1,825**	**2,712**	**-**	**1,036**	**-**	**-**	**1,831**
Trade receivables	301,561	301,561					272,957	272,957				
Receivables from subsid.	*58,043*				*58,043*		*63,911*				*63,911*	
Receiv. from factors	*147*		*147*				*3,526*		*3,526*			
Customer financial receivable	*9,617*		*9,617*				*9,717*		*9,717*			
Receiv. from insurances	*417*			*417*			*377*			*377*		
Receiv. from suppliers	*7,855*					*7,855*	*9,929*					*9,929*
Receiv. from others	*89*					*89*	*130*					*130*
Rec. and other curr. Assets	76,168	-	9,764	417	58,043	7,944	87,590	-	13,243	377	63,911	10,059
Cash and cash equival.	327,090		327,090				289,642		289,642			
Current assets	**704,819**	**301,561**	**336,854**	**417**	**58,043**	**7,944**	**650,189**	**272,957**	**302,885**	**377**	**63,911**	**10,059**

Liabilities	**31/12/2020**						**31/12/2019**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	**Trade payables**	**Financial liabilities**	**FVTPL Derivate**	**Other payab**	**Payab. to Group**	**Carrying amount**	**Trade payables**	**Financial liabilities**	**FVTPL Derivate**	**Other payab**	**Payab. to Group**
Borrowings	39,715		39,923				22,294		22,319			
Derivative financial liabilities	620			620			-			-		
Debts for investments in subsidiaries	230		233				-		-			
Cash incentive liabilities	*82*				*82*		*260*				*260*	
Provisions and other liabilities	82				82		260				260	
Non-current liabilites	**40,647**	**-**	**40,156**	**620**	**82**	**-**	**22,554**	**-**	**22,319**	**-**	**260**	**-**
Trade payables	671,242	671,242					743,963	743,963				
Short-term financial liabilities	44,965		45,496				30,733		31,039			
Debts for investments in subsidiaries	220		220				-		-			
Payables to assoc. and subsidiar	*1,395*					*1,395*	*1,079*					*1,079*
Social security liabilities	*3,483*				*3,483*		*3,388*				*3,388*	
Payables to others	*9,057*				*9,057*		*9,915*				*9,915*	
Accrued expenses (insurance)	*270*				*270*		*250*				*250*	
Provisions and other liabilities	14,205				12,810	1,395	14,632				13,553	1,079
Current liabilites	**730,632**	**671,242**	**45,716**	**-**	**12,810**	**1,395**	**789,328**	**743,963**	**31,039**	**-**	**13,553**	**1,079**

IFRS 13 identifies a hierarchy of assessment techniques based on three levels:

- Level 1: the data used in the assessments is represented by prices quoted on markets where assets and liabilities identical to those being assessed are traded;
- Level 2: the data used in the assessments, other than the quoted prices referred to in Level 1, are observable for the financial asset or liability, both directly (prices) and indirectly (derived from prices);
- Level 3: non-observable data; where observable data is not available and, therefore, there is little or no market activity for the assets and liabilities being assessed.

Given their short-term maturity, the gross carrying value of current assets and liabilities (excluding items specially measured) is deemed a reasonable approximation of their fair value.

The fair value of non-current assets and financial payables, including payables for investment in subsidiaries, was estimated by discounting expected future cash flows from principal and interest, according to the terms and the maturity dates of each agreement, and using the interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The interest rates used were obtained from the 'Forward' and the 'Spot' Curve as at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.

The derivative financial payables comprise the difference between the valuation of the 49% of the remaining interests in 4Side S.r.l. and the forward price valuation payable under the option contract entered with the minority shareholder (exercisable from 20 May 2023).
The fair value so measured corresponds to a level 3 in the fair value hierarchy being based also on management estimates about future financial performance of the subsidiary. The underlying main assumptions based on which that value was calculated are consistent with those used in the 'DCF Model' for the interests in the 4Side S.r.l. For details reference is made to paragraph '*B) Basic assumptions / critical variables*' under 'Investments in subsidiaries and other companies' in the *Notes to the Financial Statements*.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the 'Derivatives analysis' paragraph for more information relating to existing derivative instruments.

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

Adjustments to the value of financial assets, estimated following a precise assessment of the solvency of each debtor, were shown under the related item 'Impairment loss/reversal of financial assets' in the separate income statement. These adjustments totalled 3.5 million euro (0.6 million euro in 2019), including 2.6 million euro relating to the non-recurring event represented by the redemption of the write-off of the residual amount receivable due from the long-standing supplier of the 'Sport Technology' line, due to the settlement signed in December 2020.

6.9.2 Additional information about financial assets

During the year, as in the previous year, it was not necessary to make any changes in the method of accounting for financial assets (not recognising the initial recognition at fair value and subsequent recognition at cost of certain balance sheet items, as required by international accounting standards).

As already highlighted in the section '*Trade and other receivables*' the value of receivables is constantly reduced by the established impairment losses.
This transaction is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
The following table illustrates the change in the bad debt provision relating to trade receivables:

(euro/000)	Starting provision	Additions	Uses	Final provision
2020 Financial year	4,081	711	(1,173)	3,619
2019 Financial year	3,899	1,075	(893)	4,081

The Company usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both with-recourse 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.
During 2020, the securitisation plan structured by UniCredit Bank AG started in July 2015 and renewed in July 2018 was continued, under which trade receivables are assigned without recourse on a revolving basis to a 'special purpose vehicle' under Law No. 130/1999.
In the case of transfers of receivables for with-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 2020 the receivables sold with-recourse against which advances were obtained subject to collection amounted to 0.0 million euro (0.6 million euro as at 31 December 2019); while 'with recourse' advances of trade bills amount to 3.9 million euro (1.6 million euro as at 31 December 2020).

The financial assets' gross carrying amount is the Company's maximum exposure to credit risk.

Below is an analysis of the status of trade receivables due from customers and the seniority of those that have not suffered lasting losses in value:

(euro/000)	31/12/2020	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	305,180	134,381	63,952	106,847
Bad debt provision	(3,619)	(3,619)	-	-
Net trade receivables	**301,561**	**130,762**	**63,952**	**106,847**

(euro/000)	31/12/2019	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	277,038	137,066	72,676	67,296
Bad debt provision	(4,081)	(4,081)	-	-
Net trade receivables	**272,957**	**132,985**	**72,676**	**67,296**

(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 31/12/2020	63,952	6,322	581	181	56,868
Receiv. past due not impaired at 31/12/2019	72,676	993	1,447	591	69,645

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, the Company does not believe that premises for allocating provisions for doubtful receivables for amounts not yet overdue exist with the exception of receivables falling within the 'hold to collect' cluster. This cluster concerns receivables assigned to third parties on the basis of binding programmes for which the cashable value has been taken into account by such third parties. 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 as at 31 December 2020):

- traditional credit insurance (covering approx. 90% 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. 53% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 18% 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 mortgages) for 2%.

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 did the Company 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.

With regard to the other financial assets governed by IFRS 7 and IFRS 13, they have not suffered permanent losses in value, either in the current year or in the previous year . The changes in the related bad debt provision are shown below, together with two summary tables providing information on their status and the seniority of receivables overdue:

(euro/000)	Starting provision	Additions	Uses	Final provision
2020 Financial year	8,823	-	(8,823)	-
2019 Financial year	8,823	-	-	8,823

Other receivables provision previously set aside for 8.8 million euro and relating to the recoverability evaluation of the receivable from the supplier of the 'Sport Technology' line, in 2020 was totally used following the settlement of the legal dispute with the supplier.

	31/12/2020				31/12/2019			
(euro/000)	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired	Carrying amount	Receiv. Impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Customer financial receivable	*492*			*492*	*696*			*696*
Guarantee deposits	*1,744*			*1,744*	*1,743*			*1,743*
Rec. and other non-current assets	2,236	-	-	2,236	2,439	-	-	2,439
Non-current assets	**2,236**	**-**	**-**	**2,236**	**2,439**	**-**	**-**	**2,439**
Receivables from subsidiar.	*58,043*		*(445)*	*58,488*	*63,911*		*2,387*	*61,524*
Receivables from factors	*147*		*57*	*90*	*3,526*		*192*	*3,334*
Customer financial receivable	*9,617*			*9,617*	*9,717*			*9,717*
Receivables from insurances	*417*		*417*		*377*		*377*	
Receivables from suppliers	*7,855*		*8,216*	*(361)*	*18,752*	*11,448*	*7,304*	
Receivables from others	*89*		*89*		*130*		*130*	
Rec. and other current assets	76,168	-	8,334	67,834	96,413	11,448	10,390	74,575
Cash and cash equivalents	327,090		327,090		289,642		289,642	
Gross Current assets	403,258	-	335,424	67,834	386,055	11,448	300,032	74,575
Bad debts provision	-	-			(8,823)	(8,823)		
Net Current assets	**403,258**	**-**	**335,424**	**67,834**	**377,232**	**2,625**	**300,032**	**74,575**

(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 subsidiaries	(445)	1,040	(1)	(534)	(950)
Receivables from factoring companies	417	270	9	55	83
Receivables from insurance companies	57	-	-	-	57
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/2020	**118**	**1,399**	**8**	**(479)**	**(810)**
Receivables from subsidiaries	2,387	1,969	20	(69)	467
Receivables from factoring companies	192	-	-	-	192
Receivables from insurance companies	377	204	21	31	121
Receivables from others	130	130	-	-	-
Receiv. past due not impaired at 31/12/2019	**3,086**	**2,303**	**41**	**(38)**	**780**

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 Company. It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

6.9.3 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 31/12/2020	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	After 5 years
Borrowings	39,715	41,230	259	237	14,213	26,521	-
Lease liabilities	76,382	95,305	1,203	1,169	8,488	23,043	61,402
Derivative financial liabilities	620	620	-	-	-	620	-
Debts for investments in subsidiaries	230	230			115	115	
Cash incentive liabilities	*82*	*82*	-	-	*82*	-	-
Provisions and other non-curr. liabilities	82	82	-	-	82	-	-
Non-current liabilities	**117,029**	**137,467**	**1,462**	**1,406**	**22,898**	**50,299**	**61,402**
Trade payables	671,242	671,919	335,836	335,835	242	6	-
Short-term financial liabilities	44,965	45,151	36,571	8,580	-	-	-
Lease liabilities	6,400	6,351	3,154	3,197	-	-	-
Debts for investments in subsidiaries	220	220	-	220	-	-	-
Payables to assoc. and subsidiaries	*1,395*	*1,395*	*1,395*	-	-	-	-
Social security liabilities	*3,483*	*3,483*	*3,483*	-	-	-	-
Payables to others	*9,057*	*9,057*	*9,057*	-	-	-	-
Accrued expenses (insurance)	*270*	*270*	*270*	-	-	-	-
Provisions and other liabilities	14,205	14,205	14,205	-	-	-	-
Current liabilities	**737,032**	**737,846**	**389,766**	**347,832**	**242**	**6**	**-**

(euro/000)	Carrying amount 31/12/2019	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	After 5 years
Borrowings	22,294	23,269	216	168	10,819	12,066	-
Lease liabilities	81,742	103,306	1,294	1,254	8,646	23,670	68,442
Cash incentive liabilities	*260*	*260*	-	-	*178*	*82*	-
Provisions and other non-curr. liabilities	260	260	-	-	178	82	-
Non-current liabilities	**104,296**	**126,835**	**1,510**	**1,422**	**19,643**	**35,818**	**68,442**
Trade payables	743,963	745,005	744,173	595	235	2	-
Short-term financial liabilities	30,733	30,726	28,187	2,539	-	-	-
Lease liabilities	6,374	6,312	3,117	3,195	-	-	-
Payables to assoc. and subsidiaries	*1,079*	*1,079*	*1,079*	-	-	-	-
Social security liabilities	*3,388*	*3,388*	*3,388*	-	-	-	-
Payables to others	*9,915*	*9,915*	*9,915*	-	-	-	-
Accrued expenses (insurance)	*250*	*250*	*250*	-	-	-	-
Provisions and other liabilities	14,632	14,632	14,632	-	-	-	-
Current liabilites	**795,702**	**796,675**	**790,109**	**6,329**	**235**	**2**	**-**

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 is 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 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).

The Company maintains a contract that contains standard acceleration clauses in case certain financial covenants are not met when checked against data from the consolidated and audited financial statements.
The details relating to the outstanding loans and related covenants can be found in the following paragraph *'Net financial indebtedness and loans covenants'*.

With the exception of the non-fulfilment in relation to 31 December for the years 2018, 2017 and 2016, again without producing any consequences, of a part of the financial ratios provided for in the loan agreements, the Company has never been in a non-fulfilment or default situation with regard to the clauses concerning the nominal principal, interest, amortisation plan or repayment of loans payable.

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

6.9.4 Hedge accounting

Introduction

The Company enters into derivative contracts in order to hedge certain loan agreements against fluctuating interest rates by means of a cash flow hedging strategy.
The aim of these transactions hedging against interest rate risk is to fix the funding cost of medium/long-term floating-rate loans by entering into derivative contracts enabling receipt of a floating rate in return for payment of a fixed rate.
Hedging operations are therefore reported in the financial statements according to the instructions of the IFRS 9 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Company periodically carries out effectiveness tests.

Derivative instruments as at balance sheet date

At the end of the year, the Company did not have any hedging derivatives in place.

Instruments terminated during the year

During the year, the Company did not extinguish any hedging derivatives in place.

6.9.5 Sensitivity analyses

Since the Company 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 '*Directors' Report on Operations*').

A sensitivity analysis regarding the interest rate risk was performed in order to show how Company 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 2020 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 tables show the results of the simulation (net of tax effects); each item includes both the current and non current portion:

Scenario 1: aumento di +100 basis points

	31/12/2020		31/12/2019	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Financial assets	-	-	500	500
Cash and cash equivalents	1,096	1,096	554	554
Debts for investments in subsidiaries	6	6	-	-
Borrowings [1]	(911)	(911)	(1,260)	(1,260)
Derivative financial liabilities	(11)	(11)	600	600
Total	**180**	**180**	**394**	**394**

(1) Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

Scenario 2: riduzione di -100 basis points

	31/12/2020		31/12/2019	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Financial assets	-	-	(316)	(316)
Cash and cash equivalents	(12)	(12)	(59)	(59)
Debts for investments in subsidiaries	-		-	-
Borrowings [1]	117	117	270	270
Derivate financial liabilities	11	11	(612)	(612)
Total	**116**	**116**	**(717)**	**(717)**

(1) Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

6.10 Subsequent events

'*Subsequent events*' are described in the special section of the *Report on Operations*.

6.11 Compensation for Esprinet S.p.A. auditing services

The following table drafted pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, shows the emoluments posted during the financial year on the accrual basis of accounting for auditing services and others performed by the same independent auditors and/or bodies belonging to its network:

Description	Provider of serivice	Entity	Fees (euro/000)	
			2020	2019
Auditing services				
	PwC S.p.A.	Esprinet S.p.A.	252.0	220.0
Other services				
	PwC S.p.A.	Esprinet S.p.A.	71.0	30.0
Total			**323.0**	**250.0**

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 1 March 2021, 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.

Vimercate, 1 March 2021

On behalf of the Board of Directors
The Chairman
Maurizio Rota

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 Pietro Aglianò, 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 year 2020 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 consolidated financial statements at 31 December 2020 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 2020:

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;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

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.

Vimercate, 1 March 2021

Chief Executive Officer	Executive charged with financial reports
.	.
(Ing. Alessandro Cattani)	(Pietro Aglianò)

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 Pietro Aglianò, 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 year 2020 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 2020 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 2020:

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;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

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.

Vimercate, 1 March 2021

Chief Executive Officer	Executive charged with financial reports
.	.
(Ing. Alessandro Cattani)	(Pietro Aglianò)

Esprinet S.p.A.

Via Energy Park 20 – 20871 Vimercate (MB)

"REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 AND ARTICLE 2429(3) OF THE ITALIAN CIVIL CODE – FINANCIAL STATEMENTS AS AT 31-12-2020"

Dear Shareholders,

By means of this Report, drawn up in accordance with Article 153 of Legislative Decree No. 58/1998 ("TUF"), also taking into account the applicable CONSOB Recommendations and the Code of Conduct of the Board of Statutory Auditors of Listed Companies issued by the National Council of Chartered Accountants and Bookkeepers on 26 April 2018, the Board of Statutory Auditors of Esprinet S.p.A. (hereinafter also referred to as the "Company") reports to you on the supervisory activity carried out during the year ended 31 December 2020 and the outcome thereof.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 4 May 2018 for a three-year term. The appointment was made, in accordance with the law and the Articles of Association, on the basis of lists submitted by shareholders, also taking into account provisions on gender balance. The term of office will be the approval of the Financial Statements as at 31 December 2020.

In accordance with the provisions of the aforementioned Code of Conduct, the Board of Statutory Auditors has provided the Board of Directors with its guidelines on the renewal of the Board of Statutory Auditors, summarising the skills, professionalism and experience that have best contributed to the proper functioning of the Board of Statutory Auditors during its term of office, in line with the findings of the annual self-assessment process of the control body.

1. Supervision performed and information received.

During the financial year ended 31 December 2020, the Board of Statutory Auditors performed the supervisory activities provided for by law, by the Code of Conduct of the Board of Statutory Auditors of Listed Companies issued by the National Council of Chartered Accountants and Bookkeepers, by CONSOB Recommendations on company audits and activities of the board of statutory auditors (in particular, Communication No. DAC/RM 97001574 of 20 February 1997 and Communication No. DEM 1025564 of 6 April

2001, later supplemented by Communication No. DEM/3021582 of 4 April 2003 and Communication No. DEM/6031329 of 7 April 2006) and by guidelines laid down in the Corporate Governance Code.

To this end, during the year the Board of Statutory Auditors:

- held 13 board meetings;
- attended the 14 meetings of the Board of Directors in accordance with rules governing the Board of Statutory Auditors;
- attended 5 meetings of the Control and Risk Committee and 6 meetings of the Appointments and Remuneration Committee in accordance with rules governing the Board of Statutory Auditors;
- attended the Shareholders' Meeting;
- frequently exchanged information and held regular meetings with the Audit Company for the purposes of timely exchange of data and information relevant for the performance of their duties;
- frequently exchanged information and held regular meetings with the head of the Internal Audit department and Enterprise Risk Management;

The Board also met with the Board of Statutory Auditors of the subsidiary Celly S.p.a. and the subsidiary 4Side Srl in relation to administration and control systems and the general performance of company activities, with no significant issues needing to be reported in this Report.

The activity of the Board of Statutory Auditors also involved the Company's Supervisory Board, appointed pursuant to Legislative Decree No. 231/2001, within the scope of their respective competences, with the clarification that the function of Supervisory Board (Legislative Decree no. 231/2001) has not been transferred to the Board of Statutory Auditors but is carried out by a separate body. During Board meetings, the Directors reported to the Board of Statutory Auditors on the activity carried out by the Company, the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries and associates, and the transactions in which they held an interest on their own account or that of third parties.

During meetings and contact with the Independent Auditors, no reprehensible conduct attributable to Directors came to light.

As is widely known, the 2020 financial year was characterised by a situation of profound uncertainty in relation to the genesis and evolution of the COVID-19 pandemic. The instructions and government measures issued from March onwards and throughout the year, in declaring a state of emergency, imposed particularly stringent measures to limit the spread of the pandemic throughout the country, such as total or partial lockdown situations.

The Company's activities, considered essential, did not stop and continued, where possible, 'remotely'.

The activities of the Board of Statutory Auditors also continued in the same way, through the acquisition of data and information in electronic format and the holding of its meetings by video/audio conference.

Taking into account the Company's degree of reliability and timeliness in ensuring the proper conduct of meetings and an adequate system for transmitting information flows, the Board of Statutory Auditors believes that the adoption of these methods has not diminished or affected the degree of reliability of the information received and the effectiveness of its activities.

With regard to Board activities, during 2020:

- no reports were received under Article 2408 of the Italian Civil Code;
- no complaints were received.

2. Main economic, financial and equity transactions and events Transactions with related parties

With regard to the main economic, financial and equity transactions carried out by the Company and the Group during 2020 and, more generally, the most significant events, the Board of Statutory Auditors reports as follows:

- On 19 June 2020, a binding agreement was signed for the purchase, through the Spanish sub-holding Esprinet Iberica S.L.U., of the entire share capital of GTI Software y Networking S.A. In execution of the aforementioned agreement, and following the obtaining of the required authorisations from the antitrust authorities, on 1 October 2020 the Group acquired the entire share capital of GTI Software y Networking S.A.

The consideration, set at 33.7 million euro, was paid in full using own funds on the same date.

- As part of the measures to support companies adopted by the Spanish Government to tackle the Covid-19 epidemic emergency, the Spanish subsidiaries Esprinet Iberica S.L.U. and Vinzeo Technologies S.A.U. took out a total of eleven 3 to 5-year loans, all amortising, of which only one with floating rate, guaranteed by the Spanish

Government through Instituto de Crédito Official ("ICO"). The total value of the loans subscribed amounted to 47.2 million euro, of which 45.7 million euro disbursed as at 31 December 2020. The subsidiary Vinzeo Technologies S.A.U. also entered into a further five-year, fixed-rate and amortising loan, fully disbursed in the amount of 2.5 million euro by 31 December 2020.

- On 6 July 2020, Maurizio Rota, Chairman of the Board of Directors, and Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A., transferred all of their 3,418,905 Esprinet shares to a newly formed vehicle controlled by them called Axopa S.r.l. At the same time as the transfer, Axopa acquired an additional 1,200,000 Company shares, bringing the stake in Esprinet to 9.07%. Axopa then signed a shareholders' agreement with shareholder Francesco Monti, holder of a stake of 16.16% in Esprinet. The Shareholders' agreement therefore has a total of 12,850,975 shares, representing 25.23% of the share capital.
- In July 2020, Valerio Casari resigned from his position as Executive Director and Group Chief Financial Officer of Esprinet S.p.A., as well as from any other office, function and role held in Esprinet and any other company in the Esprinet Group. As a result of the termination of employment, as better described in the Explanatory Notes, Valerio Casari will receive not only the pro-rata instalment of the fixed emoluments accrued and end-of-service fees due by law, but also indemnities, variable emoluments and free stock grants on ordinary Esprinet S.p.A. shares.
- On 28 October 2020, Esprinet S.p.A. purchased the remaining 15% of the share capital of Celly S.p.A., acquiring full ownership of it. The value of the transaction came to 1.25 million euro, of which 0.8 million paid in cash at the time of signing of the agreement, and the residual balance in annual instalments to be paid in three subsequent years.
- On 23 December 2020, Esprinet S.p.A. entered into a five-year, fixed-rate and amortising loan with Cassa Depositi e Prestiti, amounting to 35.0 million euro, disbursed by 31 December 2020.
- With reference to the ongoing legal dispute with the historical supplier, and related shareholders, of the 'Sport Technology' line, which in December 2018 had initiated a voluntary liquidation procedure and on 21 May 2019 had filed an application for composition proceedings with the Court of Milan, it should be noted that, during 2020, a settlement agreement was reached, the completion of which was authorised on 9 December 2020 by the Court of Milan pursuant to Article 167, paragraph 2, of the Bankruptcy Law.

The agreement envisages, on the one hand, the waiver by the supplier and its shareholders of the 55.0 million euro compensation lawsuit filed against Esprinet S.p.A. and, on the other hand, the waiver by Esprinet S.p.A. of the request to be included among the creditors of the supplier's composition proceeding, thus writing off the 2.6 million euro of net receivables recorded in the financial statements as at 31 December 2019.

- Esprinet S.p.A. has a number of pending lawsuits involving requests for the payment of indirect taxes brought against the Company, for a total amount of 18.7 million euro, plus penalties and interest, in relation to transactions undertaken between 2011 and 2013. For more information on current litigation, please see the notes to the financial statements.

Opinion of the Board of Statutory Auditors

In general, the Board considers that the law, the Articles of Association and the principles of proper administration have been upheld.

The Board did not find or receive any news from the Audit Company or the Head of Internal Audit of any atypical and/or unusual transactions, as defined in the CONSOB Communication of 6 April 2001 and CONSOB Communication No. DEM/6064293 of 28 July 2006, conducted with third parties, related parties or within the group.

Regarding transactions with related parties, the Board of Statutory Auditors ensured that the procedure adopted by the Company complied with the principles laid down by CONSOB.

This procedure, which can be consulted on the Company's website, exempts resolutions regarding the remuneration of directors and other managers with strategic responsibilities under certain conditions.

In light of the specific nature of the Group's business, the inclusion of transactions that "fall within the ordinary course of business and related financial activities (identified on the basis of the criteria set forth in the Regulation and CONSOB Communication No. 1007868 of 24 September 2010) and that are (...) concluded under conditions equivalent to market or standard conditions" under Ordinary transactions with related parties is of particular importance.

The Directors gave an account in the Report on Operations and in the Explanatory Notes of ordinary and less significant transactions carried out with related parties, indicating the nature and extent of those transactions. This disclosure is appropriate given the size of the transactions.

For its part, the Board of Statutory Auditors did not find any infringements of legal provisions or the Articles of Association, or transactions executed by Directors that are manifestly imprudent or risky, in potential conflict of interest, contrary to resolutions adopted by the Shareholders' Meeting or that could in any case compromise the integrity of the Company's assets.

Esprinet S.p.A. exercised management and coordination activities with regard to all subsidiaries resident in Italy. Intragroup transactions are set out in detail in the notes to the financial statements.

3. Organisational structure, internal control and risk management system and administrative and accounting system.

The Board of Statutory Auditors verified compliance with principles of sound administration together with the adequacy of the organisational structure by acknowledging the fitness of the accounting and administrative system for the purpose of correctly representing management facts.

The internal control system is defined as a set of rules, procedures and organisational structures able to allow the Company to be managed soundly and correctly and consistently with the established goals, through an adequate identification, measurement, management and monitoring of the main risks.

The Head of Internal Audit, who does not perform operational functions, frequently reports to the Control and Risk Committee, to which he submits the annual work programme and reports periodically on activity being carried out. In its capacity as internal control committee established under Article 19 of Legislative Decree 39/2010, the Board maintains constant dialogue with the Department manager, verifying the effectiveness of his work.

After examining the activity carried out by this department, no significant problems emerged in the definition and effective application of the internal control and risk management system that could significantly compromise the achievement of an acceptable overall risk profile.

With regard to activities relating to the internal control system, the Board – supported by the Audit Company's findings – reported the constant monitoring and improvement of internal procedures. The Board was involved in a constant exchange of information with the Control and Risk Committee and also attended the Committee's meetings.

With reference to the internal control system, Esprinet S.p.A., adopting ERM methodology, is gradually identifying the main areas of corporate risk, monitoring such areas and implementing actions to improve them.
The Report on Operations provides information on the risks to which the Company is exposed, including for the purposes of Article 19(1)(b) of Legislative Decree 39/2010 and Legislative Decree 254/2016.

The Company adopted the organisation and management model for the prevention of crimes laid down in Legislative Decree 231/2001 (the "Organisational Model") concerning the administrative responsibility of companies for offences committed by their employees and contractors, published on the corporate intranet and most recently updated on 15 April 2020: the Organisational Model introduced the system for the reporting of unlawful activities, or whistleblowing, through a dedicated platform, as advertised on the Company's website, which, as required by law, guarantees anonymity for the informant.
During the financial year, the Board was in constant contact with the Supervisory Body, whose Chair regularly attended meetings of the Board of Statutory Auditors. As a result of the meetings and the exchange of information it was found that no reports had been received by the Body.
The Board also noted that the Supervisory Body had continually updated the organisational model adopted by the Company, including in relation to changes in applicable legislation.
The Italian Supervisory Body also performs a linking and monitoring function with the Spanish subsidiaries in relation to this matter.
With particular reference to the administrative area, in the Corporate Governance and Ownership Report, the Board of Directors set out in detail the main features of existing risk management and internal control systems with regard to the financial reporting process, in accordance with the provisions of Article 123-bis of the TUF (Consolidated Law on Finance).

The Company has complied with the provisions introduced by Law 262/2005. The Board of Statutory Auditors has verified that the Financial Reporting Officer continues to fulfil all the legal requirements.

Audit Company

The Company is subject to auditing by the Auditing Firm PricewaterhouseCoopers S.p.A. ("PWC") appointed by the Shareholders' Meeting of 8 May 2019.

a) *Surveillance and control activities carried out by the Board of Statutory Auditors in relation to tasks assigned to it in its capacity as the "Internal Control and Audit Committee"*

As a result of the Reform of the statutory audit of the separate and consolidated financial statements of companies, transposing (via Legislative Decree No. 135/2016) Regulation (EU) No. 537/2014 and Directive No. 2014/56, the Board of Statutory Auditors, in its role as the "Internal Control and Audit Committee" (also the "ICAC"), independently assessed the organisational measures aimed at fully implementing the regulatory provisions which are specifically intended to strengthen the quality of auditing and the independence of statutory auditors and audit companies, in order to improve market and investor confidence in financial reporting.
In relation to the new and other duties imposed on the Board in its capacity as the ICAC, independent assessments were therefore carried out on organisational measures designed to fully implement the new regulatory provisions.
With particular reference to the scope of Public Interest Entities ["**PIEs**"], such as Esprinet S.p.A., the regulatory changes involved a strengthening of the interaction between auditors and the ICAC, placing particular emphasis on maintaining the requirement of independence, including through constant monitoring of the activities carried out by the auditor, distinguishing between audit and non-audit services and, within these, those which are permitted and those which are prohibited by Article 5 of the above Regulation, which expressly stipulates that the ICAC must first assess and give an opinion on any task which is assigned to the Auditor and can be classed as a non-audit service. During 2020, the Board of Statutory Auditors, with particular regard to the adequacy of the provision of non-audit services to the audited entity, in accordance with Article 5 of the EU Regulation, continually verified and monitored the independence of the Auditor, issuing dedicated and specific opinions for any task assigned and classed as a non-audit service.
With reference, however, to the audit activity, the Board, during the numerous meetings held with the auditor PWC:

(i) received from the Audit Company, pursuant to Article 11 of Regulation (EU) No. 537/2014, the Additional Report to the Internal Control and Audit

Committee, from which: i) no significant shortcomings were identified in the internal control system for financial reporting and/or in the accounting system; ii) no cases of fraud or suspected fraud were identified; iii) no significant issues were identified regarding non-compliance cases; iv) no significant difficulties warranting the attention of the ICAC were encountered, nor difficulties related to the process of obtaining the necessary audit evidence;

(ii) received from the Audit Company, pursuant to Article 6(2)a) of Regulation (EU) No 537/2014, and pursuant to paragraph 17 of ISA Italia 260, confirmation of its independence. The Board of Statutory Auditors also examined the reports prepared by the independent auditor PWC and issued on 16 March 2021, whose activities supplement the general framework of control functions established by law with reference to the financial reporting process.

The text of the Audit Report also includes the "Key Aspects" of the audit, i.e. those aspects considered the most significant in the context of the audit of the separate and consolidated financial statements.

With regard to opinions and certifications, in the Audit Report, the Audit Company:

- issued an opinion stating that the separate and consolidated financial statements of Esprinet S.p.A. give a true and fair view of the assets and financial position of the Company and the Group at 31 December 2020, of the income statement and of the cash flows for the year then ended;
- issued an opinion on consistency stating that the Reports on Operations accompanying the separate and the consolidated financial statements as at 31 December 2020 and certain specific information contained in the "Corporate Governance and Ownership Report" indicated in Article 123-bis, paragraph 4, of the TUF, which is the responsibility of the Company's Directors, had been drawn up in accordance with the law and were consistent with the Esprinet group's consolidated financial statements as at 31 December 2020;
- declared, with reference to any significant errors in the Reports on Operations, based on its knowledge and understanding of the Company and the context of the audit activity, that it had nothing to report.

With reference, however, to the identification of Key Aspects, the Board of Statutory Auditors observed that they relate to:

(i) assessment of the recoverability of goodwill;
(ii) the recognition of revenues, net of adjustments for allowances and discounts;
(iii) the recognition of adjustments in the cost of purchase from suppliers;
(iv) contingent liabilities and provisions for risks and charges.

and specifically with regard to the financial statements of Esprinet S.p.A.

v) equity investments in subsidiaries.

b) Supervision of the independence of the external auditor

The Board of Statutory Auditors examined the Report on the Independence of the External Auditor, issued pursuant to Article 6(2)a) of Regulation (EU) No. 537/2014, and pursuant to paragraph 17 of ISA Italia 260, issued on 16 March 2021, and found that there were no situations that affected its independence or reasons for incompatibility, pursuant to Articles 10 and 17 of Legislative Decree No. 39/2010 and Articles 4 and 5 of Regulation (EU) No. 537/2014.

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation (Resolution No. 11971 of 14 May 1999 as subsequently amended and supplemented) sets out the fees for 2020 for auditing services for the Esprinet Group and other services provided by the Audit Company and companies belonging to its network.

Description	**Provider of serivice**	**Entity**	**Fees (euro/000)**	
			2020	**2019**
Auditing services				
	PwC S.p.A.	Esprinet S.p.A.	252.0	220.0
	PwC S.p.A.	Subsidiaries	73.0	91.0
	PwC network	Subsidiaries	267.0	216.2
Other services				
	PwC S.p.A.	Esprinet S.p.A.	71.0	30.0
	PwC network	Subsidiaries	79.0	80.4
Total			**742.0**	**637.6**

As already mentioned, in relation to the assignment of non-audit services, the Board of Statutory Auditors has continually carried out its own independent assessments of the

potential risks to the independence of the external auditor and of the safeguards applied pursuant to Article 22-ter of Directive 2006/43/EC.
These assignments, for 2020, consist of 30 thousand euro for a due diligence and of 41 thousand euro for the Parent Company's non-financial statement, and 79 thousand euro for other services carried out for the Spanish subsidiary companies.
In relation to the above, with regard to the tasks assigned to PWC and its network by Esprinet S.p.A. and Group companies, the Board of Statutory Auditors does not believe that there are any critical issues in terms of the Auditor's independence.

In light of the above, the Board considers that the internal control system is well organised to perform its duties and is achieving satisfactory results.

4. Results for the year and financial situation.

The 2020 financial year ended with a consolidated profit of 31.8 million euro, up by 35% compared with 31 December 2019 (23.6 million euro). Net profit for the year was 9.4 million euro, compared with -4.6 million euro as at 31 December 2019.
The net consolidated financial position as at 31 December 2020 showed a positive balance of 302.8 million euro, compared with 272.3 million euro as at 31 December 2019.
Consolidated equity as at 31 December 2020 amounted to 389 million euro compared with 359 million euro as at 31 December 2019, an increase of 30 million euro.
Our examination of the Financial Statements, delivered to the Board in accordance with the law together with all the relevant annexes, was conducted in accordance with the code of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Bookkeepers, by the National Companies and Stock Exchange Committee and in accordance with the rules set out in Legislative Decree No. 58/1998.
The Board of Statutory Auditors, also on the basis of information obtained from the Audit Company, notes that:

- the format and contents of the financial statements are generally compliant with the law and that the applicable accounting principles have been correctly adopted;
- the financial statements correspond with the facts and information that the Board is aware of as a result of attending meetings of corporate bodies and exercising its supervisory duties as well as its powers of inspection and control;

- the Financial Statement file is complete in accordance with the rules applicable to this case.

The Report on Operations was drawn up in accordance with the law and contains all the information necessary for a complete, clear and truthful representation of the Company's performance.

The Board considers that the Board of Directors has also fully provided in the Report on Operations and in the Notes to the Financial Statements the information required by:

- joint Bank of Italy, CONSOB and ISVAP document No. 2 of 06.02.2009, i.e. disclosures regarding business continuity, financial risks, impairment tests and uncertainties in the use of estimates;
- joint Bank of Italy, CONSOB and ISVAP document No. 4 of 03.03.2010, i.e. disclosures regarding impairment tests, contractual clauses of financial liabilities and fair value hierarchies. None of the other types of disclosure laid down in the above document apply, i.e. impairment of equity-based financial instruments classified as "available for sale" and debt restructuring.
- CONSOB Communication No. 0003907 of 19.01.2015 on the most important issues in financial reports, as well as subsequent CONSOB Communication Nos. 0007780 of 28.01.2016 and 0031948 of 10.03.2017.
- CONSOB Notice No. 6/20 of 9 April 2020.
- CONSOB Notice No.1/21 of 16 February 2021

Furthermore, the Report on Operations also contains environmental and staff information pursuant to Article 2428 of the Italian Civil Code and the Notes to the Financial Statements also contain the information laid down in Article 149-duodecies of the Issuers' Regulation on remuneration paid to the Audit Company.

The Notes to the Financial Statements refer to the Notes to the Consolidated Financial Statements, which disclose the remuneration paid to managers with strategic responsibilities and the remuneration paid to Directors in Group companies, which are also disclosed in the report on the remuneration policy under Article 123-ter of Legislative Decree 58/1998.

The Company also prepared the consolidated financial statements.

As regards the Covid-19 health emergency, we examined Directors' representations in the Report on Operations with regard to activation of the necessary business continuity safeguards and strict compliance with the health protocols designed to preserve the health and safety of employees and staff, macroeconomic scenarios, and actions taken to strengthen liquidity reserves and protect profitability. In the Report on Operations, the Directors provided an analysis of the potential impact of the health emergency on the sector, at macroeconomic level, and they concluded that there were no elements of uncertainty as to the Group's going concern prospects.

5. Corporate governance

Detailed information on how the corporate governance principles approved by Borsa Italiana (contained in the relevant Corporate Governance Code, hereinafter referred to in short as the 'Borsa Italiana Code') were implemented was provided by the Directors in the Annual Corporate Governance and Ownership Report approved on 1 March 2021 and attached to the notes to the financial statements.

This Report satisfies the provisions of Article 123-bis of the TUF.

During 2020, the Board of Statutory Auditors verified the correct application of the criteria and procedures for ascertaining the independence requirements of members of the Board of Directors, pursuant to application criterion 3.C.5 of the Corporate Governance Code, carried out the self-assessment process on its members, and also acknowledged that the Board of Directors also carried out its own self-assessment.

The independent auditors confirmed in their own reports that the report on operations and some specific information contained in the corporate governance and ownership report indicated in Article 123-bis (4) of Legislative Decree No. 58/98 were consistent with the individual and consolidated financial statements.

The Board monitored the implementation of the corporate governance rules provided for in the Borsa Italiana Code, with which by way of public disclosure the Company states it complies.

The Board of Statutory Auditors also noted the process of preparing the 2020 Annual Report on Remuneration and Incentive Policies, pursuant to Article 123-ter of Legislative Decree 58/1998 and in the context of the disclosures required by Article 84-quater of CONSOB Regulation 11971/1999, which consists of two sections:

- the first section, which contains the Esprinet Group’s remuneration policy for 2021, to be submitted for the approval of the Shareholders’ Meeting called to approve the Financial Statements for the year ended 31 December 2020;
- the second section, to be submitted to the non-binding vote of the Shareholders’ Meeting, which describes the manner in which the remuneration policy in force in

2020 was implemented during the relevant year and provides a final account of the remuneration actually paid.

The composition of the Board of Directors is consistent with legal provisions on gender balance.

6. Consolidated non-financial statement

We supervised compliance with the provisions of Legislative Decree No. 254 of 30 December 2016 and CONSOB Regulation No. 20267/2018 concerning the consolidated non-financial statement of Esprinet S.p.A. and its subsidiaries (hereinafter "NFS").

The Board of Statutory Auditors finds that the Company, in its capacity as Parent Company, has prepared, following the issue of Legislative Decree No. 254 of 30 December 2016 ('Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups' - the 'Decree'), the Group's 2020 Consolidated NFS as required by Articles 3 and 4 of the Decree and the 'Global Reporting Initiative Sustainability Reporting Standards' (hereinafter 'GRI Standards'), defined in 2016 by the GRI – Global Reporting Initiative – and identified by the Directors as the reporting standard.

The Board of Statutory Auditors supervised compliance with the provisions of the Decree in the preparation of the NFS, ensuring that the NFS allows an understanding of the Company's activity, performance, results and impact, and reports on important environmental, social and personnel issues as well as those concerning the respect for human rights and the fight against active and passive corruption, taking into account the Company's activities and characteristics, in accordance with Article 3 of the aforementioned Legislative Decree.

The Board of Statutory Auditors also acknowledged that, pursuant to Article 3, paragraph 10, PWC, the entity responsible for auditing the Group's financial statements, issued the relevant Report on Consolidated NFS on 16 March 2021 which attest to the conformity of the information provided in that document with Articles 3 and 4 of Legislative Decree No. 254/2016 and the GRI standards.

7. Concluding remarks on supervisory activities and the financial statements.

Through direct audits and information obtained from the Audit Company and the Financial Reporting Officer, the Board of Statutory Auditors established compliance with

legal rules regarding the drawing up and presentation of the Esprinet Group's consolidated financial statements, Esprinet S.p.A.'s separate financial statements and the associated Board of Directors' Report. Furthermore, the supervisory activities revealed no facts that required reporting to the control bodies or mentioning in this report.
In its reports issued pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, the Audit Company issued an unreserved opinion on the 2020 separate and consolidated financial statements. The separate and consolidated financial statements are accompanied by the statements of the manager responsible for preparing the accounts and the Chief Executive Officer as per Article 154-bis of the TUF.
Due to the current health emergency, in accordance with Decree Law No. 18 of 17 March 2020, the Company has decided that participation in the General Meeting will be exclusively through a designated representative, pursuant to Article 135-undecies of Legislative Decree No. 58 of 24 February 1998 (the "TUF")
The designated representative may be granted powers and/or sub-powers pursuant to Article 135-novies of the TUF, in derogation of Article 135-undecies, paragraph 4 of the same decree, in order to facilitate the widest use of the said remote voting facility for all shareholders,
On the basis of activity carried out during the financial year, the Board of Statutory Auditors finds no impediment to approving the financial statements for the year ended 31 December 2020 and the associated motions for resolutions put forward by the Board of Directors.

Milan, 16 March 2021

The Board of Statutory Auditors

Chairman (Bettina Solimando)

Statutory Auditor (Patrizia Paleologo Oriundi)

Statutory Auditor (Franco Abbate)

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of Esprinet SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Esprinet Group (hereinafter, also, "the Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Esprinet SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of goodwill *Note 2 "Goodwill" to the consolidated financial statements as of 31 December 2020*	
In the consolidated financial statements as of 31 December 2020 the goodwill balance amounted to Euro 108 million. The balance is a result of business combinations that occurred in previous years and is allocated to the two Cash Generating Unit (CGU) identified by Esprinet Group, detailed below: - CGU1 – B2B Distribution of Information Technology and Consumer Electronics (Italy) (Euro 19 million), - CGU2 – B2B Distribution of Information Technology and Consumer Electronics (Iberian Peninsula) (Euro 89 million). On an annual basis the Group directors assess the recoverability of goodwill by comparing the carrying amount per CGU to the recoverable amount based on the higher of fair value less costs of disposal and value in use, which has been determined as the present value of future cash flows. The recoverable amount of each CGU has been determined as of 31 December 2020 based on the value in use. Value in use has been calculated discounting the future cash flows forecasted for 2021-2025 and the estimate of a terminal value. Moreover, the Group directors have performed sensitivity analysis to evaluate the impact of changes to relevant assumptions on the recoverable amount. We considered goodwill a key audit matter due to its materiality and the level of judgement required by directors in the estimation process with reference to cash flow forecasts and the definition of the interest rate used to discount future cash flows (WACC).	We analyzed the procedures implemented by the directors to verify the compliance with the requirements established by the International Accounting Standard "IAS 36 -Impairment of Assets", adopted by the European Union. We analyzed the reasonableness of the assessment made by the directors on the CGUs identified and the process of allocating goodwill to the various CGUs, verifying its consistency with the structure of the Group and of the segments in which it operates. In order to confirm the directors' forecasting abilities, we verified that the results reported for 2020 were consistent with the forecast projections set out in business plans prepared in previous years. We analyzed the business plans of each CGU used by the directors to assess the recoverability of goodwill, verifying their consistency with the business plans approved by the board of directors. We verified the valuation method utilized to perform the impairment test, the mathematical accuracy of the model and the reasonableness of the assumptions used for the discount rate and for the definition of the terminal value. We verified the accuracy of assets and liabilities pertaining to each CGU, including the allocated goodwill, which were compared to its value in use. We analyzed the directors' sensitivity analyses performed on some parameters used in the impairment test such as variances in the estimation of future cash flows or in the discount rate used.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	Furthermore, we analyzed the changes in cash flows or in the discount rate that would reduce the headroom to nil. In order to support the analyses, we engaged experts belonging to the PwC network. We verified the completeness and accuracy of the disclosures reported in the notes to the consolidated financial statements.
Revenue recognition, net of rebates and discounts *Note 2.7.2 "Critical accounting estimates and assumptions - Revenues adjustments and credit notes to be issued toward customers" to the consolidated financial statements as of 31 December 2020*	
The Esprinet Group operates in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics. In line with industry's practices, the Group recognizes rebates and discounts to customers based on contractual agreements in place. Such adjustments, including the year-end estimates, are accounted for as a reduction in revenues and account receivables. Revenue recognition, net of rebates and discounts, required audit focus due to the significant number of transactions and elements of uncertainty inherent in the estimation process due to numerous contracts with a variety of contractual terms and complex calculations.	We gained an understanding and evaluated the internal control system implemented by the Group related to the revenue recognition process under IFRS 15, including adjustments for rebates and discounts towards customers. We validated the operating effectiveness of key controls (manual and automated) identified, in certain instances engaging experts in IT systems and business process analysis belonging to the PwC network. We carried out testing procedures on a sample basis and analyzed the supporting documentation obtained to verify the existence, completeness, accuracy and cut-off of transactions. Additionally, we verified the reasonableness of the directors' assumptions by comparing prior year's estimate against actual results and comparing estimates as of 31 December 2020 with credit notes issued after year-end. We analyzed the main commercial agreements in place with customers to verify that related contractual terms were properly evaluated by the directors in the

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	revenue's adjustments computation. We performed external confirmation procedures on a sample basis with the aim of obtaining additional evidence to support trade receivables booked and related revenues.
Accounting of costs adjustments from suppliers *Note 2.7.2 "Critical accounting estimates and assumptions - Costs adjustments and credit notes due from vendors" to the consolidated financial statements as of 31 December 2020.*	
The Esprinet Group has agreements in place with suppliers for reimbursements of joint marketing activities, contractual stock protection, rebates for achieving targets and incentives of various kind. These adjustments, including the year-end estimate, are accounted for as a reduction in costs and account payables. The accounting for costs adjustments from suppliers required audit focus, due to the significant number of transactions and elements of uncertainty inherent to the estimation process due to numerous contracts with a variety of contractual terms and complex calculations.	We gained an understanding and evaluated the internal control system implemented by the Group related to adjustments from suppliers. We validated the operating effectiveness of the key controls (manual and automated) identified. We carried out testing procedures on a sample basis through the analysis of the supporting documentation and the contractual terms in place with suppliers. Additionally, we verified the reasonableness of the directors' assumptions by comparing prior year's estimate against actual results and comparing estimates as of 31 December 2020 with credit notes received after year-end. We performed external confirmation procedures on a sample basis with the aim of obtaining additional evidence to support trade payables and related costs.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Contingent liabilities and Provisions for risks and charges *Note 26 "Non-current provisions and other liabilities" to the consolidated financial statements as of 31 December 2020.*	
The Group is involved in several tax disputes. Consistent with previous years, the Group directors, with the support of external legal and tax counsel, do not consider the risk of occurrence of significant liabilities related to these matters to be probable. As such, no specific provision has been recorded. The Group directors' judgement is high in connection with these disputes, specifically with reference to the assessment of the uncertainties related to their expected results. Management's assessment of risks related to these proceedings was an area of focus in the context of our audit activities. This was due to the complexity and uncertainty of management's estimate.	We analyzed management's process to identify and evaluate contingent liabilities and estimate related accruals. Among other things, these activities have been performed through various discussions held with Esprinet's directors with the aim of gaining an understanding of the liabilities' estimation process, the defensive strategy and actions which have been defined based on claims received. We analyzed supporting documentation underlying the facts of these disputes and have obtained confirmations directly from the company's external tax and legal counsel. We verified the adequacy of the financial statements disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Esprinet SpA or to cease operations or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated

with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor’s report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 8 May 2019, the shareholders of Esprinet SpA in general meeting engaged us to perform the statutory audit of the Company’s and the consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Esprinet SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Esprinet Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Esprinet Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Esprinet Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Esprinet SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 16 March 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Martinelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of Esprinet SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Esprinet SpA (hereinafter, also, "the Company"), which comprise the statement of financial position as of 31 December 2020, the separate income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Investments in subsidiaries *Note 5 "Investments" to the separate financial statements as of 31 December 2020.* In the separate financial statements as of 31 December 2020 investments in subsidiaries, valued at cost, amounted to Euro 83 million. The Company verifies annually if there is an indication that investments in subsidiaries might be impaired and, when necessary, compares the carrying amount of the investments to their respective recoverable amounts, in compliance with the requirements established by the International Accounting Standard "IAS 36 - Impairment of Assets". The recoverable amount of investments in subsidiaries has been measured as the higher of value in use, which has been calculated as the present value of future cash flows for 2021-2025 and the estimate of a terminal value, and fair value less costs of disposal, determined through the income approach. As of 31 December 2020, and as a result of the analysis performed, the directors recognized in the separate income statement an impairment losse amount of Euro 4,8 million. We consider the valuation of investments in subsidiaries a key audit matter due to its materiality and the level of judgement required by the directors in the estimation process with reference to potential indicators of impairment and the estimate of the recoverable amount.	We gained an understanding and evaluated the procedures implemented by the directors to verify the carrying amount of the investments in subsidiaries and their potential impairment indicators. We verified the method used by the directors to identify and evaluate potential impairment indicators of the investments in subsidiaries. We compared book values of investments with the corresponding equity values as of 31 December 2020 and compared the business performance of each investment with forecasts set out by the directors. We discussed with the directors, and the auditors of the subsidiaries, the financial performance as well as the corresponding information and data used in the context of the impairment tests performed. We verified the valuation method, mathematical accuracy and reasonableness of the assumptions used in the impairment test. In order to support the analyses, we engaged experts belonging to the PwC network.
Revenue recognition net of rebates and discounts *Note 2.4.2 "Critical accounting estimates and assumptions - Revenues adjustments and credit notes to be issued toward customers" to the separate financial statements as of 31 December 2020*	

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
The Company operates in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics. In line with industry's practices, the Company recognizes rebates and discounts to customers based on contractual agreements in place. Such adjustments, including the year-end estimate, are accounted for as a reduction in revenues and account receivables. Revenue recognition, net of rebates and discounts, required audit focus due to the significant number of transactions and elements of uncertainty inherent in the estimation process due to numerous contracts with a variety of contractual terms and complex calculations.	We gained an understanding and evaluated the internal control system implemented by the Company related to the revenue recognition process under IFRS 15, including adjustments for rebates and discounts towards customers. We validated the operating effectiveness of key controls (manual and automated) identified, in certain instances engaging experts in IT systems and business process analysis belonging to the PwC network. We carried out testing procedures on a sample basis and analyzed the supporting documentation obtained to verify the existence, completeness, accuracy and cut-off of transactions. Additionally, we verified the reasonableness of the directors' assumptions by comparing prior year's estimate against actual results and comparing estimates as of 31 December 2020 with credit notes issued after year-end. We analyzed the main commercial agreements in place with customers to verify that related contractual terms were properly evaluated by the directors in the revenue's adjustments computation. We performed external confirmation procedures on a sample basis with the aim of obtaining additional evidence to support trade receivables booked and related revenues.
Accounting of costs adjustments from suppliers *Note 2.4.2 "Critical accounting estimates and assumptions - Costs adjustments and credit notes due from vendors" to the separate financial statements as of 31 December 2020* The Company has agreements in place with suppliers for reimbursements of joint marketing activities, contractual stock protection, rebates for	 We gained an understanding and evaluated the internal control system implemented by the Company related to

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
achieving targets and incentives of various kind. These adjustments, including the year-end estimate, are accounted for as a reduction in costs and account payables. The accounting for costs adjustments from suppliers required audit focus, due to the significant number of transactions and elements of uncertainty inherent to the estimation process due to numerous contracts with a variety of contractual terms and complex calculations.	adjustments from suppliers. We validated the operating effectiveness of the key controls (manual and automated) identified. We carried out testing procedures on a sample basis through the analysis of the supporting documentation and the contractual terms in place with suppliers. Additionally, we verified the reasonableness of the directors' assumptions by comparing prior year's estimate against actual results and comparing estimates as of 31 December 2020 with credit notes received after year-end. We performed external confirmation procedures on a sample basis with the aim of obtaining additional evidence to support trade payables and related costs.
Contingent liabilities and Provisions for risks and charges *Note 26 "Non-current provisions and other liabilities" to the separate financial statements as of 31 December 2020* The Company is involved in several tax disputes. Consistent with previous years, the directors, with the support of external legal and tax counsel, do not consider the risk of occurrence of significant liabilities related to these matters to be probable. As such, no specific provision has been recorded. The Company directors' judgement is high in connection with these disputes, specifically with reference to the assessment of the uncertainties related to their expected results. Management's assessment of risks related to these proceedings was an area of focus in the context of our audit activities. This was due to the complexity and uncertainty of management's estimate.	We analyzed management's process to identify and evaluate contingent liabilities and estimate related accruals. Among other things, these activities have been performed through various discussions held with Esprinet's directors with the aim of gaining an understanding of the liabilities' estimation process, the defensive strategy and actions which have been defined based on claims received. We analyzed supporting documentation underlying the facts of these disputes and have obtained confirmations directly from the company's external tax and legal counsel.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	We verified the adequacy of the financial statements disclosure based on international financial reporting standards requirements, also considering information and data obtained during our audit.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 8 May 2019, the shareholders of Esprinet SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Esprinet SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Esprinet SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Esprinet SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Esprinet SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 16 March 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Martinelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers