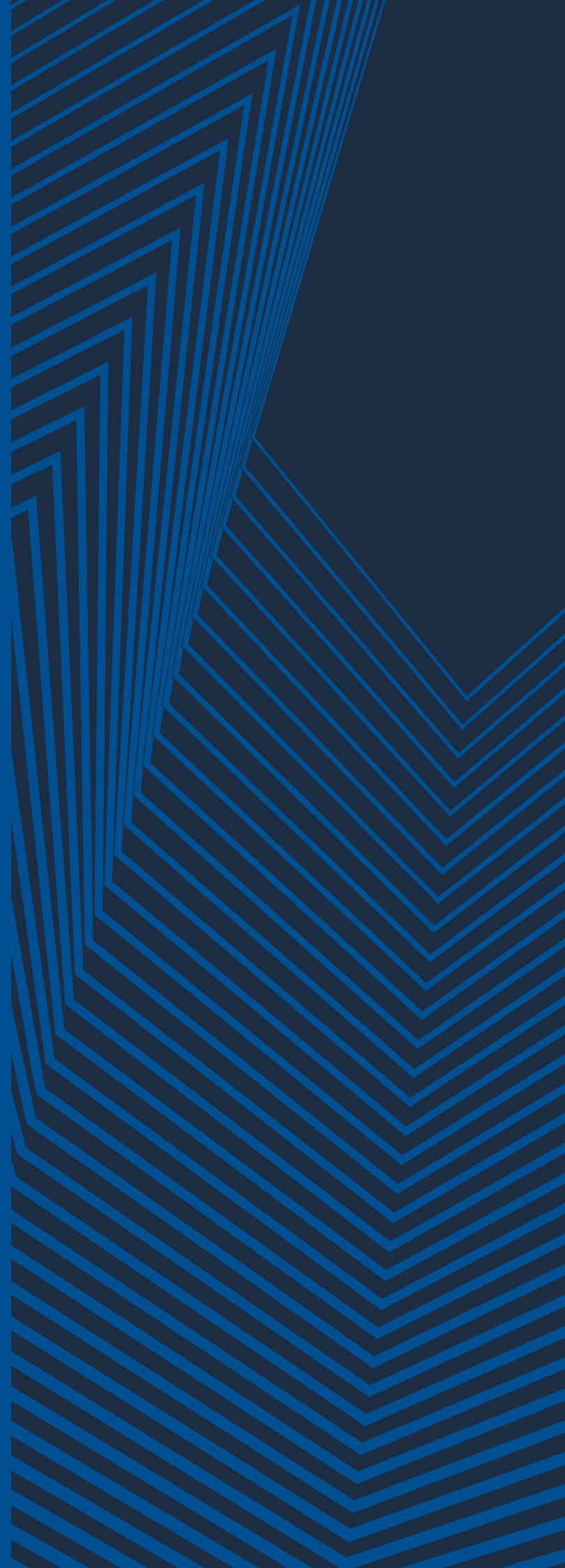




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**ANNUAL
REPORT
FINANCIAL
YEAR
2023**



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 31/12/2023: Euro 7,860,651



ANNUAL REPORT FINANCIAL YEAR 2023*

www.esprinet.com
info@esprinet.com

* This document constitutes a copy, in Pdf format, of the Annual Financial Report of Esprinet S.p.A. as at 31 December 2023 and does not constitute the document in ESEF format required by the ESEF Technical Standards referred to in the Delegated Regulation (EU) 2019/815 (so-called 'ESEF Regulation'). The 2023 Annual Financial Report in ESEF format is available in the Investors - Shareholders' Meeting - 2024 section of the Company's website (www.esprinet.com).

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Statement on the Financial Statements, pursuant to Art. 81-ter of CONSOB Regulation

Board of Statutory Auditors' Report*

Independent Auditors' Report*

⁽⁹⁾ Each section has a separate table of contents for easy reference by the reader.

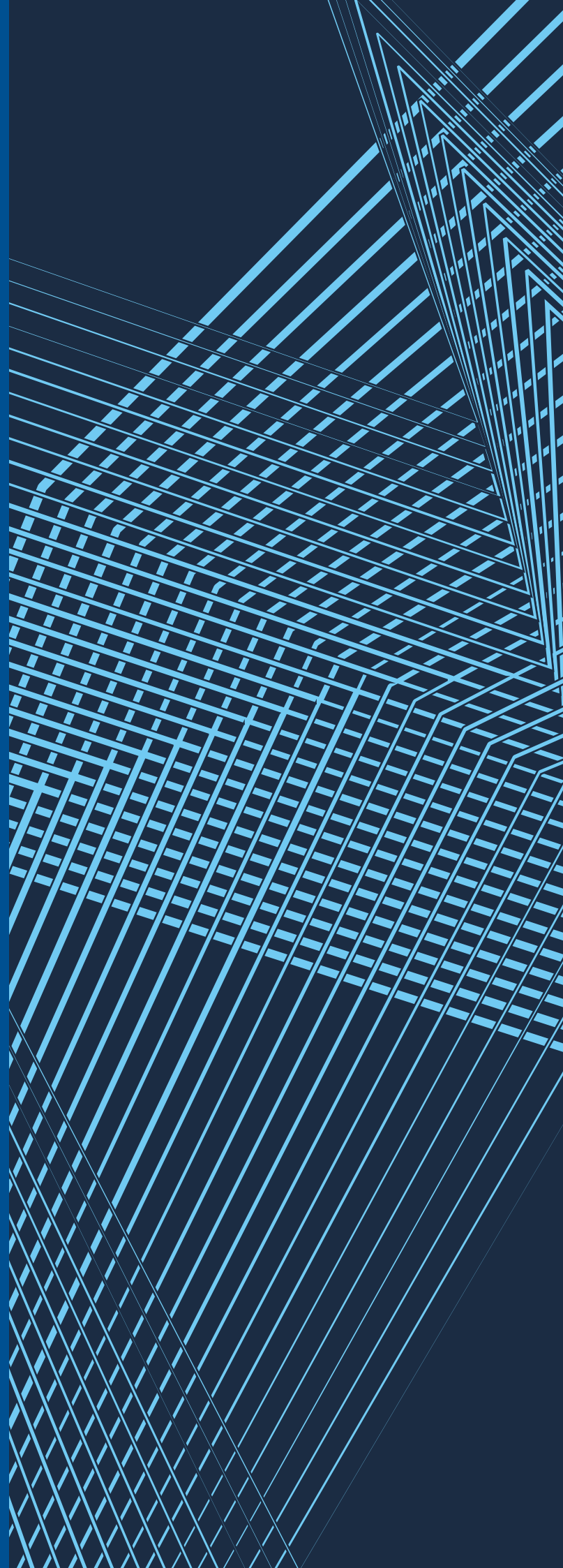
⁽¹⁰⁾ Esprinet S.p.A. Separate Financial Statements, as defined by the IFRS international standards.

^(*) The reports of the Board of Statutory Auditors and the Independent Auditors, is published in a specific section in the Investors - Shareholders' Meeting - 2024 section of the Company's website (www.esprinet.com).



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**DIRECTORS'
REPORT
ON OPERATIONS
FOR THE YEAR
2023**



GROUP'S CONSOLIDATED RESULTS OVERVIEW

1. LETTER FROM THE CHAIRMAN

Dear Shareholders,

2023 was a particularly complex year for the distribution sector and in particular for PCs and telephones, which more than other product segments suffered the negative impact that the sharp increase in inflation and interest rates had on the sentiment of consumers and, partially, businesses.

Net of non-recurring items mainly linked to the settlement of old tax disputes, the Group would have recorded a consolidated net income of 24.2 million euro, down compared to the record result, similarly measured, of 45.4 million euro in 2022, against sales of approximately 4.0 billion euro, down compared to approximately 4.7 billion euro in 2022, mainly due to the material fall in sales in the consumer customer segment and on the product lines sold within it: PCs, telephones, televisions and household appliances.

AN YEAR OF TRANSITION

The year 2023 was a year of transition for our Group.

After five years of growth in sales and profitability, with 2021 and 2022 marking two successive historical records in the Group's profits, due to a very challenging consumer market, 2023 brought operating profitability back to levels more or less similar to those of 2020.

The impact of the settlement in 2023 of old tax disputes further burdened the income statement.

Despite this, the year was profitable in many other respects.



The integration of the Spain subgroup companies was completed by reorganising the structures into two legal entities, Esprinet Iberica and V-Valley Advanced Solutions España, which now have clarity in the two distinct missions of managing the PC, peripherals and Consumer Electronics market for one, and the Advanced Technological Solutions and Services market for the other.

The local management team was reorganised and inventory levels were drastically reduced, bringing the Net Working Capital back to normal levels.

In Italy, the businesses relating to Solutions and Services on the one hand and to energy efficiency solutions on the other have been separated and organised into two companies, one of which was already operational at the beginning of February, with the other expected to start in the course of the second quarter.

Two acquisitions were made and, above all, the product mix improvement process continued with an increase in margins in spite of incremental costs linked to inflation and increased interest rates.

The strategy of expanding geographical and product diversification continues and the message for our investors is once again clear: we operate with the aim of creating sustainable value over time.

Diversification in order to mitigate market risks, attention to ESG issues, operational excellence and above all a focus on Return on Invested Capital rather than pure profit are the basis on which we have managed and will continue to manage the challenges and opportunities offered by the market.

TECHNOLOGY DISTRIBUTION

The distribution segment, measured in January 2024 by the British research company Context through a panel of distributors largely representative of the general trend, recorded sales of approximately 86.7 billion euro in 2023, a decrease of -4.9% compared to 91.2 billion euro in 2022, with contractions recorded in all quarters after the first.

The contraction was widespread in the various markets: Germany, first European market, -6.2%, United Kingdom and Ireland, second market by size, -7.5%, France -2.3%, Poland -5.2% %, Italy, with an unchanged weight of 10.6% in the European market, -3.9%, Spain -1.6% and Portugal -4.9%.

The only markets to grow were the Czech Republic, +1.1%, Norway, +3.9%, and Slovakia, +11.1%.

In this context, the Esprinet Group is once again confirmed as the top distributor in the Southern European market.

MARKET EVOLUTION

The year 2023 was characterised by a strong geopolitical and macroeconomic instability. Continuously rising inflation and increasing interest rates, as well as uncertainty of the context, have weighed on consumers spending decisions and on companies' investment decisions; the ICT sector has recorded a sequential worsening of the fall in volumes that began at the end of 2022 in the three geographies in which the Group operates and generally in Europe.

The growth in the *Infrastructure* and *Software* area, reinforced by the massive multi-year government investment plans for Recovery and Resilience, indispensable in the digital transformation process of both public administrations and the private sector, did not offset the strong contraction in the IT Clients area, especially in PCs, after the pandemic years when the effects on demand of the increased use of smart working and distance learning were felt. Industry analysts believe that the market is now ready to return to growth, with PCs equipped with artificial intelligence set to provide further impetus during the ongoing update cycle.

The macroeconomic and geopolitical scenario conditions, as well as the related effects on the ICT sector described above, have significantly redefined future development opportunities. Areas that previously showed significant growth trends are now less attractive. Nonetheless, there are new emerging areas characterised by a strong innovation rate and a significant drive towards outsourcing: artificial intelligence, cybersecurity,

everything as a service and sustainability. The ICT sector is also gaining ground in other areas, seizing opportunities deriving from the convergence of some sectors towards technology: energy efficiency, renewable energies and electric mobility are an example of this.

The distribution channel is confirmed as resilient and remains strong also in 2023 in the choice of manufacturers' the go-to-market strategy. Therefore, the Esprinet Group is quickly adapting its strategy, preparing to meet the challenges deriving from the recovery expected for 2024 and from the new market scenario.

ACTIVITIES IN ITALY

In 2023, Italian activities recorded a decline in sales despite the excellent performance of the high-margin Solutions and Services segments, where the Group is concentrating investments in people, skills and expansion of business areas, which however did not fully offset the sharp slowdown recorded in the Screens line (PCs and Phones) in the consumer customer segment (Retailers and E-tailers).

In a very challenging environment, experiencing geopolitical and macroeconomic instability, in any case with satisfaction, we have accelerated the execution of our strategy that aims to strengthen the offer of high margin lines, also by functionally redesigning V-Valley, the division that deals with Solutions and Services. Thanks to this, we can now boast of a considerable overall increase in the Gross Profit Margin.

In August 2023, the Group acquired the entire share capital of Sifar Group S.r.l., an Italian company active since 2012 in the B2B distribution of spare parts, components and accessories for mobile phone and tablet products. The transaction is not only consistent with Esprinet's strategy of focusing on high-margin business lines, but also with a commitment to the ESG principles of the Group, which intends to seize all opportunities that are integrated into a sustainability framework, including investments in '*environmentally-friendly*' products and services. The distribution of components and spare parts for the repair of smartphones and tablets aims to extend the life cycle of products by helping to minimise the production of electronic waste, responding to the new needs linked to the circular economy.

In May 2023, for the mere purposes of avoiding a potential long-term tax dispute, Esprinet announced it had signed an agreement with the Revenue Agency, operationally formalised between May and June, aimed at the out-of-court settlement of disputes formulated regarding VAT in relation to the tax periods from 2013 to 2017.

The company strategy in the HR area continued, for the constant enhancement of its most important resource: human capital. The Group continued to listen to all employees through surveys and through open discussions in an ongoing and transparent dialogue. Therefore, it has strengthened its welfare and well-being plan to increase the well-being, motivation and satisfaction of people, has enriched the training offer to improve everyone's skills and support the development of their potential, and has also launched an ambitious programme to promote a diversity, equity and inclusion culture. This commitment was once again confirmed by the renewed Great Place to Work and Top Employer certifications in the countries where the Group operates.

ACTIVITIES IN THE IBERIAN PENINSULA

The activities of the Esprinet Group in the Iberian Peninsula in 2023 recorded decreased sales due to both the contracting market and the decisions to rationalise lines with lower margins and structurally not able to generate adequate returns on invested capital.

In August 2023, the Group acquired the entire share capital of Lidera Network S.L., a Spanish company with a branch in Portugal, active since 1999 in the distribution of software solutions in the cybersecurity field. The transaction is consistent with Esprinet's strategy of consolidating its leadership in Southern Europe in the Advanced Solutions sector, cementing its role as value-added tech enabler.

CONCLUSIONS

In recent years, geopolitical, health and macroeconomic turmoil has become increasingly violent and frequent.

We no longer live in an era when we ask ourselves if some external shock might come but rather we must ask ourselves how equipped we are to handle a shock that will surely come.

Our Group has a solid capital structure, a consolidated network of relationships with customers, suppliers, financial institutions, industry organisations and others.

The solidity of this network, combined with a consolidated set of procedures and methodologies, allow the Group to face changes in the market and the environment with confidence and optimism.

However, as always, it is the great wealth represented by our collaborators, their reliability, self-sacrifice and spirit of enterprise that make me confident that we might not only react to change but rather turn it onto a source of new opportunities.

As in every year, I would like to thank our team, our customers and suppliers, our shareholders and all our stakeholders in general, wishing them a healthy, successful and peaceful 2024.

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 2023 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 conventional IFRS indicators; they are used internally by the management for measuring and controlling the Group's profitability, performance, capital structure and financial position, as they are considered particularly relevant. 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	2023	%	2022	%	% var. 23/22
Profit & Loss						
Sales from contracts with customers		3,985,162	100.0%	4,684,164	100.0%	-15%
Gross profit		218,441	5.5%	242,969	5.2%	-10%
EBITDA	(1)	34,077	0.9%	87,918	1.9%	-61%
Operating result (EBIT)		14,012	0.4%	70,658	1.5%	-80%
Result before income tax		(5,106)	-0.1%	62,895	1.3%	-108%
Net result		(11,875)	-0.3%	47,346	1.0%	-125%
Financial data						
Cash flow	(2)	8,190		64,606		
Gross investments		13,744		12,506		
Net working capital	(3)	126,375		258,371		
Operating net working capital	(4)	104,112		261,593		
Fixed assets	(5)	273,868		258,453		
Net capital employed	(6)	351,889		492,250		
Net equity		367,410		409,217		
Tangible net equity	(7)	239,846		289,262		
Net financial debt	(8)	(15,521)		83,033		
Main indicators						
Net financial debt / Net equity		(0.0)		0.2		
Net financial debt / Tangible net equity		(0.1)		0.3		
EBIT / Finance costs - net		0.7		9.1		
EBITDA / Finance costs - net		1.8		11.3		
Net financial debt/ EBITDA		(0.2)		0.9		
ROCE	(9)	6.9%		13.3%		
Operational data						
N. of employees at end-period		1,776		1,806		
Average number of employees	(10)	1,791		1,763		

(euro/000)	notes	2023	%	2022	%	% var. 23/22
Earnings per share (euro)						
- Basic		-0.24		0.96		-125%
- Diluted		-0.24		0.95		-125%

⁽¹⁾ EBITDA is equal to the operating profit (EBIT) gross of amortisation, depreciation and write-downs.

⁽²⁾ Sum of consolidated net income and amortisation/depreciation.

⁽³⁾ Sum of current assets, non-current assets held for sale and current liabilities, gross of net short-term financial liabilities.

⁽⁴⁾ Sum of trade receivables, inventory and trade payables.

⁽⁵⁾ Equal to non-current assets net of non-current derivative financial assets.

⁽⁶⁾ Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.

⁽⁷⁾ Equal to net equity less goodwill and intangible assets.

⁽⁸⁾ Sum of financial payables, financial liabilities for leasing, cash and cash equivalents, derivative assets and liabilities and financial receivables.

⁽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.

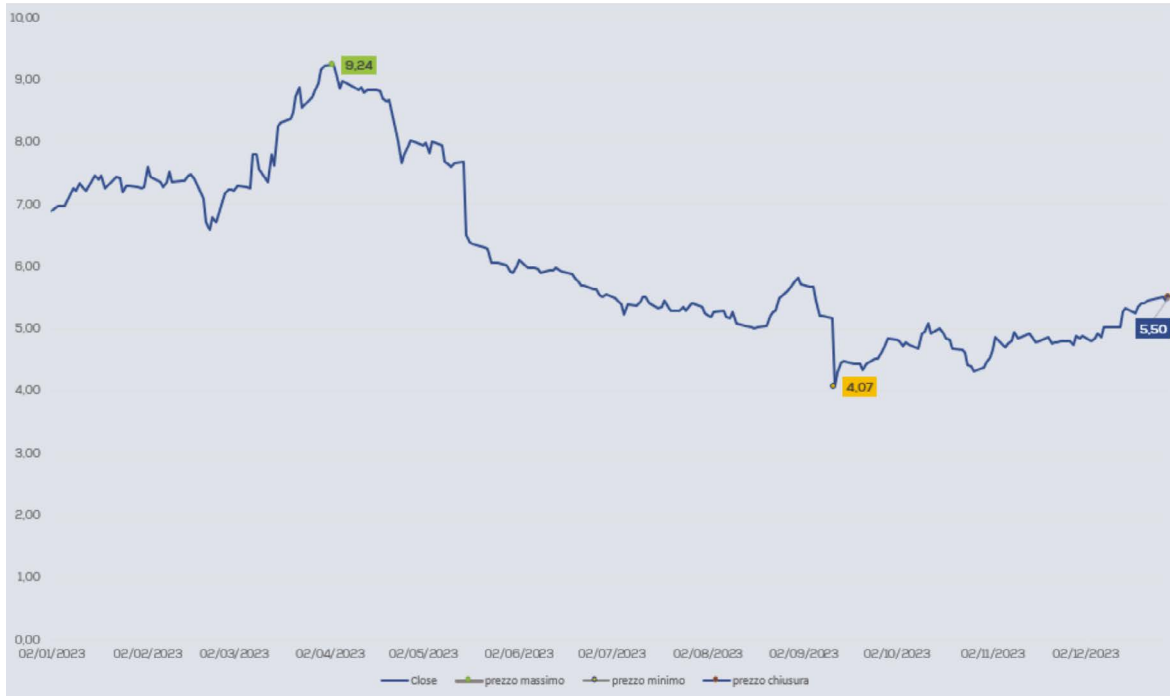
⁽¹⁰⁾ Calculated as the average of opening balance and closing balance of consolidated companies.



3. SHARE PERFORMANCE

The ordinary shares of Esprinet S.p.A. (ticker: PRT.MI) have been listed on the STAR Milan (Euronext STAR Milan) segment of the EXM (Euronext Milan) market of the Italian Stock Exchange since 27 July 2001.

The graph below illustrates the share performance from 1 January to 31 December 2023:



The Esprinet share closed 2023 at an official price of 5.50 euro, -18.32% down compared to the closing price on 31 December 2022 (6.74 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 +293%, which does not take into account dividends distributed and the related reinvestment.

During the year, the share recorded a maximum price of 9.24 euro in April and then started a downward trend, reaching a minimum of 4.07 euro on 12 September 2023.

The average price for the year was 6.15 euro.

The average daily volumes⁹ traded in 2023 were 270,338 (+70%) compared to 158,939 in 2022. Volumes peaked at 1,791,152 shares traded on 12 September 2023 and on the same month the maximum average daily volume traded peaked as well, equal to 505,118 shares.

On 11 March 2024, the Esprinet share price was 4.94 euro (-10% compared to the closing price). Average daily trading up to the same date was 173,407 shares per day.

⁹ Simple arithmetic mean (source: Intesa Sanpaolo).

CORPORATE GOVERNANCE

1. COMPANY OFFICERS

BOARD OF DIRECTORS:

(Mandate expiring with approval of the financial statements for the year ending 31 December 2023)

Chairman	Maurizio Rota	
Deputy Chairman	Marco Monti	
Chief Executive Officer	Alessandro Cattani	(CSC)
Director	Chiara Mauri	(InD) (CSC)
Director	Angelo Miglietta	(InD) (RNC) (CRC)
Director	Lorenza Morandini	(InD) (CSC)
Director	Emanuela Prandelli	(InD) (RNC)
Director	Renata Maria Ricotti	(InD) (RNC) (CRC)
Director	Angela Sanarico	(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

CSC: Member of the Competitiveness and Sustainability Committee

BOARD OF STATUTORY AUDITORS:

(Mandate expiring with approval of the financial statements for the year ending 31 December 2023)

Chairman	Maurizio Dallochio
Permanent Auditor	Maria Luisa Mosconi
Permanent Auditor	Silvia Muzi
Alternate Auditor	Vieri Chimenti
Alternate Auditor	Riccardo Garbagnati

INDEPENDENT AUDITORS:

(Mandate expiring with approval of the financial statements 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. subscribes and conforms to the Corporate Governance Code for Italian Listed Companies (the 'Code'), which is adapted according to its characteristics.

To comply with requirements on transparency in the sector regulations, a 'Report on Corporate Governance and Ownership Structure' is drawn up each year, containing a general description of the governance system adopted by the Group as well as information on the ownership structure, on the organisational model adopted pursuant to Legislative Decree No. 231 of 2001, and on the extent to which the Group complies with the Corporate Governance Code, including therein the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

The 'Report on Corporate Governance and ownership structure' is available under Investors - 2024 Shareholders' Meeting section on the Company website (www.esprinet.com).

The Code is available for consultation on the website of Borsa Italiana S.p.A. www.borsaitaliana.it.



ACTIVITIES AND STRUCTURE OF THE ESPRINET GROUP

1. DESCRIPTION OF THE ACTIVITIES

Esprinet S.p.A. (hereinafter also 'Esprinet' or the 'parent company') and its subsidiaries (collectively 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 today the largest distributor in Southern Europe.

Its main markets in geographical terms are Italy and the Iberian peninsula.

The main activity consists in the distribution of IT products (hardware, software and services) and consumer electronics products. The products range marketed by the Group consists of 850 brands from leading technology manufacturers (vendors), including, to name a few, the world's leading technology manufacturers HP, Apple, Samsung, Asus, Lenovo, Dell, Microsoft, Acer, Epson.

In addition to providing traditional wholesaling services (bulk breaking and credit), Esprinet fulfils the role of enabler of the technological eco-system. The Group offers, for example, a turnkey e-commerce platform to hundreds of resellers, in-shop management for thousands of retail sales points, and specialised payment and financing solutions for the resellers community, by also offering the generation of demand by end users and big data analysis to the main technology manufacturers and resellers which outsource marketing activities increasingly more frequently.

Cloud services, collaboration and cybersecurity software, video-conference systems, advanced IT infrastructures and specialised consumer electronics solutions, such as connected household appliances or gaming platforms, are the new areas of growth with added value that fuel further future growth in sales for the sector, while logistics and financial services, as well as the 'pay-per-use' sales model, offer increased opportunities for margin growth.

These are supported by the 'traditional' wholesale distribution of branded IT products (hardware and software), mobile telephony equipment, accessories for the latter, aimed at retailers who target both 'consumer' and 'business' type end-users, and the distribution of own brand products made by third parties to order: NILOX, a brand under which electric mobility products, sports entertainment and PC accessories are made, and CELLY, a brand under which mobile phone accessories are produced.

The 'sales by product family and customer type' section provides a more detailed description of the main product categories marketed.

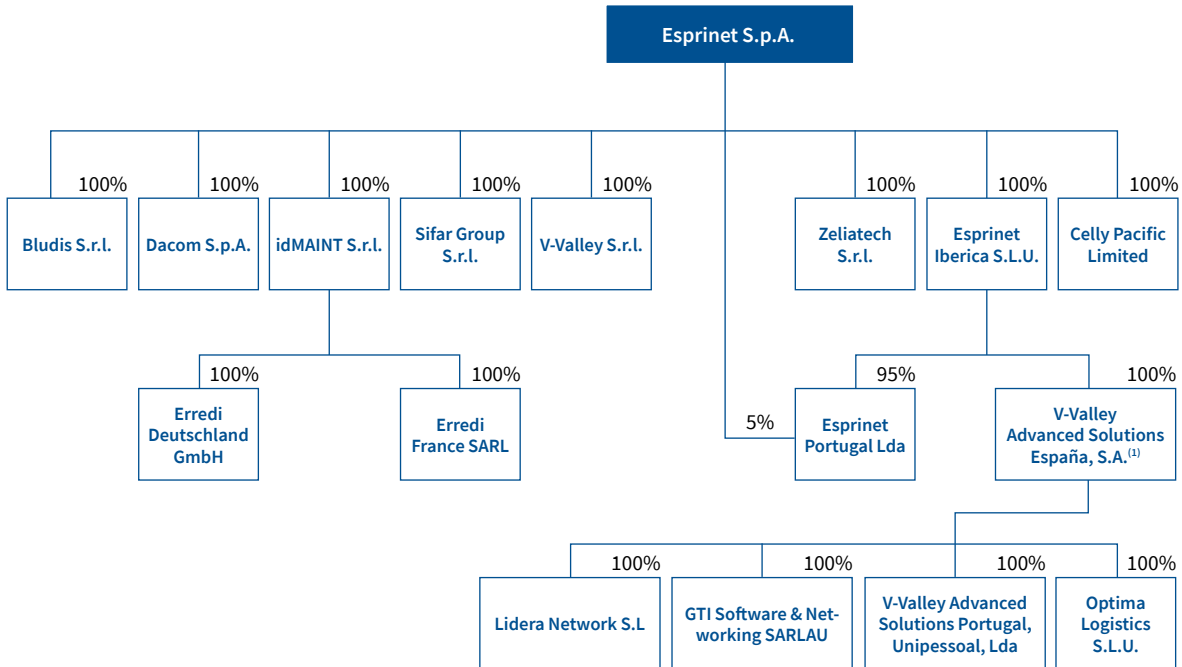
Customers served in the two territories, made up of the various types of IT resellers present in the Italian and Iberians markets, range from value-added resellers (VAR) to system integrators/corporate resellers, from dealers to shops (independent and/or affiliated stores), from major general and/or specialist retailers to sub-distributors.

Professional clients served in the B2B area in 2023 totalled approximately 29,000, of which approximately 20,000 were in Italy and approximately 9,000 in the Iberian Peninsula.

Logistics activities are carried out at the main logistics centres at Cambiagio (MI), Cavenago (MB), Pregnana Milanese (MI) and Zaragoza (Spain) all leased premises, totalling approx. 158,000 sqm (approx. 111,000 sqm in Italy and 47,000 sqm in Spain).

2. GROUP STRUCTURE

The chart below illustrates the structure of the Esprinet Group as at 31 December 2023:



⁽¹⁾ 100% of which 9,58% of own shares owned by V-Valley Advanced Solutions España, S.A.

From a legal standpoint, the parent company Esprinet S.p.A. was founded in September 2000 following the merger of two leading Italian distributors, Comprel S.p.A. and Celomax S.p.A..

The Esprinet Group later assumed its current composition as a result of the carve-out of micro-electronic components from the parent company and of various business combinations and establishment of new companies.

This report will refer to the 'Italian Subgroup' and the 'Iberian Subgroup'.

At period end, the Italian Subgroup includes not only the parent company Esprinet S.p.A., but also the companies it directly controls: Celly Pacific LTD., Bludis S.r.l., Dacom S.p.A., idMAINT S.r.l., Sifar Group S.r.l. (acquired on 2 August 2023), Zeliotech S.r.l. (established on 6 September 2023) and V-Valley S.r.l.

For the purposes of the representation under the Italian Subgroup, the subsidiary idMAINT S.r.l. is also understood to include its wholly-owned subsidiaries Erredi Deutschland GmbH, Erredi France SARL, (collectively the 'idMAINT Group'), merely companies for procuring sales in service of Dacom S.p.A..

At the same date, the Iberian Subgroup is instead made up of the Spanish operating sub-holding Esprinet Iberica S.L.U. and its subsidiaries Esprinet Portugal Lda, and V-Valley Advanced Solutions España, S.A (formerly GTI Software Y Networking S.A.). For the purposes of representation within the Iberian Subgroup, the subsidiary V-Valley Advanced Solutions España, S.A. is understood to also include its wholly-owned subsidiaries V-Valley Advanced Solutions Portugal Unipessoal Lda, GTI Software & Networking SARLAU, Optima Logistics S.L.U. and Lidera Network S.L., acquired on 1 August 2023.

Esprinet S.p.A. has its legal and administrative headquarters in Vimercate, Italy (Monza and Brianza) and has its own logistic sites in Cambiago (Milan) and Cavenago (Monza and Brianza).

Esprinet S.p.A. uses Intesa Sanpaolo S.p.A. for specialist activities.

ITALIAN SUBGROUP

Bludis S.r.l.

Acquired in November 2022, wholly-owned by Esprinet S.p.A., with operational headquarters in Rome, Bludis S.r.l. is an Italian company active in the distribution of software solutions in the Communication, Cybersecurity and IT Management areas, working mainly with innovative and emerging Vendors.

Celly Pacific LTD

Acquired on 12 May 2014 and previously held by Celly S.p.A., merged by incorporation into Esprinet S.p.A. in 2021, Celly Pacific LTD is a Chinese company, wholly-owned by Esprinet S.p.A., specialised in the design, production and distribution of accessories for mobile telephony.

Dacom S.p.A.

Acquired on 22 January 2021, wholly-owned by Esprinet S.p.A., Dacom S.p.A. is an Italian company active since the 1980s in the specialised distribution of products and solutions for Automatic Identification and Data Capture (AIDC).

idMAINT S.r.l. and its subsidiaries

Acquired on 22 January 2021, wholly-owned by Esprinet S.p.A., idMAINT S.r.l. is an Italian company specialised since 2012 in pre- and post-sales maintenance and technical support services on Auto-ID products.

idMAINT S.r.l. holds the entire share capital of the German subsidiary Erredi Deutschland GmbH and of the French subsidiary Erredi France SARL.

Sifar Group S.r.l.

Acquired on 2 August 2023, wholly-owned by Esprinet S.p.A., Sifar Group S.r.l. is an Italian company active since 2012 in the B2B distribution of spare parts, components and accessories for mobile phone and tablet products.

V-Valley S.r.l.

Established on 8 June 2010 with the company name Master Team S.r.l., then changed in September of the same year to V-Valley S.r.l., wholly-owned by Esprinet S.p.A., V-Valley S.r.l. is an Italian company that has been operational since December 2010 in distribution activities, as sale commission agent for Esprinet S.p.A., of 'value' products (essentially servers, high-end storage and networking, virtualisation, cybersecurity, bar-code scanning).

Zeliatech S.r.l.

Established on 6 September 2023, wholly-owned by Esprinet S.p.A., Zeliatech S.r.l. is an Italian company that became operational on 1 February 2024 following the transfer by Esprinet S.p.A. of a business unit active in the distribution of technologies aimed at the generation and distribution of electricity (including photovoltaic panels, inverters, cabling devices, charging stations for electric vehicles); instrumentation for the regulation of temperature and climate in homes, offices and industrial plants, also by means of electronic supports, such as heat pumps, condensers and thermostats; and video surveillance technologies and devices (including application software).

IBERIAN SUBGROUP

Esprinet Iberica S.L.U.

Originally established by the Group as a vehicle for the Spanish acquisitions carried out between the end of 2005 and the end of 2006, as a result of the various business combinations and mergers that took place over the years (including, in September 2022, the incorporation of Vinzeo Technologies S.A.U., already fully acquired on 1 July 2016, distributor of Apple products since 2009 and holder at the merger date of important distribution contracts in the field of volume ICT), Esprinet Iberica S.L.U. represents the market leader in the distribution of Information Technology and Consumer Electronics. The Spanish company has headquarters, offices and warehouses in Zaragoza, only approx. 300 km from all the main cities in Spain, and peripheral offices in Madrid, Barcelona and Bilbao, which together account for more than 80% of Spain's IT consumption.

Esprinet Portugal Lda

Established on 29 April 2015, 5% owned by Esprinet S.p.A. and 95% owned by Esprinet Iberica S.L.U., Esprinet Portugal Lda is a Portuguese company active in the distribution of PC, peripheral and consumer electronics products in Portugal, activity carried out by Esprinet Iberica S.L.U. up to that date.

V-Valley Advanced Solutions España, S.A. and its subsidiaries

Acquired by Esprinet Iberica S.L.U. on 1 October 2020, under the name of GTI Software Y Networking S.A. (renamed V-Valley Advanced Solutions España, S.A. on 1 October 2021, on occasion of the merger by incorporation of V-Valley Iberian S.L.U., also wholly-owned by Esprinet Iberica S.L.U., which followed the previous merger by incorporation on 31 March 2021 of the wholly-owned subsidiary DIODE España S.A.U.), the Spanish company, wholly-owned by Esprinet Iberica S.L.U., it is the leading distributor in Spain of software and 'cloud' solutions to Value-Added Resellers and System Integrators.

V-Valley Advanced Solutions España, S.A. wholly owns the Spanish subsidiaries Optima Logistics S.L.U. and Lidera Network S.L. (acquired on 1 August 2023), the Portuguese subsidiary V-Valley Advanced Solutions Portugal Unipessoal Lda (formerly 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.

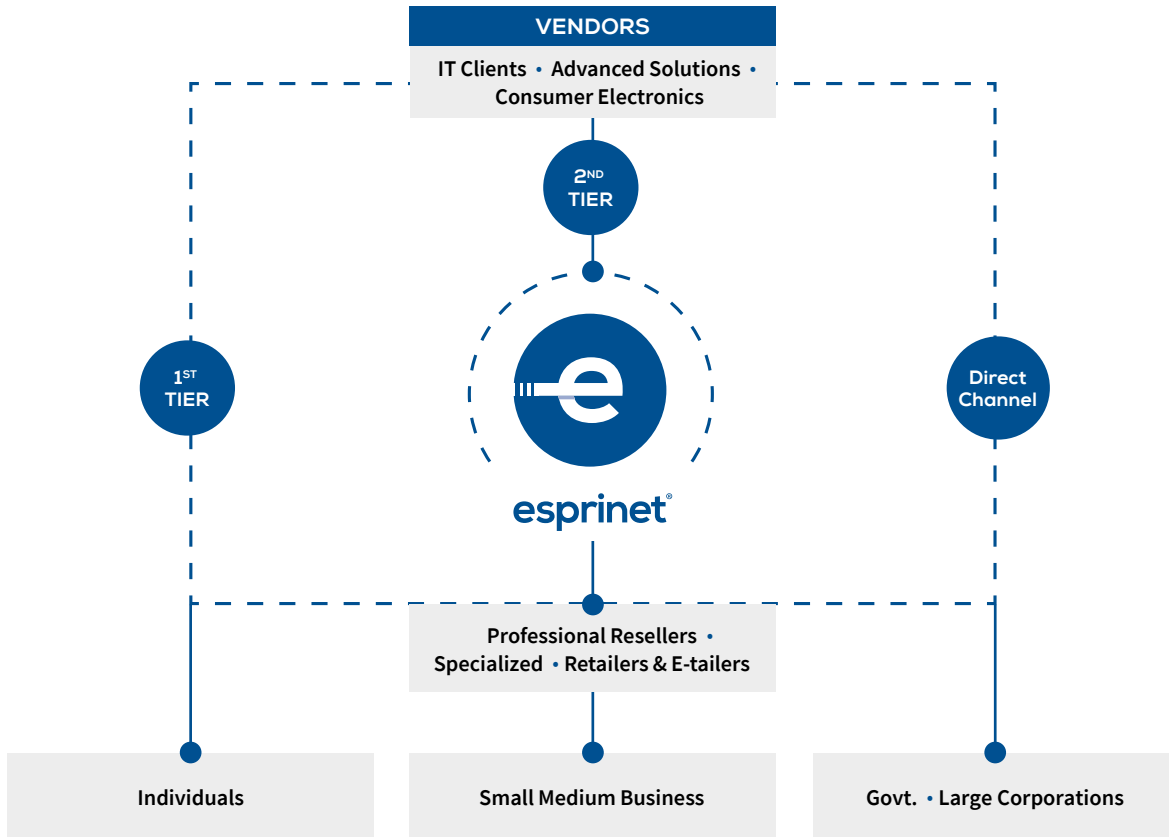
The individual sectors of the business model described above can be further defined in two different ways:

- a)** the 'addressed' market, which is the total volume of IT product sales made by distributors or effectively passing through the '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 'addressable' market, which is the volume of IT product sales, which can be made by distributors or effectively moved through the '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 2024) through a panel of distributors largely representative of the general trend, recorded sales of approximately 86.7 billion euro in 2023, a decrease (-4.9%) compared to 91.2 billion euro in 2022. In particular, the trend by quarter highlights the following: +0.5% Q1 2023 vs Q1 2022, -6.1% Q2 2023 vs Q2 2022, -10.1% Q3 2023 vs Q3 2022, -4.2% Q4 2023 vs Q4 2022.

Although Germany remains the largest market in Europe with a turnover of 17.4 billion euro, it recorded a drop of 6.2%, while the market comprising the United Kingdom and Ireland, the second largest with sales of 14.5 billion euro, recorded a decrease of -7.5%.

In Italy, turnover also declined (-3.9%) and stood at 9.2 billion euro, with its weight in the panel of European countries almost unchanged at 10.6%.

On the other hand, the decrease in France (-2.3%), which reached 8.1 billion euro in sales, was more contained.

In the Iberian Peninsula, Spain and Portugal showed respectively -1.6% (with a market at 7.1 billion euro) and -4.9% (with a market at 1.7 billion euro) compared to 2022.

After years of growth, it is also worth noting Poland's negative performance (-5.2%), with a turnover falling to 5.4 billion euro in 2023.

Finally, the Czech Republic (+1.1% to 2.1 billion euro in sales in 2023), Norway (+3.9% to 1.2 billion euro in sales in 2023) and Slovakia (+11.1% to 0.5 billion euro in sales in 2023) were the only growing markets.

The following table summarises the distribution trend in each country in 2022 and 2023 (values are in billion euro), the development in the last two quarters, in the second half of the year and in 2023 as a whole, compared with the same periods in the previous year:

Country	2022 (euro/mld)	2023 (euro/mld)	Q3-23 vs Q3-22	Q4-23 vs Q4-22	2H 2023 vs 2H 2022	2023 YTD vs 2022 YTD
Total	91.2	86.7	-10.1%	-4.2%	-6.9%	-4.9%
Germany	18.5	17.4	-11.2%	-6.9%	-8.8%	-6.2%
UK-Ireland	15.7	14.5	-12.7%	-6.6%	-9.5%	-7.5%
Italy	9.6	9.2	-10.9%	-1.2%	-5.5%	-3.9%
France	8.3	8.1	-5.8%	-2.4%	-3.9%	-2.3%
Spain	7.2	7.1	-8.6%	-5.6%	-6.9%	-1.6%
Poland	5.7	5.4	-8.7%	3.6%	-2.0%	-5.2%
Netherlands	5.1	4.9	-6.3%	-3.6%	-4.8%	-4.3%
Switzerland	4.2	4.1	-3.1%	-4.2%	-3.7%	-1.8%
Sweden	2.8	2.6	-9.6%	-8.6%	-9.0%	-6.3%
Czechia	2.1	2.1	-3.0%	2.1%	-0.1%	1.1%
Belgium	2.3	2.1	-15.6%	-6.9%	-11.0%	-7.8%
Austria	2.3	2.1	-18.2%	-11.2%	-14.3%	-7.8%
Denmark	1.8	1.7	-22.5%	-2.0%	-11.6%	-8.4%
Portugal	1.7	1.7	-9.2%	-3.4%	-6.0%	-4.9%
Finland	1.3	1.2	-16.9%	-10.3%	-13.4%	-8.6%
Norway	1.1	1.2	-0.9%	9.7%	5.0%	3.9%
Baltics	1.0	0.9	-15.3%	-0.3%	-7.5%	-4.6%
Slovakia	0.5	0.5	5.3%	8.1%	6.9%	11.1%

Source: Context, January 2024.

Italy

IT, electronics consumption and distribution sector

In 2023, the Italian Information & Communication Technology ('ICT') ¹⁰ market measured through IDC data (February 2024), which monitors the purchases of end users in different European countries, recorded a decrease of -2.9%, going from 27.1 billion euro to 26.3 billion euro of sales.

Going into the detail of the product categories, among devices, 'PCs' recorded a significant fall (-24.0%), with sales of 2.7 billion euro in 2023. This result is attributable to the negative performance of both 'Portable PCs', whose turnover fell from 2.6 billion euro to 2.0 billion euro (-23.3%), and 'Desktops PCs', whose sales fell to 673 million euro (-26.0%). On the other hand, the 'Tablets' segment, with a market in 2023 at 680 million euro, recorded a decrease of 19.2%.

'Mobile Phones', with an almost flat performance compared to the previous year (-0.2%), amounted to 7.1 billion euro.

In the peripherals category, the 'Hardcopy' segment showed a 4% drop in turnover, while 'PC Monitors' fell by 21.6%, bringing the market to 336 million euro.

⁽¹⁰⁾ Excluding the IT Services segment. The following markets are therefore monitored: Hardware (Devices & Infrastructure) and Software.

In the *Infrastructure* area, 'Servers' reduced their scope (-4.7%) with sales at 757 million euro, while 'Storage' recorded a growth of +4.3% reaching 375 million euro.

Spending in the 'IaaS' category also increased significantly: +15.6%, from around 1 billion euro in 2022 to 1.2 billion euro in 2023. The 'Network Equipment' category, on the other hand, recorded a 1.3% slowdown (1.1 billion euro).

Lastly, in the 'Software' area⁽¹⁾, with an increase of 12.9%, the market reached 6.4 billion euro.

In this context, in 2023, the Italian distribution market (source: Context, January 2024) recorded a negative trend compared to the previous year (-3.9%). Analysing the trend by semester, the first half-year recorded -2.5%, while the second saw a further slowdown (-5.5%) compared to the same period of the previous year (-10.9% Q3 2023 vs Q3 2022 and -1.2% Q4 2023 vs Q4 2022).

According to Context data, Esprinet Italia remains the top distributor in the Italian market, even though its market share shrunk slightly.



⁽¹⁾ Considering the System Infrastructure Software and Application Development & Deployment segments.

Spain

IT, electronics consumption and distribution sector

In 2023, the Spanish Information & Communication Technology ('ICT') market measured through IDC data (February 2024), which monitors the purchases of end users in different European countries, recorded a decrease of 4.0%, going from 20.0 billion euro to 19.2 billion euro of sales.

Also in Spain, 'PCs' recorded a decrease (-21.5%), with sales going from 3.3 billion euro in 2022 to 2.6 billion euro in 2023. It should be noted that the aforementioned fall is attributable to both 'Portable PCs' (-20.0%, going from 2.7 billion euro to 2.1 billion euro) and 'Desktop PCs', which shrunk by 28.1%.

The 'Tablets' segment, with a turnover of 717 million euro in 2023, also recorded a decrease of -15.1%.

The 'Mobile Phones' market, accounting for 5.0 billion euro, showed a drop of 5.4%.

Among peripherals, the 'Hardcopy' segment closed 2023 on a positive note with +3.7%, while 'PC Monitors' showed a significant drop of -18.4%.

In the *Infrastructure* area, 'Servers' and 'Storage' recorded a strong growth with the following trends, respectively: +26.7%, bringing the market to 463 million euro, and +10.6% with the market reaching 276 million euro. In Spain, spending in the 'IaaS' category also jumped significantly (+17.0%, passing from 724 million euro to 847 million euro). The 'Network Equipment' category also performed well, with a growth of 3.3% (851 million euro).

In the 'Software' area, the increase of 13.4% brought turnover to 3.9 billion euro.

In this scenario, in 2023 the Spanish distribution market (source: Context, January 2024) shrunk by 1.6% compared to 2022 and Esprinet's market share was reduced.

Portugal

IT, electronics consumption and distribution sector

In 2023, the Portuguese Information & Communication Technology ('ICT') market measured through IDC data (February 2024), which monitors the purchases of end users in different European countries, recorded a decrease of 3.9%, settling at 3.6 billion euro.

Among devices, 'PCs' recorded a significant slowdown of 24.3%, with sales down in 2023 to 493 million euro. Also in the Portuguese market, this drop is attributable to both 'Portable PCs' (-27.0%) and 'Desktop PCs' (-7.9%). 'Tablets' also closed on a negative note: -15.4%.

The 'Mobile Phones' market reached a turnover of 951 million euro, substantially in line with the previous year (+0.5%).

Among peripherals, the 'Hardcopy' segment closed 2023 on a positive note with +3.5%, while 'PC Monitors' significantly shrunk their scope by a -26.6%.

In the *Infrastructure* area, 2023 saw the following trends: the 'Servers' market decreased by 11.0%, the 'Storage' market grew by 2.8%, the 'IaaS' segment rose by +17.3% and the 'Network Equipment' category grew by +2.7%.

As in Italy and Spain, the 'Software' area bounced (+15.9%) reaching a turnover of 759 million euro.

In 2023, the Portuguese distribution market (source: Context, January 2024) grew by 4.9% compared to 2022 and Esprinet's market share recorded a slight decrease.

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 2023 are hereby summarised:

(euro/000)	notes	2023	2022	% Var.
Sales from contracts with customers		3,985,162	4,684,164	-15%
Cost of goods sold excl. factoring/securitisation		3,748,590	4,433,031	-15%
Financial cost of factoring/securitisation	(1)	15,751	6,826	>100%
Gross Profit	(2)	220,821	244,307	-10%
<i>Gross Profit %</i>		5.54%	5.22%	
Personnel costs		89,134	87,056	2%
Other operating costs		67,546	66,579	1%
EBITDA adjusted	(3)	64,141	90,672	-29%
<i>EBITDA adjusted %</i>		1.61%	1.94%	
Depreciation and amortisation		7,430	5,728	30%
IFRS 16 Right of Use depreciation		12,635	11,532	10%
Goodwill impairment		-	-	n/s
EBIT adjusted	(3)	44,076	73,412	-40%
<i>EBIT adjusted %</i>		1.11%	1.57%	
Non recurring costs	(4)	30,064	2,754	>100%
EBIT		14,012	70,658	-80%
<i>EBIT %</i>		0.35%	1.51%	
IFRS 16 interest expenses on leases		3,382	3,260	4%
Other financial (income) expenses		16,584	3,439	>100%
Foreign exchange (gains) losses		(848)	1,064	<100%
Result before income taxes		(5,106)	62,895	<100%
Income taxes		6,769	15,549	-56%

(euro/000)	notes	2023	2022	% Var.
Net result		(11,875)	47,346	<100%
- of which attributable to non-controlling interests		-	-	n/s
- of which attributable to the Group		(11,875)	47,346	<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 function, would be included in the cost of sales.

⁽³⁾ Adjusted given gross of non-recurring items.

⁽⁴⁾ Of which 29.4 million euro otherwise included in 'Other operating costs', 0.6 million euro otherwise included in 'Personnel costs' and, with reference to 2022, of which 2.8 million euro otherwise included in 'Other operating costs'.

Sales from contracts with customers amounted to 3,985.2 million euro and show a decrease of -15% compared to the result of the corresponding period of the previous year, equal to 4,684.2 million euro. Sales from contracts with customers as at 31 December 2023 benefit from the contribution of 22.8 million euro from Lidera Network S.L. and Sifar Group S.r.l., acquired in August 2023 respectively in Spain and Italy, and from the contribution of 12.3 million euro from Bludis, included only from November 2022. Deducting the contribution of the above-mentioned acquisitions from sales, the decrease is estimated at -16%.

Gross profit amounted to 220.8 million euro, marking a decrease of -10% compared to 2022 (244.3 million euro), despite the greater reduction in sales, due to the effect of the improvement in the percentage margin, which rose from 5.22% to 5.54%, also thanks to the greater incidence of high-margin product categories which offset the marked increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. Deducting the positive contribution of 7.4 million euro deriving from the above mentioned acquisitions from the 2023 result, the change in gross profit is estimated at -13%, with an improved percentage margin in any case increased to 5.40%.

Adjusted EBITDA amounting to 64.1 million euro (-29% compared to 90.7 million euro in 2022), is calculated before non-recurring costs of 30.1 million euro. These non-recurring components include 26.4 million euro - of which 20.2 million euro relating to VAT paid during the year and not refundable and 4.3 million euro relating to VAT paid during the year and for which the refund procedure was activated - of charges incurred by the parent company following the signature, during the year, of the agreements with the Italian Revenue Agency aimed at settling out-of-court disputes relating to VAT for the 2013-2017 tax periods, a provision of 2.6 million euro on a specific trade receivable position, and 1.1 million euro of charges incurred as part of the management structure reorganisation program started both in Italy and in Spain at the end of 2023 and aimed at structurally reducing the Group's operating costs. Reduced to 1.61% compared to 1.94% in 2022, the incidence on sales was affected not only by the lower gross profit but also by the operating costs of the newly acquired companies. Excluding from the 2023 result the contribution of 2.4 million euro of said companies, Adjusted EBITDA is estimated at 61.8 million euro (-32% compared to the previous year).

Gross of the aforementioned non-recurring costs, Adjusted EBIT amounted to 44.1 million euro and showed a fall of -40% compared to 2022 (-43% excluding the positive contribution of 2.1 million euro relating to the acquisitions from the 2023 result). The incidence on sales decreased to 1.11% from 1.57% in the previous period.

Equal to 14.0 million euro, EBIT recorded a decrease of -80% compared to the 2022 financial year.

Result before income taxes amounted to -5.1 million euro compared to an income of 62.9 million euro in 2022, a further decrease compared to EBIT due to a worsening in financial expenses which, in 2023, include 6.9 million euro of interest accrued by the Tax Authorities as part of the aforementioned agreements signed by the parent company Esprinet S.p.A. with the Revenue Agency, as well as the higher expenses resulting from the increase in interest rates set by the European Central Bank.

The Net result is equal to -11.9 million euro (47.3 million euro in 2022).

The Group's main financial and equity position as at 31 December 2023 are hereby summarised:

(euro/000)	31/12/2023	31/12/2022
Fixed assets	273,868	258,453
Operating net working capital	104,112	261,593
Other current assets/liabilities	22,263	(3,222)
Other non-current assets/liabilities	(48,354)	(24,574)
Total uses	351,889	492,250
Short-term financial liabilities	72,246	82,163
Lease liabilities	11,896	10,740
Current financial (assets)/liabilities for derivatives	18	24
Financial assets held for trading	(113)	-
Financial receivables from factoring companies	(249)	(3,207)
Current debts for investments in subsidiaries	5,764	2,455
Other current financial receivables	(9,656)	(10,336)
Cash and cash equivalents	(260,883)	(172,185)
Net current financial debt	(180,977)	(90,346)
Borrowings	65,702	71,118
Lease liabilities	99,154	101,661
Non - current debts for investments in subsidiaries	600	600
Net financial debt (A)	(15,521)	83,033
Net equity (B)	367,410	409,217
Total sources of funds (C=A+B)	351,889	492,250

Net invested capital as at 31 December 2023 amounted to 351.9 million euro and was financed by:

- net equity amounting to 367.4 million euro (409.2 million euro as at 31 December 2022);
- net financial position of a positive 15.5 million euro (negative for 83.0 million euro as at 31 December 2022).

The value of the exact net financial position as at 31 December 2023 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 trends in the behaviour of customers and suppliers at different times of the year. Therefore, although it is not representative of the average levels of net financial indebtedness noted during the period, it shows an improvement compared to 31 December 2022 due to the containment of the net working capital level. The aforementioned factoring and securitisation programmes, which define the complete transfer of risks and benefits to the assignees and therefore involve 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 2023 of 393.1 million euro (540.2 million euro as at 31 December 2022).

Net equity totalled 367.4 million euro, down compared to 409.2 million euro as at 31 December 2022.

Equity and financial indicators confirm the strength of the Group.

B. FINANCIAL HIGHLIGHTS BY GEOGRAPHICAL AREA

B.1 ITALIAN SUBGROUP¹²

The Italian Subgroup's financial highlights as at 31 December 2023 are hereby summarised:

(euro/000)	notes	2023	2022	% Var.
Sales from contracts with customers		2,522,545	2,832,515	-11%
Cost of goods sold excl. factoring/securitisation		2,367,741	2,674,270	-11%
Financial cost of factoring/securitisation	(1)	11,411	3,564	>100%
Gross Profit	(2)	143,393	154,681	-7%
<i>Gross Profit %</i>		5.68%	5.46%	
Personnel costs		57,580	55,392	4%
Other operating costs		50,957	49,919	2%
EBITDA adjusted	(3)	34,856	49,370	-29%
<i>EBITDA adjusted %</i>		1.38%	1.74%	
Depreciation and amortisation		5,332	3,706	44%
IFRS 16 Right of Use depreciation		9,245	8,444	9%
Goodwill impairment		-	-	n/s
EBIT adjusted	(3)	20,279	37,220	-46%
<i>EBIT adjusted %</i>		0.80%	1.31%	
Non recurring costs	(4)	29,224	2,754	>100%
EBIT		(8,945)	34,466	<100%
<i>EBIT %</i>		-0.35%	1.22%	

(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 function, would be included in the cost of sales.

(3) Adjusted given gross of non-recurring items.

(4) Of which 29.0 million euro otherwise included in 'Other operating costs', 0.2 million euro otherwise included in 'Personnel costs' and, with reference to 2022, of which 2.8 million euro otherwise included in 'Other operating costs'.

Sales from contracts with customers amounted to 2,522.5 million euro and show a decrease of -11% compared to the result of the corresponding period of the previous year, equal to 2,832.5 million euro. Sales from contracts with customers as at 31 December 2023 benefit from the contribution of 9.2 million euro from Sifar Group S.r.l., acquired in August 2023, and from the contribution of 12.3 million euro from Bludis S.r.l., included only from November 2022. Deducting the contribution of the above-mentioned acquisitions from sales, the decrease is estimated at -12%.

Gross profit amounted to 143.4 million euro, marking a decrease of -7% compared to 2022 (154.7 million euro), despite the greater reduction in sales, due to the effect of the improvement in the percentage margin, which rose from 5.46% to 5.68%, also thanks to the greater incidence of high-margin product categories which offset the marked increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. Deducting the positive contribution of 6.1 million euro deriving from the above mentioned acquisitions from the 2023 result, the change in gross profit is estimated at -11%, with an improved percentage margin in any case increased to 5.49%.

(12) Includes Sifar Group S.r.l. acquired on 2 August 2023.

Adjusted EBITDA amounting to 34.9 million euro (-29% compared to 49.4 million euro in 2022), is calculated before non-recurring costs of 29.2 million euro. These non-recurring components include 26.4 million euro - of which 20.2 million euro relating to VAT paid during the year and not refundable and 4.3 million euro relating to VAT paid during the year and for which the refund procedure was activated - of charges incurred by the parent company following the signature, during the year, of the agreements with the Italian Revenue Agency aimed at settling out-of-court disputes relating to VAT for the 2013-2017 tax periods, a provision of 2.6 million euro on a specific trade receivable position, and 0.2 million euro of charges incurred as part of the management structure reorganisation program started both in Italy and in Spain at the end of 2023 and aimed at structurally reducing the Group's operating costs. Reduced to 1.38% compared to 1.74% in 2022, the incidence on sales was affected not only by the lower gross profit but also by the operating costs of the companies entering the scope of consolidation. Excluding from the 2023 result the contribution of 2.0 million euro of the acquired companies, Adjusted EBITDA is estimated at 32.8 million euro (-33% compared to the previous year).

Gross of the aforementioned non-recurring costs, Adjusted EBIT amounted to 20.3 million euro and showed a fall of -46% compared to 2022 (-50% excluding the positive contribution of 1.7 million euro relating to the acquisitions from the 2023 result). The incidence on sales decreased to 0.74% from 1.31% in the previous period.

EBIT of -8.9 million euro compares with a positive EBIT of 34.5 million euro in 2022.

The Italian Subgroup's main financial and equity position as at 31 December 2023 are hereby summarised:

(euro/000)	31/12/2023	31/12/2022
Fixed assets	230,829	214,826
Operating net working capital	30,053	78,531
Other current assets/liabilities	49,005	15,592
Other non-current assets/liabilities	(32,705)	(11,011)
Total uses	277,182	297,938
Short-term financial liabilities	49,459	53,733
Lease liabilities	8,582	7,656
Current debts for investments in subsidiaries	5,764	2,455
Financial receivables from factoring companies	(249)	(3,207)
Financial (assets)/liab. from/to Group companies	-	(27,500)
Other current financial receivables	(9,656)	(10,336)
Cash and cash equivalents	(125,713)	(127,916)
Net current financial debt	(71,813)	(105,115)
Borrowings	39,574	34,568
Lease liabilities	81,478	82,924
Non - current debts for investments in subsidiaries	600	600
Net Financial debt (A)	49,839	12,977
Net equity (B)	227,343	284,961
Total sources of funds (C=A+B)	277,182	297,938

The net financial position was a negative 49.8 million euro, a deterioration compared to the negative net financial position of 13.0 million euro as at 31 December 2022 due to the lower 'adjusted' result for the year.

The value of the exact net financial position as at 31 December 2023 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 trends in the behaviour of customers and suppliers at different times of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes of factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to the assignees and therefore allow their derecognition from the statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December 2023 quantifiable in 253.7 million euro (255.8 million euro as at 31 December 2022).

B.2 IBERIAN SUBGROUP¹³

The Iberian Subgroup's financial highlights as at 31 December 2023 are hereby summarised:

(euro/000)	notes	2023	2022	% Var.
Sales from contracts with customers		1,491,029	1,886,078	-21%
Cost of goods sold excl. factoring/securitisation		1,409,182	1,793,342	-21%
Financial cost of factoring/securitisation	(1)	4,340	3,262	33%
Gross Profit	(2)	77,507	89,474	-13%
<i>Gross Profit %</i>		5.20%	4.74%	
Personnel costs		31,554	31,665	-0%
Other operating costs		17,128	17,092	0%
EBITDA adjusted	(3)	28,825	40,717	-29%
<i>EBITDA adjusted %</i>		1.93%	2.16%	
Depreciation and amortisation		1,559	1,623	-4%
IFRS 16 Right of Use depreciation		3,390	3,088	10%
Goodwill impairment		-	-	n/s
EBIT adjusted	(3)	23,876	36,006	-34%
<i>EBIT adjusted %</i>		1.60%	1.91%	
Non recurring costs	(4)	840	-	-100%
EBIT		23,036	36,006	-36%
<i>EBIT %</i>		1.54%	1.91%	

(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 function, would be included in the cost of sales.

(3) Adjusted given gross of non-recurring items.

(4) Of which 0.4 million euro otherwise included in 'Other operating costs'; 0.4 million euro otherwise included in 'Personnel costs'.

Sales from contracts with customers amounted to 1,491.0 million euro and show a decrease of -21% compared to the result of the corresponding period of the previous year, equal to 1,886.1 million euro. Sales from contracts with customers as at 31 December 2023 benefit from the contribution of 13.6 million euro from Lidera Network S.L., acquired in Spain from August 2023. Deducting the contribution of the above-mentioned acquisition from sales, the decrease is estimated at -22%.

Gross profit amounted to 77.5 million euro, marking a decrease of -13% compared to 2022 (89.5 million euro), despite the greater reduction in sales, due to the effect of the improvement in the percentage margin, which rose from 4.74% to 5.20%, also thanks to the greater incidence of high-margin product categories which offset

(13) It includes the V-Valley Advanced Solutions España, S.A. Group, acquired on 1 October 2020 and formed by the companies Optima Logistics S.L.U., V-Valley Advanced Solutions Portugal, Unipessoal, Lda; GTI Software & Networking SARLUAU. It also includes Lidera Network S.L. acquired on 1 August 2023.

the marked increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. Deducting the positive contribution of 1.3 million euro deriving from the above mentioned acquisition from the 2023 result, the change in gross profit is estimated at -15%, with an improved percentage margin in any case increased to 5.16%.

Equal to 28.8 million euro, -29% compared to 40.7 million euro in 2022, Adjusted EBITDA is calculated gross of non-recurring costs of 0.8 million euro referring to the management structure reorganisation program launched in Spain at the end of 2023 and aimed at structurally reducing the Group's operating costs. Reduced to 1.93% compared to 2.16% in 2022, the incidence on sales was affected by the lower gross profit, as operating costs remained constant despite the charges incurred by the newly acquired Lidera Network S.L. Excluding from the 2023 result the contribution of 0.4 million euro of the aforementioned acquisition, Adjusted EBITDA is estimated at 28.4 million euro (-30% compared to the previous year).

Gross of the aforementioned non-recurring costs, Adjusted EBIT amounted to 23.9 million euro and showed a fall of -34% compared to 2022 (-35% excluding the positive contribution of 0.4 million euro relating to the aforementioned acquisition from the 2023 result). The incidence on sales decreased to 1.60% from 1.91% in the previous period.

Equal to 23.0 million euro, EBIT recorded a decrease of -36% compared to the 2022 financial year.

The Iberian Subgroup's main financial and equity position as at 31 December 2023 are hereby summarised:

(euro/000)	31/12/2023	31/12/2022
Fixed assets	117,625	118,416
Operating net working capital	74,204	183,130
Other current assets/liabilities	(26,741)	(18,815)
Other non-current assets/liabilities	(15,649)	(13,563)
Total uses	149,439	269,168
Short-term financial liabilities	22,787	28,430
Lease liabilities	3,314	3,084
Current financial (assets)/liabilities for derivatives	18	24
Financial assets held for trading	(113)	-
Financial (assets)/liab. from/to Group companies	-	27,500
Cash and cash equivalents	(135,170)	(44,269)
Net current financial debt	(109,164)	14,769
Borrowings	26,128	36,550
Lease liabilities	17,676	18,737
Net Financial debt (A)	(65,360)	70,056
Net equity (B)	214,799	199,112
Total sources of funds (C=A+B)	149,439	269,168

The net financial position was a positive 65.4 million euro, an improvement compared to the negative net financial position of 70.0 million euro as at 31 December 2022 due to the containment of the net working capital level.

The value of the exact net financial position as at 31 December 2023 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 trends in the behaviour of customers and suppliers at different times of the year. Therefore, it is not representative of the average levels of net financial indebtedness noted during the period. The aforementioned programmes of factoring and securitisation of trade receivables, which define the complete

transfer of risks and benefits to the assignees and therefore allow their derecognition from the statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December 2023 quantifiable in 139.5 million euro (284.5 million euro as at 31 December 2022).

ESPRINET S.P.A.

The main economic, financial and equity position of the parent company Esprinet S.p.A. as at 31 December 2023 are hereby summarised:

(euro/000)	notes	2023	2022	% Var.
Sales from contracts with customers		2,423,750	2,719,248	-11%
Cost of goods sold excl. factoring/securitisation		2,282,264	2,574,723	-11%
Financial cost of factoring/securisation	(1)	10,053	3,210	>100%
Gross Profit	(2)	131,433	141,315	-7%
<i>Gross Profit %</i>		5.42%	5.20%	
Personnel costs		50,993	50,180	2%
Other operating costs		49,008	49,055	-0%
EBITDA adjusted	(3)	31,432	42,080	-25%
<i>EBITDA adjusted %</i>		1.30%	1.55%	
Depreciation, amortisation, impairment		4,722	3,554	33%
IFRS 16 Right of Use depreciation		8,860	8,160	9%
Goodwill impairment		-	-	n/s
EBIT adjusted	(3)	17,850	30,366	-41%
<i>EBIT adjusted %</i>		0.74%	1.12%	
Non recurring costs	(4)	29,224	2,754	>100%
EBIT		(11,374)	27,612	<100%
<i>EBIT %</i>		-0.47%	1.02%	
IFRS 16 interest expenses on leases		2,695	2,619	3%
Other financial (income) expenses		14,088	1,795	>100%
Foreign exchange (gains) losses		(801)	817	<100%
Result before income taxes		(27,356)	22,381	<100%
Income taxes		1,683	6,321	-73%
Net result		(29,039)	16,060	<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 function, would be included in the cost of sales.

(3) Adjusted given gross of non-recurring items.

(4) Of which 29.0 million euro otherwise included in 'Other operating costs', 0.2 million euro otherwise included in 'Personnel costs' and, with reference to 2022, of which 2.8 million euro otherwise included in 'Other operating costs'.

Sales from contracts with customers amounted to 2,423.8 million euro, down by -11% compared to 2,719.2 million euro in 2022. The change does not change even considering in 2022 the 13.0 million euro generated by the company 4Side S.r.l., merged with effect from 1 January 2023.

Gross profit amounted to 131.4 million euro, marking a decrease of -7% compared to 2022 (141.3 million euro), despite the greater reduction in sales, due to the effect of the improvement in the percentage margin, which rose from 5.20% to 5.42%, also thanks to the greater incidence of high-margin product categories which offset

the marked increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. Adding to the 2022 result the 2.5 million euro of gross profit generated in the previous year by the company 4Side S.r.l., merged by incorporation from 1 January 2023, the percentage change would have shown a decrease of -9%.

Adjusted EBITDA amounting to 31.4 million euro (-25% compared to 42.1 million euro in 2022), is calculated before non-recurring costs of 29.2 million euro. These non-recurring components include 26.4 million euro - of which 20.2 million euro relating to VAT paid during the year and not refundable and 4.3 million euro relating to VAT paid during the year and for which the refund procedure was activated - of charges incurred by the parent company following the signature, during the year, of the agreements with the Italian Revenue Agency aimed at settling out-of-court disputes relating to VAT for the 2013-2017 tax periods, a provision of 2.6 million euro on a specific trade receivable position, and 0.2 million euro of charges incurred as part of the management structure reorganisation program started both in Italy and in Spain at the end of 2023 and aimed at structurally reducing the Group's operating costs. Reduced to 1.30% compared to 1.55% in 2022, the incidence on sales was affected not only by the lower gross profit but also by the increase in personnel costs as a result, mainly, of the recruitment of personnel of 4Side S.r.l. as a result of the aforementioned merger by incorporation. Adding to the result for 2022 the Adjusted EBITDA realised by 4Side S.r.l. in the previous year, the reduction would have been -27%.

Gross of the aforementioned non-recurring costs, Adjusted EBIT amounted to 17.9 million euro and showed a fall of -41% compared to 2022. The incidence on sales decreased to 0.74% from 1.12% in the previous period.

EBIT of -11.4 million euro compares with a positive EBIT of 27.6 million euro in 2022.

Result before income taxes amounted to -27.4 million euro compared to an income of 22.4 million euro in 2022, a further decrease compared to EBIT due to a worsening in financial expenses which, in 2023, include



6.9 million euro of interest accrued by the Tax Authorities as part of the aforementioned agreements signed with the Revenue Agency, as well as the higher expenses resulting from the increase in interest rates set by the European Central Bank.

The Net result is equal to -29.0 million euro (positive for 16.1 million euro in 2022).

The main financial and equity position of the parent company Esprinet S.p.A. as at 31 December 2023 are hereby summarised:

(euro/000)	31/12/2023	31/12/2022
Fixed assets	247,898	225,623
Operating net working capital	(54,288)	(10,841)
Other current assets/liabilities	118,717	81,319
Other non-current assets/liabilities	(29,936)	(9,903)
Total uses	282,391	286,198
Short-term financial liabilities	48,006	52,131
Lease liabilities	8,124	7,307
Financial receivables from factoring companies	(249)	(3,207)
Debts for investments in subsidiaries (current)	5,764	2,455
Financial (assets)/liab. From/to Group companies	12,882	(25,922)
Other current financial receivables	(9,656)	(10,336)
Cash and cash equivalents	(113,122)	(121,130)
Net current financial debt	(48,251)	(98,702)
Borrowings	39,480	34,568
Lease liabilities	78,792	80,442
Debts for investments in subsidiaries (non-current)	600	600
Net Financial debt (A)	70,621	16,908
Net equity (B)	211,770	269,290
Total sources of funds (C=A+B)	282,391	286,198

The Net Financial Position was a negative 70.6 million euro and compares with a negative net financial position of 16.9 million euro as at 31 December 2022.

The value of the exact net financial position as at 31 December 2023 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 trends in the behaviour of customers and suppliers at different times of the year. Therefore, although it is not representative of the average levels of net financial indebtedness noted during the period, it shows a deterioration due to the lower 'adjusted' result for the year and the lower financial requirements of the subsidiaries. The aforementioned programmes of factoring and securitisation of trade receivables, which define the complete transfer of risks and benefits to the assignees and therefore allow their derecognition from the statement of financial position assets, determine an overall effect on the level of consolidated net financial payables as at 31 December 2023 quantifiable in 228.0 million euro (226.4 million euro as at 31 December 2022).

Net equity totalled 211.8 million euro (269.3 million euro as at 31 December 2022).

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:

(euro/000)	notes	2023 Pre-IFRS16	2022 Pre-IFRS16	% Var.
Sales from contracts with customers		3,985,162	4,684,164	-15%
Cost of goods sold excl. factoring/securitisation		3,748,590	4,433,031	-15%
Financial cost of factoring/securitisation	(1)	15,751	6,826	>100%
Gross Profit	(2)	220,821	244,307	-10%
<i>Gross Profit %</i>		5.54%	5.22%	
Personnel costs		89,773	87,056	3%
Other operating costs		82,042	80,389	2%
EBITDA adjusted	(3)	49,006	76,862	-36%
<i>EBITDA adjusted %</i>		1.23%	1.64%	
Depreciation and amortisation		7,430	5,728	30%
IFRS 16 Right of Use depreciation		-	-	n/s
Goodwill impairment		-	-	n/s
EBIT adjusted	(3)	41,576	71,134	-42%
<i>EBIT adjusted %</i>		1.04%	1.52%	
Non recurring costs	(4)	30,064	2,754	>100%
EBIT		11,512	68,380	-83%
<i>EBIT %</i>		0.29%	1.46%	
IFRS 16 interest expenses on leases		-	-	n/s
Other financial (income) expenses		16,584	3,439	>100%
Foreign exchange (gains) losses		(848)	1,064	<100%
Result before income taxes		(4,224)	63,877	<100%
Income taxes		6,927	15,806	-56%
Net result		(11,151)	48,071	<100%
- of which attributable to non-controlling interests		-	-	n/s
- of which attributable to the Group		(11,151)	48,071	<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 function, would be included in the cost of sales.

(3) Adjusted given gross of non-recurring items.

(4) Of which 29.4 million euro otherwise included in 'Other operating costs', 0.6 million euro otherwise included in 'Personnel costs' and, with reference to 2022, of which 2.8 million euro otherwise included in 'Other operating costs'.

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

(euro/000)	31/12/2023 Pre-IFRS 16	31/12/2022 Pre-IFRS 16
Fixed assets	168,630	151,044
Operating net working capital	102,636	260,266
Other current assets/liabilities	23,270	(2,266)
Other non-current assets/liabilities	(48,354)	(24,574)
Total uses	246,182	384,470
Short-term financial liabilities	72,246	82,163
Lease liabilities	-	-
Current financial (assets)/liabilities for derivatives	18	24
Financial assets held for trading	(113)	-
Financial receivables from factoring companies	(249)	(3,207)
Current debts for investments in subsidiaries	5,764	2,455
Other financial receivables	(9,656)	(10,336)
Cash and cash equivalents	(260,883)	(172,185)
Net current financial debt	(192,873)	(101,086)
Borrowings	65,702	71,118
Lease liabilities	-	-
Non-current debts for investments in subsidiaries	600	600
Net Financial debt (A)	(126,571)	(29,368)
Net equity (B)	372,753	413,838
Total sources of funds (C=A+B)	246,182	384,470

2. OPERATING NET WORKING CAPITAL

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

(euro/000)	notes	31/12/2023			31/12/2022		
		Group	Italy	Iberica	Group	Italy	Iberica
Trade receivables [a]		698,602	401,034	297,568	701,071	428,784	272,287
Trade receivables net of VAT	(1)	574,640	328,716	245,924	576,493	351,462	225,031
Sales from contracts with customers	(2)	3,985,162	2,494,133	1,491,029	4,684,164	2,798,087	1,886,077
[A] Days Sales Outstanding - DSO	(3)	53	48	60	45	46	44
Inventory [b]		514.770	372.098	142.672	672.688	409.558	263.130
[B] Days Sales of Inventory - DSI	(4)	50	57	38	55	56	55
Trade payables [c]		1,109,260	743,079	366,181	1,112,166	759,811	352,355
Trade payables net of VAT	(1)	911,710	609,081	302,629	913,998	622,796	291,202
Cost of Sales		3,766,721	2,381,529	1,385,192	4,441,195	2,679,172	1,762,023
Total SG&A	(5)	70,187	53,598	16,589	69,333	52,673	16,660
[C] Days Payable Outstanding - DPO	(6)	87	91	79	74	83	60
Operating net working capital [a+b-c]		104,112	30,053	74,059	261,593	78,531	183,062
Cash conversion Cycle [A+B-C]		16	14	19	26	19	39
Operating net working capital/Sales		2.6%	1.2%	5.0%	5.6%	2.8%	9.7%

(1) Net of VAT measured by applying the ordinary rate of 22% for the Italian Subgroup and 21% for the Iberian Subgroup.

(2) Amounts net of intercompany sales.

(3) $(\text{Trade receivables net of VAT} / \text{Sales and services sales}) * 365$.

(4) $(\text{Inventory} / \text{Cost of sales}) * 365$.

(5) SG&A from restated income statement gross of 2.6 million euro of extraordinary provision on a non-recurring receivable position.

(6) $[\text{Trade payables net of VAT} / (\text{Purchases} + \text{Costs of services and other Operating costs})] * 365$.



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

(euro/000)	notes	Esprinet S.p.A.	
		31/12/2023	31/12/2022
Trade receivables [a]		330,419	348,798
Trade receivables net of VAT	(1)	270,835	285,900
Sales from contracts with customers	(2)	2,398,894	2,687,620
[A] Days Sales Outstanding - DSO	(3)	41	39
Inventory [b]		345,242	373,486
[B] Days Sales of Inventory - DSI	(4)	55	53
Trade payables [c]		729,949	733,125
Trade payables net of VAT	(1)	598,319	600,922
Cost of Sales	(5)	2,290,768	2,575,723
Total SG&A	(6)	51,466	51,850
[C] Days Payables Outstanding - DPO	(7)	93	83
Operating net working capital [a+b-c]		(54,288)	(10,841)
Cash conversion Cycle [A+B-C]		3	9
Operating net working capital / Sales		-2.3%	-0.4%

(1) Net of VAT measured by applying the ordinary rate of 22%.

(2) Net of intercompany sales amounting to 24.9 million euro (31.6 million euro in 2022) as per the table shown in the separate financial statements.

(3) $(\text{Trade receivables net of VAT} / \text{Sales and services sales}) * 365$.

(4) $(\text{Inventory} / \text{Cost of sales}) * 365$.

(5) Net of intercompany costs amounting to 3.9 million euro (3.5 million euro in 2022) as per the table shown in the separate financial statements.

(6) SG&A from reclassified income statement gross of 2.6 million euro of extraordinary provision on a non-recurring receivable position, the balance is also represented net of intercompany costs and chargebacks for 0.2 million euro after chargebacks relative to personnel costs equal to 0.7 million euro (0.1 million euro after chargebacks relative to personnel costs equal to 0.5 million euro in 2022) as per the table shown in the separate financial statements.

(7) $[\text{Trade payables net of VAT} / (\text{Purchases} + \text{Costs of services and other Operating costs})] * 365$.

3. SALES BY PRODUCT FAMILY AND CUSTOMER TYPE

GROUP SALES BY CUSTOMER TYPE AND PRODUCT FAMILY

SALES BY CUSTOMER TYPE

(euro/million)	2023	%	2022	%	Var.	% Var.
Retailer/e-tailers	1,342.7	33.7%	1,837.0	39.2%	(494.3)	-27%
IT Reseller	2,832.1	71.1%	3,059.6	65.3%	(227.5)	-7%
Adjustments	(189.6)	-4.8%	(212.4)	-4.5%	22.8	-11%
Sales from contracts with customers	3,985.2	100.0%	4,684.2	100.0%	(699.0)	-15%

In 2023, the market in Southern Europe recorded growth of 2% in the *Business Segment* (IT Reseller) and a decline of 12% in the *Consumer Segment* (Retailer, E-tailer). On the other hand, the Group's sales showed the following trends: the *Business Segment* fell by -7% to 2,832.1 million euro; the *Consumer Segment* decreased by 27% to 1,342.6 million euro.

The weight of sales to IT Resellers in 2023 rose to 68% compared to 62% in the previous year, gradually reducing the weight of the Consumer Segment, which is subject to greater discount pressures.

SALES BY PRODUCT FAMILY

(euro/million)	2023	%	2022	%	Var.	% Var.
PC (notebook, tablet, desktop, monitor)	1,110.7	27.9%	1,551.0	33.1%	(440.3)	-28%
Printing devices and supplies	356.9	9.0%	365.1	7.8%	(8.2)	-2%
Other IT products	285.1	7.2%	345.2	7.4%	(60.1)	-17%
Total IT Clients	1,752.7	44.0%	2,261.3	48.3%	(508.6)	-22%
Smartphones	995.3	25.0%	1,205.5	25.7%	(210.2)	-17%
White goods	57.9	1.5%	91.0	1.9%	(33.1)	-36%
Gaming hardware and software	92.3	2.3%	47.7	1.0%	44.6	94%
Other consumer electronics products	167.4	4.2%	241.1	5.2%	(73.7)	-31%
Total Consumer Electronics	1,312.9	32.9%	1,585.3	33.8%	(272.4)	-17%
Hardware (networking, storage, server & others)	696.2	17.5%	698.2	14.9%	(2.0)	-0%
Software, Services, Cloud	413.0	10.4%	351.8	7.5%	61.2	17%
Total Advanced Solutions	1,109.2	27.8%	1,050.0	22.4%	59.2	6%
Adjustments	(189.6)	-4.8%	(212.4)	-4.5%	22.8	-11%
Sales from contracts with customers	3,985.2	100.0%	4,684.2	100.0%	(699.0)	-15%

Analysing the details by product family, sales recorded a decrease of -23% in the *IT Clients* segment, in a market that declines by 9% as measured by the English research company Context. The PC category had the greatest impact (-28%), but Printers and Consumables and Other Products also fell compared to the previous year: respectively, a trend of -2% and -17%.

The *Consumer Electronics* segment decreased by 17%, mainly due to the decrease in Smartphone sales (-17%). White Goods also showed a negative performance (-36%), as did Other Products (-31%). On the other hand, the Gaming category grew significantly (+94%). According to Context data, the Consumer Electronics market records a -7% decrease compared to last year.

In the *Advanced Solutions* segment, the Group registered sales of 1,109.2 million euro, +6% compared to 1,050.0 million euro in 2022, with a growth of 17% in Software, Services and Cloud, and an essentially unchanged flat position for Hardware (networking, storage, servers and other). Again according to the measurements of the English research company Context, the market shows a +7% increase; therefore, the Group keeps its market share in this segment almost unchanged.

SALES OF ESPRINET S.P.A. BY CUSTOMER TYPE AND PRODUCT FAMILY

SALES BY CUSTOMER TYPE

(euro/million)	2023	%	2022	%	Var.	% Var.
Retailer/e-tailers	857.1	35.4%	1,098.2	40.4%	(241.1)	-22%
IT Reseller	1,605.6	66.2%	1,648.3	60.6%	(42.7)	-3%
Adjustments	(38.9)	-1.6%	(27.3)	-1.0%	(11.6)	42%
Sales from contracts with customers	2,423.8	100.0%	2,719.2	100.0%	(295.4)	-11%

The Company's sales show a decrease of 22% in the *Consumer Segment* (857.1 million euro) and of 3% in the *Business Segment* (1,605.6 million euro).

SALES BY PRODUCT FAMILY

(euro/million)	2023	%	2022	%	Var.	% Var.
PC (notebook, tablet, desktop, monitor)	525.6	21.7%	686.6	25.3%	(161.0)	-23%
Printing devices and supplies	279.2	11.5%	276.4	10.2%	2.8	1%
Other IT products	175.4	7.2%	223.1	8.2%	(47.7)	-21%
Total IT Clients	980.2	40.4%	1,186.1	43.6%	(205.9)	-17%
Smartphones	551.4	22.8%	664.8	24.5%	(113.4)	-17%
White goods	55.7	2.3%	71.9	2.6%	(16.2)	-23%
Gaming hardware and software	91.7	3.8%	33.7	1.2%	58.0	172%
Other consumer electronics products	155.1	6.4%	198.1	7.3%	(43.0)	-22%
Total Consumer Electronics	853.9	35.2%	968.5	35.6%	(114.6)	-12%
Hardware (networking, storage, server & others)	458.5	18.9%	422.0	15.5%	36.5	9%
Software, Services, Cloud	170.1	7.0%	169.9	6.3%	0.2	0%
Total Advanced Solutions	628.6	25.9%	591.9	21.8%	36.7	6%
Adjustments	(38.9)	-1.6%	(27.3)	-1.0%	(11.6)	42%
Sales from contracts with customers	2,423.8	100.0%	2,719.2	100.0%	(295.4)	-11%

The analysis of sales by product line shows a decrease in the *IT Clients* segment, above all due to the reduction in sales for the PCs category (-23%). Other Products decreased by 21%, while Printers and Consumables showed a slight increase of 1%.

The *Consumer Electronics* segment also slowed down compared to last year (-12%). Almost all categories recorded a negative performance: Smartphones showed a decrease of 17%, Other products, which include televisions in the scope, fell by 22%, and White Goods by 23%. The only exception is represented by Gaming products (+172%), whose growth remains +96% also considering in the 2022 sales the 13.0 million euro achieved by 4side S.r.l., at the time an independent company not yet merged by incorporation.

In the *Advanced Solutions* segment, the Company registered sales of 628.6 million euro, +6% compared to 591.9 million euro in 2022, with a growth of 9% in Hardware (networking, storage, servers and other) and an essentially unchanged flat position for Software, Services and Cloud.

SIGNIFICANT EVENTS OCCURRING IN THE PERIOD

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

SIGNING OF THE SHAREHOLDERS' AGREEMENT FOR THE PROTECTION AND GUARANTEE OF THE BUSINESS CONTINUITY OF THE ESPRINET GROUP

On 24 March 2023, a shareholders' agreement was signed between Montinvest S.r.l. and Axopa S.r.l., respectively holders of 16.33% and 9.90% of the share capital of Esprinet S.p.A., with a duration until 23 March 2026.

The agreement replaces the previous agreement entered into on 6 July 2020 between Axopa S.r.l. and the shareholder Francesco Monti, who, together with Marco Monti and Stefano Monti, transferred all of their shares to Montinvest S.r.l., the company they control.

The shareholders' agreement concerns a total of 13,222,559 shares, equal to 26.23% of the share capital, and has the objective of providing continuity in the management and stability of the capital structure of Esprinet S.p.A. and, among the things agreed, requires the parties to propose a common list for the appointment of Esprinet's Board of Directors, which includes the confirmation of Mr. Maurizio Rota as a non-executive Chairperson of the Board of Directors, the appointment of Mr. Marco Monti as Deputy Chairperson and the confirmation of Mr. Alessandro Cattani as the Chief Executive Officer.

ANNUAL SHAREHOLDERS' MEETING OF THE PARENT COMPANY ESPRINET S.P.A.

The Ordinary Shareholders' Meeting of Esprinet S.p.A. was held on 20 April 2023, which, as regards the various items on the agenda:

- approved the financial statements for the year ended 31 December 2022, allocating 16.1 million euro of the net income realised to increase the Reserves;
- resolved the distribution of a dividend of 0.54 euro per share, excluding own shares in the portfolio as at 26 April 2023;
- reviewed the Consolidated Financial Statements and the Sustainability Report as at 31 December 2022;
- approved the Report on Remuneration;
- authorised the purchase and disposal of treasury shares, for a period of 18 months from the date of the resolution, within the maximum limit of 2,520,870 ordinary shares of Esprinet S.p.A. without indication of face value and fully paid up, equal to 5% of the Company's share capital.

LAUNCH OF A EURO COMMERCIAL PAPER PROGRAMME

On 21 June 2023, the Board of Directors of Esprinet S.p.A. resolved to approve a Euro Commercial Paper ('ECP') programme for a maximum amount of 300.0 million euro, with a duration of 3 years, compliant with the provisions envisaged by the Short-Term European Paper (STEP) Market Convention of 19 May 2015.

The ECPs consist of unsecured bearer debt securities intended for qualified investors and, within each individual issue, into which the maximum value of 300.0 million euro may be divided, with a variable duration but in any case less than one year.

The implementation of the ECP programme, formally launched on 5 July 2023, will allow for a differentiation of funding sources, will ensure flexibility as there are no constraints in terms of value or duration of individual issues, and will enable the Group to access a new capital market and investors.

At the draft date of this financial report, no securities have yet been issued.

MERGER OF ERREDI IBERICA S.L. INTO V-VALLEY ADVANCED SOLUTIONS ESPAÑA S.L.

On 31 July 2023, the company Erredi Iberica S.L., active in the procurement of sales at the service of Dacom S.p.A., was merged by incorporation into the Spanish subsidiary V-Valley Advanced Solutions España S.L.

The merger took effect from 1 January 2023 for accounting and tax purposes.

The merger represents the conclusion of a process to rationalise resources and entities within the Group which, in relation to Erredi Iberica S.L., was started on 29 May 2023 with the transfer of 100% of the share capital from idMAINT S.r.l. to V-Valley Advanced Solutions España S.L., both wholly-owned, directly or indirectly, by Esprinet S.p.A..

ACQUISITION OF 100% OF LIDERA NETWORK S.L. THROUGH THE WHOLLY-OWNED SUBSIDIARY V-VALLEY ADVANCED SOLUTIONS ESPAÑA S.L.

On 1 August 2023, following the stipulation of a binding agreement on 20 March 2023, Esprinet S.p.A., through its wholly-owned Spanish subsidiary V-Valley Advanced Solutions España S.L., purchased 100% of the share capital of Lidera Network S.L., a Spanish company with a branch in Portugal, active in the distribution of software solutions in the Cybersecurity domain in the two countries since 1999.

The transaction is consistent with Esprinet's strategy of consolidating its leadership in Southern Europe in the Advanced Solutions sector, cementing its role as value-added tech enabler.

In 2022, the company generated turnover of 23.0 million euro with an EBITDA of 0.9 million euro. Net equity as at 31 December 2022 amounted to 5.1 million euro, with a net financial debt position of 0.4 million euro.

The agreed consideration, equal to 5.6 million euro and paid in full at the date in cash using available resources, is subject to adjustments mainly resulting from the calculation of the effective net equity at the reference date and the credit position of the company, to be verified at the end of one year from the date of the transaction.

Lidera Network S.L., within the Esprinet Group, will be maintained as a separate legal entity. In order to guarantee an orderly transition, the governance requires the previous shareholders Messrs. José Carlos Jimeno Diez and José Manuel Albiñana to remain in office for one year on the Board of Directors of the Company acquired, which took on 38 employees, with the same commercial and financial functions respectively.

ACQUISITION OF 100% OF SIFAR GROUP S.R.L.

On 2 August 2023, Esprinet S.p.A., following a binding agreement signed on 18 July 2023, acquired 100% of the share capital of Sifar Group S.r.l., an Italian company active since 2012 in the B2B distribution of spare parts, components and accessories of mobile phone and tablet products.

The transaction was carried out in compliance with both the strategy of focusing on high-margin business lines and the ESG principles of the Group which, to this end, intends to seize all opportunities that are integrated into a sustainability framework, including investments in *environmentally-friendly* products and services.

In 2022, the company generated turnover of 21.6 million euro with an EBITDA of 2.3 million euro. Net equity as at 31 December 2022 amounted to 8.0 million euro, showing a liquidity surplus of 3.0 million euro.

The acquisition will take place at an estimated value of 16.0 million euro (Provisional Price) and subject to adjustment mechanisms needed to determine the Final Price, linked to the calculation of the effective net equity at the execution date, the quality of the stocks and the credit position of the company, to be verified at pre-established dates up to the end of the ten-month period from the date of the transaction. These adjustment items, as well as the usual guarantees provided for these types of transactions, will be guaranteed by a portion of the Provisional Price that will be retained by Esprinet S.p.A. and released gradually upon the verification of agreed time-scales and events.

The portion of the consideration agreed upon at the closing, equal to 9.3 million euro, was paid in full on the relevant date in cash using available resources.

Sifar Group S.r.l., within the Esprinet Group, will be maintained as a separate legal entity and the two selling partners, Messrs. Giovanni and Andrea Sibilla, will hold managerial roles and continue to carry out management functions so as to ensure business continuity, together with the maintenance of the headquarters and other 23 staff members employed by the company.

APPOINTMENT OF THE FINANCIAL REPORTING OFFICER PURSUANT TO ITALIAN LAW 262/2005

With effect from 1 October 2023, Stefano Mattioli, former executive of Esprinet, was appointed by the Board of Directors of Esprinet S.p.A., subject to the favourable opinion of the Board of Statutory Auditors, as Executive charged with drawing up the company accounting documents pursuant to Italian Law 262/2005 and Group Chief Administration & Risk Officer.

Stefano Mattioli replaces Pietro Aglianò, previous Group Chief Administration & Risk Officer and Executive charged with drawing up the company accounting documents pursuant to Italian Law 262/2005, who resigned upon meeting pension eligibility requirements.

MERGER BY INCORPORATION OF THE SUBSIDIARY 4SIDE S.R.L. IN ESPRINET S.P.A.

On 24 October 2023, the deed of merger by incorporation into Esprinet S.p.A. of the wholly-owned subsidiary 4Side S.r.l., a company active in the distribution of Gaming products, was signed.

The merger, whose accounting and tax effects were backdated to 1 January 2023, takes effect from 1 November 2023, the date on which Esprinet S.p.A. took over all the legal relationships of 4Side S.r.l., assuming all its rights and obligations prior to the merger.

The transaction is part of the planned process to maximise commercial and operational synergies with the subsidiary, started with the purchase on 15 November 2021 of the remaining shares held by the minority shareholders, company managers or who, in the meantime, became managers of Esprinet S.p.A., and continued

with the signing on 6 March 2023 of a business lease agreement of the same, and concluded on 11 May 2023 with the approval of the merger by incorporation plan by the Board of Directors of Esprinet S.p.A..

As this is a merger by incorporation of a wholly-owned subsidiary, the transaction took place in 'simplified' form, for which the resolution is not passed by the Shareholders' Meetings but by the Boards of Directors of the two companies through a public deed, based on the statements of financial position of both companies as at 31 December 2022, as resulting from the financial statements approved by their respective Shareholders' Meetings.

DEVELOPMENTS IN TAX DISPUTES

Esprinet S.p.A. has several lawsuits in progress, all pending before the Supreme Court of Cassation, involving the requests for the payment of indirect taxes brought against the Company, in relation to transactions undertaken between 2011 and 2013. Since several customers had filed declarations of intent but, subsequent to tax audits, failed to fulfil the requirements needed to qualify as a frequent exporter, the Tax Authorities are now claiming VAT from the Company on several sales transactions.

On 22 May and 30 June 2023, Esprinet S.p.A., for the mere purposes of avoiding further potential long-term tax disputes, signed agreements with the Revenue Agency aimed at the out-of-court settlement of the further disputes formulated regarding VAT in relation to the tax periods from 2013 to 2017.

Against a total risk of more than 220.0 million euro, the Company has signed agreements for 32.9 million euro to be paid in instalments, net of 1.2 million euro already paid in accordance with the provisions of the administrative procedure, over five years with interest-bearing quarterly payments estimated at 3.8 million euro.

By signing these agreements, the Company has also definitively averted the risk of having to put aside, in the coming years, the amounts covered by the claim originally made by the Revenue Agency, which would have been added to the 42.6 million euro already paid on 31 December 2023, and recorded in the financial statements under the item 'Other tax receivables', in relation to the already mentioned ongoing legal disputes of the same case.

On 5 July 2023, the subsidiary Esprinet Ibérica S.L.U. signed an agreement with the Spanish Tax Authorities relating to direct and indirect taxes for the period 2017-2020.

The total amount, paid on 31 July 2023 and inclusive of interest, was equal to 0.4 million euro and does not include penalties, as the absence of fraudulent behaviour on the part of the company has been recognised.

SUBSEQUENT EVENTS

TRANSFER OF THE SOLAR BUSINESS UNIT TO ZELIATECH S.R.L.

On 1 February 2024, Esprinet S.p.A. transferred to the wholly-owned subsidiary Zeliotech S.r.l. the 'Solar' business unit, whose purpose is the distribution of technologies aimed at the generation and distribution of electricity (including photovoltaic panels, inverters, cabling devices, charging stations for electric vehicles); instrumentation for the regulation of temperature and climate in homes, offices and industrial plants, also by means of electronic supports, such as heat pumps, condensers and thermostats; and video surveillance technologies and devices (including application software).

The object of the unit were products intended for resale as part of the unit's activity, the related contractual relationships with suppliers, the contractual relationships with certain customers and the products in stock at the date of the transfer, as well as the employment relationships of 21 employees.

As a result of the transfer, Zeliotech S.r.l. took over all of the business unit's legal relationships with customers and suppliers, with the exception of receivables and payables, current or potential assets and liabilities, already existing at the date of the transfer which, with the sole exception of receivables for advances paid to suppliers for future supplies of products intended for resale pertaining to the business unit, remained the responsibility of Esprinet S.p.A..

The transfer, which took place at book values, resulted in a capital increase of the company Zeliotech S.r.l. for 25.0 million euro, of which 0.4 million euro for the share capital increase and 24.6 million euro for share premium.

BREACH OF FINANCIAL COVENANTS ON FACILITY AGREEMENTS

Among the various facilities available to the Esprinet group there is an unsecured short-term Revolving Credit Facility (RCF), for an amount of 180.0 million euro, not used as at 31 December 2023 but partially used at the date of this Financial Report, assisted by 4 economic and financial covenants to be verified every six months based on data from the consolidated and audited financial statements, whose failure to comply leads to the forfeiture of the benefit of the term and the option for the lending institutions to exercise the right to request early repayment.

As at 31 December 2023, the covenant represented by the ratio between financial indebtedness and EBITDA was not met and the Company is already working with the lending banks for the usual remediations.

DEVELOPMENTS IN TAX DISPUTES

For a better presentation, developments in tax disputes occurred after the period under review are disclosed under the paragraph 'Significant events occurring in the period'.

BUSINESS OUTLOOK

The year 2023 was characterised by a strong geopolitical and macroeconomic instability. The continuous inflationary pressure and the increase in interest rates, as well as the uncertainty of the context have weighed on consumer spending and have made companies' investment decisions more prudent. Based on this scenario, the ICT sector recorded a successive worsening in the drop in volumes that began at the end of 2022 in the three geographical areas in which the Group operates and in Europe in general.

Although the obstacles that the environment still presents to the outlook for next year are certainly not negligible, assuming that inflation continues to decline gradually, reducing the likelihood of further interest rate hikes, industry analysts believe that the market is now poised to return to growth, more likely more strongly in the second half of the year and at low single-digit rates, but returning to outpace GDP.

Growth in the *Infrastructure Hardware* area, essential in the digital transformation process of both the public administration and the private sector, strengthened by the massive long term government investment plans of the Recovery and Resilience programme, is expected to continue with lower ratios than in the recent past; Software demand is probably going to be stronger.

Product innovation, linked above all to artificial intelligence, will be another important driver. Not only are higher investments in data centres and software estimated, but also PCs equipped with artificial intelligence will be presented to the market later this year, which will provide a further boost during the current upgrade cycle. In this direction there are signs coming from the new AI smartphones, for example.

Nevertheless, there are other emerging areas characterised by a strong rate of innovation and a significant push towards outsourcing: cybersecurity, which continues to maintain a decisive role in relation to the multiplying context-related challenges and threats, although experiencing significant growth since the pandemic period; 'everything as a service', which will intensify and increasingly integrate new functionalities at lower costs; and sustainability, as much in the adoption of software that will enable companies to optimise their increasingly complex ESG management (from data collection to analysis, from reporting to the identification of risks and opportunities) and improve performance, as in the adoption of technologies that will help reduce their impact on the environment. The ICT sector is also gaining ground in other areas, seizing opportunities deriving from the convergence of some sectors towards technology: energy efficiency, renewable energies and electric mobility are an example of this.

Esprinet remains confident, as do the industry analysts, in the projections of long-term growth of the ICT sector and in the ability of distribution to direct it. In the coming years, the digital transformation trend will continue to drive a sharp increase in technology spending, and the distribution channel, which has also been resilient in 2023, will remain strong in the choice of the go-to-market strategy of producers.

Therefore, the Esprinet Group is quickly adapting its strategy, preparing to meet the challenges deriving from the recovery expected for 2024 and from the new market scenario.

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.

The Esprinet Group protects and promotes the value of human resources, encouraging their professional growth, undertaking to avoid discrimination of any kind and guaranteeing equal opportunities; it also guarantees working conditions that are respectful of personal dignity and safe and healthy working environments.

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

- the protection of health and safety in the workplace;
- continuous, extensive, accessible training consistent with company needs;
- a selection of the best resources with high know-how and a continuous focus on internal and international 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:

	notes	Executives	Clerks and middle management	Workers	Total	Average ⁽¹⁾
31/12/2023						
Esprinet S.p.A.		23	891	-	914	910
V-Valley S.r.l.		-	-	-	-	-
Bludis S.r.l.		1	42	-	43	41
Celly Pacific Ltd		-	2	-	2	3
Dacom S.p.A.		1	27	3	31	32
idMAINT S.r.l.		-	13	-	13	13
Erredi Deutschland GmbH		-	1	-	1	2
Erredi France SARL		-	1	-	1	1
4 Side S.r.l.	(2)	-	-	-	-	-
Sifar Group S.r.l.		2	14	8	24	12
Zeliatech S.r.l.		-	-	-	-	-
Subgroup Italy		27	991	11	1,029	1,014
Esprinet Iberica S.L.U.		-	363	76	439	492
Esprinet Portugal L.d.A.		-	55	-	55	53
Erredi Iberica S.L.	(3)	-	-	-	-	-
V-Valley Advanced Solutions España, S.A.		-	197	-	197	197
V-Valley Advanced Solutions Portugal, Unipessoal, Lda		-	-	-	-	-
Lidera Network S.L.		-	37	1	38	19
Optima Locistic S.L.U.		-	-	-	-	-
GTI Software & Networking SARLAU		-	18	-	18	16
Subgroup Iberian		-	670	77	747	777
Esprinet Group		27	1,661	88	1,776	1,791

⁽¹⁾ Equal to the average between the balance as at 31 December 2023 and the balance as at 31 December 2022 and, in the event of a merger, represented in the incorporating company.

⁽²⁾ Company merged into Esprinet S.p.A. as at 31 December 2023.

⁽³⁾ Company merged into V-Valley Advanced Solutions España, S.A. as at 31 December 2023.

	Executives	Clerks and middle management	Workers	Total	Average ⁽¹⁾
	31/12/2022				
Esprinet S.p.A.	20	874	-	894	868
V-Valley S.r.l.	-	-	-	-	-
Celly Pacific Ltd	-	3	-	3	3
Nilox Deutschland GmbH	-	-	-	-	-
Dacom S.p.A.	-	27	6	33	34
idMAINT S.r.l.	-	13	-	13	12
Erredi Deutschland GmbH	-	2	-	2	2
Erredi France SARL	-	1	-	1	1
Erredi Iberica S.L.	-	9	-	9	10
4 Side S.r.l.	3	9	-	12	13
Bludis S.r.l.	1	38	-	39	19
Subgroup Italy	24	976	6	1,006	962
Esprinet Iberica S.L.U.	-	475	71	546	585
Esprinet Portugal L.d.A.	-	50	-	50	47
Vinzeo Technologies S.A.U.	-	-	-	-	-
V-Valley Advanced Solutions España, S.A.	-	188	-	188	155
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	-	-	-	-	-
Optima Locistic S.L.U.	-	-	-	-	-
GTI Software & Networking SARLAU	-	16	-	16	14
Subgroup Iberian	-	729	71	800	801
Esprinet Group	24	1,705	77	1,806	1,763

⁽¹⁾ Equal to the average between the balance as at 31 December 2023 and the balance as at 31 December 2022 and, in the event of a merger, represented in the incorporating company.

The workforce trend is influenced by the extraordinary acquisition transactions (Sifar Group S.r.l. for Italy and Lidera Network S.L. for Spain) and by some restructuring operations for Esprinet Iberica, mainly linked to the transfer of a contract for the commercial promotion of mobile telephony products at large retail centres customers (promoters).

The following table details the changes in incoming and outgoing personnel by individual company. As regards the Italian Subgroup, the workforce remained almost unchanged, with an increase of only 8 units if we deduce the acquisition of the company Sifar (24 people).

With regard to the Iberian Subgroup, excluding the acquisition of the company Lidera (38 people), the number was down compared to the previous year (100 units), as it was affected by the transfer of the above mentioned contract into Esprinet Iberica S.L.U. and by some interventions carried out for the efficiency improvement of the organisational structure.

	notes	Headcount as at 31/12/2022	Increases	Decreases	Headcount as at 31/12/2023
Esprinet S.p.A.		894	86	66	914
V-Valley S.r.l.		-	-	-	-
Bludis S.r.l.		39	5	1	43
Celly Pacific Ltd		3	-	1	2
Dacom S.p.A.		33	12	14	31
idMAINT S.r.l.		13	1	1	13
Erredi Deutschland GmbH		2	-	1	1
Erredi France SARL		1	-	-	1
4 Side S.r.l.	(1)	12	-	12	-
Sifar Group S.r.l.	(2)	-	25	1	24
Zeliatech S.r.l.		-	-	-	-
Subgroup Italy		997	129	97	1,029
Esprinet Iberica S.L.U.		546	100	207	439
Esprinet Portugal L.d.A.		50	15	10	55
Erredi Iberica S.L.	(3)	9	-	9	-
V-Valley Advanced Solutions España, S.A.		188	37	28	197
V-Valley Advanced Solutions Portugal, Unipessoal, Lda		-	-	-	-
Lidera Network S.L.	(4)	-	38	-	38
Optima Locistic S.L.U.		-	-	-	-
GTI Software & Networking SARLAU		16	5	3	18
Subgroup Iberian		809	195	257	747
Esprinet Group		1,806	324	354	1,776

(1) Merged into Esprinet S.p.a. as at 31 December 2023, subject to the transfer of 12 people to the merging entity.

(2) Of which 25 increases related to the acquisition of the company on 2 August 2023.

(3) Merged into V-Valley Advanced Solutions Espana S.A. as at 31 December 2023, subject to the transfer of 9 people to the merging entity.

(4) Of which 38 increases related to the acquisition of the company on 1 August 2023.

With respect to the breakdown by gender, the table below highlights a constant predominance of female employees in the Group: 53.2% as at 31 December 2023 (54.4% as at 31 December 2022).

	31/12/2023												Group	%
	Italy							Iberian Peninsula (Spain and Portugal)						
	Esprinet S.p.A.	V-Valley S.r.l.	Celly Pacific Limited	Dacom S.p.A.	idMAINT (⁽¹⁾)	Bludis S.r.l.	Sifar Group S.r.l.	Zeliate- ch S.r.l.	Esprinet Iberica S.L.U.	Esprinet Portugal L.d.A.	V-Valley Advan- ced Solu- tions España, S.A. ⁽²⁾			
Men	435	-	-	14	14	28	23	-	175	22	120	831	46.8%	
Women	479	-	2	17	1	15	1	-	264	33	133	945	53.2%	
Total	914	-	2	31	15	43	24	-	439	55	253	1,776	100%	
Graduation	346	-	2	12	6	16	3	-	166	26	135	712	40.1%	
High School Cert.	530	-	-	17	7	26	18	-	189	26	83	896	50.5%	
Secondary School Cert.	38	-	-	2	2	1	3	-	84	3	35	168	9.5%	
Total	914	-	2	31	15	43	24	-	439	55	253	1,776	100%	

⁽¹⁾ Means a subgroup, consisting of idMAINT S.r.l., Erredi Deutschland GmbH, Erredi France SARL.

⁽²⁾ Means a subgroup, consisting of V-Valley Advanced Solutions España, S.A., V-Valley Advanced Solutions Portugal, Unipessoal, Lda, Optima Logistic S.L.U., GTI Software & Networking SARLAU and Lidera Network S.L..



TRAINING

Esprinet supports and provides training activities that promote the professional and personal growth of all employees and that encourage upskilling and reskilling of key knowledge. After the launch, in 2021, of the new *Reskill* training approach based on a digital environment oriented towards self-development and knowledge sharing, 2023 was a year characterised by the introduction of new content in the Group's training landscape, consistently with the specific needs of the different Business Units and of the different countries (Italy, Spain, Portugal and Morocco), and by the consolidation of already present matters as an integral part of its corporate strategy.

Excluding mandatory training, in the Italian Subgroup a total of 21,756 hours were provided in 2023, a slight increase compared to 2022 and in previous years due, mainly, to the implementation of the Cyberguru platform for IT security training. In the Iberian Subgroup, a total of 22,264 hours of training were provided, a slight increase compared to 2022 but with a very significant one compared to previous years.

The main training contribution of the Italian Subgroup concerned the strengthening of hard and technical role-specific skills and the ESG strategy. As far as hard skills are concerned, a great deal of attention was given to technical training dedicated to the services offered by Esprinet in order to better support the end customer, pursuing the value of customer centricity.

With a view to enhancing the ESG concepts of diversity and inclusion, which are the foundations of Esprinet's culture, in 2023 in both the Italian and Iberian Group, the path dedicated to *Unconscious Biases* was further pursued, adding another fundamental element linked to the use of an 'inclusive language'. The goal was to provide tools to further raise awareness on how prejudices and everyday language can influence thinking. Additional *Diversity & Inclusion* topics were then addressed, such as parenting, disability, care giving, maternity and paternity, in order to support employee by providing tools and sharing opportunities with experts and colleagues, regarding life experiences that have repercussions on their work-life balance.

In addition to those already mentioned, the training projects with the greatest impact in the Iberian Subgroup include:

- *The Power Business School* project, which allowed all employees to access the following courses: *Power Skills*, *The Power Digital Marketing*, *Digital Transformation*, *Power Sales*, *Security Awareness* and *The Power MBA*;
- Excel training through the '*Excel and Finance*' platform;
- the continuation of the Customer Centricity project and training on continuous feedback in Portugal;
- training on business development and transversal skills in Morocco.

As a fundamental element of an organisation attentive to the development and growth of its human capital, the *8 Values Journey* continued for all countries, a path dedicated to corporate values and training for the development of a managerial culture increasingly oriented towards feedback.

Lastly, the company's focus on language training continues. In addition to the already consolidated 'small group' and one-to-one courses, the *Language Corner* training platform, accessible through *Reskill* or by downloading the application directly on one's own smartphone, contributed to the result. This digital platform offers endless training content in 9 languages (Italian, English, Spanish, French, German, Portuguese, Chinese, Japanese and Russian). To promote their use, gamification activities have also been organised, which provide for those ranking in first place the opportunity to win one-to-one training with a mother-tongue teacher. Again on the subject of language training, there is also the possibility of giving GUEST access to the platform to a guest of one's choice (a relative, a friend, a family member), thus promoting the development of language training contents that are already available to Esprinet employees.

RECRUITMENT

In 2023 Esprinet continued to work on Talent Acquisition as a corporate value and driver for the future, with the aim of better managing and optimising the selection process and improving the candidate Customer Experience. Thanks to the collaboration with an external partner aimed at the creation of a new Employee Value Proposition, the new **Enabling your Value, together!** pay off was identified, the strengths as an employer and the areas of improvement on which to make greater investments in order to increasingly become an Employer of Choice were identified.

Selection activities were stable and continuous throughout the year, despite a slight decrease compared to last year.

In Italy, 142 searches were managed, of which 17 completed through internal resources, with job posting or job rotation. Unlike last year, this year new employees in the Marketing, Sales and Staff areas were the same with almost similar numbers; searches were mostly focused on profiles with an average seniority of between 2/3 years, with the inclusion of high potential profiles.

In Spain, 97 selections were managed, of which 25 completed with an internal profile; in Portugal 24, with 5 internal job postings closing the vacancy. In general, the profiles included in Spain and Portugal were for the most part for marketing and commercial roles (with sales specialists, business developers and brand managers as the job titles more in demand), with fewer entries in the staff area.

The Esprinet Group strongly believes in the importance of investing in future generations and is actively involved in providing them with skills for employment and entrepreneurship.

In fact, the Group joins the **school-work experience** or PCTO (School-Work) programmes in collaboration with some schools in the areas in which it operates, seeking to pursue the following objectives:

- allowing students and professionals to meet and develop transversal skills for career guidance;
- creating a link between school and work: these days represent a valuable first connection between Esprinet and young people who will soon enter the world of work.

In 2023, 21 students from various secondary schools in the Monza and Brianza area were engaged in activities involving different company departments (marketing, human resources, customer service, general services and administration) with the aim of supporting them in developing the skills required in the world of work.

Employer Branding activities and the consolidation of relations with local universities also continued, especially with the Bicocca University of Milan, and with Confindustria (the Italian manufacturers' federation). As regards Spain, collaborations took place with the universities Complutense of Madrid, Rey Juan Carlos, Politecnica and the EAE Business School.

ORGANISATION AND MANAGEMENT

LISTENING POLICIES

For Esprinet, listening policies are central to building HR strategies for the future, which is why we promote initiatives that allow all Group employees to share their ideas and propose new initiatives. Also in 2023, a key role in this process was that of surveys, in particular the internal survey and the Great Place To Work survey. In both surveys, all employees were asked to express their opinions through closed questions with an associated rating scale, multiple choice questions and open questions. All contributions, both the quantitative results and the qualitative inputs, were presented through dedicated meetings with all department managers; through these opportunities valuable food for thought was identified that led to improvements and targeted actions.

Also in 2023, particular attention was paid to overall satisfaction and engagement levels, which were analysed thanks to the Net Promoter Score (NPS) and the Trust Index.

It should also be noted that in 2023 the *Great Place to Work* certification was obtained in all countries involved in the Survey (Italy, Spain, Portugal and Morocco). In Italy we were confirmed as *Best Workplaces* by being ranked in the best 15 *Great Place to Work* companies, for the reference cluster. In addition, the benchmarking and comparison process with best practices through the *Top Employer* certification continues, which in 2023 saw a significant improvement in the assessment of single HR processes.

In 2023, the Esprinet Group obtained the EDGE certification, which recognised gender equality policies. The Esprinet Group has thus joined a global community of companies committed to supporting equal opportunities for women and men in the workplace, therefore, adopting informed strategies to continuously improve gender equality in the workplace.

During the year, there were also opportunities for individual listening sessions for employees; in particular, in addition to the interviews already proposed, which punctuate corporate professional life, a listening opportunity was provided for employees on long-term leave.

Also this year, quarterly town halls meetings were planned for the Italian and Iberian Subgroups: virtual meetings managed by the Group's Chief Executive Officer, with the possibility for all employees to ask questions on any topic, even anonymously.

SMART WORKING AND FLEXIBILITY

Flexibility remained an important issue and, with a view to constantly improving the work-life balance, new possible actions were explored through focus groups with managers.

In 2023, attention to this issue led to the discussion of consolidated normal practices and to the study of a flexibility model that would bring the needs of employees closer to the Group's business logic.

In Italy, the smart working policy has been expanded and customised solutions have been adopted in relation to the nature of the work carried out, allowing for greater flexibility in some company areas.

Most of the company population is allowed ten remote working days per month. In the Vimercate site, a day was also introduced for the closure of company premises, every Friday, when the entire site company population works exclusively remotely.

With a view to increasing flexibility and accountability, a single time stamp was introduced to record attendance at the headquarters.

In the Iberian Subgroup, working hours flexibility has been increased with the introduction of a flexible lunch break, and weekly flexibility makes it possible to better organise work activities. The package of extra smart working days was also increased from 5 to 10 days per year and the possibility of taking an additional paid leave day on the occasion of one's birthday was introduced.

With a view to increasing attention to the issue of maternity, an ad hoc solution was introduced for the entire Group for pregnant women, who can now choose to work exclusively remotely from the 6th month of pregnancy.

ENGAGEMENT

In 2023, also following the feedback obtained during the climate surveys, several initiatives aimed at improving employee engagement were started.

Different Communities have been created to foster opportunities for discussion and for non-work-related initiatives on different topics. Among the initiatives promoted, the establishment of a company band, which performed in a concert dedicated to the company population and participated in the Christmas celebrations, was particularly popular.

During the year, some activities were promoted to improve collaboration and knowledge among the various company areas, including a company table football tournament that involves all countries and aims at improving networking.

The company kick-off in Italy and the Christmas party for the entire Iberian Subgroup, two significant opportunities to celebrate the successes achieved during the year, were again highly appreciated events.

To encourage opportunities for exchange and to support employee training, company's self-managed libraries were created, spaces where employees can donate or borrow a book. Located in a common space in the Vimercate site and in the Madrid and Zaragoza sites, the library is becoming more and more enriched by hosting different literary genres.

WELFARE, WELL-BEING AND DEI

Esprinet believes corporate *Welfare* a key strategic element and, given the strong appreciation on the part of all employees, in 2023 the Esprinet4you programme was again designed. The aim has been to build initiatives that can truly contribute to improving employees' quality of life.

In Italy, the 'welfare' amount was confirmed for all employees; this is an amount that can be spent on a dedicated platform which has been supplemented with some confirmed additional 'bonuses' for weddings and civil unions, births and adoptions, and in support of disability and caregivers.

In the Iberian Subgroup, as the regulations are different, an extraordinary welfare bonus was awarded with the same rationale.

In Italy, the 100% integration of the allowance for the first two months of optional maternity leave and the increase in paternity leave days, from 10 to 20 days, were also confirmed, while in the Iberian Subgroup, in support of maternity/paternity, those who took the relative leave in 2023 were recognised an additional leave of 80 hours to be taken during the child's first year of life.

In 2023, a psychological help desk was introduced in Italy, an initiative that allowed all employees to access psychological support with expert staff in total anonymity. This initiative highlighted a topic of fundamental importance, namely mental health, which was also pursued thanks to dedicated courses such as that on Mindfulness and that relating to stress management.

In Spain, a psychological and medical consulting service was launched for employees and their families. This service provides specialised psychological treatment sessions. In addition, physiotherapy for warehouse and technical assistance personnel resumed.

In 2023, a non-competitive race initiative was promoted ('*Run4inclusion*'), which saw Esprinet Italia participate together with other companies to celebrate the importance of the values of diversity, inclusion, sustainability and physical well-being.

ORGANISATION

In 2023, a number of important events took place that involved our corporate structure.

With a view to increasing synergy, the merger of 4Side S.r.l., which became part of the Esprinet S.p.A. structure, took place in November, giving rise to the Games Business Unit.

A major acquisition also took place in August, which led Sifar Group S.r.l., a leading company in Italy in terms of spare parts and accessories for smartphones and tablets, to become part of the Esprinet Group.

Since October, the organisational structure of Esprinet S.p.A. in terms of sales and marketing has been divided into three main business areas: Solar, Value and Volume.

As regards the Iberian peninsula, the acquisition by V-Valley Advanced Solutions España S.A.U. of the company Erredi Iberica S.L., part of the Dacom group in Italy, took place in May 2023 and its subsequent merger by incorporation took place on 31 July 2023.

In addition, on 1 August 2023, V-Valley Advanced Solutions España S.A.U. acquired 100% of the share capital of Lidera Network S.L., a company under Spanish law with a branch in Portugal, active in the distribution of Cybersecurity software solutions.

PERFORMANCE MANAGEMENT AND 'COMPENSATION'

The first performance development cycle for the Iberian Subgroup and the second cycle for the Italian Subgroup, both based on the continuous feedback process supported by the Feedback4you platform, were both completed in 2023. In addition to the feedback already shared during the year, a final review is also planned (for Italy, 742 people were involved in 2023). The latter included a summary rating, indicating how much the person is in line with the role held, and a more in-depth feedback from their manager on the objectives achieved and alignment with Esprinet's culture and values. In addition, development meetings were held between HR and function managers, with the aim of sharing an overview of the resources in the various groups and above all aimed at identifying the main development actions (e.g. shadowing, job rotation, training).

Among the various actions promoted, it should be noted that Esprinet launched an international mobility programme for the first time in 2023, with the aim of increasing the professional and language skills of some high-potential employees and at the same time improving synergies and collaboration among the Group's different countries.

During the reference year, 9 employees took part in the project, 5 from Esprinet S.p.A. and 4 from the Spanish subsidiaries. Following an internal selection process, participants had access to customised language training and meetings with the host organisation's managers in order to better outline the course.

During their assignment abroad, which lasted between five and six months, all the participants had to deal with different working methods and in some cases important synergies were created, which enabled the development of corporate projects.

The Graduate project also continued in 2023, involving four participants in Italy and one in Spain. Started in 2022, the course was characterised by job rotation in different company structures, with a specific focus in the marketing and sales area, in order to train young talents comprehensively and thoroughly. International experience is planned starting next year.

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

For some Directors and key managers of the Group companies, the incentive plan ended for the 2021-2023 three-year period, which will be summarised at the Shareholders' Meeting of Esprinet S.p.A. convened for the approval of the 2023 Financial Statements.

PROTECTED CATEGORIES

In addition to the forms of application or exemption envisaged by the regulations in force in the various countries in which the Group operates, the following should be noted for Italy:

- the renewal by Esprinet S.p.A. of agreements with the Provinces of Milan and Monza and Brianza for the inclusion of disabled people at some of the Company's offices;
- the signature of a new agreement with the Provinces of Monza and Brianza for Sifar Group S.r.l..

As regards Spain, Esprinet Iberica S.L.U. has entered into collaboration agreements with entities dedicated to the employment of people with disabilities.

HEALTH, SAFETY AND ENVIRONMENT

GENERAL PRINCIPLES AND ACTIONS UNDERTAKEN

Respect for the environment and the protection of health and safety at work have always been central to 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 and the surrounding environment, in full compliance with current laws.

In order to achieve these objectives, the Group has established, documented, implemented and maintained an Integrated Environment, Health and Safety and Quality Management System in the workplace.

Esprinet S.p.A. and the subsidiaries Esprinet Iberica S.L.U., V-Valley Advance Solutions España S.A.U. and V-Valley S.r.l. are Quality (ISO 9001), Environment (ISO 14001) and Workplace Health and Safety (ISO 45001) certified.

All companies had their Certifications confirmed by BSI in 2023, a leading international certification body.

The following is a list of the tools considered essential for:

- the pursuit of continuous improvement;
- the reduction of accidents, of near misses 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 make all personnel increasingly more aware of environmental, health and safety topics, and of the importance of the contribution of each individual in prevention and the 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 accidents, of their respective hazards, and of the identification of the corresponding impacts. 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, customers, 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 and safety and the environment.

MEMBERSHIP OF WASTE DISPOSAL CONSORTIA

Esprinet S.p.A. and Sifar S.r.l. are members of the Erion consortium (WEEE and Energy), Dacom S.p.A. and Id-Maint S.r.l. are members of the Erion consortium (Professional and Energy). These companies delegate to the aforementioned consortia the operational aspects relating to the 'end of life' products management defined by the regulation regarding the disposal of electric and electronics domestic and/or industrial waste, cells and batteries. As regards packaging, they are members of the CONAI consortium.

Esprinet Iberica S.L.U. is a member of the Recyclia, Ecoembes and Punto Verde consortia while Esprinet Portugal Lda is a member of Erp Portugal, Ponto Verde and ValorPneu, V-Valley Advanced Solutions España S.A.U. is member of Ecotic and Ecoembes, and lastly V-Valley Advanced Solutions Portugal Unipessoal Lda is a member of Erp Portugal and Ponto Verde.

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 occurred and no professional illnesses were reported by employees or former employees, and no Group company was found finally guilty in any 'mobbing' trials.

There was only one accident that caused serious injuries and inability to attend to ordinary occupations for more than 40 days.

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 four main logistics sites at Cambiago, Cavenago and Pregnana Milanese in Italy (approx. 112,000 sqm), and at Zaragoza in Spain (approx. 47,000 sqm), do not create any special problems for the environment. 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 2023, 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 were also developed or existing procedures were revised.

At the end of the year, there were no significant changes in risk exposure compared with the previous year.

With regard to 2024, the Group's activities will be mainly focused on monitoring and optimising existing risk control levels since the annual review of the main business risks has led to the substantial confirmation of the existing mapping with sporadic changes.

Finally, as necessary, new procedures will be defined and drawn up in order to formalise and regulate processes aimed at the correct management of the risks that have emerged in the face of possible regulatory updates and/or the expansion of the Group's operations.

GLOBAL MACROECONOMIC CONTEXT

The year 2023 was characterised by strong uncertainty and significant downward tensions at macroeconomic level, mainly due to the continuation of the military offensive in Ukraine started by Russian Federation armed forces on 24 February 2022, the persistence of high inflation, albeit reducing during the year, and to the outbreak of the Israeli-Palestine conflict on 7 October 2023 and still ongoing.

In the meantime, the main global central banks (including the European Central Bank) have continued to adopt restrictive monetary policies, raising interest rates on numerous occasions, which have led to a significant increase in the cost of money, reaching a maximum level mainly in the third quarter of the year. The high cost of money is expected to continue in 2024 although with a gradual reduction starting from the second quarter in line with the inflation trend, which is expected to gradually fall further during the current year.

The direct impact in 2023 of the aforementioned geopolitical tensions on the Esprinet Group was limited and bearable overall, as it not significantly exposed to the markets of the countries currently directly involved in ongoing conflicts, in addition to being able to rely on a sound financial structure. However, the economic context characterised by a high level of the cost of money and of inflation, has had a negative impact on the Group's performance, as a result of the general reduction in household consumption and business investments, and of the higher cost of the financing lines used.

Despite the persistence of strong geopolitical tensions and ongoing conflicts, the credit environment is, however, expected to slightly improve and ease starting from the spring/summer of 2024, in line with the expected drop in the inflation rate. Finally, in the Eurozone, GDP is expected to increase slightly during 2024, with a slightly more pronounced recovery in 2025 and all these factors should mark a recovery in the consumption of IT products by households and businesses.

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, equity 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 and unemployment rates.

In 2023, the Italian distribution market experienced a negative trend (-3.9%) compared to 2022, similarly to the Spanish and Portuguese markets which showed decreases of -1.6% and -4.9% respectively (Source: Context, January 2024).

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 equity, 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 and in all other markets in which it operates.

The Group therefore has to operate in a highly competitive context and to compete in the various geographical markets against both deeply rooted local operators and multinational companies which are 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 and in all other markets in which it operates.

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.

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 proves to be significant 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 equity, economic and financial position.

PRICE CHANGES

The technology sector is typically characterised by a tendentially deflationary price trend linked to the phenomenon of high product obsolescence and strong market competition. There is also a risk linked to more economic factors, such as the fluctuations of the US dollar and the Chinese currency, representing the two main currencies at the source of the IT products technology content, and inflation, at particularly high levels starting from 2022.

The Group is also exposed to the risk of decreases in IT and electronic product unit prices, if the gross profit formed by the difference between the sales prices applied 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 adjust productivity 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 percentage value of the gross sales margin is to some extent independent of reductions in the unit prices of products, it is not possible to provide assurances regarding the Group's ability to deal with the technological sector's deflation rates.

ACQUISITIONS AND EXTRAORDINARY TRANSACTIONS

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 magnified if the target companies operate in countries and markets other than those where the Group has historically operated and which present, for said reason, specific business regulatory and cultural characteristics and/or trade barriers.

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.

Similar risks, albeit in a mirror mode, may arise in the event of company spin-offs, with regard to the creation of new companies/business units with duplication of processes, of the logical IT structure and with an increase in the general operational complexity of the Group and of the need for interoperability between the various entities.

Therefore, it is not possible to provide any guarantee regarding the Group's future ability to successfully complete further acquisitions or spin-offs, nor to be able to preserve the competitive positioning of any target acquisitions, nor to be able to replicate favourably its business model and offer 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 Esprivillage network active in the country and the recent migration of some IT services to a cloud platform managed by third parties.

CYBERSECURITY

The Group has invested considerable resources in order to prevent and monitor the risks associated with dependence on information systems and improve the degree of IT security. For example, 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 stipulation of contracts to protect the company with leading cloud service providers (Microsoft/Amazon), 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 back-up of system-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', the use of expert advisors in the sector and the definition of new key roles with specific expertise in IT such as the Chief Information Security Officer. Hard disk encryption systems, behaviour control systems and a training program on cybersecurity issues were also implemented. Lastly, the most up-to-date Microsoft security systems and a SOC (Security Operations Center) were activated.

ARTIFICIAL INTELLIGENCE

There is a rapidly expanding trend at global level on the use of artificial intelligence as a support in the execution of business processes, which, in addition to constituting an important opportunity for procedural optimisation, could possibly be used for the commission of offences with potential negative impacts on the Group. In this regard, the adoption of corporate IT protection systems that provide specifically for the use of artificial intelligence is being assessed.

However, 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 ruled out.

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 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, changes in trade relations between governments, trade restrictions and embargoes, conflicts or financial soundness crises of operators 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, and micro-computer components under the Celly, Nilox and +Ego brands) 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 concentration risk in that the incidence of the top 10 suppliers accounted for over 69% of the total amount (73% in 2022).

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, equity 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 activity mentioned, the Group makes use of a storage and custodial services company in relation to activities in Italy and a pilot logistics on the use of autonomous driving trolleys like Laser Guided Vehicles (LGV) is also being introduced. Transport activities are instead contracted to independent external carriers in each country in which the Group is active.

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 or the emergence of possible trade unions unrest 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 subject is a low profit margin (gross trading margin and net operating result) in relation to sales.

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 to be able to activate the contractual protection provided in the case of the majority of the product suppliers.

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 economic value of stock, is fundamental in order to reduce/mitigate this risk.

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 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 policies for work-life balance, 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

Equipment and products stored in warehouses are subject to risks linked to adverse climate events (e.g. earthquakes, floods, storms) increasingly frequent following the current climate change situations, fires, 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, subdivision of the risk over separate logistic poles (with the addition of a new warehouse in Italy in 2024) 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.

CUSTOMER RELATIONSHIP MANAGEMENT / CUSTOMER SATISFACTION

It is of fundamental importance for the Group to manage the relationship with its customers in a profitable way, maximising their satisfaction and trying to limit their complaints. This takes on greater importance if read in light of the role of intermediary assumed by the Group in the Information Technology chain, operating in an extremely competitive market.

It is therefore vitally important to be able to stand out from the competition, by focusing on the service offered to customers and on the effectiveness and efficiency of the support provided, enhancing the customers' perception of the added value generated.

To do this, the Group has established a specific corporate function made up of a team of experts tasked with analysing the degree of customer satisfaction, identifying their latent needs and the strengths and weaknesses of the proposed offer, in order to optimise its sales actions, maximising their effectiveness and efficiency.

Any inability of the Esprinet Group to increase the satisfaction of its customers, with their subsequent disinterest and loss of market shares, could have a hugely negative impact on the Group's economic, equity and financial situation.

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, management of access to IT systems and physical access, artificial intelligence monitoring systems and 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 economic and 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 equity, 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 equity, 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.

CRITICAL ISSUES IN THE MANAGEMENT OF INTERNATIONAL TRADE (DUAL USE)

Although sales from sales of products and/or services in non-EU countries represents a residual portion of the Esprinet Group's turnover, it is not possible to exclude a priori, depending on the product in question, the risk that dual-use products (i.e. potentially usable for military as well as civil purposes) may be exported outside the European borders, without authorisation, with the consequent exposure of the Group itself to the application of significant administrative and financial sanctions, as well as penalties for its top management by the competent authorities.

To mitigate this risk, appropriate operating procedures have been adopted that provide, for example, for the automatic system block of any order issued by customers located in non-EU countries, whose release is allowed only to personnel operating in the relevant functions, in addition to Esprinet S.p.A. having activated appropriate consulting channels and having equipped itself of platform that makes it possible to carry out an initial screening of counterparties and an initial analysis of the exported products.

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. In addition, where deemed necessary, appropriate advisory channels were activated and training activities were introduced.

LEGAL AND TAX DISPUTES

In addition to the transaction and the consequent settlement of some tax disputes that had negative impacts on the financial statements, although not such as to constitute structural threats, at the reporting date a number of legal and tax proceedings, which involve some Group companies and are potentially able to influence their economic and financial results, are still pending.

It cannot be excluded that the Group's economic, equity and/or financial situation may be negatively impacted in the event of an adverse outcome worse than expected or for liabilities considered only possible.

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 with customers, relating to the nature and/or quantity of goods and services supplied, the interpretation of contractual clauses and/or supporting documentation, or disputes of a different nature.

The risks associated with the first type of disputes are the object of accurate monthly analyses with the support of legal advisors and any 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.

Risk analyses are undertaken periodically with the support of external professionals and any 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.

Risk analyses are undertaken periodically by the Group together with the external professionals appointed for the task and any 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 equity and financial situation, 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 guides 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 creditworthiness is insufficient in respect of credit facilities 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 at a '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 sales with reference to Esprinet S.p.A. and to the Group respectively:

% top 10 customers	2023	2022
Esprinet Group	25%	32%
Esprinet S.p.A.	31%	37%

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 2023, the Group had unused credit lines of 569 million euro (522 million euro as at 31 December 2022), or approx. 83% (approx. 79% as at 31 December 2022) 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.

The latter constitutes one of the pillars of liquidity risk management and, like some other medium/long-term loans, 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 2023, these purchases were mainly in US dollars and amounted to 4.3% of the Esprinet Group's total purchases (2.8% in 2022).

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 zero 'floor'.

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 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 marketplace.

The Esprinet Group does not own any securities negotiable in active markets; 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 departments 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 closing date of this Financial Report, Esprinet S.p.A. holds 1,011,318 own ordinary shares (unchanged from the figure as at 31 December 2022), equal to 2.01% of share capital, fully to meet the obligations stemming from the 'Long-Term Incentive Plan 2021-2023', approved by the Shareholders' Meeting on 7 April 2021.

The programme involving the buying and subsequent cancellation of own shares in issue therefore 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)	Type	2023				2022			
		Sales	Cost	Receiv.	Payab.	Sales	Cost	Receiv.	Payab.
Sales									
Key managers and family	Sales of goods	12	-	5	-	5	-	3	-
Subtotal		12	-	5	-	5	-	3	-
Cost of Sales									
Smart Res S.p.A.	Cost of goods	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Overheads and administrative costs									
Key managers	Overheads	-	(3)	-	-	-	(3)	-	-
Subtotal		-	(3)	-	-	-	(3)	-	-
Total		12	(3)	5	-	5	(3)	3	-

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 the board members, statutory auditors and key managers*' in the '*Notes to the consolidated financial statements*'.

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 consist 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.

In particular, Group co-ordination 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 2022 for the three-year period 2022-2024.



5. SHARES OF THE PARENT COMPANY ESPRINET S.P.A HELD BY BOARD MEMBERS, STATUTORY AUDITORS AND KEY MANAGERS

Name	Office	notes	No. Of shares at 31/12/22 or at appointment date	No. of shares purchased	No. of shares sold	No. Of shares at 31/12/23 or at appointment date
Maurizio Rota	Chairman	(1)	3,992,392	989,675	-	4,982,067
Maurizio Rota	Chairman		78,551	-	-	78,551
Alessandro Cattani	Chief Executive Officer	(1)	998,097	247,419	-	1,245,516
Alessandro Cattani	Chief Executive Officer		78,551	-	-	78,551
Marco Monti	Deputy Chairman	(2)	2,744,023	-	-	2,744,023
Total Board of Directors			7,891,614	1,237,094	-	9,128,708
Giovanni Testa	Chief Operating Officer		35,840	-	-	35,840
Total Chief Operating Officer			35,840	-	-	35,840

(1) Indirect owner through Axopa S.r.l.

(2) Indirect owner through Montinvest S.r.l.

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.

It should be noted that the Directors Chiara Mauri, Angelo Miglietta, Lorenza Morandini, Emanuela Prandelli, Renata Maria Ricotti and Angela Sanarico do not hold shares in the Company and/or its subsidiaries.

It should also be pointed out that the standing auditors Maurizio Dallochio (Chairman), Maria Luisa Mosconi and Silvia Muzi do not hold shares in the Company and/or its subsidiaries.

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 no. 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 (Impairment test), 'Notes to the consolidated financial statements' - 'Notes to 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 7 April 2021 Esprinet S.p.A. Shareholders' Meeting approved a new Compensation Plan ('Long-Term Incentive Plan') for the benefit of the members of the Board of Directors and executives of Group companies, as proposed by the Remuneration Committee. Such plan will apply for the 2021-2023 three-year period with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet S.p.A. ordinary shares.

This 'Compensation Plan' is structured into two components:

- 'Basic' component, whose conditions for exercise relate to the attainment of the Economic-Financial Performance and ESG (Environmental, Social, Governance) Performance targets in the 2021-2023 three-year period;
- 'Double Up' component, whose conditions for exercise relate to the achievement of value growth targets of Esprinet S.p.A. in terms of stock market capitalisation at the end of the 2021-2023 three-year period.

Also, for both components to be exercised, the beneficiary must remain in the Group until the date of presentation of the consolidated financial statements for 2023.

On 22 April 2021, in execution of the aforementioned resolution of the Shareholders' Meeting, 1,011,318 rights were assigned free of charge, of which 191,318 relating to the 'Basic' component and 820,000 to the 'Double Up' component.

Further information can be found in the 'Notes to the consolidated financial statements' - '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	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Esprinet S.p.A. separate financial statements	(29,039)	16,060	211,770	269,290
Consolidation adjustments:				
Net equity and result for the year of consolidated companies net of minority interests	17,364	31,243	254,999	230,222
Esprinet S.p.A.'s investments in consolidated subsidiaries carrying amount	-	-	(115,381)	(101,881)
Goodwill from Esprinet Iberica S.L.U. business combination	-	-	1,039	1,039
Goodwill from 4Side S.r.l. business combination	-	-	-	121
Goodwill from Dacom S.p.A. business combination	-	-	113	113
Goodwill from Sifar Group S.r.l. business combination	-	-	8,059	-
Goodwill from Bludis Srl business combination	-	-	5,881	8,103
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	(56)	135	(93)	(37)
Subsidiaries's risk provision deletion	-	34	-	825
Investments in subsidiaries write-down deletion	-	-	155	555
Other movements	(144)	(126)	868	867
Consolidated net equity and net result	(11,875)	47,346	367,410	409,217

10. CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

Pursuant to the provisions of Art. 5, paragraph 3(b) of the Italian Legislative Decree 254/2016 and of the Spanish Ley 11/2018 and Art. 8 of EU Regulation 2020/852 of the EU Taxonomy, the Company prepared the consolidated non-financial statement, which represents a separate statement.

The 2023 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 STATEMENTS AND ALLOCATION OF THE 2023 RESULT FOR THE YEAR

Dear Shareholders,

after presenting the separate financial statements of Esprinet S.p.A. and the Group consolidated financial statements as at 31 December 2023, together with the Directors' Report on Operations, we hereby submit to you our proposal for the allocation of the result for the year of Esprinet S.p.A..

In seeking your approval for our operations, by consenting to our Draft Financial Statements, as well as to our Directors' Report on Operations and the Notes to the financial statements, we propose to cover the loss for the year of 29,039,257.72 euro entirely by using the Extraordinary Reserve.

DIVIDEND DISTRIBUTION

In light of the accounting loss recorded, with a view to prudence, the Board of Directors resolved to propose to the Shareholders' Meeting not to distribute a dividend for the year just ended.

Vimercate, 12 March 2024

On behalf of the Board of Directors

The Chairman

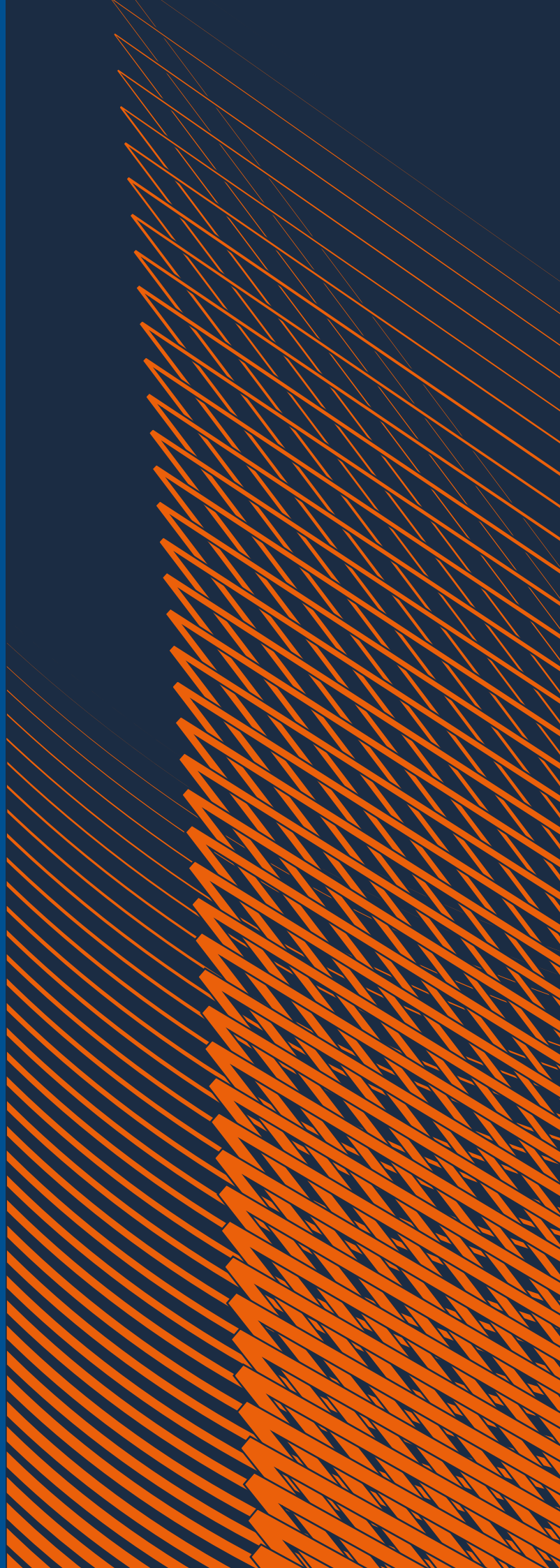
Maurizio Rota



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**2023
CONSOLIDATED
FINANCIAL
STATEMENTS
OF THE ESPRINET
GROUP**



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ESPRINET GROUP

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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	31/12/2023	related parties ^(*)	31/12/2022	related parties ^(*)
ASSETS					
Non-current assets					
Property, plant and equipment	1	28,098		20,199	
Right-of-use assets	4	104,624		106,860	
Goodwill	2	116,510		110,303	
Intangible assets	3	11,053		9,652	
Deferred income tax assets	6	11,243		9,091	
Receivables and other non-current assets	9	2,340	-	2,348	-
		273,868	-	258,453	-
Current assets					
Inventory	10	514,770		672,688	
Trade receivables	11	698,602	5	701,071	3
Income tax assets	12	4,684		1,113	
Other assets	13	82,530	-	68,908	-
Financial assets held for trading	15	113	-	-	-
Cash and cash equivalents	17	260,883		172,185	
		1,561,582	5	1,615,965	3
Total assets		1,835,450	5	1,874,418	3
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	371,424		354,010	
Group net income	21	(11,875)		47,346	
Group net equity		367,410		409,217	
Non-controlling interests		-		-	
Total equity		367,410		409,217	
LIABILITIES					
Non-current liabilities					
Borrowings	22	65,702		71,118	
Lease liabilities	31	99,154		101,661	
Deferred income tax liabilities	24	18,923		16,646	
Retirement benefit obligations	25	5,340		5,354	
Debts for investments in subsidiaries	49	600		600	
Provisions and other liabilities	26	24,091		2,574	
		213,810		197,953	
Current liabilities					
Trade payables	27	1,109,260	-	1,112,166	-
Short-term financial liabilities	28	72,246		82,163	
Lease liabilities	36	11,896		10,740	
Income tax liabilities	29	931		1,058	
Derivative financial liabilities	30	18		24	
Debts for investments in subsidiaries	51	5,764		2,455	
Provisions and other liabilities	32	54,115	-	58,642	-
		1,254,230	-	1,267,248	-
TOTAL LIABILITIES		1,468,040	-	1,465,201	-
Total equity and liabilities		1,835,450	-	1,874,418	-

(*) 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	2023	non - recurring	related parties ^(*)	2022	non - recurring	related parties ^(*)
Sales from contracts with customers	33	3,985,162	-	12	4,684,164	-	5
Cost of sales		(3,766,721)	-	-	(4,441,195)	-	-
Gross profit	35	218,441	-		242,969	-	
Sales and marketing costs	37	(74,122)			(71,333)	-	-
Overheads and administrative costs	38	(102,317)	(2,892)	(3)	(100,510)	(2,754)	(3)
Impairment loss/reversal of financial assets	39	(27,990)	(27,172)		(468)	-	
Operating result (EBIT)		14,012	(30,064)		70,658	(2,754)	
Finance costs - net	42	(19,118)	(6,946)	-	(7,763)	-	-
Result before income taxes		(5,106)	(37,010)		62,895	(2,754)	
Income tax expenses	45	(6,769)	889	-	(15,549)	768	-
Net result		(11,875)	(36,121)		47,346	(1,986)	
- of which attributable to non-controlling interests		-	-		-	-	
- of which attributable to Group		(11,875)	(36,121)		47,346	(1,986)	
Earnings per share - basic (euro)	46	(0,24)			0,96		
Earnings per share - diluted (euro)	46	(0,24)			0,95		

^(*) Emoluments to key managers excluded.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	2023	2022
Net result	(11,875)	47,346
<i>Other comprehensive income:</i>		
- Changes in translation adjustment reserve	(1)	(8)
<i>Other comprehensive income not to be reclassified in the separate income statement</i>		
- Changes in 'TFR' equity reserve	(79)	428
- Taxes on changes in 'TFR' equity reserve	19	(103)
Other comprehensive income	(61)	317
Total comprehensive income	(11.936)	47.663
- of which attributable to Group	(11.936)	47.663
- of which attributable to non-controlling interests	-	-

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 2021	7,861	354,440	(20,263)	44,080	386,118	-	386,118
Total comprehensive income/(loss)	-	317	-	47,346	47,663	-	47,663
Allocation of last year net income/(loss)	-	44,080	-	(44,080)	-	-	-
Dividend payment	-	(26,679)	-	-	(26,679)	-	(26,679)
Acquisition and deletion of Esprinet own shares	-	(6,933)	6,933	-	-	-	-
Transactions with owners	-	10,468	6,933	(44,080)	(26,679)	-	(26,679)
Currently active Share plans	-	2,115	-	-	2,115	-	2,115
Balance at 31 December 2022	7,861	367,340	(13,330)	47,346	409,217	-	409,217
Balance at 31 December 2022	7,861	367,340	(13,330)	47,346	409,217	-	409,217
Total comprehensive income/(loss)	-	(61)	-	(11,875)	(11,936)	-	(11,936)
Allocation of last year net income/(loss)	-	47,346	-	(47,346)	-	-	-
Dividend payment	-	(26,679)	-	-	(26,679)	-	(26,679)
Transactions with owners	-	20,667	-	(47,346)	(26,679)	-	(26,679)
Equity plans in progress	-	(3,160)	-	-	(3,160)	-	(3,160)
Other variations	-	(32)	-	-	(32)	-	(32)
Balance at 31 December 2023	7,861	384,754	(13,330)	(11,875)	367,410	-	367,410

CONSOLIDATED STATEMENT OF CASH FLOWS¹⁴

(euro/000)	2023	2022
Cash flow provided by (used in) operating activities (D=A+B+C)	168,036	(251,407)
Cash flow generated from operations (A)	52,587	89,907
Operating income (EBIT)	14,012	70,658
Depreciation, amortisation and other fixed assets write-downs	20,065	17,260
Net changes in provisions for risks and charges	658	37
Provision for taxes in instalment	21,574	-
Net changes in retirement benefit obligations	(562)	(163)
Stock option/grant costs	(3,160)	2,115
Cash flow provided by (used in) changes in working capital (B)	134,451	(319,329)
Inventory	162,959	(143,171)
Trade receivables	12,383	(113,199)
Other current assets	(19,612)	1,186
Trade payables	(7,447)	(79,614)
Other current liabilities	(13,832)	15,469
Other cash flow provided by (used in) operating activities (C)	(19,002)	(21,985)
Interests paid	(11,586)	(5,249)
Received interests	1,122	156
Foreign exchange (losses)/gains	328	(1,532)
Income taxes paid	(8,866)	(15,360)
Cash flow provided by (used in) investing activities (E)	(19,948)	(19,059)
Net investments in property, plant and equipment	(13,393)	(10,927)
Net investments in intangible assets	(89)	(1,503)
Net investments in other non current assets	17	106
Subsidiaries business combination	(6,483)	(6,735)
Cash flow provided by (used in) financing activities (F)	(59,390)	(48,820)
Medium/long term borrowing	38,000	13,000
Repayment/renegotiation of medium/long-term borrowings	(45,275)	(36,691)
Leasing liabilities reimbursement	(12,024)	(10,841)
Net change in financial liabilities	(14,474)	13,964
Net change in financial assets and derivative instruments	4,580	(536)
Deferred price acquisition	(2,401)	(2,154)
Dividend payments	(27,796)	(25,562)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	88,698	(319,286)
Cash and cash equivalents at year-beginning	172,185	491,471
Net increase/(decrease) in cash and cash equivalents	88,698	(319,286)
Cash and cash equivalents at year-end	260,883	172,185

⁽¹⁴⁾ 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, Spain and Portuguese markets in the 'business-to-business' (B2B) distribution of Information Technology (IT) products 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 on the STAR Milan (Euronext STAR Milan) segment of the EXM (Euronext Milan) market of the Italian Stock Exchange 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 accounting principles applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these principles 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 2023 have been drawn up in compliance with the International Financial Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as the 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 2023 European macroeconomic scenario was influenced by international geopolitical tensions resulting from the persistence of the armed conflict between Ukraine and the Russian Federation, and the Israeli/Palestine conflict erupted in October. The Ukrainian conflict, with the related repeated blocks on wheat imports into Europe, and the Israeli/Palestinian conflict, which resulted in the Houthi militias attacks on cargo ships sailing in the Red Sea in an attempt to block access to the Suez canal and delaying or hindering supplies to the European market, have contributed to increasing the costs of products already significantly impacted by high inflation.

The inflation countermeasures adopted by the European Central Bank by continuously raising interest rates in addition to the increases already implemented in the second half of 2022 have, with inflation itself, reduced

the consumer purchasing power resulting in this lower purchasing power being directed towards products needed more than technology and IT products, and also made companies' investment decisions in this area more prudent.

Consequently, almost all European markets for the distribution of Information Technology & Computer Electronics products, and among these all the markets in which the Group operates, experienced a particularly complex year with negative signs.

All this also affected the Esprinet Group, which had suffered a negative impact on the accounts just closed; however, thanks to actions to contain fixed costs, to reduce the abnormally high level of net operating working capital accumulated in the previous year, and to the attention paid in using available financing sources to minimise costs, such impacts have not been of magnitude such as to constitute a going concern problem.

The containment of inflation already from the last months of 2023, the stop from October 2023 in increases in interest rates by the ECB, with prospects of their reduction in the course of 2024, the estimated return of sales of notebooks and smartphones to pre-pandemic levels (which lead to a peak in units sold in 2020 and 2021, with the consequent anticipation of sales ordinarily expected in subsequent years), outline prospect of a return in market growth and the re-establishment of 'normal' conditions.

Therefore, at the current state of play, based on the information available and taking account of the financial situation, as well as the following main factors:

- the main external risks to which the Group is exposed;
- the recovery in the general macroeconomic situation in the European market;
- the recovery of the IT&CE product distribution market;
- changes in environmental and business conditions and competitive dynamics;
- changes in the legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;
- financial risks;

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

2.2 PRESENTATION OF FINANCIAL STATEMENTS AND ESEF REGULATION

These consolidated financial statements are drawn up in compliance with the EU Delegated Regulation 2019/815 (ESEF Regulation - European Single Electronic Format) which governs the single communication format for the annual financial reports of issuers whose securities are listed on the regulated markets of the European Union.

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

- statement of equity and 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 are 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 Directors¹⁵.

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 2023, 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 Pacific LTD	Honk Kong (China)	935	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%
Bludis S.r.l	Rome (RM)	600,000	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%
Dacom S.p.A.	Milan (MI)	3,600,000	100.00%	Esprinet S.p.A.	100.00%
idMAINT S.r.l.	Milan (MI)	42,000	100.00%	Esprinet S.p.A.	100.00%
Sifar Group S.r.l	Milan (MI)	100,000	100.00%	Esprinet S.p.A.	100.00%
Zeliatech S.r.l	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Subsidiaries indirectly controlled:					
Esprinet Portugal Lda	Porto (Portugal)	2,500,000	100.00%	Esprinet Iberica S.L.U. Esprinet S.p.A.	95.00% 5.00%
Erredi Deutschland GmbH	Eschborn (Germany)	50,000	100.00%	idMAINT S.r.l.	100.00%
Erredi France SARL	Roissy-en-France (France)	50,000	100.00%	idMAINT S.r.l.	100.00%
V-Valley Advanced Solutions España, S.A. (**)	Madrid (Spain)	1,202,000	100.00%	Esprinet Iberica S.L.U.	90.42%
Lidera Network S.L.	Madrid (Spain)	3,606	100.00%	V-Valley Advanced Solutions España, S.A.	100.00%
Optima Logistics S.L.U.	Madrid (Spain)	3,005	100.00%	V-Valley Advanced Solutions España, S.A.	100.00%
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	Sacavém (Portugal)	10,000	100.00%	V-Valley Advanced Solutions España, S.A.	100.00%
GTI Software & Networking SARLAU	Casablanca (Morocco)	707,252	100.00%	V-Valley Advanced Solutions España, S.A.	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% by virtue of 9.58% of treasury shares held by V-Valley Advanced Solutions España, S.A..

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

⁽¹⁵⁾ With the exception of Celly Pacific LTD, Erredi Deutschland GmbH, Erredi France SARL as they do not have said 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, unrealised gains and losses and dividends included, are eliminated. Unrealised 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 profit 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 and equity position at the cost increased or decreased by the post-acquisition changes in the Group's share of its associates' net profit and eventually decreased by any possible loss of value. 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 2023 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

With respect to 31 December 2022, note should be taken of the exit from the scope of consolidation of the wholly-owned subsidiary Nilox Deutschland GmbH, liquidated in May 2023, and the entry from 1 August 2023 of Lidera Network S.L. (acquired through the wholly-owned Spanish subsidiary V-Valley Advanced Solutions España S.L.), from 2 August of Sifar Group S.r.l. (acquired by the Esprinet S.p.A.) and from 6 September of Zeliotech S.r.l. (established on that date and wholly-owned by the Parent Company).

On the other hand, in relation to the individual companies, although without any impact on the overall scope, compared to 31 December 2022, note should be taken of the mergers by incorporation of Erredì Iberica S.L. into V-Valley Advanced Solutions España SA, and of 4Side S.r.l. into Esprinet S.p.A., both with accounting and tax effects backdated to 1 January 2023.

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

2.5 AMENDMENTS OF ACCOUNTING STANDARDS

No reclassification or changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this 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 patent and other intellectual property rights*' is amortised over three years, while the Customer Relationship recorded under the item 'Other intangible assets' is amortised over 13 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.

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 liability against future lease payments under '*Lease liabilities*' as a balancing entry.

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 Generating 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: financial assets for which the following requirements are met are classified in this category, (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 repaid. 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 Sales 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 2022, 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.

Financial assets are removed from the balance sheet when the right to receive the cash flows deriving from the instrument has expired and the Group has substantially transferred all the risks and benefits relating to the instrument itself and the related control.

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 equity and 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 measuring 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 also requires 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 section '*Financial assets at fair value through profit and loss*'.

Impairments carried out in accordance with IFRS9 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 debt

Financial liabilities are recognised in the statement of equity and 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 reasonably pay 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 '*Finance costs - net*'. 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 benefit* 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.

Trade payables, other debts, other liabilities

Trade payables, other debts and other liabilities are initially reported at their fair value net of 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.

Sales 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.

Sales are stated net of returns, discount, allowances and bonuses treated as variable components of the agreed consideration.

Sales 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

Dividends are recognised at the date of approval of the decision by the Shareholders' Meeting of the disbursing company.

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' method 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 31.12.2023	Average 2023	Punctual at 31.12.2022	Average 2022
Hong Kong Dollar (HKD)	8.63	8.47	8.32	8.25
Dirham (MAD)	10.93	10.96	11.16	10.68
US Dollar (USD)	1.11	1.08	1.07	1.05

Derivative instruments

Derivative instruments, including embedded derivatives, are accounted for based on the provisions of 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 transactions and balances with related parties has been entered separately in the financial statements, solely when significant and can also be found in the appropriate section 'Relationships with related parties'.

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 sales, 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, exacerbated in the particular context by socio-political, economic and health conditions. This means that we cannot rule out a situation in which different results materialise in the next financial year with respect to those forecast, which are obviously not estimable or foreseeable at present, which could call for significant adjustments to the carrying amounts of the associated items.

The financial statement items mainly affected by these situations of uncertainty are certain sales, 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 Esprinet 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 '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 determination 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 flow forecasts, relating both to the period of the Group's business plan for 2024-2028E and beyond said period.

'Fair value' of derivatives

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 which specifically provides for the recognition under a shareholders' reserve of the related fair value (limited to the effective portion) at the inception date. 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/equity 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 sales 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 deterioration in the economic and financial situation may further worsen the financial conditions of the Group's debtors with respect to that already taken into consideration when quantifying the provision entered in the financial statements.

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 unique characteristics 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.

Any deterioration in the economic and financial situation or breakthrough technological evolution may further worsen the market conditions with respect to that already taken into consideration when quantifying 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

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 financial statements.

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 2023 are consistent with those used in the consolidated financial statements as at 31 December 2022, except for the accounting standards and amendments described below and applied with effect from 1 January 2023 as per mandatory requirements, after being endorsed by the competent authorities.

The main changes are as follows:

IFRS 17 – Insurance Contracts - Issued in May 2017 by IASB, the new standard replaced IFRS 4 and is effective from 1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): The amendments issued by the IASB on 12 February 2021 aim to assist drafters of financial statements in deciding which accounting standards to disclose as more significant in their financial statements. In addition, the IFRS Practice Statement 2 was amended by adding guidelines and examples to explain and demonstrate the application of the 'four-step materiality process' to the information on accounting standards, in order to support the amendments to IAS 1. The amendments are applied prospectively and are effective for years starting on or after 1 January 2023. The application of the amendments to the IFRS Practice Statement 2 will be applicable only after the application of those envisaged in IAS 1.

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 apply to financial statements for years starting on 1 January 2023.

Amendments to IAS 12 (Income Taxes), Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Published by the IASB on 7 May 2021 with the objective of clarifying the method of accounting of deferred taxes on specific accounting cases such as, for example, leases or 'decommissioning obligations'. The amendments apply to financial statements for years starting on or after 1 January 2023.

Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17): Published in December 2021, aims to indicate the transition options relating to comparative information on financial assets presented upon initial application of IFRS 17. The amendments apply to financial statements for years starting on 1 January 2023.

Amendments to IAS 12 - Income taxes: International Tax Reform - Pillar Two Model Rules - Issued by the IASB on 23 May 2023 with immediate and retroactive effective date for the annual financial statements relating to years starting on 1 January 2023. The amendments provide: (i) an exception that allows companies subject to the OECD tax reform, which has defined a new two-pillar model (the Pillar Two Model) to limit tax competition by introducing a global minimum rate of 15% in each jurisdiction in which large multinationals operate, a

‘temporary relief’ regarding the accounting of deferred taxation deriving from the implementation of the model itself; (ii) to clarify the additional disclosure requirements to be provided on the annual financial statements to help stakeholders better understand the companies’ exposure to taxes following the introduction of the model. To better allow comparability between financial reporting, the exception will be mandatory and no expiry date is specified, in consideration of the fact that, for the rules to be applicable, they will need to be transposed into national legislation on the basis of each country’s approach.

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

The following are the standards and interpretations issued but not yet in force and/or approved at the date of this report. The Group intends to adopt these standards once they become effective:

Standards issued and endorsed but not yet in force and/or endorsed and not applied in force and/or endorsed and not adopted early by the Group

Amendments to IFRS 16 - Lease Liability in a sale and leaseback - Issued by the IASB on 22 September 2022, the document provides some clarifications regarding the valuation of *lease and leaseback transactions* which consequently also meet IFRS 15 criteria for the accounting of the sale. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

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 requires a liability to 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 the 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 apply to financial statements for years starting on 1 January 2024. Early application is permitted.

Amendments to IAS 1- Presentation of financial statements: Non-Current Liabilities with Covenants - Issued by the IASB on 31 October 2022, the document clarifies the necessary conditions to be met within twelve months from the reference year that may affect the classification of a liability, especially in cases where it is subject to Covenants. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

Standards issued but not yet endorsed by the European Union

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements - Issued by the IASB on 25 May 2023, the document provides for the addition of disclosure obligations relating to financial agreements with suppliers. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

Amendments to IAS 21 - The Effect of Changes in Foreign Exchange Rates: Lack of Exchangeability - Issued by the IASB on 15 August 2023, this document provides for methods to determine whether a currency is convertible and, if not, determine the exchange rate to be used and the accounting report obligations. The amendments apply to financial statements for years starting on 1 January 2025. Early application is permitted.

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% OF SIFAR S.R.L.

On 2 August 2023, Esprinet S.p.A. acquired 100% of the share capital of Sifar S.r.l., an Italian company active since 2012 in the *B2B distribution of spare parts, components and accessories of mobile phone and tablet products*.

This acquisition of the shares, which was recorded using the acquisition method, resulted in an overall 8.1 million euro goodwill, temporarily determined as permitted by IFRS 3, resulting from the difference between the total payable amount (17.0 million euro) and the net value of assets and liabilities of Sifar S.r.l. as summarised in the table below:

(euro/000)	notes	Fair value Sifar Group S.r.l. 02/08/2023
Fixed, intangible, financial assets		174
Right-of-use-assets		653
Deferred income tax assets		93
Inventory		4,504
Trade receivables		1,431
Current income tax receivables		260
Other current assets		1,272
Cash and cash equivalents		7,770
Long-term financial liabilities		(75)
Lease liabilities (non-current)		(485)
Deferred income tax liabilities		(14)
Retirement benefit obligations		(281)
Provisions and other liabilities (non-current)		(2)
Trade payables		(1,106)
Short-term financial liabilities		(140)
Current income tax liabilities		(393)
Lease liabilities (current)		(168)
Other current liabilities		(4,569)
Net assets fair value		8,924
Goodwill	(1)	8,059
Total Cash		16,983

⁽¹⁾ Temporarily determined as permitted by IFRS 3.

The net cash flow from the acquisition was equal to 9.5 million euro, as shown in the following table:

(euro/000)	Fair value Sifar Group S.r.l. 02/08/2023
Cash and cash equivalents	7,770
Financial receivables	626
Financial liabilities	(215)
Lease liabilities	(653)
Net financial debt acquired	7,528
Cash paid	(9,319)
Deferred cash paid	(1,900)
Deferred cash to be paid	(5,764)
Net cash outflow on acquisition	(9,455)

Transaction costs, amounting to a total of 0.3 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 for the period.

Finally, it should be noted that from the date of acquisition Sifar S.r.l. contributed 9.2 million euro to consolidated sales and a net income of 0.5 million euro of the Esprinet Group. If the purchase of shares had taken place as from 1 January 2023, it is estimated that the contribution to consolidated sales and net result would have been equal to 25.8 million euro and 1.4 million euro, respectively.



ACQUISITION OF 100% OF LIDERA NETWORK S.L.

On 1 August 2023, through its wholly-owned Spanish subsidiary V-Valley Advanced Solutions España, S.A., Esprinet S.p.A. acquired 100% of the share capital of Lidera Network S.L., active since 1999 in Spain and Portugal in the distribution of software in the areas of *Communication, Cybersecurity and IT Management*.

This acquisition of the shares, carried out using the acquisition method, resulted in the recognition of an goodwill of 0.4 million euro, temporarily determined as permitted by IFRS 3, resulting from the difference between the total payable amount (5.6 million euro), gross of the estimated deferred payment (0.3 million euro) and the net value of assets and liabilities of Lidera Network S.L. as summarised in the table below:

(euro/000)	notes	Fair value Lidera Network S.L. 01/08/2023
Fixed, intangible, financial assets		27
Right-of-use-assets		17
Deferred income tax assets		17
Receivables and other non-current assets		9
Inventory		537
Trade receivables		8,483
Other current assets		313
Financial assets held for trading		112
Cash and cash equivalents		2,624
Borrowings		(2,735)
Lease liabilities (non-current)		(7)
Provisions and other liabilities (non-current)		(49)
Trade payables		(3,955)
Lease liabilities (current)		(10)
Other current liabilities		(437)
Net assets fair value		4,946
Goodwill (1)	(1)	369
Deferred cash		343
Total Cash		5,658

⁽¹⁾ Temporarily determined as permitted by IFRS 3.

(euro/000)	Fair value Lidera Network S.L. 01/08/2023
Cash and cash equivalents	2,624
Financial receivables	112
Financial liabilities	(2,735)
Lease liabilities	(17)
Net financial debt acquired	(16)
Cash paid	(5,658)
Deferred cash to be paid	343
Net cash outflow on acquisition	(5,331)

Transaction costs, amounting to a total of 0.5 million euro and borne by the parent company Esprinet S.p.A., were entered in the income statement under overheads and administrative costs for 2022 (0.2 million euro) and 2023, and are included in the cash flows statements for the pertinent periods.

Finally, it should be noted that from the date of acquisition Lidera Network S.L. contributed 13.6 million euro to the consolidated sales of the Esprinet Group, with a positive result of 0.3 million euro added to its net income. If the purchase of shares had taken place as from 1 January 2023, it is estimated that the contribution to consolidated sales and net result would have been equal to 29.2 million euro and 2 thousand euro, respectively.

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 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 resellers, including large-scale distributors/retailers, and regards traditional IT products (desktop PCs, PC notebooks, printers, photocopiers, servers, standard software, etc.), advanced products (datacentres, networking, cybersecurity software, cloud solutions, support services), consumables (cartridges, tapes, toners, magnetic media), networking products (modems, routers, switches), tablets, mobile telephone devices (smartphones) and related accessories, and state-of-the-art digital and entertainment products such as cameras, video cameras, videogames, LCD TVs 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.

The organisation by geographical areas represents the main form of management and analysis of Group results by the CODMs (Chief Operating Decision Makers).

4.2 SEPARATE INCOME STATEMENT BY OPERATING SEGMENTS

The separate income statement, statement of equity and 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)	2023			Group
	Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	
Sales to third parties	2,494,133	1,491,029	-	3,985,162
Intersegment sales	28,412	-	(28,412)	-
Sales from contracts with customers	2,522,545	1,491,029	(28,412)	3,985,162
Cost of sales	(2,381,529)	(1,413,525)	28,333	(3,766,721)
Gross profit	141,016	77,504	(79)	218,441
<i>Gross Profit %</i>	5.59%	5.20%		5.48%
Sales and marketing costs	(52,306)	(21,819)	3	(74,122)
Overheads and admin, costs	(70,236)	(32,078)	(3)	(102,317)
Impairment loss/reversal of financial assets	(27,419)	(571)	-	(27,990)
Operating result (EBIT)	(8,945)	23,036	(79)	14,012
<i>EBIT %</i>	-0.35%	1.54%		0.35%
Finance costs - net				(19,118)
Result before income tax				(5,106)
Income tax expenses				(6,769)
Net result				(11,875)
- of which attributable to non-controlling interests				-
- of which attributable to Group				(11,875)
Depreciation and amortisation	14,577	4,949	539	20,065
Other non-cash items	4,786	589	-	5,375
Investments	12,776	968	-	13,744
Total assets	1,214,606	700,693	(79,849)	1,835,450

(euro/000)	2022			Group
	Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	
Sales to third parties	2,798,087	1,886,077	-	4,684,164
Intersegment sales	34,428	-	(34,428)	-
Sales from contracts with customers	2,832,515	1,886,077	(34,428)	4,684,164
Cost of sales	(2,679,172)	(1,796,604)	34,581	(4,441,195)
Gross profit	153,343	89,473	153	242,969
<i>Gross profit %</i>	5.41%	4.74%		5.19%
Sales and marketing costs	(49,423)	(21,910)	-	(71,333)
Overheads and admin. costs	(69,332)	(31,212)	34	(100,510)
Impairment loss/reversal of financial assets	(122)	(346)	-	(468)
Operating result (EBIT)	34,466	36,005	187	70,658
<i>EBIT %</i>	1.22%	1.91%		1.51%
Finance costs - net				(7,763)
Result before income tax				62,895
Income tax expenses				(15,549)
Net result				47,346
- of which attributable to non-controlling interests				-
- of which attributable to Group				47,346
Depreciation and amortisation	12,150	4,711	399	17,260
Other non-cash items	5,308	367	-	5,675
Investments	11,410	1,096	-	12,506
Total assets	1,271,776	710,126	(107,484)	1,874,418

STATEMENT OF EQUITY AND FINANCIAL POSITION BY OPERATING SEGMENTS

(euro/000)	31/12/2023			Group
	Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	
ASSETS				
Non-current assets				
Property, plant and equipment	24,745	3,353	-	28,098
Right-of-use assets	84,909	19,715	-	104,624
Goodwill	33,324	82,147	1,039	116,510
Intangible assets	4,630	6,423	-	11,053
Investments in others	75,675	-	(75,675)	-
Deferred income tax assets	5,712	5,481	50	11,243
Receivables and other non-current assets	1,834	506	-	2,340
	230,829	117,625	(74,586)	273,868
Current assets				
Inventory	372,098	142,817	(145)	514,770
Trade receivables	401,034	297,568	-	698,602
Income tax assets	4,554	130	-	4,684
Other assets	80,378	7,270	(5,118)	82,530
Financial assets held for trading	-	113	-	113
Cash and cash equivalents	125,713	135,170	-	260,883
	983,777	583,068	(5,263)	1,561,582
Total assets	1,214,606	700,693	(79,849)	1,835,450
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	247,014	144,079	(19,669)	371,424
Group net income	(27,532)	15,969	(312)	(11,875)
Group net equity	227,343	214,741	(74,674)	367,410
Non-controlling interests	-	58	(58)	-
Total equity	227,343	214,799	(74,732)	367,410
LIABILITIES				
Non-current liabilities				
Borrowings	39,574	26,128	-	65,702
Lease liabilities	81,478	17,676	-	99,154
Deferred income tax liabilities	4,244	14,679	-	18,923
Retirement benefit obligations	5,340	-	-	5,340
Debts for investments in subsidiaries	600	-	-	600
Provisions and other liabilities	23,121	970	-	24,091
	154,357	59,453	-	213,810
Current liabilities				
Trade payables	743,079	366,181	-	1,109,260
Short-term financial liabilities	49,459	22,787	-	72,246
Lease liabilities	8,582	3,314	-	11,896
Income tax liabilities	439	492	-	931
Derivative financial liabilities	-	18	-	18
Debts for investments in subsidiaries	5,764	-	-	5,764
Provisions and other liabilities	25,583	33,649	(5,117)	54,115
	832,906	426,441	(5,117)	1,254,230
TOTAL LIABILITIES	987,263	485,894	(5,117)	1,468,040
Total equity and liabilities	1,214,606	700,693	(79,849)	1,835,450

(euro/000)	31/12/2022			Group
	Italy Distr. IT & CE B2B	Iberian Pen. Distr. It & CE B2B	Elim. and other	
ASSETS				
Non-current assets				
Property, plant and equipment	16,875	3,324	-	20,199
Right-of-use assets	86,245	20,615	-	106,860
Goodwill	27,487	81,777	1,039	110,303
Intangible assets	2,558	7,094	-	9,652
Investments in others	75,857	-	(75,857)	-
Deferred income tax assets	3,949	5,113	29	9,091
Receivables and other non-current assets	1,855	493	-	2,348
	214,826	118,416	(74,789)	258,453
Current assets				
Inventory	409,558	263,198	(68)	672,688
Trade receivables	428,784	272,287	-	701,071
Income tax assets	1,026	87	-	1,113
Other assets	89,666	11,869	(32,627)	68,908
Cash and cash equivalents	127,916	44,269	-	172,185
	1,056,950	591,710	(32,695)	1,615,965
Total assets	1,271,776	710,126	(107,484)	1,874,418
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	256,160	118,000	(20,150)	354,010
Group net income	20,940	26,250	156	47,346
Group net equity	284,961	198,943	(74,687)	409,217
Non-controlling interests	-	169	(169)	-
Total equity	284,961	199,112	(74,856)	409,217
LIABILITIES				
Non-current liabilities				
Borrowings	34,568	36,550	-	71,118
Lease liabilities	82,924	18,737	-	101,661
Deferred income tax liabilities	3,359	13,287	-	16,646
Retirement benefit obligations	5,354	-	-	5,354
Debts for investments in subsidiaries	600	-	-	600
Provisions and other liabilities	2,298	276	-	2,574
	129,103	68,850	-	197,953
Current liabilities				
Trade payables	759,811	352,355	-	1,112,166
Short-term financial liabilities	53,733	55,930	(27,500)	82,163
Lease liabilities	7,656	3,084	-	10,740
Income tax liabilities	352	706	-	1,058
Derivative financial liabilities	-	24	-	24
Debts for investments in subsidiaries	2,455	-	-	2,455
Provisions and other liabilities	33,705	30,065	(5,128)	58,642
	857,712	442,164	(32,628)	1,267,248
TOTAL LIABILITIES	986,815	511,014	(32,628)	1,465,201
Total equity and liabilities	1,271,776	710,126	(107,484)	1,874,418

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' operating segment is identified with the subsidiaries resident therein and the Moroccan sub-subsidiary GTI Software & Networking SARLAU.

The 'Italy' operating segment corresponds to the parent company Esprinet S.p.A., to its subsidiaries resident therein, to the foreign sub-subsidiaries of idMAINT S.r.l. as mere sales promoters serving Dacom S.p.A., and to the marginal Chinese subsidiary Celly Pacific Ltd.

Intra-segment operations are identified in terms of the counterparty and the accounting rules are the same as those used in the case of transactions with third parties and described in the chapter '*Summary of significant valuation criteria and accounting policies*' to which reference should be made.

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 FINANCIAL 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 equity and 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 risks);

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 '*Directors' 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)	31/12/2023				31/12/2022			
	Carrying amount	Financial assets FVTPL ⁽¹⁾	Financial assets amortized cost	Out of scope IFRS 9	Carrying amount	Financial assets FVTPL ⁽¹⁾	Financial assets amortized cost	Out of scope IFRS 9
Guarantee deposits	2,340		2,340		2,348		2,348	
Rec.and other non-curr. Assets	2,340	-	2,340	-	2,348	-	2,348	-
Non-current assets	2,340	-	2,340	-	2,348	-	2,348	-
Trade receivables	698,602	103,861	594,741		701,071	150,453	550,618	
Receivables from factors	249		249		3,207		3,207	
Customer financial receivables	9,656		9,656		10,336		10,336	
Other tax receivables	51,900			51,900	38,249			38,249
Receivables from suppliers	12,632		12,632		9,890		9,890	
Receivables from insurances	679		679		424		424	
Receivables from employees	-		-		6		6	
Receivables from others	1,075		1,075		126		126	
Pre-payments	6,339			6,339	6,670			6,670
Rec.and other curr. Assets	82,530	-	24,291	58,239	68,908	-	23,989	44,919
Financial assets held for trading	113	113			-	-		
Cash and cash equivalents	260,883		260,883		172,185		172,185	
Current assets	1,042,128	103,974	879,915	58,239	942,164	150,453	746,792	44,919

⁽¹⁾ 'FVTPL': Fair Value Through Profit and Loss includes derivatives at fair value through profit and loss.

Liabilities (euro/000)	31/12/2023				31/12/2022			
	Carrying amount	Financial liabilities FVTPL ⁽¹⁾	Financial liabilities amortized cost	Out of scope IFRS 9	Carrying amount	Financial liabilities FVTPL ⁽¹⁾	Financial liabilities amortized cost	Out of scope IFRS 9
Borrowings	65,702		65,702		71,118		71,118	
Lease liabilities	99,154		99,154		101,661		101,661	
Debts for investments in subsidiaries	600		600		600		600	
<i>Provisions of pensions</i>	<i>1,795</i>			<i>1,795</i>	<i>1,879</i>			<i>1,879</i>
<i>Other provisions</i>	<i>1,298</i>			<i>1,298</i>	<i>560</i>			<i>560</i>
<i>Long term tax payable in instalments</i>	<i>20,809</i>			<i>20,809</i>	-			-
<i>Cash incentive liabilities</i>	<i>189</i>		<i>189</i>		<i>135</i>		<i>135</i>	
Provis. and other non-curr. Liab	24,091	-	189	23,902	2,574	-	135	2,439
Non-current liabilities	189,547	-	165,645	23,902	175,953	-	173,514	2,439
Trade payables	1,109,260		1,109,260		1,112,166		1,112,166	
Short-term financial liabilities	72,246		72,246		82,163		82,163	
Lease liabilities	11,896		11,896		10,740		10,740	
Derivate financial liabilities	18	18			24	24		
Debts for investments in subsidiaries	5,764		5,764		2,455		2,455	
<i>Social security liabilities</i>	<i>5,491</i>		<i>5,491</i>		<i>5,366</i>		<i>5,366</i>	
<i>Other tax liabilities</i>	<i>29,865</i>			<i>29,865</i>	<i>31,612</i>			<i>31,612</i>
<i>Payables to others</i>	<i>18,260</i>		<i>18,260</i>		<i>21,238</i>		<i>21,238</i>	
<i>Accrued expenses</i>	<i>257</i>		<i>257</i>		<i>227</i>		<i>227</i>	
<i>Deferred income</i>	<i>242</i>			<i>242</i>	<i>199</i>			<i>199</i>
Provisions and other liabilities	54,115	-	24,008	30,107	58,642	-	26,831	31,811
Current liabilities	1,253,299	18	1,223,174	30,107	1,266,190	24	1,234,355	31,811

⁽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 balance sheet items please see the analyses provided in the specific sections in the section 'Notes to 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;
 - financial assets held for trading;
 - derivative financial liabilities;
 - trade receivables (portion not measured at amortised cost).

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, financial assets held for trading 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 strength vis-à-vis 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 the purchase of equity investments as these liabilities do not normally compromise 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 (euro/000)	31/12/2023						31/12/2022					
	Carryin amount	Trade receiv.	Fair value				Carryin amount	Trade receiv.	Fair value			
			Finan- cial receiv.	Receiv. from others	Receiv. from insu- rance	Receiv. from em- ployees			Finan- cial receiv.	Receiv. from others	Receiv. from insu- rance	Receiv. from em- ployees
Guarantee deposits	2,340		-	2,289			2,348		-	1,829		
Rec.and other non-curr.	2,340	-	-	2,289	-	-	2,348	-	-	1,829	-	-
Non - current assets	2,340	-	-	2,289	-	-	2,348	-	-	1,829	-	-
Trade receivables	698,602	698,602					701,071	701,071				
Receiv. from factors	249		249				3,207	3,207				
Customer financial receivables	9,656		9,656				10,336	10,336				
Receiv. from suppliers	12,632			12,632			9,890		9,890			
Receiv. from insurances	679				679		424			424		
Receiv. from employees	-					-	6					6
Receiv. from others	1,075			1,075			126		126			
Rec.and other curr. Assets	24,291	-	9,905	13,707	679	-	23,989	-	13,543	10,016	424	6
Financial assets held for trading	113		113				-		-			
Cash and cash equivalents	260,883		260,883				172,185	172,185				
Current assets	983,889	698,602	270,901	13,707	679	-	897,245	701,071	185,728	10,016	424	6
Liabilities (euro/000)	31/12/2023					31/12/2022						
	Carrying amount	Trade payables	Fair value			Carrying amount	Trade payables	Fair value				
			Financial payables	FVTPL derivate	Other payables			Financial payables	FVTPL derivate	Other payables		
Borrowings	65,702		58,315			71,118		60,944				
Debts for investments in subsidiaries	600		605			600		608				
Cash incentive liabilities	189					189	135				135	
Provis. and other non-curr. Liab.	189	-	-	-	189	135	-	-	-	-	135	
Non-current liabilities	66,491	-	58,920	-	189	71,853	-	61,552	-	-	135	
Trade payables	1,109,260	1,109,260				1,112,166	1,112,166					
Short-term financial liabilities	72,246		71,928			82,163		81,725				
Derivate financial liabilities	18			18		24				24		
Debts for investments in subsidiaries	5,764		5,671			2,455		2,455				
Social security liabilities	5,491				5,491	5,366					5,366	
Payables to others	18,260				18,260	21,238					21,238	
Accrued expenses	257				257	227					227	
Provis. and other Liab.	24,008	-	-	-	24,008	26,831	-	-	-	-	26,831	
Current liabilities	1,211,296	1,109,260	77,599	18	24,008	1,223,639	1,112,166	84,180	24	26,831	26,831	

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 listed 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.

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 'Financial assets held for trading', which correspond to a level 1, and 'Trade receivables' (portion not measured at amortised cost), which corresponds to level 3.

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 debts 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' Curves as at 31 December, as published by financial providers, the second 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) Finance costs - net*'.

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 amounted to a total of -28.0 million euro (-0.5 million euro in 2022), of which -27.2 million euro of a non-recurring nature, broken down as follows: -20.2 million euro for VAT defined during the year with the Italian Revenue Agency but 'non-refundable' vis-à-vis customers whose behaviour gave rise to the defined disputes, -4.3 million euro for VAT defined during the year with the Italian Revenue Agency and 'refundable' from customers but of estimated non-recoverability, and -2.6 million euro for the estimated non-recoverability of a specific trade receivable position.

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 financial assets written down.

The following table illustrates the change in the bad debt provision relating to trade receivables:

(euro/000)	Starting provision	Additions	Uses	Acquisitions	Final provision
2023 Financial year	4,616	5,147	(2,391)	363	7,735
2022 Financial year	4,768	2,665	(2,831)	14	4,616

The Group usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.

The year 2023 saw the continuation of the trade receivables securitisation programme structured by UniCredit Bank AG, launched in July 2015 and renewed uninterruptedly every three years, with the latest renewal in July 2021, under which trade receivables are assigned without recourse on a revolving basis to a 'special purpose vehicle' established under Law No. 130/1999.

In the case of factoring of receivables with recourse and advances of trade bills, the Group continues to recognise all of these assets, the carrying amount of which continues to be posted in the financial statements, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.

As at 31 December 2023, the receivables transferred with recourse against which portfolio advances were obtained subject to collection amounted to 0.8 million euro (0.7 million at 31 December 2022); on the other hand, advances of trade bills amounted to 3.6 million euro (2.4 million euro as at 31 December 2022).

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)	31/12/2023	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	706,337	126,570	132,897	446,870
Bad debt provision	(7,735)	(7,735)	-	-
Net trade receivables	698,602	118,835	132,897	446,870

(euro/000)	31/12/2022	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	705,687	159,037	144,398	402,252
Bad debt provision	(4,616)	(4,616)	-	-
Net trade receivables	701,071	154,421	144,398	402,252

(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 31/12/2023	132,897	16,127	3,309	9,137	104,324
Receiv. past due not impaired at 31/12/2022	144,398	11,232	4,423	12,308	116,435

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.

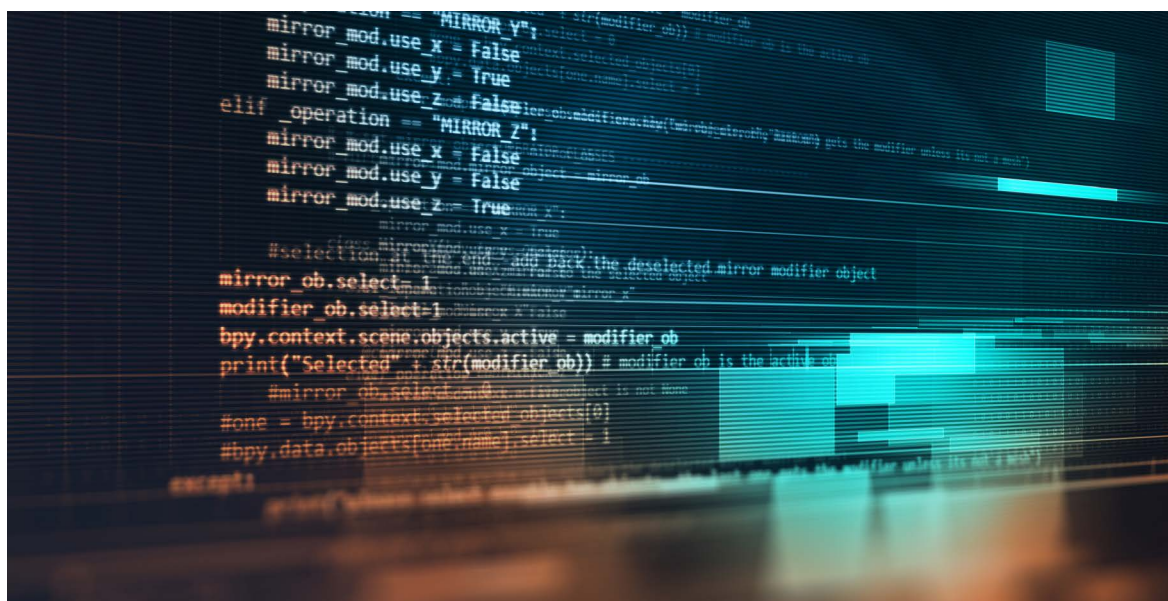
The following instruments are usually used by the Group to limit its credit risk (the percentages refer to trade receivables as at 31 December 2023):

- 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. 54% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 15% 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 property mortgages) for approx. 1% of receivables.

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

Given that, except for the adjustment of the value of receivables arisen following unsuccessful attempt to claim a VAT refund by the parent company Esprinet S.p.A. with regard to some customers whose behaviour gave rise to the disputed positions by the Revenue Agency for the 2013-2017 tax periods, no other financial assets regulated by IFRS 7 and IFRS 13 have been impaired in the current or previous financial 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	Acquisitions	Final provision
2023 Financial year	-	4,297	-	-	4,297
2022 Financial year	-	-	-	-	-



(euro/000)	31/12/2023				31/12/2022			
	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
Guarantee deposits	2,340			2,340	2,348			2,348
Rec.and other non-curr. Assets	2,340	-	-	2,340	2,348	-	-	2,348
Non-current assets	2,340	-	-	2,340	2,348	-	-	2,348
Receivables from factors	249			249	3,207			3,207
Customer financial receivables	9,656			9,656	10,336			10,336
Receivables from suppliers	12,632		5,055	7,577	9,890		7,965	1,925
Receivables from insurances	679		679		424		424	
Receivables from employees	-		-	-	6		5	1
Receivables from others	5,372	4,297	73	1,002	126		73	53
Rec.and other curr. Assets	28,588	4,297	5,807	18,484	23,989	-	8,467	15,522
Financial assets held for trading	113			113	-			-
Cash and cash equivalents	260,883		260,883		172,185		172,185	
Gross Current assets	289,584	4,297	266,690	18,597	196,174	-	180,652	15,522
Bad debts provision	(4,297)	(4,297)		-	-	-		
Net Current assets	285,287	-	266,690	18,597	196,174	-	180,652	15,522

(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 suppliers	5,055	1,540	95	2,426	994
Receivables from insurance companies	679	339	72	98	170
Receivables from others	73	73	-	-	-
Receiv. past due not impaired at 31/12/2023	5,807	1,952	167	2,524	1,164
Receivables from suppliers	7,965	1,213	6,163	2,931	(2,342)
Receivables from employees	5	5	-	-	-
Receivables from insurance companies	424	291	-	44	88
Receivables from others	73	73	-	-	-
Receiv. past due not impaired at 31/12/2022	8,467	1,583	6,163	2,975	(2,254)

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 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 31/12/2023	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	65,702	69,917	1,042	942	39,486	28,447	-
Lease liabilities	99,154	113,391	-	-	14,145	38,266	60,980
Debts for investments in subsidiaries	600	600	-	-	-	600	-
<i>Cash incentive liabilities</i>	189	189	35	-	132	22	-
Provis. and other non-curr. Liab.	189	189	35	-	132	22	-
Non-current liabilities	165,645	184,097	1,077	942	53,763	67,335	60,980
Trade payables	1,109,260	1,114,353	1,110,006	746	1,363	2,238	-
Short-term financial liabilities	72,246	72,593	49,744	22,849	-	-	-
Lease liabilities	11,896	15,035	7,601	7,434	-	-	-
Derivate financial liabilities	18	18	18	-	-	-	-
Debts for investments in subsidiaries	5,764	5,764	5,764	-	-	-	-
<i>Social security liabilities</i>	5,491	5,491	5,491	-	-	-	-
<i>Payables to others</i>	18,260	18,260	18,260	-	-	-	-
<i>Accrued expenses</i>	257	257	257	-	-	-	-
Provisions and other liabilities	24,008	24,008	24,008	-	-	-	-
Current liabilities	1,223,192	1,231,771	1,197,141	31,029	1,363	2,238	-

(euro/000)	Carrying amount 31/12/2022	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	71,118	73,980	555	639	37,794	34,992	-
Lease liabilities	101,661	117,749	-	-	13,340	35,669	68,740
Debts for investments in subsidiaries	600	600	-	-	-	600	-
<i>Cash incentive liabilities</i>	135	135	-	-	135	-	-
Provis. and other non-curr. Liab.	135	135	-	-	135	-	-
Non-current liabilities	173,514	192,464	555	639	51,269	71,261	68,740
Trade payables	1,112,166	1,117,649	1,112,891	725	1,095	2,938	-
Short-term financial liabilities	82,163	82,605	58,951	23,654	-	-	-
Lease liabilities	10,740	13,878	7,046	6,832	-	-	-
Derivate financial liabilities	24	24	24	-	-	-	-
Debts for investments in subsidiaries	2,455	2,455	2,340	115	-	-	-
<i>Social security liabilities</i>	5,366	5,366	5,366	-	-	-	-
<i>Payables to others</i>	21,238	21,238	21,238	-	-	-	-
<i>Accrued expenses</i>	227	227	227	-	-	-	-
Provisions and other liabilities	26,831	26,831	26,831	-	-	-	-
Current liabilities	1,234,379	1,243,442	1,208,083	31,326	1,095	2,938	-

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-long term loan contracts, as well as a short-term Revolving Credit Facility, 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*'.

As at 31 December 2023, one of the economic and financial covenants to which the Revolving Credit Facility is subject was not met but, as the line was not used at that date, no consequences were reflected in the timing of the cash flows represented in the previous tables.

With the exception of what has been reported above and of the non-compliance as at 31 December for the years 2018, 2017 and 2016, again without producing any consequences, with part of the financial ratios provided for in the loan agreements in place on those dates, the Group has never been in a non-compliant 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

Some companies of the Iberian Subgroup (Esprinet Iberica S.L.U. and V-Valley Advanced Solutions España S.A.) have 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)	(Expenses)/ Income	Variation FV	FV contracts 31/12/a.c. 2, 3 (2)(3)
Interest Rate Cap	2023	24	(42)	18	18
Interest Rate Cap	2022	2	(24)	22	24

(1) Previous year in reference to 2022.

(2) (Assets)/liabilities.

(3) Current year.

INSTRUMENTS TERMINATED DURING THE YEAR

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



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 this purpose, having considered the 2023 market interest rate trend and the estimates on rates in the immediate future, a forward shift 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)	31/12/2023		31/12/2022	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	591	591	597	597
Debts for investments in subsidiaries	17	17	18	18
Financial liabilities	(1,659)	(1,659)	(1,336)	(1,336)
Total	(1,051)	(1,051)	(721)	(721)

Scenario 2: -100 basis points

(euro/000)	31/12/2023		31/12/2022	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Cash and cash equivalents	(514)	(514)	(55)	(55)
Debts for investments in subsidiaries	(17)	(17)	(5)	(5)
Financial liabilities	1,659	1,659	905	905
Total	1,128	1,128	845	845

6. NOTES TO STATEMENT OF FINANCIAL POSITION ITEMS

NON-CURRENT ASSETS

1) PROPERTY, PLANT AND EQUIPMENT

The changes that occurred during the year are as follows:

(euro/000)	Plant and machinery	Ind. & Comm. Equipment & other assets	Assets under construction & Advances	Total
Historical cost	18,432	46,207	2,635	67,274
Accumulated depreciation	(15,235)	(31,840)	-	(47,075)
Balance at 31/12/2022	3,197	14,367	2,635	20,199
Business combination acquisition - historical cost	98	418	-	516
Business combination acquisition - accumulated depreciation	(76)	(250)	-	(326)
Historical cost increase	6,248	6,020	1,323	13,591
Historical cost decrease	(612)	(4,208)	(2)	(4,822)
Historical cost reclassification	2,054	398	(2,452)	-
Increase in accumulated depreciation	(882)	(4,798)	-	(5,680)
Decrease in accumulated depreciation	592	4,028	-	4,620
Total changes	7,400	1,440	(1,131)	7,709
Historical cost	26,220	48,835	1,504	76,559
Accumulated depreciation	(15,601)	(32,860)	-	(48,461)
Balance at 31/12/2023	10,619	15,975	1,504	28,098

The item '*Business combination acquisition*' refers to the first consolidation in August of Sifar Group S.r.l. and Lidera Network S.L.

Investments mainly refer to the periodic renewal and adaptation of the technological and plant facilities, the purchase of products intended for rental and, in relation to the item '*Assets under construction*', plant and machinery being installed in the Italian warehouse in Cavenago, leased in 2021.

The decreases mainly relate to the disposal of electronic machines attributable to the parent company.

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 2022.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Electronic machines	11,649	9,804	1,845
Furniture and fittings	1,199	1,279	(80)
Industrial and commercial equipment	1,834	2,273	(439)
Other assets	1,210	969	241
Vehicles	83	42	41
Total	15,975	14,367	1,608

4) RIGHT-OF-USE ASSETS

(euro/000)	31/12/2023	31/12/2022	Var.
Right-of-use assets	104,624	106,860	(2,236)

The changes that occurred in the year are set out below:

(euro/000)	Rental Property	Cars	Ind. & Comm. Equipment & other assets	Total
Historical cost	142,314	5,687	459	148,460
Accumulated depreciation	(37,578)	(3,633)	(389)	(41,600)
Balance at 31/12/2022	104,736	2,054	70	106,860
Business combination acquisition - historical cost	653	17	-	670
Business combination acquisition - accumulated depreciation	-	-	-	-
Historical cost increase	7,886	1,525	318	9,729
Historical cost decrease	(379)	(697)	-	(1,076)
Increase in accumulated depreciation	(11,446)	(1,083)	(106)	(12,635)
Decrease in accumulated depreciation	379	697	-	1,076
Total changes	(2,907)	459	212	(2,236)
Historical cost	150,474	6,532	777	157,783
Accumulated depreciation	(48,645)	(4,019)	(495)	(53,159)
Balance at 31/12/2023	101,829	2,513	282	104,624

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 increases in historical cost that occurred during the year relating to properties are essentially attributable to the renewals of the contracts of some Cash & Carries and the change in rents to take into account the inflationary change of the year. The historical cost increases relating to vehicles derive from the recurring partial annual renewal of the car fleet.

The item '*Business combination acquisition*' relates to the first consolidation in August 2023 of Sifar S.r.l. in relation to the lease contract for the Concorezzo office for 0.6 million euro, and of Lidera Network S.L. in relation to the car fleet.

The decreases, on the other hand, relate to reductions in rents or spaces used as well as to the amortisation for the period determined on the basis of the residual duration of each individual contract.

2) GOODWILL

(euro/000)	31/12/2023	31/12/2022	Var.
Goodwill	116,510	110,303	6,207

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.

Goodwill amounted to 116.5 million euro and, compared to 110.3 million euro recorded as at 31 December 2022, shows an increase of 6.2 million euro, attributable to goodwill for 8.4 million euro, provisionally determined following the first consolidation in August 2023 of the companies Sifar Group S.r.l. (8.0 million euro) and Lidera Network S.L., owned through the wholly-owned subsidiary V-Valley Advanced Solutions España, S.A. (0.4 million euro), offset by a reduction of 2.2 million euro in goodwill generated by the acquisition of the company Bludis S.r.l. in November 2022. This reduction follows the final determination of the same, within 12 months of the acquisition as allowed by the IFRS 3 accounting standard, with its allocation to 'Customer Relationship' and 'Brand' intangible assets.

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, an impairment test is carried out annually, or more frequently 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⁾	Esprinet S.p.A.	1,853
Mosaico S.r.l.	Esprinet S.p.A.	5,804
4 Side S.r.l.	Esprinet S.p.A.	121
Dacom S.p.A	Esprinet S.p.A.	113
Bludis S.r.l.	Esprinet S.p.A.	5,882
Sifar Group S.r.l.	Esprinet S.p.A.	8,059
Memory Set S.a.u. e UMD S.a.u. ⁽²⁾	Esprinet Iberica S.L.U.	58,561
Esprinet Iberica S.L.U. ⁽³⁾	Esprinet Iberica S.L.U.	1,040
Vinzeo S.a.u.	Esprinet Iberica S.L.U.	5,097
V-Valley Iberian S.L.U.	Esprinet Iberica S.L.U.	4,447
GTI Group	Esprinet Iberica S.L.U.	13,671
Lidera Network S.L.	V-Valley Advanced Solutions España, S.A.	369
Total by business combination		116,510
Esprinet S.p.A.		33,325
Esprinet Iberica S.L.U.		82,816
V-Valley Advanced Solutions España, S.A.		369
Total by entity		116,510

⁽¹⁾ Value net of the write-down carried out in 2020 for 2.3 million euro.

⁽²⁾ Value net of write-down carried out in 2011 amounting to 17.8 million euro.

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

(euro/000)	31/12/2023	31/12/2022	Var.		
Esprinet S.p.A.	33,325	27,487	5,838	CGU 1	Distribution B2B of Information Technology and Consumer Electronics (Italy)
Esprinet Iberica S.L.U.	83,185	82,816	369	CGU 2	Distribution B2B of Information Technology and Consumer Electronics (Iberian Peninsula)
Total	116,510	110,303	6,207		

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).

The process followed in the goodwill impairment test as at 31 December 2023 as described above and the results of this test are detailed 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 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 and Moroccan 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 the 'value in use' are based on five-year plans, approved by the Board of Directors of the parent company Esprinet S.p.A. on 12 March 2024, formulated starting from a management budget prepared for internal purposes for the year 2024 and extrapolating from this, through the application of forecasting techniques aimed at treating fixed and variable costs differently, the results for the 2025-2028 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.

Through this method, while drawing up the economic development plan over the 2024E-2028E period, cash flows were defined as the 'normal' flow profile, assumed as the profile with the highest degree of probability of occurrence ('probabilistic approach'), and therefore able to fully represent management's best estimates regarding the evolution of the results of each activity.

The application of standard IFRS 16 ('Leases') also made provision for the consideration, in the construction of forecast plans, of the replacement of operating leases and rentals with depreciation and interest.

From the perspective of determining 'value in use' through a method based on the discounting of cash flows, in order to preserve the principle of 'valuation neutrality' (excluding tax effects), this has led to several adjustments to the forecast cash flows.

In particular, in order to ensure the operational sustainability of the plans, it was assumed that, when the main lease contracts expired, new contracts would be signed under the same conditions, which would result in a flow of notional investments corresponding to the 'Right of Use' value of the restored assets. Thanks to this

measure, it has been possible to correctly capture the reinvestment needs required to guarantee the cash generation foreseen by the plan.

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, IDC, Euromonitor), assuming different trends for the CGUs according to competitive positioning, strategies and environmental conditions.

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.

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 two CGUs consists of the following companies:

Entity	Country
AB S.A.	Poland
Action S.A.	Poland
ALSO Holding AG	Switzerland
Arrow Electronics, Inc.	USA
ASBISc Enterprises Plc	Cyprus
Datatec Limited	South Africa
Exclusive Networks S.A.	France
Logicom Public Ltd	Cyprus
Sesa	Italy
TD SYNnex Corporation	USA

The main components of the discount rate are as follows:

- the gross cost of own capital, determined by the sum of the 'Risk Free Rate', equal to the average rate of return in the last quarter of 2023 of the 10-year benchmark government bond of Italy (CGU1) and Spain (CGU), the 'Market Risk Premium' and the 'Additional Risk Premium' estimated on the basis of databases commonly used by analysts and investors;
- the Beta Levered coefficient, determined on the basis of the periodic average of the sample of comparable companies;
- the gross marginal cost of the debt, obtained as the sum of the Base Rate, equal to the average reference rate in the last quarter of 2023 of the 10-year IRS, and a credit spread estimated on the basis of databases commonly used by analysts and investors;
- the tax rate, equal to the nominal corporate income tax rate of the countries where the CGUs are domiciled for tax purposes (Italy and Spain).

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 2028 (source: International Monetary Fund) in Italy (2.00%) and Spain (1.70%) 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 anni	5 anni
'g' (long-term growth rate)	2.00%	1.70%
Discount rates:		
Risk capital cost	12.08%	11.38%
Marginal gross cost of capital debt	5.25%	5.25%
Tax rate	24.00%	25.00%
Target financial structure (D/D+E)	0.19	0.19
Target financial structure (E/D+E)	0.81	0.81
WACC post-tax	10.55%	9.95%
WACC pre-tax	14.25%	13.25%

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) Indicators of loss of values and 'impairment test'

The presence was assessed for each CGU, and in the case the actual implication was examined, of factors indicating impairment ('triggering events') that may be both of an external and internal nature with respect to the Group. In particular, the following were examined:

- any deterioration in the macroeconomic and macro-financial conditions;
- any deterioration in the economic environment and market of operations;
- any operating discontinuity;
- any discontinuity in cost factors;
- any unfavourable trend in market rates or in other rates of return on capital such as to affect the discount rate used in calculating value in use;
- any verification of negative operating events;
- any reduction in the value of the Stock Market capitalisation with respect to reported Equity.

In relation to the Stock Market capitalisation value with respect to the reported net equity, regardless of theoretical observations and technical factors, which generate differences between the two balances, it is represented that the Stock Market valuation as at 31 December 2023 was lower than the reported Net Equity pertaining to the Group (277.0 million euro compared to 367.4 million euro). The variance follows the negative trend recorded since the presentation of the data for the first quarter of 2023 when the significant economic slump, which continued throughout the year, in the market for the distribution of Information Technology & Consumer Electronics products emerged, particularly in the 'Consumer' customer segment and in the product lines sold: PCs, smartphones, televisions and household appliances. The combination of an increase in inflation and an increase in interest rates has in fact reduced consumer purchasing power, directing this lower purchasing power towards products of greater need, but it has also made companies' investment decisions more prudent, thereby amplifying the market contraction and negatively affecting the results of the various international players. However, this contraction is considered by analysts to be a cyclical phenomenon that will be overcome during 2024 thanks to the downward trend in inflation, the consequent expected cut in interest rates and the return of sales of notebooks and smartphones to pre-pandemic levels, as the pandemic led to a peak in units sold in anticipation of transactions ordinarily envisaged in subsequent years.

It was concluded that none of the indicators analysed could be therefore suggestive of an impairment of any of the CGUs analysed.

D) Value adjustments and sensitivity analysis

The impairment tests carried out did not highlight the need to write down any of the values of goodwill recorded as at 31 December 2023, 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 the recoverable value and the 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	13.24%	12.52%

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 ranges 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, for both CGUs, only in extreme 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 -2.0% 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) INTANGIBLE ASSETS

The following table highlights the changes occurred during the year:

(euro/000)	Start-up and expansion costs e ampliam.	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advanced acconti	Other intangible assets	Total
Historical cost	3	14,317	787	99	8,477	23,683
Accumulated depreciation	(3)	(12,446)	(112)	-	(1,470)	(14,031)
Balance at 31/12/2022	-	1,871	675	99	7,007	9,652
Business combination acquisition - historical cost	-	47	1,184	-	1,924	3,155
Business combination acquisition - accumulated depreciation	-	(32)	(84)	-	(41)	(157)
Historical cost increase	-	153	-	-	-	153
Historical cost decrease	-	(263)	-	-	-	(263)
Historical cost reclassification	-	99	-	(99)	-	-
Increase in accumulated depreciation	-	(676)	(181)	-	(893)	(1,750)
Decrease in accumulated depreciation	-	263	-	-	-	263
Total changes	-	(409)	919	(99)	990	1,401
Historical cost	3	14,353	1,971	-	10,401	26,728
Accumulated depreciation	(3)	(12,891)	(377)	-	(2,404)	(15,675)
Balance at 31/12/2023	-	1,462	1,594	-	7,997	11,053

The item 'Business combination acquisition' refers for 1.9 million euro to the recognition of the separable 'Customer Relationship' intangible asset and for 1.1 million euro to the capital gain on the brand value, both of which emerged in relation to the acquisition of Bludis S.r.l., following the restatement within 12 months of the transaction, as permitted by IFRS 3, of the goodwill provisionally determined in October 2022.

The item 'Industrial and other patent rights' highlights increases relative to the software licences for the long-term renewal and upgrade of the IT operating system.

The amortisation rates applied to each asset category are unchanged compared with those as at 31 December 2022.

6) DEFERRED INCOME TAX ASSETS

(euro/000)	31/12/2023	31/12/2022	Var.
Deferred income tax assets	11,243	9,091	2,152

The balance of this item is represented by temporary differences between carrying amounts and values recognised for tax purposes that the Group expects to recover in future years following the realisation of taxable profits.

The recoverability is supported by the estimated net income based on the forecast plans derived from the 2024-28E economic-financial projections of the Esprinet Group, approved by the Esprinet S.p.A. Board of Directors on 12 March 2024.

The following table shows the composition of the item in question:

(euro/000)	31/12/2023			31/12/2022		
	Temporary differences	Fiscal effect (taxe rate %)	Amount	Temporary differences	Fiscal effect (taxe rate %)	Amount
Deferred income tax:						
Tax losses carried forward	9,568	24%-25%-21%	2,197	10,128	24%-25%-21%	2,451
Risk provision	1,473	24%-25%	363	813	24%-25%	198
Exceeding amortisation	238	24%-28.8%	62	-	24%-28.8%	-
Goodwills' amortisation	15,220	27.9%-25%	3,815	12,243	27.9%-25%	3,073
Bad debt provision	8,420	24%-25%	2,022	1,979	24%-25%	475
IFRS 16 - Leases	2,484	24%-25%	610	2,232	24%-25%	546
Inventory obsolescence provision	3,208	27.9%-22.5%	885	3,442	27.9%-22.5%	949
Change in inventory/ deletion of intercompany margin	179	27.90%	50	104	27.90%	29
Director's fees not paid	256	24%-25%	62	845	24%-25%	206
Agent suppl. indemnity provision	500	27.90%	140	574	27.90%	160
Provision sales returns	1,589	27.9%-25%-22.5%	423	1,660	27.9%-25%-22.5%	449
Other	2,399	24%-25%-27.9%-10%	614	2,473	24%-25%-27.9%-10%	555
Deferred income tax assets			11,243			9,091

Deferred tax assets arising from the application of IFRS 16 were accounted for in compliance with the provisions of the revised IAS 12.

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 adjustments deriving from the application of international accounting standards not expressly indicated.

The time-related allocation of the expected use of the deferred tax asset is as follows:

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
Deferred income tax assets	31/12/2023	2,016	4,756	4,471	11,243
	31/12/2022	2,731	3,062	3,298	9,091

9) RECEIVABLES AND OTHER NON-CURRENT ASSETS

(euro/000)	31/12/2023	31/12/2022	Var.
Guarantee deposits receivables	2,340	2,348	(8)
Receivables and other non-current assets	2,340	2,348	(8)

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

CURRENT ASSETS

10) INVENTORY

(euro/000)	31/12/2023	31/12/2022	Var.
Finished products and goods	518,782	677,274	(158,492)
Provision for obsolescence	(4,012)	(4,586)	574
Inventory	514,770	672,688	(157,918)

The amount of inventories, totalling 514.8 million euro, shows a decrease of 157.9 million euro compared with existing stock as at 31 December 2022. The change was influenced by a decrease in the days sales of inventory and by an improvement of approximately 32.6 million euro, relating to products in transit from suppliers or to customers (100.7 million euro overall as at 31 December 2023 and 133.3 million euro as at 31 December 2022).

The 4,0 million euro allocated to *Provision for obsolescence* is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Provision for obsolescence: year beginning	4,586	5,836	(1,250)
Uses/Releases	(2,705)	(2,364)	(341)
Accruals	1,936	1,114	822
Acquisition in business combination	195	-	195
Provision for obsolescence: period-end	4,012	4,586	(574)

The item '*Acquisition in business combination*' for a value of 0.2 million euro refers to the first-time consolidation on 1 August 2023 of Sifar Group S.r.l.

The item '*Accruals*' is the management's best estimate of the recoverability of the inventory value as at 31 December 2023.

11) TRADE RECEIVABLES

(euro/000)	31/12/2023	31/12/2022	Var.
Trade receivables - gross	706,337	705,687	650
Bad debt provision	(7,735)	(4,616)	(3,119)
Trade receivables - net	698,602	701,071	(2,469)

'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 countries where the Group operates, are almost all in euro and are short-term.

Trade receivables - gross include 1.2 million euro (3.3 million euro in 2022) of receivables assigned with recourse to factoring companies, adjusted by credit notes to be issued to customers for a value of 80.3 million euro (105.5 million euro at the end of 2022) and include 103.9 million euro of receivables measured at fair value (150.5 million euro as at 31 December 2022).

The change in gross receivables is determined not only by the overall volumes of turnover and their trend over time, in turn also determined by seasonal factors, but also by the impact of the revolving programmes for the disinvestment of trade receivables (i.e. approx. 393.1 million euro as at 31 December 2023 compared to 540.2 million euro in 2022).

The receivables are adjusted to their presumed realisable value through the recognition of an appropriate bad debt provision, which is replenished by allocations determined on the basis of an analytical valuation 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 change in the provision is represented below:

(euro/000)	31/12/2023	31/12/2022	Var.
Bad debt provision: year-beginning	4,616	4,768	(152)
Uses/Releases	(2,391)	(2,831)	440
Accruals	5,147	2,665	2,482
Acquisition in business combination	363	14	349
Bad debt provision: period-end	7,735	4,616	3,119

The item 'Acquisition in business combination' for a value of 0.4 million euro refers to the first-time consolidation on 1 August 2023 of Lidera Network S.L..

12) INCOME TAX ASSETS (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Income tax assets	4,684	1,113	3,571

Income tax assets refer to the prevalence of IRES and IRAP advances calculated on the income of the previous year but, exceeding the current taxes accrued in 2023 by the parent company Esprinet S.p.A. (3.6 million euro), by Sifar Group S.r.l. (19 thousand euro), by Dacom S.p.A. (838 thousand euro), IdMAINT S.r.l. (65 thousand euro) and V-Valley S.r.l. (5 thousand euro). The remaining part of the balance (130 thousand euro) substantially refers to receivables due from the Portuguese and Moroccan tax authorities awaiting recovery.

13) OTHER ASSETS (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Receivables from associates companies (A)	-	-	-
Withholding tax assets	1	23	(22)
VAT receivables	6,748	2,451	4,297
Other tax assets	45,151	35,775	9,376
Other receivables from Tax authorities (B)	51,900	38,249	13,651
Receivables from factoring companies	249	3,207	(2,958)
Other financial receivables	9,656	10,336	(680)
Receivables from insurance companies	679	424	255
Receivables from suppliers	12,632	9,890	2,742
Receivables from employees	-	6	(6)
Receivables from others	1,075	126	949
Other receivables (C)	24,291	23,989	302
Prepayments (D)	6,339	6,670	(331)
Other assets (E= A+B+C+D)	82,530	68,908	13,622

VAT receivables refer to VAT receivables accrued for approx. 2.5 million euro by parent company Esprinet S.p.A., 3.0 million euro by the Italian subsidiaries V-Valley S.r.l. and Sifar Group S.r.l., and for approximately 1.2 million euro by the subsidiaries of the Iberian Subgroup.

'Other tax assets' refer almost entirely to the receivable of the parent company Esprinet S.p.A. from the tax authorities following the 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'.

Receivables from factoring companies, referring entirely to the parent company, relate to the residual amount still unpaid of the trade receivables transferred 'without recourse' at the end of December 2023. At the time this report was drafted, the receivables due had been almost entirely paid.

Other financial receivables, referring entirely to the parent company, refer to 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.

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 2023, 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.

Prepayments are costs (mainly maintenance and assistance fees, interest expenses on loans not drawn down) whose accrual is deferred with respect to that of the cash movement.

15) FINANCIAL ASSETS HELD FOR TRADING

(euro/000)	31/12/2023	31/12/2022	Var.
Financial assets held for trading	113	-	113

The balance relating to 'Financial assets held for trading' refers to securities traded on the equity market held as at 31 December 2023 by the subsidiary Lidera Network S.L..

17) CASH AND CASH EQUIVALENTS

(euro/000)	31/12/2023	31/12/2022	Var.
Bank and postal deposit	260,857	172,167	88,690
Cash	23	18	5
Cheques	3	-	3
Total cash and cash equivalents	260,883	172,185	88,698

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. They are partly temporary in nature as they originate from the normal short-term financial cycle of collections/payments which sees payments from customers concentrated at the end and middle of each month, whereas financial outflows linked to payments to suppliers have a more linear trend.

The market value of the cash and cash equivalents corresponds to their carrying amount.

EQUITY

(euro/000)	31/12/2023	31/12/2022	Var.
Share Capital (A)	7,861	7,861	-
Reserves and profit carried over (B)	384,754	367,340	17,414
Own shares (C)	(13,330)	(13,330)	-
Total reserves (D=B+C)	371,424	354,010	17,414
Net income for the year (E)	(11,875)	47,346	(59,221)
Net equity (F=A+D+E)	367,410	409,217	(41,807)
Non-controlling interests (G)	-	(0)	0
Total equity (H=F+G)	367,410	409,217	(41,807)

The main changes in equity items are explained in the following notes:

19) SHARE CAPITAL

The *Share capital* of Esprinet S.p.A., fully subscribed and paid-in as at 31 December 2023, is 7,860,651 euro and comprises 50,417,417 shares without indication of face value. The number of shares remaining with respect to the cancellations that took place in 2020 and 2022, as envisaged by the resolutions of the relevant Shareholders' Meetings, for a total of 1,986,923 shares.

20) RESERVES

Reserves and retained earnings

The balance of *Reserves and profit carried over* increased by 17.4 million euro, mainly due to combined effect of the allocation of profits from the previous year and the distribution of dividends to shareholders.

Reserves also includes the value of the Esprinet stock grant rights to Group Directors and executives in relation to the 2021-2023 Share incentive plan approved by Esprinet S.p.A.'s Shareholders' Meeting on 7 April 2021.

The value of said rights was recognised in the income statement under the costs of employees and the costs of the directors, and was quantified on the basis of the elements described in detail in the section 'Share incentive plans' in the following chapter 8. 'Comments on income statement items' to which reference should be made.

For more details, please refer to the *Consolidated statement of changes in equity*.

Own shares on hand

The amount refers to the total purchase price of 1,011,318 Esprinet S.p.A. shares owned by the Company in service of the 2021-2023 Share incentive plan.

21) NET RESULT FOR THE PERIOD

The net result for the period, pertaining entirely to the Group, showed a loss of 11.9 million euro (profit of 47.3 million euro in the previous year).

NON-CURRENT LIABILITIES

22) BORROWINGS

(euro/000)	31/12/2023	31/12/2022	Var.
Borrowings	65,702	71,118	(5,416)

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 increase due to the business combination transactions, the signing of new loans during the year, 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 '*Net financial indebtedness and loan covenants*' paragraph.

31) LEASE LIABILITIES (NON-CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (non-current)	99,154	101,661	(2,507)

The liability is related to the Rights of use existing at the reference balance sheet dates.

The change can be detailed as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (non-current)	101,661	102,253	(592)
Acquisition in business combination	491	1,098	(607)
Increase from subscribed contracts	1,770	9,683	(7,913)
Termination/modification of contracts	6,401	-	6,401
Reclassification non current liabilities	(11,169)	(11,373)	204
Lease liabilities (non-current)	99,154	101,661	(2,507)

The following table analyses the maturity dates of the financial liabilities booked as at 31 December 2023:

(euro/000)	Within 5 year	After 5 year	31/12/2023
Lease liabilities (non current)	55,180	43,974	99,154

With reference to the application of IFRS 16 as from the financial statements as at 31 December 2019, the Group did not apply the standard to leases of intangible assets.

It should also be noted that the Group analyses 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.

Lastly, 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)	31/12/2023	31/12/2022	Var.
Deferred income tax liabilities	18,923	16,646	2,277

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.

The following table shows the composition of the item in question:

(euro/000)	31/12/2023			31/12/2022		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax liabilities						
Goodwills' amortisation	63,729	27.9%-25%	16,274	56,847	27.9%-25%	14,543
Customer Relationship and brand surplus value	2,703	27.90%	754	-	24.00%	-
Customer Relationship	6,355	25.00%	1,589	7,007	25.00%	1,752
Other	1,206	24%-27.9%-25%	306	1,417	24%-27.9%-25%	351
Total deferred income tax liabilities			18,923			16,646

The item Other mainly refers to deferred taxes that derive from the temporary differences originating on the inclusion of accessory charges in the value of inventories and on the gains on exchange rates.

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

(euro/000)		Within 1 year	1-5 year	After 5 year	Total
	31/12/2023	565	1,036	17,322	18,923
Deferred income tax liabilities	31/12/2022	511	652	15,483	16,646

25) RETIREMENT BENEFIT OBLIGATIONS

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

The entire provision amount is attributable to the Italian companies, since a similar system does not exist in Spain.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Balance at year-beginning	5,354	5,232	122
Acquisition in business combination	281	657	(376)
Service cost	181	171	10
Interest cost	191	53	138
Actuarial (gain)/loss	78	(428)	506
Pensions paid	(747)	(334)	(413)
Changes	2	3	(1)
Retirement benefit obligations	5,340	5,354	(14)

Values recognised in the income statement are as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Amounts booked under personnel costs	181	171	10
Amounts booked under financial costs	191	53	138
Total	372	224	148

The change in the 'Actuarial (gain)/loss' compared with last year is essentially due to the misalignment between the forward-looking assumptions used in the valuation as at 31 December 2022 and the actual development of the provision as at 31 December 2023 (members, payments made, benefit revaluation). The discount rate used 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 employment in the Group's companies (higher than 10 years)¹⁶.

The item '*Business combination acquisition*' refers to the first consolidation of Sifar Group S.r.l. in August 2023.

The 'Projected Unit Credit Method' was used to account for employee benefits, 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;
- for the purposes of estimating the probability of terminating employment for reasons other than death, an annual 6% frequency was considered based on available statistical series for the Group companies;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	notes	31/12/2023	31/12/2022
Cost of living increase	(1)	2.00%	5.90%
Discounting rate	(2)	3.09%	3.63%
Remuneration increase		Inflation + 1.5%	Inflation + 1.5%
Staff severance indemnity (TFR) - annual rate increase	(3)	3.00%	5.93%

⁽¹⁾ 2.0% from 2024.

⁽²⁾ iBoxx Eurozone Corporates AA 7-10 index has been used for the calculation.

⁽³⁾ 3.0% from 2024.

⁽¹⁶⁾ Please note that the iBoxx Eurozone Corporates AA7-10 index has been used as the reference parameter. For the choice of the annual inflation rate, reference was made to the Update Note to the DEF (NADEF 2023), published on 27 September 2023, which shows the value of the consumption deflator for the years 2023, 2024 and 2025, respectively equal to 5.6%, 2.4% and 2.0%. Based on the above and the current inflationary trend, it was deemed appropriate to use a constant inflation rate equal to 2.0% for the year 2024 and subsequent years.

Sensitivity analyses

Pursuant to IAS 19 Revised, 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 half, 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%	5,147,205
	-0.50%	5,545,066
Annual inflation rate	0.25%	5,392,990
	-0.25%	5,287,641
Annual turnover rate	2.00%	5,355,222
	-2.00%	5,336,862

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

(euro) Year	Future Cash Flow Esprinet Group
0 - 1	557,353
1 - 2	406,271
2 - 3	406,547
3 - 4	531,257
4 - 5	495,090
5 - 6	501,124
6 - 7	396,118
7 - 8	507,415
8 - 9	479,683
9 - 10	404,557
Over 10	5,119,966

49) DEBTS FOR INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Debts for investments in subsidiaries (non-current)	600	600	-

The item 'Debts for investments in subsidiaries (non-current)' refers on both dates to the consideration to be paid, falling due after the next year, for the purchase in January 2021 by the parent company Esprinet S.p.A. of the companies Dacom S.p.A. (0.5 million euro) and idMAINT S.r.l. (0.1 million euro).

26) NON-CURRENT PROVISIONS AND OTHER LIABILITIES

(euro/000)	31/12/2023	31/12/2022	Var.
Long-term liabilities for cash incentives	189	135	54
Long term Tax payables in installments	20,809	-	20,809
Provisions for pensions and similar obligations	1,795	1,879	(84)
Other provisions	1,298	560	738
Non-current provisions and other liabilities	24,091	2,574	21,517

The item *Long-term liabilities for cash incentives* as at 31 December 2023 refers to the portion of the variable consideration payable to beneficiaries from the second year onwards with respect to that of accrual conditional, among others, on the beneficiary's employment with the Group until the payment date.

The item *Long term Tax payables in instalments* refers to the portion due beyond 12 months after 31 December 2023 of the debt which arose following the signing of agreements with the Revenue Agency in the second quarter of 2023, by the parent company Esprinet S.p.A., aimed at settling VAT disputes relating to the tax periods from 2013 to 2017. Further details are described in the '*Significant events occurring in the period*' of the Directors' Report on Operations to which reference is made.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Provisions for pensions: year-beginning	1,879	1,694	185
Uses/Releases	(234)	(101)	(133)
Accruals	148	286	(138)
Acquisition in business combination	2	-	2
Provisions for pensions: period-end	1,795	1,879	(84)

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)	31/12/2023	31/12/2022	Var.
Other provisions: year-beginning	560	619	(59)
Uses/Releases	(250)	(374)	124
Accruals	988	262	726
Acquisition in business combination	-	53	(53)
Other provisions: period-end	1,298	560	738

Developments in Group disputes

The main disputes involving the Group are provided below, along with developments in 2023 (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 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.

Actebis Computer S.p.A. (now Esprinet S.p.A.) Indirect 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 into Esprinet S.p.A.), all outstanding disputes have been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and supported by the latter's advisors, after the failure of a tax settlement proposal, lodged an appeal at the various stages of legal proceedings, with the enforcement of all payments due based on prior receipt of the funds from the seller.

Following the negative ruling of the Regional Tax Commission on 23 September 2014, the seller's advisors also filed an appeal before the Court of Cassation where the same is pending and the hearing has not yet been set.

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

On 30 November 2016, the Company was served a notice relating to an assessment through which the Revenue Agency requested the recovery of VAT of 1.0 million euro, plus penalties and interests. The failure to apply VAT on taxable transactions carried out in 2011 on a business customer is being disputed; the latter presented a declaration of intent but the subsequent tax audits to which it was subject revealed that the business customer could not have submitted it, as it does not qualify as a habitual exporter.

The Company filed an appeal and received an unfavourable sentence on 24 November 2017 before the Provincial Tax Commission, and on 12 February 2019 before the Regional Tax Commission.

As set forth in the administrative proceedings, payments totalling 2.5 million euro were made during the judicial process which, as all stages of the legal proceedings are yet to be concluded, was recognised in the financial statements under the item 'Other tax receivables'.

On 4 December 2019, an appeal was filed with the Court of Cassation; the date of the hearing for the discussion of the case has not yet been set.

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

On 2 October 2017, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 3.1 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2012 on three business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal and received a favourable ruling on 21 September 2018 before the Provincial Tax Commission, but an unfavourable one on 17 February 2020 before the Regional Tax Commission.

As set forth in the administrative proceedings, February 2021 saw the payment of 5.1 million euro which, as all stages of legal proceedings are yet to be concluded, was recognised in the financial statements under the item 'Other tax receivables'.

On 25 September 2020, the Company filed an appeal with the Court of Cassation and the Revenue Agency filed a counter-appeal; the date of the hearing to discuss the case has not yet been set.

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

On 31 July 2018, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 66 thousand euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on a business customer is being disputed; the latter presented a declaration of intent but the subsequent tax audits to which it was subject revealed that the business customer could not have submitted it, as it does not qualify as a habitual exporter.

The Company filed an appeal and received an unfavourable ruling on 29 January 2019 before the Provincial Tax Commission, but a favourable one on 29 January 2020 before the Regional Tax Commission.

On 19 March 2021, the Revenue Agency filed an appeal with the Court of Cassation and the Company filed a counter-appeal; the hearing to discuss the case was held on 19 January 2024. The Company is awaiting the decision of the Supreme Court of Cassation.

Esprinet S.p.A. Indirect taxes for the year 2013 bis

On 20 December 2018, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 14.5 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on other seven business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that these business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal and received an unfavourable ruling on 23 September 2020 before the Provincial Tax Commission and an unfavourable one on 14 February 2022 before the Regional Tax Commission (sentence filed on 28 February 2022).

On 23 May 2022, the Company filed an appeal with the Court of Cassation and the Revenue Agency filed a counter-appeal; the date of the hearing to discuss the case has not yet been set.

On 5 October 2022, the Revenue Agency-Collection granted the instalment in no. 18 months' salary, with a unit value of 0.7 million euro and starting from the same month of October 2022, of the residual amounts due provided for in the administrative procedure.

Therefore, payments totalling 35.0 million euro were made during the judicial process (of which 8.4 million euro in 2023) which, as all stages of the legal proceedings are yet to be concluded, were recognised in the financial statements under the item 'Other tax receivables'.

Esprinet S.p.A. Indirect taxes for the year 2013 ter

On 13 September 2021, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 6.5 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on other business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal before the Provincial Tax Commission, whose date of the hearing for the discussion of the case, initially set for 18 October 2022, has been postponed to a date to be set.

In the meantime, on 21 July 2022, the Revenue Agency-Collection granted the instalment in no. 18 months' salary, with a unit value of almost 0.2 million euro and starting from August 2022, of the amounts envisaged by the administrative procedure.

On 30 June 2023, the Company, for the mere purposes of avoiding tax claims, signed an out-of-court agreement with the Revenue Agency which provides for the payment of 4.5 million euro, already net of 1.2 million euro previously paid in accordance with the administrative procedure, over five years in interest-bearing quarterly instalments, the first instalment of which was paid on the same date.

As at 31 December 2023, therefore, in addition to the amounts deriving from this agreement, 0.5 million euro of interest paid prior to the signing of the agreement was therefore recognised in the income statement and in the liabilities.

Esprinet S.p.A. Indirect taxes for the years 2014, 2015 and 2016

On 23 December 2022, the Company received three assessment notices through which the Revenue Agency requested the recovery of VAT totalling 70.2 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in the 2014-2016 three-year period on a list of business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

On 22 May 2023, although the Company believes it has operated correctly and merely for the purposes of avoiding any dispute, it signed deeds of acceptance with the Revenue Agency for a total of 27.2 million euro to be paid over five years with interest-bearing quarterly instalments, the first instalment of which was paid on 31 May 2023.

As at 31 December 2023, the amounts deriving from these deeds of acceptance are therefore recognised in the income statement and under liabilities.

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

On 20 July 2016, upon conclusion of a tax audit to which it was subject, the company received an assessment notice through which the Revenue Agency requested the recovery of direct taxes for 82 thousand euro, as well as penalties and interest. The deduction or non-taxation of income components relating to 2012 (the year in which the company was still part of the Esprinet Group) has been contested.

The company firstly filed a tax settlement proposal but, after its rejection by the Revenue Agency, filed an appeal and won said appeal on 26 June 2017 before the Provincial Tax Commission, but lost the appeal on 3 July 2018 before the Regional Tax Commission.

As envisaged by the administrative procedure, payments for a total of 162 thousand euro were made during the course of the judicial procedure, recorded in the income statement in 2018.

On 16 July 2019, the Company lodged an appeal before the Court of Cassation.

Edslan S.r.l. Registration tax for the year 2016

On 4 July 2017, the company, merged by incorporation into Esprinet S.p.A. in 2018, received an assessment notice through which the Revenue Agency requested the recovery of the registration tax for 182 thousand euro, as well as penalties and interest. The determination of the business unit acquired on 8 June 2016 by the selling company Edslan S.p.A. (now I-Trading S.r.l.) has been contested.

The company firstly filed a tax settlement proposal but, after its rejection by the Revenue Agency, filed an appeal and won said appeal on 19 June 2018 before the Provincial Tax Commission, and on 22 January 2020 before the Regional Tax Commission.

On 8 January 2021, the company filed a counter-appeal before the Court of Cassation, whose date of the hearing for the discussion of the case has not yet been set, after appeal by the Revenue Agency.

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

CURRENT LIABILITIES

27) TRADE PAYABLES

(euro/000)	31/12/2023	31/12/2022	Var.
Trade payables - gross	1,242,221	1,263,687	(21,466)
Credit notes to be received	(132,961)	(151,521)	18,560
Trade payables	1,109,260	1,112,166	(2,906)

The balance of *Trade payables*, compared to 31 December 2022, is largely influenced by the overall volumes of purchases and their trend over time, which in turn also depend on seasonal factors of the distribution business.

The item 'Credit notes to be received' refers mainly to the rebates for the achievement of commercial targets, 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)	31/12/2023	31/12/2022	Var.
Bank loans and overdrafts	56,927	66,744	(9,817)
Other financing payables	15,319	15,419	(100)
Short - term financial liabilities	72,246	82,163	(9,917)

Bank loans and overdrafts refer to the valuation at the amortised cost of the short-term financing lines and the portion falling due within next year of the medium-long term loans granted to the Group companies (45.9 million euro as principal as at 31 December 2023 and 47.5 million euro, also as principal, as at 31 December 2022).

The change compared to the previous year depends on the combined effect of the following phenomena:

- the greater or lesser use of short-term forms of financing;
- the increase due to business combinations;
- the portion due within the next year of new medium/long-term loans obtained by the Parent Company and by the subsidiary Esprinet Iberica S.L.U.;
- the repayment of the portions of medium/long-term loans according to the amortisation plans with the related reclassification from non-current financial payables of the instalments due within the 12 months following 31 December 2023.

Details relating to the outstanding medium/long-term loans can be found in the following '*Net financial indebtedness and loans covenants*' paragraph, to which reference should be made.

Other financing payables are mainly advances obtained from factoring companies deriving from the usual with-recourse assignment of receivables, and from payments received in the name and on behalf of clients under the non-recourse factoring agreement. The change in payables is closely correlated to the volume and different timing of the financial settlement of the receivables factored.

36) LEASE LIABILITIES (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (current)	11,896	10,740	1,156

The liability is related to the Rights of use existing at the reference balance sheet dates.

The change can be detailed as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (current)	10,740	9,829	911
Acquisition in business combination	179	-	179
Increase from subscribed contracts	473	107	366
Reclassification non current liabilities	11,169	11,373	(204)
Lease interest expenses	3,382	3,241	141
Payments	(15,133)	(13,810)	(1,323)
Termination/modification of contracts	1,086	-	1,086
Lease liabilities (current)	11,896	10,740	1,156

29) INCOME TAX LIABILITIES

(euro/000)	31/12/2023	31/12/2022	Var.
Income tax liabilities	931	1,058	(127)

Income tax liabilities refer primarily to the subsidiaries Bludis S.r.l. (0.4 million euro), Erredi France SARL (1 thousand euro), Erredi Deutschland GmbH (7 thousand euro), Celly Pacific LTD (16 thousand euro) and the subsidiaries of the Iberian Subgroup (0.5 million euro) and reflect the excess amount of current income taxes accrued with respect to the advances paid.

30) DERIVATIVE FINANCIAL LIABILITIES (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Derivative financial liabilities	18	24	(6)

The balance of *Derivative financial liabilities*, as at 31 December 2023 referred to the fair value of instruments used by Esprinet Iberica S.L.U. and V-Valley Advanced Solutions España, S.A. to mitigate the exchange risk related to payables in foreign currency from suppliers.

For further details, please refer to the section '*Hedge accounting*' under the paragraph '*Disclosure on risks and financial instruments*'.

51) DEBTS FOR INVESTMENTS IN SUBSIDIARIES (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Debts for investments in subsidiaries (current)	5,764	2,455	3,309

The item *Debts for investments in subsidiaries (current)* as at 31 December 2023 refers entirely to the consideration to be paid within 12 months by the parent company Esprinet S.p.A. for the purchase of all the shares of the company Sifar Group S.r.l.

On the other hand, the balance as at 31 December 2022 referred to the deferred consideration portion for the purchase of all the shares and holdings of Dacom S.p.A. (0.6 million euro), idMAINT S.r.l. (0.1 million euro) and Bludis S.r.l. (1.7 million euro), paid in full by the parent company Esprinet S.p.A. in 2023.

32) PROVISIONS AND OTHER LIABILITIES

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

(euro/000)	31/12/2023	31/12/2022	Var.
Social security liabilities (A)	5,491	5,366	125
Associates companies liabilities (B)	-	-	-
VAT payables	20,864	29,281	(8,417)
Short term Tax payables in installments	6,338	-	6,338
Withholding tax liabilities	645	522	123
Other tax liabilities	2,018	1,809	209
Other payables to Tax authorities (C)	29,865	31,612	(1,747)
Payables to personnel	8,094	10,005	(1,911)
Payables to customers	9,340	9,193	147
Payables to others	826	2,040	(1,214)
Total other creditors (D)	18,260	21,238	(2,978)
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	257	227	30
- Deferred income - advanced receivables	123	75	48
- Other deferred income	119	124	(5)
Accrued expenses and deferred income (E)	499	426	73
Provisions and other liabilities (F=A+B+C+D+E)	54,115	58,642	(4,527)

VAT liabilities refer to the amount of VAT payable accrued during the month of December and are attributable to all the companies of the Iberian Subgroup (20.6 million euro) and to the Italian subsidiary Bludis S.r.l. (0.2 million euro).

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

The item *Short term Tax payables in instalments* refers to the portion due within 12 months after the reference date of the consolidated financial statements, of the debt which arose following the signing of agreements with the Revenue Agency in the second quarter of 2023, by the parent company Esprinet S.p.A., aimed at settling VAT disputes relating to the tax periods from 2013 to 2017. Further details are described in the 'Significant events occurring in the period' of the Directors' Report on Operations to which reference is made.

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

Payables to personnel refer to deferred monthly compensation (holidays not taken, year-end bonus, monetary incentives included) accrued at the balance sheet date.

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

Payables to others mainly include remunerations accrued by directors and fees accrued and not paid to the Group's network of agents. The balance as at 31 December 2022 also included 1.1 million euro relating to the payable to shareholders that arose for dividends from the 2021 profit, resolved in 2022 but collected only in 2023.

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)	31/12/2023	31/12/2022	Var.
Third-party assets on consignment to the Group	75,288	98,381	(23,093)
Bank guarantees issued in favour of other companies	17,913	16,353	1,560
Total guarantees issued	93,201	114,734	(21,533)

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 (53.6 million euro), of Esprinet Iberica S.L.U. (19.8 million euro) and V-Valley Advanced Solutions España, S.A. (1.8 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 sales performance during the year. Further analyses of sales are provided in the 'Directors' Report on Operations'.

Sales by products and services

(euro/million)	2023	%	2022	%	Var.	% Var.
Product sales	2,482.9	62.3%	2,789.8	59.6%	(306.9)	-11%
Services sales	11.2	0.3%	8.3	0.2%	2.9	35%
Sales - Subgroup Italy	2,494.1	62.6%	2,798.1	59.7%	(304.0)	-11%
Product sales	1,489.1	37.4%	1,877.1	40.1%	(388.0)	-21%
Services sales	2.0	0.1%	9.0	0.2%	(7.0)	-78%
Sales - Subgroup Spain	1,491.1	37.4%	1,886.1	40.3%	(395.0)	-21%
Sales from contracts with customers	3,985.2	100.0%	4,684.2	100.0%	(699.0)	-15%

Sales by geographic area

(euro/000)	2023	%	2022	%	% Var.
Italy	2,467.8	61.9%	2,751.7	58.7%	-10%
Spain	1,367.6	34.3%	1,749.6	37.4%	-22%
Portugal	106.9	2.7%	126.5	2.7%	-15%
Other EU countries	24.2	0.6%	36.9	0.8%	-34%
Extra UE countries	18.7	0.5%	19.5	0.4%	-4%
Sales from contracts with customers	3,985.2	100.0%	4,684.2	100.0%	-15%

The Group recorded sales in Italy of 2,467.8 million euro, -10% down compared to 2022 in a distribution market which, according to the UK research company Context, has shrunk by about 4% compared to previous year, with a turnover of 9.2 billion euro. In Spain, the Group sales were 1,367.6 million euro, -22% compared to 2022, in a market slowing down by 2% to around 7.0 billion euro in sales. Portugal is worth 106.9 million euro, -15% compared to 2022, with a market showing a -5% decrease.

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/000)	2023	%	2022	%	% Var.
Sales from contracts with customers as 'principal'	3,966.7	99.5%	4,668.9	99.7%	-15%
Sales from contracts with customers as 'agent'	18.5	0.5%	15.3	0.3%	21%
Sales from contracts with customers	3,985.2	100.0%	4,684.2	100.0%	-15%

35) GROSS PROFIT

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985.162	100.00%	4,684.164	100.00%	(699,002)	-15%
Cost of sales	3,766.721	94.52%	4,441.195	94.81%	(674,474)	-15%
Gross profit	218,441	5.48%	242,969	5.19%	(24,528)	-10%

Gross profit amounted to 218.4 million euro, marking a decrease of -10% compared to 2022 (243.0 million euro), essentially due to the effect of the improvement in the percentage margin, increased from 5.19% to 5.48%, also thanks to the greater incidence of high-margin product categories which offset the sensitive increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. At a constant scope of consolidation, deducting the positive contribution of 7.4 million euro deriving from the acquisitions from the 2023 result, the change in gross profit is estimated at -13%, with an improved percentage margin from 5.19% to 5.30%.

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.

Lastly, profit 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 2023, such effect amounted to 15.6 million euro (6.8 million euro in 2022).

37-38-39) OPERATING COSTS

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Sales and marketing costs	74,122	1.86%	71,333	1.52%	2,789	4%
Overheads and administrative costs	102,317	2.57%	100,510	2.15%	1,807	2%
Impairment loss/reversal of financial assets	27,990	0.70%	468	0.01%	27,522	>100%
Operating costs	204,429	5.13%	172,311	3.68%	32,118	19%
- of which non recurring	30,064	0.75%	2,754	0.06%	27,310	>100%
'Recurring' operating costs	174,365	4.38%	169,557	3.62%	4,808	3%

In 2023, operating costs, amounting to 204.4 million euro, increased by 32.1 million euro with an incidence on sales of 5.13% compared to 3.68% in the previous year. Net of non-recurring charges of 30.1 million euro, for details of which please refer to the paragraph *'Non-recurring significant events and operations'*, operating costs increased by +3%, with an incidence on sales up to 4.38% from 3.62%.

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

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Sales & marketing personnel costs	64,347	1.61%	62,351	1.33%	1,996	3%
Other sales & marketing costs	9,775	0.25%	8,982	0.19%	793	9%
Sales & marketing costs	74,122	1.86%	71,333	1.52%	2,789	4%
Administr., IT, HR and general service personnel costs	33,082	0.83%	32,611	0.70%	471	1%
Directors' compensation	1,011	0.03%	4,759	0.10%	(3,748)	-79%
Consulting services	9,701	0.24%	8,958	0.19%	743	8%
Logistics services	15,709	0.39%	16,277	0.35%	(568)	-3%
Amortisation, depreciation and provisions	18,460	0.46%	15,645	0.33%	2,815	18%
Other overheads and administrative costs	24,354	0.61%	22,260	0.48%	2,094	9%
Overheads and administrative costs	102,317	2.57%	100,510	2.15%	1,807	2%
Impairment loss/reversal of financial assets	27,990	0.70%	468	0.01%	27,522	>100%
Total SG&A	204,429	5.13%	172,311	3.68%	32,118	19%



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 freelance personnel (for financial statements auditing services, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of property, plant and equipment, amortisation of intangible assets, excluding that relating to rented assets and equipment 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 following cases:

- 3.5 million euro of value adjustment to trade receivables to adjust them to their presumed realisable value. This amount includes 2.6 million euro of a non-recurring nature referring to a specific trade receivable position;
- 20.2 million euro of VAT, defined with the Italian Revenue Agency in the deeds of membership and settlement signed by the parent company during the year and described in more detail in the *'Significant events of the period'* and in the *'Evolution of the Group's disputes and of Esprinet S.p.A.'* to which reference should be made, no longer liable to refund against customers whose behaviour gave rise to the objections and to whom the invoices disputed by the Revenue Agency had originally been issued. Therefore, this tax was considered a non-recurring charge for the year that can no longer be refund as an asset from the original customers;
- 4.3 million euro for the write-down of the VAT receivable defined during the year by the parent company with the Revenue Agency (see what is described in the previous point) and refund from customers. This non-recurring write-down was necessary following the assessment of the recoverability of said 'VAT receivable' made by the management of the parent company at the end of the current year.

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)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Wages and salaries	65,931	1.7%	63,910	1.4%	2,021	3%
Social contributions	19,831	0.5%	18,466	0.4%	1,365	7%
Pension obligations	3,043	0.1%	2,945	0.1%	98	3%
Other personnel costs	1,412	0.0%	1,351	0.0%	61	5%
Employee termination incentives	1,245	0.0%	549	0.0%	696	127%
Share incentive plans	(917)	-0.0%	651	0.0%	(1,568)	-241%
Total labour costs ⁽¹⁾	90,545	2.3%	87,872	1.9%	2,673	3%

⁽¹⁾ Cost of temporary workers excluded.

In 2023, personnel costs amounted to 90.5 million euro (including 3.4 million euro relating to the company Sifar Group S.r.l. Lidera Network S.L. acquired and consolidated starting from August 2023, and Bludis S.r.l. in 2022 present only for the November-December two-month period), up (+3%) compared to the correspondent period of the previous year.

On a like-for-like basis and net of charges for the resolution of the relationship and the cost for share plans, items whose value does not have a linear correlation with the number of personnel employed, personnel costs in 2023 are in line with the previous year as the number of resources employed on average is almost the same, net of the personnel of Sifar Group S.r.l. and Lidera Network S.L., compared to the previous year.

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 22 April 2021, 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 7 April 2021 were assigned.

The Company currently owns only 63,655 of the ordinary shares underlying the above-mentioned Plan. Therefore, it will need to acquire the remaining amount relating to the 1,011,318 rights effectively granted.

The aforementioned plan was subject to 'fair value' accounting determined by applying the 'Black-Scholes' model, taking account of the dividend yield, of the volatility of the Esprinet share, of the risk-free interest rate level envisaged at the respective rights assignment dates and, in relation to the 'Double Up' component, the probability of the trend in the share in the vesting period of the Compensation plan.

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

(euro/000)	notes	Plan 2021-2023 'Base' component	Plan 2021-2023 'Double Up component'
Allocation date		22/04/2021	22/04/2021
Vesting date		30/04/2024	30/04/2024
Expiry date		30/06/2024	30/06/2024
Total number of stock grant allocated		191,318	820,000
Total number of stock grant allowed	(1)	36,403	-
Unit fair value (euro)		11.29	5.16
Total fair value (euro)		410,990	-
Rights subject to look-up (2 years)		25.0%	25.0%
Duration lock-up		2 years	2 years
Risk free interest rate	(2)	-0.4%	-0.4%
Implied volatility	(3)	40.6%	40.6%
Duration (years)		3	3
Spot price	(4)	13.59	13.59
'Dividend yield'		3.8%	3.8%

(1) Decrease due to employment termination of some beneficiaries and/or the estimated achievement of performance targets.

(2) 3-year IRS (source: Bloomberg, 21 April 2021).

(3) 3-year volatility calculated on the basis of the official prices at the close of the stock market in the previous three-year period as at 22 April 2021.

(4) Equal to the official price of Esprinet S.p.A. shares at grant date.

The total costs booked to the income statement in the year in relation to the Share incentive plans, with a balancing entry in the item 'Reserves' in the statement of financial position, were represented by a positive component of 0.9 million euro in relation to employees (expenses of 0.6 million euro in 2022) and 2.2 million euro with reference to directors (expenses of 1.5 million euro in 2022), following the non-achievement or only partial achievements of the non-monetary conditions these Plans are subject to.

Amortisation, depreciation, write-downs and provisions

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Depreciation of tangible assets	5,680	0.14%	4,585	0.10%	1,095	24%
Amortisation of intangible assets	1,750	0.04%	1,143	0.02%	607	53%
Depreciation of right-of-use assets	12,635	0.32%	11,532	0.25%	1,103	10%
Amort. & depreciation	20,065	0.50%	17,260	0.37%	2,805	16%
Write-downs of fixed assets	-	0.00%	-	0.00%	-	0%
Amort. & depr., write-downs (A)	20,065	0.50%	17,260	0.37%	2,805	16%
Accruals for risks and charges (B)	1,136	0.03%	548	0.01%	588	107%
Amort. & depr., write-downs, accruals for risks (C=A+B)	21,201	0.53%	17,808	0.38%	3,393	19%

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 164 thousand euro and 32 thousand euro, respectively (171 thousand euro and 7 thousand euro respectively in 2022).

The following tables respectively contain the details of the costs and commitments for future payments relating to multi-year service contracts:

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Equipment	646	0.02%	596	0.01%	50	8%
Data connection lines	138	0.00%	197	0.00%	(59)	-30%
Cost Housing CED	200	0.01%	186	0.00%	14	8%
Total multi-year services costs	984	0.02%	979	0.02%	5	1%

(euro/000)	2024	2025	2026	2027	2028	Over	Total
Equipment	468	371	236	36	9	-	1,120
Data connection lines	844	812	812	777	9	-	3,254
Cost housing CED	180	180	180	180	-	-	720
Multi-year services commitments	1,492	1,363	1,228	993	18	-	5,093

42) FINANCE COSTS - NET

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Interest expenses on borrowings	2,405	0.06%	1,614	0.03%	791	49%
Interest expenses to banks	7,486	0.19%	1,281	0.03%	6,205	>100%
Other interest expenses	7,095	0.18%	73	0.00%	7,022	>100%
Upfront fees amortisation	493	0.01%	550	0.01%	(57)	-10%
Financial charges for actualization	19	0.00%	-	0.00%	19	-10000%
IAS 19 expenses/losses	190	0.00%	53	0.00%	137	>100%
IFRS financial lease interest expenses	3,382	0.08%	3,260	0.07%	122	4%
Charges from fair value changes	18	0.00%	24	0.00%	(6)	-25%
Total financial expenses (A)	21,088	0.53%	6,855	0.15%	14,233	>100%
Interest income from banks	(1,007)	-0.03%	(73)	0.00%	(934)	>100%
Interest income from others	(115)	0.00%	(83)	0.00%	(32)	39%
Total financial income (B)	(1,122)	-0.03%	(156)	0.00%	(966)	>100%
Net financial exp. (C=A+B)	19,966	0.50%	6,699	0.14%	13,267	>100%
Foreign exchange gains	(2,348)	-0.06%	(2,880)	-0.06%	532	-18%
Foreign exchange losses	1,500	0.04%	3,944	0.08%	(2,444)	-62%
Net foreign exch. (profit)/losses (D)	(848)	-0.02%	1,064	0.02%	(1,912)	<-100%
Net financial (income)/costs (E=C+D)	19,118	0.48%	7,763	0.17%	11,355	>100%

The total balance between finance costs - net, negative for 19.1 million euro, decreased by 11.1 million euro compared to the corresponding period of the previous year (7.8 million euro) mainly as a result of: (i) 6.9 million euro of non-recurring interest accrued by the tax authorities as part of the agreements signed during the year by the parent company Esprinet S.p.A. with the Italian Revenue Agency and aimed at settling VAT disputes relating to the tax periods from 2013 to 2017; (ii) 6.1 million euro for higher interest expense due to the banking system following the growth in interest rates ordered by the European Central Bank; (iii) 1.9 million euro for the improvement in currency rates thanks to a more favourable Euro/US dollar exchange rate trend.

45) INCOME TAX EXPENSES

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	3,985,162		4,684,164		(699,002)	-15%
Current income taxes	7,554	0.19%	12,973	0.28%	(5,419)	-42%
Deferred income taxes	(785)	-0.02%	2,576	0.05%	(3,361)	-130%
Taxes	6,769	0.17%	15,549	0.33%	(8,780)	-56%

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

(euro/000)	31/12/2023			31/12/2022		
	Group	Subgroup Italy	Subgroup Iberica	Group	Subgroup Italy	Subgroup Iberica
Result before income taxes [A]	(5,106)	(25,160)	20,054	62,895	29,180	33,715
Operating result (EBIT)	14,012	(8,945)	22,957	70,658	34,466	36,192
(+) bad debt provision	3,451	3,451	-	928	928	-
(+) provision for risks and charges	475	475	-	270	270	-
Taxable amount for IRAP [B]	17,938	(5,019)	22,957	71,856	35,664	36,192
Theoretical taxation IRES Subgroup Italy (= A*24%)	(6,024)	(6,024)	-	7,022	7,022	-
Theoretical taxation IRAP Subgroup Italy (= B*3,9%)	(176)	(176)	-	1,401	1,401	-
Theoretical taxation on Subgroup Spain's income [A*25,0%-21,0%-10%]	5,256	-	5,256	8,436	-	8,436
Total theoretical taxation [C]	(944)	(6,200)	5,256	16,859	8,423	8,436
Theoretical tax rate [C/A]	18.5%	24.6%	26.2%	26.8%	28.9%	25.0%
(-) Tax relief - ACE - Aiuto alla crescita economica ⁽¹⁾	(1,647)	(193)	(1,454)	(1,504)	(227)	(1,277)
(-) tax rate change	-	-	-	-	-	(6)
Other permanent differenced	9,360	8,765	595	200	43	157
Total effective taxation [D]	6,769	2,372	4,397	15,549	8,239	7,310
Effective tax rate [D/A]	-132.6%	-9.4%	21.9%	24.7%	28.2%	21.7%

⁽¹⁾ Equal to the official share price. It corresponds to ACE for Italian companies and to the capitalisation of reserves for Spanish companies.

Both the tax rate of the Group and that of the Italian Subgroup are negative due to the loss before taxes compared to a positive tax basis. This difference is attributable to 33.3 million euro of non-recurring charges, generated by agreements signed by the parent company Esprinet S.p.A. with the Italian Revenue Agency and aimed at settling tax disputes which, however, were considered not relevant for the purposes of the tax calculation pending the results of a specifically promoted ruling.

From 1 January 2024 of EU Directive no. 2523 of 14 December 2022 so called 'Pillar Two Model' has been implemented and transposed in Italy with Italian Legislative Decree no. 209 of 27 December 2023 ('Decree'), aimed at putting a limit on tax competition by introducing a global minimum tax at 15% in each jurisdiction in which large multinationals operate. This regulation can be applied to the Esprinet Group as Multinational Company exceeding the threshold revenue of 750 million euro in two of the 4 precedent fiscal years – having Esprinet SpA as holding (so called Ultimate Parent Entity – UPE).

In this regard, in accordance with the disclosure requirements of IAS 12, the Group has performed an assessment - with data basis as at 31 December 2023 - in order to identify the scope of application of the 'Pillar Two' regulations, as well as the potential impacts resulting from the application of the regulations in the various Countries in which it operates, considering the 'Transitional Safe Harbours' ('TSH').

With reference to the 2023 results, for all Group entities, TSH are achieved therefore no significant impacts for the fiscal year 2024 (first year of regulation implementation) are estimated, if the data basis of 2024 does not deviate from the one used in 2023.

46) NET INCOME AND EARNINGS PER SHARE

(euro/000)	2023	2022	Var.	% Var.
Net result	(11,875)	47,346	(59,221)	-125%
Weighed average no. of shares in circulation: basic	49,406,099	49,406,099		
Weighed average no. of shares in circulation: diluted	49,434,829	50,077,869		
Earnings per share in euro: basic	-0.24	0.96	(1.20)	-125%
Earnings per share in euro: diluted	-0.24	0.95	(1.19)	-125%

For the purposes of calculating 'basic' earnings per share, the 1,011,318 own shares on hand were excluded (1,011,318 rights as at 31 December 2022).

For the purposes of calculating the 'diluted' earnings per share, the 36,403 own shares on hand potentially serving the Stock Grant Plan approved on 7 April 2021 by the Shareholders' Meeting of Esprinet S.p.A. were considered. The number of shares was reduced compared to the initial amount of 1,011,318 securities in relation to the estimated level of achievement of the targets set in the Long-Term Compensation Plan and the estimated probability of continuation of the professional relationship by the individual beneficiaries.

9. OTHER SIGNIFICANT INFORMATION

9.1 EMOLUMENTS TO THE BOARD MEMBERS, STATUTORY AUDITORS AND KEY MANAGERS

As defined by IAS 24 accounting standard and recalled by CONSOB Resolution No. 17221 of 12 March 2010, 'key managers are those persons having direct and indirect 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'.

The Group has identified the directors, statutory auditors and general manager of Esprinet S.p.A. as executives with strategic responsibilities.

The remuneration due for the year 2023, in relation to the offices held in the parent company and in the other Group companies, are shown in the following tables and include all the remuneration items paid or payable (gross of tax and social security contributions) including benefits in kind.

(figures in euro/000)				Fixed compensation		Variable non-equity compensation			Non monetary benefits ⁽²⁾	Other remuneration	Total	Severance indemnity for end of office or termination of employment
Name and surname	Office	Period for which office was held	Office expiry	Fixed compensation	Remuneration from subordinate employment	Compensation for committee participation	Bonuses and other incentives	Profit sharing				
Maurizio Rota	Chairman	01.01/31.12.2023	2024 ⁽¹⁾	450	-	-	-	-	6	-	456	-
Marco Monti	Deputy Chairman	01.01/31.12.2023	2024 ⁽¹⁾	53	-	-	-	-	-	-	53	-
Alessandro Cattani	Chief Executive Officer	01.01/31.12.2023	2024 ⁽¹⁾	433	17	-	139	-	3	-	592	-
Chiara Mauri	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-
Angelo Miglietta	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	41	-	-	-	-	71	-
Lorenza Morandini	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-
Emanuela Prandelli	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-
Renata Maria Ricotti	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	41	-	-	-	-	71	-
Angela Sanarico	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-
Giovanni Testa	Chief Operating Officer	01.01/31.12.2023		-	369	-	86	-	4	-	458	-
Maurizio Dallochio	Chairman Statutory auditor	01.01/31.12.2023	2024 ⁽¹⁾	45	-	-	-	-	-	-	45	-
Maria Luisa Mosconi	Permanent Auditor	01.01/31.12.2023	2024 ⁽¹⁾	40	-	-	-	-	-	-	40	-
Silvia Muzi	Permanent Auditor	01.01/31.12.2023	2024 ⁽¹⁾	40	-	-	-	-	-	-	40	-
(I) Compensation in the company preparing the financial				1,242	385	155	224	-	13	-	2,019	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				1,242	385	155	224	-	13	-	2,019	-

⁽¹⁾ Date of approval of the financial statements for the year ending 31 December 2023.

⁽²⁾ 'Fringe benefit' represented by the use of the company car.

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

Beneficiaries	Bonus of the year			Bonus from previous year		
	Payable/ Paid	Deferred	Period	No longer eligible for payment	Payable/ Paid	Still deferred
Alessandro Cattani	-	-	2021	-	93	-
Alessandro Cattani	-	-	2022	-	-	81
Alessandro Cattani	99	40	2023	-	-	-
Giovanni Testa	-	-	2021	-	33	-
Giovanni Testa	-	-	2022	-	-	29
Giovanni Testa	71	14	2023	-	-	-
Total	170	54		-	126	110

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

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

Beneficiaries	Options held at 1° January 2023		Options held in 2023	Options assigned (taken up) in 2023	Options assigned in 2023	Options held at 31 December 2023		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Quantity	Average strike price	Average due date
Alessandro Cattani	679,717	free	-	-	-	679,717		from 22/04/2021 to 30/04/2024 ⁽¹⁾
Giovanni Testa	113,201	free	-	-	-	113,201		

⁽¹⁾ Date of the Shareholders' Meeting for the approval of the Financial Statements as at 31 December 2023 and presentation of the Consolidated Financial Statements as at 31 December 2023.

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 2023 the Esprinet Group recorded a cash surplus of 15.5 million euro compared to a negative net financial position of 83.0 million euro realised as at 31 December 2022.

(euro/000)	2023	2022
Net financial debt at year-beginning	83,033	(227,177)
Cash flow provided by (used in) operating activities	168,036	(251,407)
Cash flow provided by (used in) investing activities	(19,948)	(19,059)
Cash flow provided by (used in) changes in net equity	(27,796)	(25,562)
Total cash flow	120,292	(296,028)
Unpaid interests	(3,466)	(1,281)
Unpaid leasing interests	(274)	(272)
Lease liabilities posting	(9,729)	(9,683)
Net Financial debts (no cash) acquisitions	(2,882)	(1,206)
Deferred price acquisitions	(5,387)	(1,740)
Net financial debt at year-end	(15,521)	83,033
Short-term financial liabilities	72,246	82,163
Lease liabilities	11,896	10,740
Customers financial receivables	(9,656)	(10,336)
Current financial (assets)/liabilities for derivatives	18	24
Financial assets held for trading	(113)	-
Financial receivables from factoring companies	(249)	(3,207)
Current Debts for investments in subsidiaries	5,764	2,455
Cash and cash equivalents	(260,883)	(172,185)
Net current financial debt	(180,977)	(90,346)
Borrowings	65,702	71,118
Lease liabilities	99,154	101,661
Non current Debts for investments in subsidiaries	600	600
Net financial debt at year-beginning	(15,521)	83,033

9.3 NET FINANCIAL INDEBTEDNESS AND LOANS COVENANTS

As set forth in 'Warning notice no. 5/21' issued by CONSOB on 29 April 2021, the following table provides information relating to the *'financial indebtedness'* (or also 'net financial position') determined in substantial compliance with the criteria indicated by the European Securities and Markets Authority ('ESMA') in the document called 'Guidelines on disclosure obligations' of 4 March 2021.

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

(euro/000)	31/12/2023	31/12/2022
A. Bank deposits and cash on hand	260,880	172,184
B. Cheques	3	-
C. Other current financial assets	10,018	13,544
D. Liquidity (A+B+C)	270,901	185,728
E. Current financial debt	44,053	47,871
F. Current portion of non current debt	45,871	47,511
G. Current financial indebtedness (E+F)	89,924	95,382
H. Net current financial indebtedness (G-D)	(180,977)	(90,346)
I. Non-current financial debt	165,456	173,379
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	165,456	173,379
M. Net financial indebtedness (H+L)	(15,521)	83,033
Breakdown of net financial indebtedness:		
Short-term financial liabilities	72,246	82,163
Lease liabilities	11,896	10,740
Current debts for investments in subsidiaries	5,764	2,455
Current financial (assets)/liabilities for derivatives	18	24
Financial assets held for trading	(113)	-
Other current financial receivables	(9,656)	(10,336)
Financial receivables from factoring companies	(249)	(3,207)
Cash and cash equivalents	(260,883)	(172,185)
Net current financial debt	(180,977)	(90,346)
Non - current debts for investments in subsidiaries	600	600
Borrowings	65,702	71,118
Lease liabilities	99,154	101,661
Net financial debt	(15,521)	83,033

The Group's net financial position, positive for 15.5 million euro, corresponds to a net balance of gross financial liabilities of 138.0 million euro, debts for investments in subsidiaries of 6.4 million euro, financial receivables of 9.9 million euro, lease liabilities of 111.0 million euro, financial assets of 0.1 million euro and cash and cash equivalents equal to 260.9 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 non-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 2023, 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 for additional trade receivables also continued during the period, launched in Italy in July 2015 and renewed uninterruptedly every three years, most recently in July 2021. 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 2023 is quantified at roughly 393.1 million euro (approx. 540.2 million euro as at 31 December 2022).

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 'Italian Subgroup' and 'Iberian Subgroup'. 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)	31/12/2023			31/12/2022			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Banco Desio	2,681	1,352	4,033	2,652	4,033	6,685	29	(2,681)	(2,652)
BCC Carate	2,490	5,040	7,530	2,470	7,530	10,000	20	(2,490)	(2,470)
Banca popolare di Sondrio	2,790	10,863	13,653	5,080	-	5,080	(2,290)	10,863	8,573
Cassa depositi e prestiti	7,084	7,094	14,178	7,000	14,000	21,000	84	(6,906)	(6,822)
BPER Banca	12,761	15,277	28,038	7,972	9,044	17,016	4,789	6,233	11,022
Unicredit	-	-	-	502	-	502	(502)	-	(502)
Total Subgroup Italy	27,806	39,626	67,432	25,676	34,607	60,283	2,130	5,019	7,149
Banco Sabadell	2,509	3,568	6,077	4,084	6,074	10,158	(1,575)	(2,506)	(4,081)
Ibercaja	2,718	3,691	6,409	3,282	1,778	5,060	(564)	1,913	1,349
Bankinter	1,873	3,469	5,342	1,862	5,329	7,191	11	(1,860)	(1,849)
La Caixa	4,773	6,315	11,088	6,762	11,083	17,845	(1,989)	(4,768)	(6,757)
Kutxabank	551	2,315	2,866	375	-	375	176	2,315	2,491
Cajamar	1,792	817	2,609	1,783	2,602	4,385	9	(1,785)	(1,776)
BBVA	2,601	3,930	6,531	2,458	6,429	8,887	143	(2,499)	(2,356)
Santander	1,248	2,016	3,264	1,229	3,265	4,494	19	(1,249)	(1,230)
Total Subgroup Iberica	18,065	26,121	44,186	21,835	36,560	58,395	(3,770)	(10,439)	(14,209)
Total Group	45,871	65,747	111,618	47,511	71,167	118,678	(1,640)	(5,420)	(7,060)

The table below shows the carrying amounts in principal of the loans reported above, which include those guaranteed by the Spanish State through the Instituto de Crédito Oficial ("ICO") as part of the measures adopted by the Spanish Government to help businesses tackle COVID-19.

(euro/000)	31/12/2023	31/12/2022	Var.
Unsecured loan (agent: Banco Desio) to Esprinet S.p.A. repayable in six-monthly instalments by June 2025	4,033	6,685	(2,652)
Unsecured loan (agent: BCC Carate) to Esprinet S.p.A. repayable in six-monthly instalments by December 2026	7,530	10,000	(2,470)
Unsecured loan (agent: BPER Banca) to Esprinet S.p.A. repayable in six-monthly instalments by December 2026	15,000	-	15,000
Unsecured loan (agent: BPER Banca) to Esprinet S.p.A. repayable in six-monthly instalments by November 2025	4,013	5,000	(987)
Unsecured loan (agent: BPER Banca) to Esprinet S.p.A. repayable in six-monthly instalments by June 2025	9,025	12,016	(2,991)
Unsecured loan (agent: Banca Popolare di Sondrio) to Esprinet S.p.A. repayable in quarterly instalments by November 2023	-	5,080	(5,080)
Unsecured loan (agent: Banca Popolare di Sondrio) to Esprinet S.p.A. repayable in six-monthly instalments by June 2028	13,653	-	13,653
Unsecured loan (agent: Cassa Depositi e Prestiti S.p.A.) to Esprinet S.p.A. repayable in six-monthly instalments by December 2025	14,000	21,000	(7,000)
Unsecured loan (agent: Cassa Depositi e Prestiti S.p.A.) to Sifar Group S.r.l. repayable in six-monthly instalments by October 2025	150	-	150
Unsecured loan (agent: Cassa Depositi e Prestiti S.p.A.) to Sifar Group S.r.l. repayable in six-monthly instalments by October 2025	28	-	28
Unsecured loan (agent: Unicredit) to Dacom S.p.A. repayable in monthly instalments by May 2023	-	502	(502)
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in quarterly instalments by March 2024	261	1,281	(1,020)
Unsecured loan (agent: La Caixa) to Esprinet Iberica repayable in quarterly instalments by February 2024	523	2,565	(2,042)
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in quarterly instalments by February 2024	515	2,533	(2,018)
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in monthly instalments by July 2028	4,623	-	4,623
Unsecured loan (agent: Banco Kutxabanka) to Esprinet Iberica repayable in quarterly instalments by July 2028	2,866	-	2,866
Secured loan 'ICO' (agent: Banco Sabadell) to Esprinet Iberica repayable in monthly instalments by June 2026	1,900	2,636	(736)
Secured loan 'ICO' (agent: La Caixa) to Esprinet Iberica repayable in monthly instalments by June 2026	3,160	4,391	(1,231)
Secured loan 'ICO' (agent: BBVA) to Esprinet Iberica repayable in monthly instalments by June 2026	3,269	4,394	(1,125)
Secured loan 'ICO' (agent: La Caixa) to Esprinet Iberica repayable in six-monthly instalments by July 2026	1,875	2,500	(625)
Secured loan 'ICO' (agent: Bankinter) to Esprinet Iberica repayable in quarterly instalments by July 2026	2,978	3,996	(1,018)
Unsecured loan (agent: Cajamar) to Esprinet Iberica repayable in yearly instalments by December 2024	1,018	2,027	(1,009)
Unsecured loan (agent: Ibercaja) to Esprinet Iberica repayable in six-monthly instalments by November 2024	1,271	2,527	(1,256)
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in six-monthly instalments by June 2023	-	848	(848)
Unsecured loan (agent: Banco Sabadell) to Esprinet Iberica repayable in monthly instalments by July 2026	3,916	5,392	(1,476)
Unsecured loan (agent: La Caixa) to Esprinet Iberica repayable in quarterly instalments by May 2024	500	1,500	(1,000)
Unsecured loan (agent: Banco Kutxabanka) to Esprinet Iberica repayable in six-monthly instalments by March 2023	-	375	(375)
Unsecured loan (agent: Cajamar) to Esprinet Iberica repayable in six-monthly instalments by July 2025	1,591	2,359	(768)
Secured loan 'ICO' (agent: La Caixa) to Esprinet Iberica repayable in monthly instalments by June 2026	3,155	4,389	(1,234)
Secured loan 'ICO' (agent: Bankinter) to Esprinet Iberica repayable in quarterly instalments by July 2026	2,364	3,195	(831)
Secured loan 'ICO' (agent: Banco Santander) to Esprinet Iberica repayable in monthly instalments by July 2026	3,264	4,494	(1,230)
Secured loan 'ICO' (agent: BBVA) to Esprinet Iberica repayable in monthly instalments by July 2026	3,262	4,493	(1,231)
Secured loan 'ICO' (agent: La Caixa) to Esprinet Iberica repayable in six-monthly instalments by July 2026	1,875	2,500	(625)
Total book value	111,618	118,678	(7,060)

The weighted average rate applied in 2023 on the aforementioned loans was approximately 2.1%, (1.3% during 2022).

The table above shows the following new loans, shown according to their principal value, all amortising, disbursed during the year:

- 15.0 million euro on 31 May 2023, by Banca Popolare di Sondrio to Esprinet S.p.A., five-year, at a floating rate;
- 3.0 million euro on 26 July 2023, from Kutxabank to Esprinet Iberica S.L.U., five-year, at a floating rate;
- 5.0 million euro on 26 July 2023, from Ibercaja Banco to Esprinet Iberica S.L.U., five-year, at a floating rate;
- 15.0 million euro on 4 December 2023, by BPER Banca to Esprinet S.p.A., three-year, at a fixed rate.

Some of the medium/long-term loans listed above are secured by typical economic-financial covenant structures for transactions of said kind, that contain standard acceleration clauses for reimbursements in the event they are not respected.

Two unsecured 'amortising' 5-year loans expiring in February 2024, granted to the subsidiary Esprinet Iberica S.L.U. for a total value of 1.0 million euro in principal as at 31 December 2023, require the annual compliance with (i) a given ratio of extended net financial position to EBITDA at consolidated level and (ii) a maximum value of medium/long-term loans in favour of Esprinet Iberica.

An additional 5-year unsecured amortising loan, granted to the subsidiary Esprinet Iberica S.L.U., maturing in July 2028, with a residual principal amount of 2.9 million euro as of 31 December 2023, provides for an annual commitment to comply with a certain ratio between (i) net financial position and EBITDA and (ii) net financial position and shareholders' equity.

The unsecured amortising 5-year loan granted to Esprinet S.p.A. by Cassa Depositi e Prestiti S.p.A., expiring in December 2025, for a total of 14.0 million euro in principal as at 31 December 2023, also provides for the annual compliance with a given ratio of net financial position to EBITDA at consolidated level, but also half-yearly compliance with a given ratio of consolidated net financial position to net equity.

In addition to medium/long-term loans, a back-up line consisting of a short term, unsecured RCF-Revolving Credit Facility, 'committed' for three years, amounting to 180.0 million euro and not used at the reporting date but partially drawn down at the date of this Annual Report, taken out by Esprinet S.p.A. on 31 August 2022 with a pool of leading domestic and international banks, is also secured by the following structure of financial covenants, to be verified every six months on the basis of the data of the consolidated and audited financial statements:

- ratio of net financial position to EBITDA (only to be verified annually);
- ratio of extended net financial position to equity;
- ratio of EBITDA to net finance costs;
- absolute amount of gross financial position.

As at 31 December 2023, the covenant represented by the ratio between the net financial position and the EBITDA securing the Revolving Credit Facility had not been met and the parent company Esprinet S.p.A. immediately started working with the lending banks for the usual remediations.

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

9.4 LINES OF CREDIT

Apart from the uses described in the previous paragraphs, the Esprinet Group had a total 1,435.2 million euro (of which approximately 1,355.5 million euro in cash) at its disposal in bank credit lines as at 31 December 2023, broken down as follows:

(euro/000)	notes	Group	Subgroup Italy	Subgroup Iberica
Short-term lines		390,900	239,700	151,200
Medium/long-term borrowings		111,441	67,254	44,187
Line revolving		180,000	180,000	-
Factoring / Confirming / Securitization(1)	(1)	671,860	438,360	233,500
Bank overdrafts		1,332	1,332	-
Credit cards		864	728	136
Derivatives / forward currency transactions		2,200	1,200	1,000
Endorsement credit		76,609	63,020	13,589
Total		1,435,206	991,593	443,613

(1) Includes both with-recourse and without-recourse maximums.

The financial situation as at 31 December 2023, excluding the endorsement loans and the maximums granted by the banks for a without-recourse factoring scheme with a revolving credit facility, shows that a total 17% (20% 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	1%	3,980	390,900
Medium/long-term borrowings	100%	111,441	111,441
Line revolving	0%	-	180,000
Factoring pro-solvendo	0%	-	300
Bank overdrafts	0%	-	1,332
Total	17%	115,421	683,973

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 2023-2022:

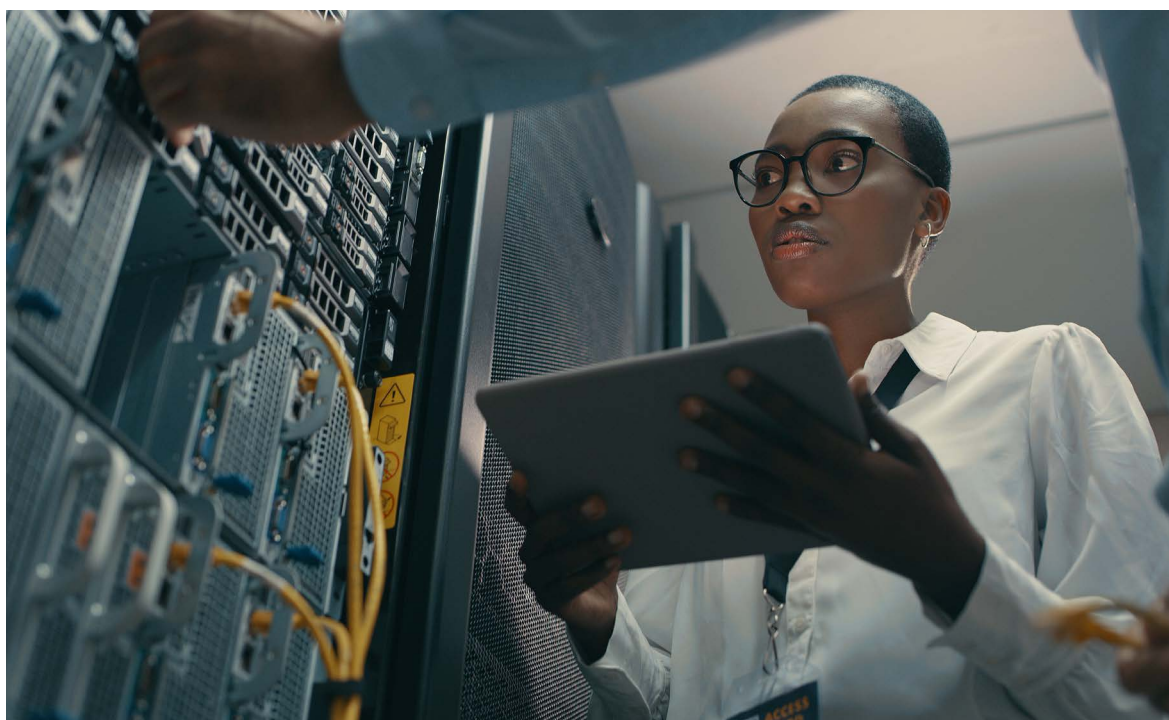
	2023			2022		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	25.6%	25.3%	26.0%	24.3%	25.0%	23.4%
Sales Q2	22.3%	22.5%	21.8%	22.2%	22.2%	22.3%
Sales H1	47.8%	47.8%	47.8%	46.5%	47.2%	45.6%
Sales Q3	21.1%	20.7%	21.8%	22.2%	22.5%	21.7%
Sales Q4	31.1%	31.4%	30.4%	31.3%	30.4%	32.7%
Sales H2	52.2%	52.2%	52.2%	53.5%	52.8%	54.4%
Sales for the year	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The IT and consumer electronic markets both in Italy and in Spain are traditionally characterised by highly 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 ‘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, consequently, 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 financial indebtedness 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 2023, the following non-recurring items were identified:

- 1,1 million euro relating to the costs of reorganising the Group's management structure;
- 33.3 million euro (24.5 million euro for tax, 1.9 million euro in penalties and 6.9 million euro in interest expense) relating to costs incurred by the parent company Esprinet S.p.A. following the signature during the year of the agreements with the Italian Revenue Agency aimed at settling out-of-court disputes regarding VAT for the tax periods from 2013 to 2017;
- 2.6 million euro relating to a provision made by the parent company Esprinet S.p.A. on a trade receivable position.

In 2022, the following non-recurring operations and events were identified:

- miscellaneous costs, totalling 2.8 million euro, relating to costs incurred by the parent company Esprinet S.p.A. in relation to the process targeted at the launch of the voluntary Public Tender Offer for all of the ordinary shares of the Italian company Cellularline S.p.A..

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

(euro/000)	Non- Recurring Charge Type	2023	2022
Overheads and administrative costs	Business combination	-	(2,754)
Overheads and administrative costs	Employee termination incentives	(1,052)	-
Overheads and administrative costs	Administrative penalties	(1,840)	-
Impairment loss/reversal of financial assets	VAT not claimable for refund	(20,234)	-
Impairment loss/reversal of financial assets	VAT claimed for refund bad debt accrual	(4,297)	-
Impairment loss/reversal of financial assets	Trade receivables bad debt accrual	(2,641)	-
Total SG&A	Total SG&A	(30,064)	(2,754)
Operating result (EBIT)	Operating result (EBIT)	(30,064)	(2,754)
Finance costs - net	Interest payable to tax authorities	(6,946)	-
Result before income taxes	Result before income taxes	(37,010)	(2,754)
Income tax expenses	Non- recurring events impact	889	768
Net result	Net result	(36,121)	(1,986)

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 *'Disclosure 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 2023 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 service	Entity	Fees (euro/000)	
			2023	2022
Auditing services	Pwc S.p.A.	Esprinet S.p.A.	410.8	327.2
	Pwc S.p.A.	Subsidiaries	170.9	114.6
	Pwc network	Subsidiaries	291.0	288.0
Other services	Pwc S.p.A.	Esprinet S.p.A.	8.7	12.0
	Pwc network	Esprinet S.p.A.	14.0	22.0
	Pwc network	Subsidiaries	143.0	113.0
Total			1,038.4	876.8

10. PUBLICATION OF THE DRAFT FINANCIAL STATEMENTS

The draft financial statements and their publication were approved by the Esprinet Board of Directors during the meeting of 12 March 2024, 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, 12 March 2024

On behalf of the Board of Directors

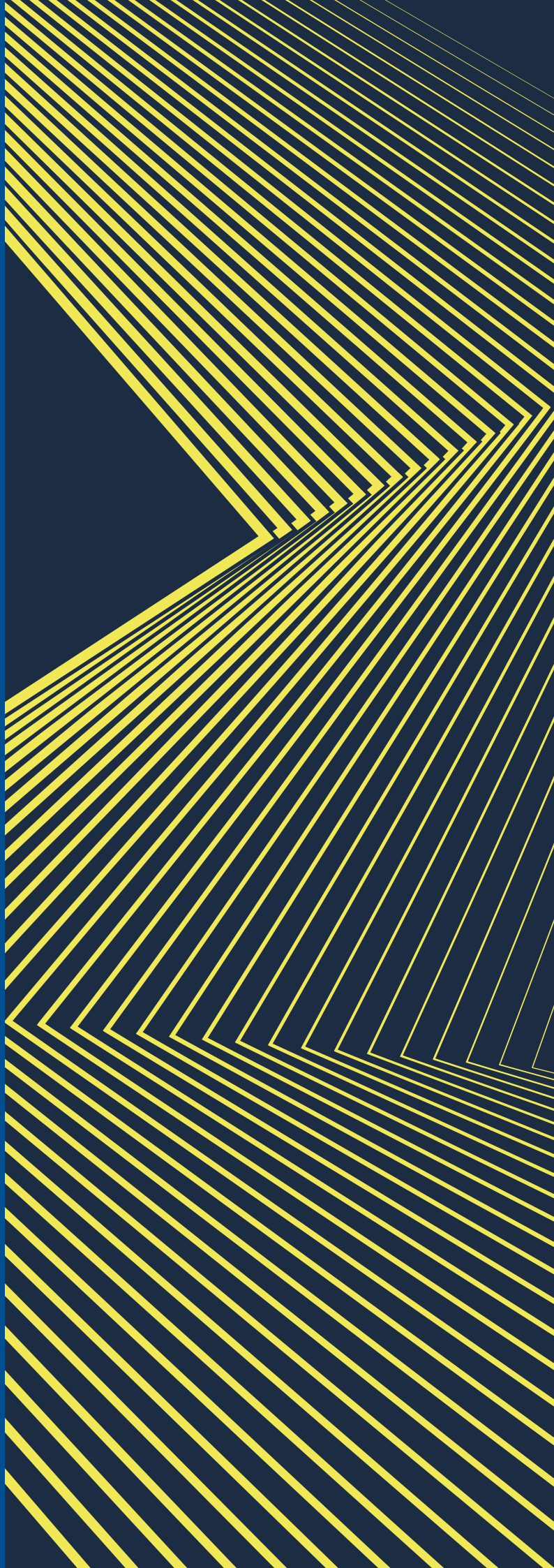
The Chairman

Maurizio Rota



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**2023 FINANCIAL
STATEMENTS
OF ESPRINET
S.P.A.**



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Board of Statutory Auditors' Report*

Independent Auditor's Report*

* The reports of the Board of Statutory Auditors and the Independent Auditors, is published in a specific section in the Investors - Shareholders' Meeting - 2024 section of the Company's website (www.esprinet.com).

STATEMENT OF FINANCIAL POSITION

The table below shows the Esprinet S.p.A. statement of equity and financial position drawn up according to IFRS⁹ requirements:

(euro)	Notes	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Property, plant and equipment	1	24,376,151	16,740,763
Right-of-use assets	4	81,813,000	83,450,000
Goodwill	2	18,403,051	18,282,187
Intangible assets	3	1,326,832	1,789,236
Investments	5	115,224,841	101,326,451
Deferred income tax assets	6	4,998,993	2,261,745
Receivables and other non-current assets	9	1,754,759	1,772,600
		247,897,627	225,622,982
Current assets			
Inventory	10	345,241,925	373,485,874
Trade receivables	11	330,419,112	348,797,547
Income tax assets	12	3,626,351	744,878
Other assets	13	156,221,854	172,986,786
Cash and cash equivalents	17	113,122,232	121,129,510
		948,631,474	1,017,144,595
Total assets		1,196,529,101	1,242,767,577
EQUITY			
Share capital	19	7,860,651	7,860,651
Reserves	20	232,948,549	245,369,670
Net result for the period	21	(29,039,258)	16,059,928
Total equity		211,769,942	269,290,249
LIABILITIES			
Non-current liabilities			
Borrowings	22	39,480,363	34,567,776
Lease liabilities	31	78,792,000	80,442,000
Deferred income tax liabilities	24	3,389,998	3,314,663
Retirement benefit obligations	25	3,627,582	3,546,713
Debts for investments in subsidiaries	33	600,000	600,000
Provisions and other liabilities	26	22,918,402	3,041,343
		148,808,345	125,512,495
Current liabilities			
Trade payables	27	729,949,402	733,125,071
Short-term financial liabilities	28	69,388,157	74,709,424
Lease liabilities	34	8,124,000	7,307,000
Debts for investments in subsidiaries	35	5,764,321	2,455,000
Provisions and other liabilities	32	22,724,934	30,368,338
		835,950,814	847,964,833
Total liabilities		984,759,159	973,477,328
Total equity and liabilities		1,196,529,101	1,242,767,577

⁽⁹⁾ 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 equity and financial position items can be found in the statement of equity and 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 IFRS¹⁰:

(euro)	Notes	2023	2022
Sales from contracts with customers	33	2,423,749,999	2,719,248,110
Cost of sales		(2,294,694,005)	(2,579,271,292)
Gross profit	35	129,055,994	139,976,818
Sales and marketing costs	37	(50,391,134)	(47,914,255)
Overheads and administrative costs	38	(62,731,978)	(64,368,854)
Impairment loss/reversal of financial assets	39	(27,306,462)	(81,718)
Operating result (EBIT)		(11,373,580)	27,611,991
Finance costs - net	42	(15,982,214)	(5,231,228)
Result before income taxes		(27,355,794)	22,380,763
Income tax expenses	45	(1,683,464)	(6,320,835)
Net result		(29,039,258)	16,059,928
- of which attributable to non-controlling interests		-	-
- of which attributable to Group		(29,039,258)	16,059,928

STATEMENT OF COMPREHENSIVE INCOME

(euro)	2023	2022
Net result	(29,039,258)	16,059,928
<i>Other comprehensive income not to be reclassified in the separate income statement</i>		
- Changes in 'TFR' equity reserve	(16,481)	315,134
- Taxes on changes in 'TFR' equity reserve	3,955	(75,632)
Other comprehensive income	(12,526)	239,502
Total comprehensive income	(29,051,784)	16,299,430
- of which attributable to Group	(29,051,784)	16,299,430
- of which attributable to non-controlling interests	-	-

⁽¹⁰⁾ 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 2021	7,861	271,498	(20,263)	18,460	277,555
Total comprehensive income/(loss)	-	239	-	16,060	16,299
Allocation of last year net income/(loss)	-	18,460	-	(18,460)	-
Dividend payment	-	(26,679)	-	-	(26,679)
Acquisition of Esprinet own shares	-	(6,933)	6,933	-	-
Transactions with owners	-	(15,152)	6,933	(18,460)	(26,679)
Equity plans in progress	-	2,115	-	-	2,115
Other movements	-	(1)	-	-	(1)
Balance at 31 December 2022	7,861	258,699	(13,330)	16,060	269,290
Total comprehensive income/(loss)	-	(13)	-	(29,039)	(29,052)
Allocation of last year net income/(loss)	-	16,060	-	(16,060)	-
Dividend payment	-	(26,679)	-	-	(26,679)
Transactions with owners	-	(10,619)	-	(16,060)	(26,679)
Change in equity by merger operations	-	(3,160)	-	-	(3,160)
Change in equity by merger	-	1,371	-	-	1,371
Balance at 31 December 2023	7,861	246,278	(13,330)	(29,039)	211,770

STATEMENT OF CASH FLOWS¹¹

(euro/000)	2023	2022
Cash flow provided by (used in) operating activities (D=A+B+C)	11,684	(89,337)
Cash flow generated from operations (A)	19,559	40,878
Operating income (EBIT)	(11,374)	27,612
Depreciation, amortisation and other fixed assets write-downs	13,581	11,714
Net changes in provisions for risks and charges	(931)	(173)
Provision for taxes in instalment	21,574	-
Net changes in retirement benefit obligations	(313)	(258)
Stock option/grant costs	(2,978)	1,983
Cash flow provided by (used in) changes in working capital (B)	3,233	(115,944)
Inventory	30,072	(47,555)
Trade receivables	23,763	(64,706)
Other current assets	(29,542)	(6,792)
Trade payables	(8,818)	(11,478)
Other current liabilities	(12,242)	14,587
Other cash flow provided by (used in) operating activities (C)	(11,108)	(14,271)
Interests paid	(8,899)	(3,378)
Received interests	1,182	208
Foreign exchange (losses)/gains	422	(1,213)
Income taxes paid	(3,813)	(9,888)
Cash flow provided by (used in) investing activities (E)	(20,289)	(18,030)
Net investments in property, plant and equipment	(11,897)	(9,617)
Net investments in intangible assets	20	(1,299)
Net investments in other non current assets	20	(29)
Zeliatech establishment	(100)	-
Subsidiaries business combination	(11,219)	(7,085)
4Side merger	2,887	-
Cash flow provided by (used in) financing activities (F)	597	(14,287)
Medium/long term borrowing	30,000	13,000
Repayment/renegotiation of medium/long-term borrowings	(22,527)	(18,073)
Leasing liabilities reimbursement	(8,291)	(7,547)
Net change in financial liabilities	(12,026)	16,107
Short-term borrowing received/(granted)	40,000	10,500
Net change in financial assets and derivative instruments	3,638	(558)
Deferred price acquisition	(2,401)	(2,154)
Dividend payments	(27,796)	(25,562)
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	(8,008)	(121,654)
Cash and cash equivalents at year-beginning	121,130	242,784
Net increase/(decrease) in cash and cash equivalents	(8,008)	(121,654)
Cash and cash equivalents at year-end	113,122	121,130

⁽¹¹⁾ 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)	31/12/2023	related parties	31/12/2022	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	24,376		16,741	
Right-of-use assets	81,813		83,450	
Goodwill	18,403		18,282	
Intangible assets	1,327		1,789	
Investments	115,225		101,326	
Deferred income tax assets	4,999		2,262	
Receivables and other non-current assets	1,755	-	1,773	-
	247,898	-	225,623	-
Current assets				
Inventory	345,242		373,486	
Trade receivables	330,419	5	348,798	3
Income tax assets	3,626		745	
Other assets	156,222	83,890	172,986	117,493
Cash and cash equivalents	113,122		121,130	
	948,631	83,895	1,017,145	117,496
Total assets	1,196,529	83,895	1,242,768	117,496
EQUITY				
Share capital	7,861		7,861	
Reserves	232,948		245,369	
Net result for the period	(29,039)		16,060	
Total equity	211,770		269,290	
LIABILITIES				
Non-current liabilities				
Borrowings	39,480		34,568	
Lease liabilities	78,792		80,442	
Deferred income tax liabilities	3,390		3,315	
Retirement benefit obligations	3,628		3,547	
Debts for investments in subsidiaries	600		600	
Provisions and other liabilities	22,918		3,041	
	148,808		125,513	
Current liabilities				
Trade payables	729,949	-	733,125	-
Short-term financial liabilities	69,388	21,382	74,709	22,578
Lease liabilities	8,124		7,307	
Debts for investments in subsidiaries	5,764		2,455	
Provisions and other liabilities	22,726	1,245	30,369	599
	835,951	22,627	847,965	23,177
Total liabilities	984,759	22,627	973,478	23,177
Total equity and liabilities	1,196,529	22,627	1,242,768	23,177

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)	2023	non-recurring	related parties ⁽¹⁾	2022	non-recurring	related parties ⁽¹⁾
Sales from contracts with customers	2,423,750	-	24,868	2,719,248	-	31,633
Cost of sales	(2,294,694)	-	(3,926)	(2,579,271)	-	(3,548)
Gross profit	129,056	-		139,977	-	
Sales and marketing costs	(50,391)	-	(2,850)	(47,914)	-	(2,601)
Overheads and administrative costs	(62,733)	(2,052)	3,378	(64,369)	(2,754)	3,223
Impairment loss/reversal of financial assets	(27,306)	(27,172)		(82)	-	
Operating result (EBIT)	(11,374)	(29,224)		27,612	(2,754)	
Finance costs - net	(15,982)	(6,946)	502	(5,231)	-	84
Result before income tax	(27,356)	(36,170)		22,381	(2,754)	
Income tax expenses	(1,683)	685	-	(6,321)	768	-
Net result	(29,039)	(35,485)		16,060	(1,986)	
- of which attributable to non-controlling interests	-			-		
- of which attributable to Group	(29,039)	(35,485)		16,060	(1,986)	

⁽¹⁾ Emoluments to key managers excluded.

The table below shows the Esprinet S.p.A. pro-forma statement of equity and financial position, drawn up according to international accounting standards, including values that would have been booked if the merger of 4Side S.r.l. had been completed last year:

(euro/000)	31/12/2023	31/12/2022 Pro-forma
ASSETS		
Non - current assets		
Property, plant and equipment	24,376	16,758
Right of use assets	81,813	83,577
Goodwill	18,403	18,403
Intangibles assets	1,327	1,789
Investments	115,225	98,378
Deferred income tax assets	4,999	3,840
Receivables and other non - current assets	1,755	1,775
	247,898	224,520
Current assets		
Inventory	345,242	375,314
Trade receivables	330,419	354,182
Income tax assets	3,626	771
Other assets	156,222	171,846
Cash and cash equivalents	113,122	124,017
	948,631	1,026,130
Total assets	1,196,529	1,250,650
EQUITY		
Share capital	7,861	7,861
Reserves	232,948	246,126
Net result for the period	(29,039)	16,674
Total equity	211,770	270,661
LIABILITIES		
Non-current liabilities		
Borrowings	39,480	34,568
Lease liabilities	78,792	80,509
Deferred income tax liabilities	3,390	3,315
Retirement benefit obligations	3,628	3,793
Debts for investments in subsidiaries	600	600
Provisions and other liabilities	22,918	3,041
	148,808	125,826
Current liabilities		
Trade payables	729,949	739,146
Short-term financial liabilities	69,388	74,709
Lease liabilities	8,124	7,384
Debts for investments in subsidiaries	5,764	2,455
Provisions and other liabilities	22,726	30,469
	835,951	854,163
Total liabilities	984,759	979,989
Total equity and liabilities	1,196,529	1,250,650

The table below shows the Esprinet S.p.A. pro-forma income statement 'by function', drawn up according to international accounting standards, including values that would have been booked if the merger of 4Side S.r.l. had been completed last year:

(euro/000)	2023	2022 Pro-forma
Sales from contracts with customers	2,423,750	2,732,058
Cost of sales	(2,294,694)	(2,589,615)
Gross profit	129,056	142,443
Sales and marketing costs	(50,391)	(48,826)
Overheads and administrative costs	(62,733)	(65,122)
Impairment loss/reversal of financial assets	(27,306)	(071)
Operating result (EBIT)	(11,374)	28,424
Finance costs - net	(15,982)	(5,234)
Result before income taxes	(27,356)	23,190
Income tax expenses	(1,683)	(6,516)
Net result	(29,039)	16,674
- of which attributable to non-controlling interests	-	-
- of which attributable to Group	(29,039)	16,674

NOTES TO THE ESPRINET S.P.A. FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Esprinet S.p.A. (hereinafter also ‘the Company’) is active in the ‘business-to-business’ (B2B) distribution of 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.

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 on the STAR Milan (Euronext STAR Milan) segment of the EXM (Euronext Milan) market of the Italian Stock Exchange since 27 July 2001.

The parent company Esprinet S.p.A. drafted the Esprinet Group consolidated financial statements as at 31 December 2023.

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 principles 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 2023 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 the regulations issued as per Art. 9 of Legislative Decree No. 38/2005.

The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

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

BUSINESS CONTINUITY

These financial statements have been prepared on a going concern basis as there is a reasonable expectation that the Company 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 2023 European macroeconomic scenario was influenced by international geopolitical tensions resulting from the persistence of the armed conflict between Ukraine and the Russian Federation, and the Israeli/Palestine conflict erupted in October. The Ukrainian conflict, with the related repeated blocks on wheat imports into Europe, and the Israeli/Palestinian conflict, which resulted in the Houthi militias attacks on cargo ships sailing in

the Red Sea in an attempt to block access to the Suez canal and delaying or hindering supplies to the European market, have contributed to increasing the costs of products already significantly impacted by high inflation.

The inflation countermeasures adopted by the European Central Bank by continuously raising interest rates in addition to the increases already implemented in the second half of 2022 have, with inflation itself, reduced the consumer purchasing power resulting in this lower purchasing power being directed towards products needed more than technology and IT products, and also made companies' investment decisions in this area more prudent.

Consequently, almost all European markets for the distribution of Information Technology & Computer Electronics products, and among these all the markets in which the Group operates, experienced a particularly complex year with negative signs.

All this also affected the Company, which had suffered a negative impact on the accounts just closed; however, thanks to actions to contain fixed costs, to reduce the abnormally high level of net operating working capital accumulated in the previous year, and to the attention paid in using available financing sources to minimise costs, such impacts have not been of magnitude such as to constitute a going concern problem.

The containment of inflation already from the last months of 2023, the stop from October 2023 in increases in interest rates by the ECB, with prospects of their reduction in the course of 2024, the estimated return of sales of notebooks and smartphones to pre-pandemic levels (which lead to a peak in units sold in 2020 and 2021, with the consequent anticipation of sales ordinarily expected in subsequent years), outline prospect of a return in market growth and the re-establishment of "normal" conditions.

Therefore, at the current state of play, based on the information available and taking account of the financial situation, as well as the following main factors:

- the main external risks to which the Company is exposed;
- the recovery in the general macroeconomic situation in the European market;
- the recovery of the IT&CE product distribution market;
- changes in environmental and business conditions and competitive dynamics;
- changes in the legislative and regulatory frameworks;
- the actual and potential outcomes of ongoing disputes;
- financial risks;

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

2.2 PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

The figures presented in the separate and comprehensive income statements and in the statement of equity and financial position are expressed in euro, whereas those in the statement of cash flows are expressed in thousands of euro.

Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.3 SUMMARY OF SIGNIFICANT VALUATION CRITERIA AND ACCOUNTING POLICIES

NON-CURRENT ASSETS

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income.

They include goodwill, when it is acquired for a consideration.

Intangibles and goodwill deriving from business combinations occurred until the end of 2009 are recorded at purchase cost, including incidentals and necessary costs to make them available for use. For business combinations occurred from 1 January 2010 onwards, except some particular cases, goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred compared to the net value of the acquisition-date amounts of the assets acquired and the liabilities assumed (without the addition of acquisition-related costs).

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 patent and other intellectual property 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 non-financial assets*'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the 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, substantially unchanged compared to the previous year, 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 liability against future lease payments under '*Lease liabilities*' as a balancing entry.

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, other assets with indefinite lives and investments in subsidiaries, associates and other companies, this test must be conducted at least annually.

In the case of goodwill, Esprinet S.p.A. carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.

The recoverability of a carrying amount is tested by comparing 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 Generating 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 organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

With reference to the investments in subsidiaries and in associated companies, in case of dividend distribution, the following should also be considered as 'impairment indicators':

- Investment in subsidiary book value in the financial statement exceeding the consolidated carrying amount of the subsidiary net asset (possible connected goodwill included);
- The dividend exceeding the total comprehensive income of the subsidiary in the period to which the dividends refer.

Investments in subsidiaries, associates 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:

- financial assets measured at amortised cost;
- financial assets measured at fair value with impact on overall profitability (and therefore on the equity reserve named 'Fair value measurement reserve');
- 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:** financial assets for which the following requirements are met are classified in this category, (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 repaid. 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 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 Sales 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. 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 2022, 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.

Financial assets are removed from the balance sheet when the right to receive the cash flows deriving from the instrument has expired and the Company has substantially transferred all the risks and benefits relating to the instrument itself and the related control.

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 equity and 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 Group 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 measuring 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 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 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 also requires 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 Company, 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 IFRS9 are recognised in the consolidated income statement and are represented under the '*Impairment loss/reversal of financial assets*' item.

Tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. 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.

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 debt

Financial liabilities are recognised in the statement of equity and financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.

Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.

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 reasonably pay 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 '*Finance costs - net*'.

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 benefit* 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.

Trade payables, other debts, other liabilities

Trade payables, other debts and other liabilities are initially reported at their fair value net of 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.

Sales 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.

Sales are stated net of returns, discount, allowances and bonuses treated as variable components of the agreed consideration.

Sales 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

Dividends are recognised at the date of approval of the decision by the Shareholders' Meeting of the disbursing company.

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' method and is stated in the form of a counterparty in the 'Reserves'.

Income taxes

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

Deferred and advance income taxes are calculated using the '*liability method*' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.

Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.

Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item '*Deferred income tax assets*'; if it is negative, it is stated in the item '*Deferred income tax liabilities*'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Currency transactions and 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 31.12.2023	Average 2023	Punctual at 31.12.2022	Average 2022
US Dollar (USD)	1.11	1.08	1.07	1.05

Derivative instruments

Derivative instruments, including embedded derivatives, are accounted for based on the provisions of 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').

Esprinet S.p.A. further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.

In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.

As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.

These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.

In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced sales, 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, exacerbated in the particular context by socio-political, economic and health conditions. This means that we cannot rule out a situation in which different results materialise in the next financial year with respect to those forecast, which are obviously not estimable or foreseeable at present, which could call for significant adjustments to the carrying amounts of the associated items.

The financial statement items mainly affected by these situations of uncertainty are certain sales, 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 '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 determination 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 flow forecasts, relating both to the period of the Group's business plan for 2024-2028E and beyond said period.

'Fair value' of derivatives

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 which specifically provides for the recognition under a shareholders' reserve of the related fair value (limited to the effective portion) at the inception date. 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/equity 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 sales 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

Esprinet S.p.A. 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.

Esprinet S.p.A. 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 Esprinet S.p.A. 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, Esprinet S.p.A. 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 deterioration in the economic and financial situation may further worsen the financial conditions of the Company's debtors with respect to that already taken into consideration when quantifying the provision entered in the financial statements.

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 unique characteristics 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.

Any deterioration in the economic and financial situation or breakthrough technological evolution may further worsen the market conditions with respect to that already taken into consideration when quantifying 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.

The estimate is the result of a complex process including the involvement of legal and tax consultants and which also includes personal opinions on the part of the Company's management. The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision. 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 taxes

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

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 2023 are consistent with those used in the financial statements as at 31 December 2022, except for the accounting standards and amendments described below and applied with effect from 1 January 2023 as per mandatory requirements, after being endorsed by the competent authorities.

The main changes are as follows:

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): The amendments issued by the IASB on 12 February 2021 aim to assist drafters of financial statements in deciding which accounting standards to disclose as more significant in their financial statements. In addition, the IFRS Practice Statement 2 was amended by adding guidelines and examples to explain and demonstrate the application of the “four-step materiality process” to the information on accounting standards, in order to support the amendments to IAS 1. The amendments are applied prospectively and are effective for years starting on or after 1 January 2023. The application of the amendments to the IFRS Practice Statement 2 will be applicable only after the application of those envisaged in IAS 1.

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 apply to financial statements for years starting on 1 January 2023.

Amendments to IAS 12 (Income Taxes), Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Published by the IASB on 7 May 2021 with the objective of clarifying the method of accounting of deferred taxes on specific accounting cases such as, for example, leases or “decommissioning obligations”. The amendments apply to financial statements for years starting on or after 1 January 2023.

Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17): Published in December 2021, aims to indicate the transition options relating to comparative information on financial assets presented upon initial application of IFRS 17. The amendments apply to financial statements for years starting on 1 January 2023.

Amendments to IAS 12 - Income taxes: International Tax Reform - Pillar Two Model Rules - Issued by the IASB on 23 May 2023 with immediate and retroactive effective date for the annual financial statements relating to years starting on 1 January 2023. The amendments provide: (i) an exception that allows companies subject to the OECD tax reform, which has defined a new two-pillar model (the Pillar Two Model) to limit tax competition by introducing a global minimum rate of 15% in each jurisdiction in which large multinationals operate, a “temporary relief” regarding the accounting of deferred taxation deriving from the implementation of the model itself; (ii) to clarify the additional disclosure requirements to be provided on the annual financial statements to help stakeholders better understand the companies’ exposure to taxes following the introduction of the model. To better allow comparability between financial reporting, the exception will be mandatory and no expiry date is specified, in consideration of the fact that, for the rules to be applicable, they will need to be transposed into national legislation on the basis of each country’s approach.

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

The following are the standards and interpretations issued but not yet in force and/or approved at the date of this report. The Company intends to adopt these standards once they become effective:

Standards issued and endorsed but not yet in force and/or endorsed and not applied in force and/or endorsed and not adopted early by the Company

Amendments to IFRS 16 - Lease Liability in a sale and leaseback - Issued by the IASB on 22 September 2022, the document provides some clarifications regarding the valuation of lease and leaseback transactions which consequently also meet IFRS 15 criteria for the accounting of the sale. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

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 requires a liability to 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 the 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 apply to financial statements for years starting on 1 January 2024. Early application is permitted.

Amendments to IAS 1- Presentation of financial statements: Non-Current Liabilities with Covenants - Issued by the IASB on 31 October 2022, the document clarifies the necessary conditions to be met within twelve months from the reference year that may affect the classification of a liability, especially in cases where it is subject to Covenants. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

The Company will adopt these new standards, amendments and interpretations, based on the application date indicated; the potential impacts are not expected to be significant for the Company.

Standards issued but not yet endorsed by the European Union

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements - Issued by the IASB on 25 May 2023, the document provides for the addition of disclosure obligations relating to financial agreements with suppliers. The amendments apply to financial statements for years starting on 1 January 2024. Early application is permitted.

Amendments to IAS 21 - The Effect of Changes in Foreign Exchange Rates: Lack of Exchangeability - Issued by the IASB on 15 August 2023, this document provides for methods to determine whether a currency is convertible and, if not, determine the exchange rate to be used and the accounting report obligations. The amendments apply to financial statements for years starting on 1 January 2025. Early application is permitted.

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. BUSINESS COMBINATIONS

MERGER BY INCORPORATION OF 4SIDE S.R.L. INTO ESPRINET S.P.A.

During the year, Esprinet S.p.A. merged by incorporation the wholly-owned subsidiary 4Side S.r.l.

The transaction is part of the planned process to maximise commercial and operational synergies with the subsidiary, started with the purchase on 15 November 2021 of the remaining shares held by the minority shareholders, company managers or who, in the meantime, became managers of Esprinet S.p.A., continued with the signing on 6 March 2023 of a business lease agreement, and concluded on 1 November 2023 with the merger by incorporation with accounting and tax effects backdated to 1 January 2023.

In consideration of the already full ownership and control at the closing date of the previous financial year, the above transaction did not produce any effect on the consolidated financial statements, but instead impacted the separate financial statements of Esprinet S.p.A. for the purposes of which the following are reported below: incorporated assets and liabilities, the value of the equity investment held by Esprinet S.p.A., the merger deficit that emerged and the net cash flow generated by the transaction:

(euro/000)	4Side S.r.l. 01/01/2023
Fixed, intangible, financial assets	17
Right-of-use assets	127
Goodwill	121
Deferred income tax assets	1,578
Receivables and other non-current assets	2
Inventory	1,828
Trade receivables	5,384
Other assets	213
Cash and cash equivalents	2,887
Lease liabilities (non-current)	(67)
Retirement benefit obligations	(246)
Trade payables	(6,021)
Short-term financial liabilities	(1,000)
Lease liabilities (current)	(77)
Provision and other current liabilities	(427)
Net assets fair value	4,319
Investment value	(2,948)
Merger surplus	1,371
Cash and cash equivalents	2,887
Financial liabilities	(1,000)
Lease liabilities	(144)
Net cash outflow on acquisition	3,114

In this annual financial report, for the sake of a better comparability, where deemed expedient to better clarify the facts underlying accounting balance changes, the Esprinet S.p.A. “pro-forma” figures as at 31 December 2022 have been presented, which summarise the effects of the mergers as from 1 January 2022.

4. 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	13,323	38,665	2,627	54,615
Accumulated depreciation	(11,209)	(26,665)	-	(37,874)
Balance at 31/12/2022	2,114	12,000	2,627	16,741
Merger changes - historical cost	8	166	-	174
Merger changes- accumulated depreciation	(7)	(150)	-	(157)
Historical cost increase	5,907	5,210	1,323	12,440
Historical cost decrease	(24)	(3,536)	(2)	(3,562)
Historical cost reclassification	2,054	393	(2,447)	-
Increase in accumulated depreciation	(636)	(4,087)	-	(4,723)
Decrease in accumulated depreciation	22	3,441	-	3,463
Total changes	7,323	1,421	(1,126)	7,618
Historical cost	21,268	40,898	1,501	63,667
Accumulated depreciation	(11,830)	(27,461)	-	(39,291)
Balance at 31/12/2023	9,438	13,437	1,501	24,376

Property, plant and equipment as at 31 December 2023 amounted to 24.3 million euro, marking an increase of approximately 7.6 million euro compared with the value as at 31 December 2022.

Investments in the item '*Plant and machinery*' mainly refer to the installation of new robotic systems for improvement in the efficiency of the Cavenago and Cambiagio warehouses management.

Investments in the item '*Industrial and commercial equipment and other assets*' mainly refer to the periodic renewal and adaptation of the technological facilities, the purchase of products intended for rental and, in relation to the item '*assets under construction*', systems being installed in the warehouse in Cambiagio.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Electronic machines	10,571	9,076	1,495
Furniture and fittings	618	637	(19)
Industrial and commercial equipment	1,103	1,403	(300)
Other assets	1,145	884	261
Total	13,437	12,000	1,437

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 stemming from the application of IFRS 16 (Leases) is presented below.

(euro/000)	31/12/2023	31/12/2022	Var.
Right-of-use assets	81,813	83,450	(1,637)

The contracts that fall within the scope of IFRS 16 mainly refer to:

- office and operating buildings;
- company vehicles.

(euro/000)	Rental property	Cars	Total
Historical cost	110,401	3,772	114,173
Accumulated depreciation	(28,223)	(2,500)	(30,723)
Balance at 31/12/2022	82,178	1,272	83,450
Merger changes - historical cost	257	278	535
Merger changes- accumulated depreciation	(231)	(177)	(408)
Historical cost increase	6,385	711	7,096
Historical cost decrease	(256)	(482)	(738)
Increase in accumulated depreciation	(8,186)	(674)	(8,860)
Decrease in accumulated depreciation	256	482	738
Total changes	(1,801)	37	(1,764)
Historical cost	116,787	4,279	121,066
Accumulated depreciation	(36,384)	(2,869)	(39,253)
Balance at 31/12/2023	80,403	1,410	81,813

The increases in historical cost that occurred during the year relating to properties are essentially attributable to the renewals of the contracts of some Cash & Carries and the change in rents to take into account the inflationary change of the year. The historical cost increases relating to vehicles derive from the recurring partial annual renewal of the car fleet.

The depreciation rates for the period are determined on the basis of the residual duration of each individual contract and have not changed compared to the year ended 31 December 2022.

2) GOODWILL

Total goodwill booked to the financial statements amounted to 18.4 million euro, showing an increase of 0.1 million euro compared with the value as at 31 December 2022 (18.3 million euro), due to the merger by incorporation of 4Side S.r.l. effective from 1 January 2023.

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)	31/12/2023	31/12/2022	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	-
Celly S.p.A.	1,853	1,853	-
4Side S.r.l.	121	-	121
Total	18,403	18,282	121

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 'Investments', to which reference should be made.

The impairment tests carried out did not highlight the need to write down any of the values of goodwill recorded as at 31 December 2022, 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 the recoverable value and the 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	13.24%

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, only extreme 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 -2.0%), 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)	Licences, concessions, brand names and similar rights	Industrial and other patent rights	Assets under construction And advances	Total
Historical cost	16	10,035	99	10,150
Accumulated depreciation	(12)	(8,349)	-	(8,361)
Balance at 31/12/2022	4	1,686	99	1,789
Merger changes - historical cost	-	47	-	47
Merger changes- accumulated depreciation	-	(47)	-	(47)
Historical cost increase	-	136	-	136
Historical cost reclassification	-	99	(99)	-
Increase in accumulated depreciation	-	(598)	-	(598)
Total changes	-	(363)	(99)	(462)
Historical cost	16	10,317	-	10,333
Accumulated depreciation	(12)	(8,994)	-	(9,006)
Balance at 31/12/2023	4	1,323	-	1,327

The item ‘*Industrial patent and other intellectual property rights*’ relates to the costs incurred for the long-term renewal and upgrade of IT operating system (software).

This item is amortised over three years in line with the previous year.

5) INVESTMENTS

(euro/000)	31/12/2023	31/12/2022	Var.
Investments	115,225	101,326	13,899

The following information concerns the Company's investments in subsidiaries.

Data concerning equity and net income refer to the draft financial statements as at 31 December 2023 approved by the respective Boards of Directors.

(euro/000)	Headquarter	Net equity ⁽¹⁾	Profit/ (loss) ⁽¹⁾	% possession	Cost	Value
Bludis S.r.l.	Roma (RM)	2,788	1,609	100%	8,646	8,646
Celly Pacific Limited	Hong Kong (Cina)	304	(59)	100%	4	4
Dacom S.p.A.	Milan (MI)	16,982	(546)	100%	12,820	12,820
idMAINT S.r.l.	Milan (MI)	1,111	(391)	100%	977	977
Sifar Group S.r.l.	Milan (MI)	9,436	453	100%	16,983	16,983
V-Valley S.r.l.	Vimercate (MB)	7,506	704	100%	20	20
Zeliatech S.r.l.	Vimercate (MB)	90	(10)	100%	100	100
Esprinet Iberica S.L.U.	Saragozza (Spain)	171,971	10,739	100%	75,675	75,675
Esprinet Portugal Lda	Porto (Portugal)	1,153	(2,157)	5%	-	-
Total		211,341	10,342		115,225	115,225

⁽¹⁾ Data from the draft financial statements as at 31 December 2023 drawn up in compliance with the respective national accounting standards.

The following table details the changes in the item 'Investments':

(euro/000)	Amount at 31/12/2022	Increase	Decrease	Amount at 31/12/2023
Bludis S.r.l.	8,700	-	(54)	8,646
Celly Pacific Limited	4	-	-	4
Dacom S.p.A.	12,820	-	-	12,820
idMAINT S.r.l.	977	-	-	977
4Side S.r.l.	2,948	-	(2,948)	-
Nilox Deutschland GmbH	-	-	-	-
Sifar Group S.r.l.	-	16,983	-	16,983
V-Valley S.r.l.	20	-	-	20
Zeliatech S.r.l.	-	100	-	100
Esprinet Iberica S.L.U.	75,857	-	(182)	75,675
Esprinet Portugal Lda	-	-	-	-
Total	101,326	17,083	(3,184)	115,225

Increases refer to the acquisition of Sifar Group S.r.l. in August 2023 and to the establishment in September 2023 of the green tech distributor Zeliatech S.r.l.

The change in the equity investment in Esprinet Iberica S.L.U. is due to the adjustment of the value of the charge to the subsidiary of the equivalent value of the shares assigned to its beneficiaries in relation to the 2021-2023 Compensation Plan.

The change in the equity investment in Bludis S.r.l. compared to 31 December 2022 derives, as permitted by IFRS 3, from the determination of its final purchase price during the year.

Compared to 31 December 2022, the values of the investments in 4Side S.r.l. and Nilox Deutschland GmbH for, respectively, the merger by incorporation in November 2023 of 4Side S.r.l. into Esprinet S.p.A., with accounting and tax effects backdated to 1 January 2023, and the termination in May 2023 of Nilox Deutschland GmbH, already in voluntary liquidation since September 2019, were written off.

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 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).

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 the “value in use” are based on five-year plans, approved by the Board of Directors of the Company on 12 March 2024, formulated starting from a management budget prepared for internal purposes for the year 2024 and extrapolating from this, through the application of forecasting techniques aimed at treating fixed and variable costs differently, the results for the 2025-2028 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.

Through this method, while drawing up the economic development plan over the 2024E-2028E period, cash flows were defined as the “normal” flow profile, assumed as the profile with the highest degree of probability of occurrence (“probabilistic approach”), and therefore able to fully represent management’s best estimates regarding the evolution of the results of each activity.

The application of standard IFRS 16 (‘Leases’) also made provision for the consideration, in the construction of forecast plans, of the replacement of operating leases and rentals with depreciation and interest.

From the perspective of determining ‘value in use’ through a method based on the discounting of cash flows, in order to preserve the principle of ‘valuation neutrality’ (excluding tax effects), this has led to several adjustments to the forecast cash flows.

In particular, in order to ensure the operational sustainability of the plans, it was assumed that, when the main lease contracts expired, new contracts would be signed under the same conditions, which would result in a flow of notional investments corresponding to the ‘Right of Use’ value of the restored assets. Thanks to this measure, it has been possible to correctly capture the reinvestment needs required to guarantee the cash generation foreseen by the plan.

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 ‘*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, IDC, Euromonitor), assuming different trends for the subsidiaries according to competitive positioning, strategies and environmental conditions.

The prospective determination of cash flows for each investee was based on the so-called ‘multi-scenario’, as specified previously.

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 time-frame and prospective investment needs in working capital and fixed assets, taking into account cash reserves.

Key critical issues

An increased discount rate was used in the execution of the impairment test compared to that used to check the value of the goodwill of Esprinet S.p.A. and of the equity investment in Esprinet Iberica S.L.U., in order to reflect a greater dimensional risk, any deviations between the budget and final accounts, the less profound quality and completeness of the information base, the degree of verifiability of the plan inputs and the ‘inherent risk’ of the activities to be assessed.

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 consists of the following companies:

Entity	Country
AB S.A.	Poland
Action S.A.	Poland
ALSO Holding AG	Switzerland
Arrow Electronics, Inc.	USA
ASBISc Enterprises Plc	Cyprus
Datatec Limited	South Africa
Exclusive Networks S.A.	France
Logicom Public Ltd	Cyprus
SeSa	Italy
TD SYNEX Corporation	USA

The main components of the discount rate are as follows:

- the gross cost of own capital, determined by the sum of the 'Risk Free Rate', equal to the average rate of return in the last quarter of 2023 of the 10-year benchmark government bond of Italy, Spain and Portugal depending on the country of residence of the investee company, the 'Market Risk Premium' and the 'Additional Risk Premium' estimated on the basis of databases commonly used by analysts and investors;
- the Beta Levered coefficient, determined on the basis of the periodic average of the sample of comparable companies;
- the gross marginal cost of the debt, obtained as the sum of the Base Rate, equal to the average reference rate in the last quarter of 2023 of the 10-year IRS, and a credit spread estimated on the basis of databases commonly used by analysts and investors;
- the tax rate, equal to 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 2028 in Italy, Spain and Portugal (2.20%, 1.70% e 1.96%, 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 Dacom S.p.A. idMAINT S.r.l. Bludis 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)	2.00%	1.70%	1.96%
Discount rates:			
Risk capital cost	14.79%	11.38%	13.94%
Marginal gross cost of capital debt	5.25%	5.25%	5.25%
Tax rate	24.00%	25.00%	21.00%
Target financial structure (D/D+E)	0.19	0.19	0.19
Target financial structure(E/D+E)	0.81	0.81	0.81
WACC post-tax	12.75%	9.95%	12.10%
WACC pre-tax	16.25%	12.65%	14.35%

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'

The impairment tests did not reveal the need to write down any of the existing equity investments or proceed with the revaluation of the 5% equity investment in Esprinet Portugal Lda, written down in full in 2020.

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, with regard to the investments in Dacom S.p.A. and idMAINT S.r.l., various 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 -2.0%), a WACC increased by +200 bps and a plan EBITDA reduced by -20%, would lead to a value in use lower than net book value.

However, taking into account the specific methodological customisations adopted to determine the 'value in use' of the equity investments and of the historical phase of maximum amount, with the envisaged reduction in the year of interest rates underlying the WACC used, these results are not considered particularly evocative of critical elements such as to lead to said write-downs.

6) DEFERRED INCOME TAX ASSETS

(euro/000)	31/12/2023	31/12/2022	Var.
Deferred income tax assets	4,999	2,262	2,737

The balance of this item is represented by deferred income tax assets resulting from 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.

The recoverability is supported by the estimated net income based on the forecast plans derived from the 2024-28E economic-financial projections of the Esprinet Group, approved by the Esprinet S.p.A. Board of Directors on 12 March 2024.

The following table shows the composition of the item in question:

(euro/000)	31/12/2023			31/12/2022		
	Temporary differences	Fiscal effect (taxe rate %)	Amount	Temporary differences	Fiscal effect (taxe rate %)	Amount
Deferred income tax assets:						
Bad debt provision	8,318	24.00%	1,996	1,418	24.00%	340
Tax losses carried forward	5,125	24.00%	1,230	-	24.00%	-
Exceeding amortisation	138	24.00%	33	-	24.00%	-
Goodwills' amortisation	340	27.90%	95	101	27.90%	28
Director's fees not paid	219	24.00%	52	541	24.00%	130
Inventory obsolescence provision	2,307	27.90%	644	2,772	27.90%	773
IFRS 16 - Leases	1,189	24.00%	285	1,012	24.00%	244
Agent suppl. indemnity provision	500	27.90%	140	574	27.90%	160
Provision sales returns	964	27.90%	269	1,173	27.90%	327
Provision risk	405	27.90%	97	517	27.90%	94
Others	584	24%-27.9%	158	612	24%-27.9%	166
Deferred income tax assets			4,999			2,262

Deferred tax assets arising from the application of IFRS 16 were accounted for in compliance with the provisions of the revised IAS 12.

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the estimated exchange losses and on the actuarial valuation of the staff severance indemnity (TFR).

The time-related allocation of the envisaged reversals to the income statement is shown below:

(euro/000)		Within 1 year	1-5 years	After 5 year	Total
Deferred income tax assets	31/12/2023	805	3,849	345	4,999
	31/12/2022	901	1,361	-	2,262

9) RECEIVABLES AND OTHER NON-CURRENT ASSETS

(euro/000)	31/12/2023	31/12/2022	Var.
Guarantee deposits receivables	1,755	1,773	(18)
Receivables and other non-current assets	1,755	1,773	(18)

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

CURRENT ASSETS

10) INVENTORY

(euro/000)	31/12/2023	31/12/2022	Var.
Finished products and goods	347,549	376,258	(28,709)
Provision for obsolescence	(2,307)	(2,772)	465
Inventory	345,242	373,486	(28,244)

The net amount of inventories totalled 345.2 million euro, down by 28.2 million euro compared with existing stock as at 31 December 2022. The decrease is affected by lower volumes of purchases made and of products in transit from suppliers or to customers (77.8 million euro overall as at 31 December 2023 and 83.7 million euro as at 31 December 2022), offset by 1.8 million euro by the net value of product inventories as at 31 December 2022 in 4Side S.r.l., a subsidiary merged by incorporation in November 2023 with accounting and tax effects backdated to 1 January 2023.

For further information on the merger please refer to the 'Significant events occurring in the period' paragraph in the 'Directors' Report on Operations'.

The 2,3 million euro allocated to the *Provision* for obsolescence 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)	31/12/2023	31/12/2022	Var.
Provision for obsolescence: year-beginning	2,772	3,537	(765)
Uses/Releases	(1,646)	(1,109)	(537)
Accruals	885	344	541
Merger changes	296	-	296
Provision for obsolescence: year-end	2,307	2,772	(465)

The balance relating to 'Changes due to mergers' refers to the company 4Side S.r.l..

11) TRADE RECEIVABLES

(euro/000)	31/12/2023	31/12/2022	Var.
Trade receivables - gross	335,302	351,006	(15,704)
Bad debt provision	(4,883)	(2,208)	(2,675)
Trade receivables - net	330,419	348,798	(18,379)

'Trade receivables' arise from normal sales transactions engaged in by the Company in the context of ordinary marketing activities. These transactions are carried out almost entirely with customers resident in Italy, are denominated in euro and can be settled in cash in the short-term.

Trade receivables - gross include 0.4 million euro (3.3 million euro in 2022) of receivables assigned with recourse to factoring companies, adjusted by credit notes to be issued to customers for a value of 40.7 million euro (51.0 million euro at the end of 2022) and include 70.7 million euro of receivables measured at fair value (80.7 million euro as at 31 December 2022).

The change in gross receivables is determined not only by the overall volumes of turnover and their trend over time, in turn also determined by seasonal factors, but also by the impact of the revolving programmes for the

disinvestment of trade receivables (i.e. approx. 228.0 million euro as at 31 December 2023 compared to 226.4 million euro in 2022).

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). Its changes are shown below:

(euro/000)	31/12/2023	31/12/2022	Var.
Bad debt provision: year-beginning	2,208	2,427	(219)
Uses/Releases	(1,165)	(1,009)	(156)
Accruals	3,409	790	2,619
Merger changes	431	-	431
Bad debt provision: year-end	4,883	2,208	2,675

The balance relating to 'Merger changes' relates to the company 4Side S.r.l., merged by incorporation in November 2023, with accounting and tax effects backdated to 1 January 2023. For further information please refer to the 'Significant events occurring in the period' paragraph in the 'Directors' Report on Operations'.

12) INCOME TAX ASSETS (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Income tax assets	3,626	745	2,881

Current income tax assets result from the higher tax advances paid, calculated on the income of the previous year, compared with the current taxes accrued in 2023.

13) OTHER ASSETS (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Receivables from subsidiaries (A)	83,890	117,493	(33,603)
Receivables from associates (B)	-	-	-
VAT receivables	2,493	-	2,493
Other tax assets	45,105	35,729	9,376
Other receivables from Tax authorities (C)	47,598	35,729	11,869
Receivables from factoring companies	249	3,207	(2,958)
Other financial receivables	9,656	10,336	(680)
Receivables from insurance companies	679	424	255
Receivables from suppliers	8,756	786	7,970
Receivables from employees	-	2	(2)
Receivables from others	73	72	1
Other receivables (D)	19,413	14,827	4,586
Prepayments (E)	5,321	4,937	384
Other assets (F= A+B+C+D+E)	156,222	172,986	(16,764)

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)	31/12/2023	31/12/2022	Var.
Dacom S.p.A.	786	698	88
Bludis S.r.l.	89	2	87
idMAINT S.r.l.	28	40	(12)
V-Valley S.r.l.	70,313	62,410	7,903
Nilox Deutschland GmbH	-	825	(825)
4Side S.r.l.	-	150	(150)
Zeliatech S.r.l.	6	-	6
Esprinet Iberica S.L.U.	3,197	4,202	(1,005)
Esprinet Portugal Lda	623	275	348
V-Valley Advanced Solutions España, S.A.	310	198	112
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	32	15	17
GTI Software & Networking SARLAU	6	1	5
Trade receivables (a)	75,390	68,816	6,574
4Side S.r.l.	-	42	(42)
V-Valley S.r.l.	-	135	(135)
Receivables as per national cons. tax regime (b)	-	177	(177)
4Side S.r.l.	-	1,000	(1,000)
Dacom S.p.A.	8,500	20,000	(11,500)
Esprinet Iberica S.L.U.	-	15,000	(15,000)
Esprinet Portugal Lda	-	3,000	(3,000)
V-Valley Advanced Solutions España, S.A.	-	9,500	(9,500)
Financial receivables (c)	8,500	48,500	(40,000)
Total receivables from subsidiaries (a+b+c)	83,890	117,493	(33,603)

(euro/000)	31/12/2023	31/12/2022	Var.
Dacom S.p.A.	9,286	20,698	(11,412)
Bludis S.r.l.	89	2	87
idMAINT S.r.l.	28	40	(12)
V-Valley S.r.l.	70,313	62,545	7,768
Nilox Deutschland GmbH	-	825	(825)
4Side S.r.l.	-	1,192	(1,192)
Zeliatech S.r.l.	6	-	6
Esprinet Iberica S.L.U.	3,197	19,202	(16,005)
Esprinet Portugal Lda	623	3,275	(2,652)
V-Valley Advanced Solutions España, S.A.	310	9,698	(9,388)
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	32	15	17
GTI Software & Networking SARLAU	6	1	5
Total receivables from subsidiaries (a+b+c)	83,890	117,493	(33,603)

Vat receivables refer to the VAT receivable accrued by the Company as at 31 December 2023 as well as to refund claims which cannot be offset against operating tax liabilities. The change in the item compared to the balance as at 31 December 2022 refers to the change in position from payable to receivable.

'*Other tax assets*' refer mainly to the receivable stemmed from the tax authorities following the 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 Esprinet S.p.A.'s disputes*' under the notes to item '26) Non-current provisions and other liabilities'.

Receivables from factoring companies include sums owed to the Company as a result of non-recourse factoring operations. At the time this report was drafted, the receivables had been almost entirely paid.

'*Other financial receivables*' refer entirely to 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.

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 financial year.

Receivables from suppliers, as at 31 December 2023, 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 credits for advances requested by suppliers before the fulfilment of purchase orders.

Prepayments are costs (mainly rental costs, maintenance and assistance fees, interest expenses on loans not drawn down) whose accrual is deferred with respect to that of the cash movement.

17) CASH AND CASH EQUIVALENTS

(euro/000)	31/12/2023	31/12/2022	Var.
Bank and postal deposit	113,104	121,120	(8,016)
Cash	15	10	5
Cheques	3	-	3
Total cash and cash equivalents	113,122	121,130	(8,008)

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 change with respect to 31 December 2022 is detailed in its components in the Cash Flow Statement to which reference should be made.

EQUITY

The main changes in equity items are explained in the following notes:

(euro/000)	31/12/2023	31/12/2022	Var.
Share Capital (A)	7,861	7,861	-
Reserves and profit carried over (B)	246,278	258,699	(12,421)
Own shares (C)	(13,330)	(13,330)	-
Total reserves (D=B+C)	232,948	245,369	(12,421)
Net income for the year (E)	(29,039)	16,060	(45,099)
Net equity (F=A+D+E)	211,770	269,290	(57,520)
Non-controlling interests (G)	-	-	-
Total equity (H=F+G)	211,770	269,290	(57,520)

19) SHARE CAPITAL

The *Company's Share capital*, fully subscribed and paid-in as at 31 December 2023, is 7,860,651 euro and comprises 50,417,417 shares without indication of face value. The number of shares remaining with respect to the cancellations that took place in 2020 and 2022, as envisaged by the resolutions of the relevant Shareholders' Meetings, for a total of 1,986,923 securities.

20) RESERVES

Reserves and retained earnings

The *Reserve and retained earnings* balance decreased by 12.4 million euro, substantially due to combined effect of the allocation of profits from previous years and the distribution of dividends to shareholders and the merger surplus generated by the incorporation of the wholly-owned subsidiary 4Side S.r.l.

Reserves also includes the value of the Esprinet stock grant rights to Group Directors and executives in relation to the 2021-2023 Share incentive plan approved by Esprinet S.p.A.'s Shareholders' Meeting on 7 April 2021.

The value of said rights was recognised in the income statement under the costs of employees and the costs of the directors, and was quantified on the basis of the elements described in detail in the section “Share incentive plans” in the following chapter 6. “Comments on income statement items” to which reference should be made. For more details, please refer to the *Statement of changes in equity*.

Own shares on hand

The amount refers to the total purchase price of 1,011,318 Esprinet S.p.A. shares owned by the Company in service of the 2021-2023 Share incentive plan.

The following table shows the amount and the distributability of the reserves composing the equity as per Art. 2427, no. 7-bis of the Italian Civil Code, and their usage in past years.

(euro/000)	Amount	Possible uses	Quota available	Summary of the uses in the three previous years:	
				To cover losses	For other reason
Type/description					
Share capital	7,861	---	-		
Reserves:					
Share premium reserve ⁽¹⁾	-	A,B,C	-		
Revaluation reserve	30	A,B,C	30		
Legal reserve	1,572	B	1,572		
Merger surplus	9,834	A,B,C	9,834		
Extraordinary reserve	213,452	A,B,C	213,452		
Extraordinary reserve ⁽²⁾	13,330	---	-		
IFRS reserves	8,060	---	-		
Total reserves	246,278		224,888	-	-
Total share capital and reserves	254,139		224,888		
Non-distributable quota ⁽³⁾			-		
Residual distributable quota			224,888		

⁽¹⁾ 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.

⁽²⁾ Pursuant to Art. 2358 of the Italian Civil Code, it represents the non-distributable portion corresponding to own shares on hand.

⁽³⁾ 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.

21) NET RESULT FOR THE PERIOD

The net result for the period shows a loss of 29.0 million euro (positive result of 16.1 million euro in the previous year).

NON-CURRENT LIABILITIES

22) BORROWINGS

(euro/000)	31/12/2023	31/12/2022	Var.
Borrowings	39,480	34,568	4,912

Payables to banks refer 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 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 (NON-CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (non-current)	78,792	80,442	(1,650)

The financial liability is related to the Rights of use existing at the reference balance sheet dates. The change can be detailed as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (non-current)	80,442	81,162	(720)
Merger changes	67	-	67
Increase from subscribed contracts	548	7,011	(6,463)
Termination/modification of contracts	5,393	-	5,393
Reclassification non-current liabilities	(7,658)	(7,731)	73
Lease liabilities (non-current)	78,792	80,442	(1,650)

The following table analyses the maturity dates of the financial liabilities booked as at 31 December 2023:

(euro/000)	Whitin 5 year	After 5 year	31/12/2023
Lease liabilities (non-current)	39,153	39,639	78,792

With reference to the application of IFRS 16 as from the financial statements as at 31 December 2019, the Company did not apply the standard to leases of intangible assets.

It should also be noted that the Company analyses 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.

Lastly, 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)	31/12/2023	31/12/2022	Var.
Deferred income tax liabilities	3,390	3,315	75

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.

The following table shows the composition of the item in question:

(euro/000)	31/12/2023			31/12/2022		
	Temporary differences	Fiscal effect (taxe rate %)	Amount	Temporary differences	Fiscal effect (taxe rate %)	Amount
Deferred income tax liabilities:						
Goodwills' amortisation	11,774	27.90%	3,285	11,455	27.90%	3,196
Foreign exchange estimate	438	24.00%	105	495	24.00%	119
Deferred income tax liabilities			3,390			3,315

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

(euro/000)		Within 1 year	1-5 years	After 5 year	Total
Deferred income tax liabilities	31/12/2023	105	-	3,285	3,390
	31/12/2022	119	-	3,196	3,315

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.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Balance at year-beginning	3,547	4,082	(535)
Merger changes	246	-	246
Service cost	(8)	-	(8)
Interest cost	132	39	93
Actuarial (gain)/loss	16	(315)	331
Pensions paid	(305)	(259)	(46)
Retirement benefit obligations	3,628	3,547	81

Values recognised in the income statement are as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Amounts booked under personnel costs	(8)	-	(8)
Amounts booked under financial costs	132	39	93
Total	124	39	85

The Company, which has more than 50 employees as at 1 January 2007, transfers the staff severance provision quotas to third parties.

The change compared to the previous year is essentially attributable to both uses ('services paid') and actuarial gains.

The balance relating to 'Merger increases' relates to the company 4Side S.r.l., merged by incorporation in November 2023, with accounting and tax effects backdated to 1 January 2023. For further information please refer to the 'Significant events occurring in the period' paragraph in the 'Directors' Report on Operations'. The change in the 'Actuarial (gain)/loss' compared with last year is essentially due to the misalignment between the forward-looking assumptions used in the valuation as at 31 December 2022 and the actual development of the provision as at 31 December 2023 (members, payments made, benefit revaluation). The discount rate used 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 employment in the Company's companies (higher than 10 years)¹².

The method known as the 'Projected Unit Credit Cost' was used to account for benefits reserved to employees, using the following operating 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: an annual 6% frequency has been considered based on available statistical series for the Company;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/2023	31/12/2022
Cost of living increase ^(*)	2.00%	5.90%
Discounting rate	3.09%	3.63%
Remuneration increase	Inflation +1.5%	Inflation +1.5%
Staff severance indemnity (TFR) - annual rate increase ^(**)	3.00%	5.93%

^(*) 2.0% from 2024.

^(**) 3.0% from 2024.

⁽¹²⁾ Please note that the iBoxx Eurozone Corporates AA7-10 index has been used as the reference parameter. For the choice of the annual inflation rate, reference was made to the Update Note to the DEF (NADEF 2023), published on 27 September 2023, which shows the value of the consumption deflator for the years 2023, 2024 and 2025, respectively equal to 5.6%, 2.4% and 2.0%. Based on the above and the current inflationary trend, it was deemed appropriate to use a constant inflation rate equal to 2.0% for the year 2024 and subsequent years.

Sensitivity analyses

Pursuant to IAS 19 Revised, 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%	3,501,556
	-0.50%	3,761,263
Annual inflation rate	0.25%	3,665,800
	-0.25%	3,589,933
Annual turnover rate	2.00%	3,645,016
	-2.00%	3,608,975

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

(euro) Year	Future Cash Flow Esprinet S.p.A.
0 - 1	399,574
1 - 2	274,805
2 - 3	265,909
3 - 4	280,182
4 - 5	320,697
5 - 6	309,530
6 - 7	232,457
7 - 8	278,750
8 - 9	248,822
9 - 10	247,152
Over 10	1,743,842

33) DEBTS FOR INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Debts for investments in subsidiaries (non-current)	600	600	-

The item *Debts for investments in subsidiaries (non-current)* as 31 December 2023 refers on both dates to the consideration to be paid, falling due after the next year, for the purchase of the companies Dacom S.p.A. (0.5 million euro) and idMAINT S.r.l. (0.1 million euro) in January 2021.

26) NON-CURRENT PROVISIONS AND OTHER LIABILITIES

(euro/000)	31/12/2023	31/12/2022	Var.
Long-term liabilities for cash incentives	57	118	(61)
Long term Tax payables in installments	20,809	-	20,809
Provisions for pensions and similar obligations	1,708	1,796	(88)
Other provisions	344	1,127	(783)
Non-current provisions and other liabilities	22,918	3,041	19,877

The item *Long-term liabilities for cash incentives* as at 31 December 2023 refers to the portion of the variable consideration payable to beneficiaries from the second year onwards with respect to that of accrual.

The item *Long term Tax payables in instalments* refers to the portion due beyond 12 months after 31 December 2023 of the debt which arose following the signing of the agreements with the Italian Revenue Agency in the second quarter of 2023, aimed at settling out-of-court VAT disputes relating to the tax periods from 2013 to 2017. Further details are described in the 'Significant events occurring in the period' of the *Directors' Report on Operations* to which reference is made.

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

(euro/000)	31/12/2023	31/12/2022	Var.
Provisions for pensions: year - beginning	1,796	1,692	104
Uses/Releases	(232)	(102)	(130)
Accruals	144	206	(62)
Provisions for pensions: year - end	1,708	1,796	(88)

The amount allocated to the item *Other provisions* is aimed at hedging the risks associated with the legal and tax disputes in progress and at covering the estimated lasting losses of the investee companies that exceed the value of the equity investment itself. Changes occurred in the period are as below:

(euro/000)	31/12/2023	31/12/2022	Var.
Other provisions: year-beginning	1,127	1,388	(261)
Uses/Releases	(999)	(321)	(678)
Accruals	216	60	156
Other provisions: year-end	344	1,127	(783)

Provisions refer to the estimate made by management with the support of its external legal consultants for some outstanding positions with employees, agents and suppliers.

Uses refer for 0.8 million euro to the provision allocated in previous years to hedge the risk relating to the subsidiary Nilox Deutschland GmbH, liquidated in 2023.

Development of disputes involving Esprinet S.p.A.

The main disputes involving the Company are provided below, along with developments in 2023 (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 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.

Actebis Computer S.p.A. (now Esprinet S.p.A.) indirect 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 into Esprinet S.p.A.), all outstanding disputes have been resolved, with the exception of that pertaining to the year 2005, for which Esprinet, at the recommendation of the seller of Actebis and supported by the latter's advisors, after the failure of a tax settlement proposal, lodged an appeal at the various stages of legal proceedings, with the enforcement of all payments due based on prior receipt of the funds from the seller.

Following the negative ruling of the Regional Tax Commission on 23 September 2014, the seller's advisors also filed an appeal before the Court of Cassation where the same is pending and the hearing has not yet been set.

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

On 30 November 2016, the Company was served a notice relating to an assessment through which the Revenue Agency requested the recovery of VAT of 1.0 million euro, plus penalties and interests. The failure to apply VAT on taxable transactions carried out in 2011 on a business customer is being disputed; the latter presented a declaration of intent but the subsequent tax audits to which it was subject revealed that the business customer could not have submitted it, as it does not qualify as a habitual exporter.

The Company filed an appeal and received an unfavourable sentence on 24 November 2017 before the Provincial Tax Commission, and on 12 February 2019 before the Regional Tax Commission.

As set forth in the administrative proceedings, payments totalling 2.5 million euro were made during the judicial process which, as all stages of the legal proceedings are yet to be concluded, was recognised in the financial statements under the item "Other tax receivables".

On 4 December 2019, an appeal was filed with the Court of Cassation; the date of the hearing for the discussion of the case has not yet been set.

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

On 2 October 2017, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 3.1 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2012 on three business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal and received a favourable ruling on 21 September 2018 before the Provincial Tax Commission, but an unfavourable one on 17 February 2020 before the Regional Tax Commission.

As set forth in the administrative proceedings, February 2021 saw the payment of 5.1 million euro which, as all stages of legal proceedings are yet to be concluded, was recognised in the financial statements under the item 'Other tax receivables'.

On 25 September 2020, the Company filed an appeal with the Court of Cassation and the Revenue Agency filed a counter-appeal; the date of the hearing to discuss the case has not yet been set.

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

On 31 July 2018, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 66 thousand euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on a business customer is being disputed; the latter presented a declaration of intent but the subsequent tax audits to which it was subject revealed that the business customer could not have submitted it, as it does not qualify as a habitual exporter.

The Company filed an appeal and received an unfavourable ruling on 29 January 2019 before the Provincial Tax Commission, but a favourable one on 29 January 2020 before the Regional Tax Commission.

On 19 March 2021, the Revenue Agency filed an appeal with the Court of Cassation and the Company filed a counter-appeal; the hearing to discuss the case was held on 19 January 2024. The Company is awaiting the decision of the Supreme Court of Cassation.

Esprinet S.p.A. Indirect taxes for the year 2013 bis

On 20 December 2018, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 14.5 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on other seven business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that these business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal and received an unfavourable ruling on 23 September 2020 before the Provincial Tax Commission and an unfavourable one on 14 February 2022 before the Regional Tax Commission (sentence filed on 28 February 2022).

On 23 May 2022, the Company filed an appeal with the Court of Cassation and the Revenue Agency filed a counter-appeal; the date of the hearing to discuss the case has not yet been set.

On 5 October 2022, the Revenue Agency-Collection granted the instalment in no. 18 months' salary, with a unit value of 0.7 million euro and starting from the same month of October 2022, of the residual amounts due provided for in the administrative procedure.

Therefore, payments totalling 35.0 million euro were made during the judicial process (of which 8.4 million euro in 2023) which, as all stages of the legal proceedings are yet to be concluded, were recognised in the financial statements under the item 'Other tax receivables'.

Esprinet S.p.A. Indirect taxes for the year 2013 ter

On 13 September 2021, the Company received an assessment notice through which the Revenue Agency requested the recovery of VAT of 6.5 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in 2013 on other business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

The Company filed an appeal before the Provincial Tax Commission, whose date of the hearing for the discussion of the case, initially set for 18 October 2022, has been postponed to a date to be set.

In the meantime, on 21 July 2022, the Revenue Agency-Collection granted the instalment in no. 18 months' salary, with a unit value of almost 0.2 million euro and starting from August 2022, of the amounts envisaged by the administrative procedure.

On 30 June 2023, the Company, for the mere purposes of avoiding tax claims, signed an out-of-court agreement with the Revenue Agency which provides for the payment of 4.5 million euro, already net of 1.2 million euro previously paid in accordance with the administrative procedure, over five years in interest-bearing quarterly instalments, the first instalment of which was paid on the same date.

As at 31 December 2023, therefore, in addition to the amounts deriving from this agreement, 0.5 million euro of interest paid prior to the signing of the agreement was therefore recognised in the income statement and in the liabilities.

Esprinet S.p.A. Indirect taxes for the years 2014, 2015 and 2016

On 23 December 2022, the Company received three assessment notices through which the Revenue Agency requested the recovery of VAT totalling 70.2 million euro, plus penalties and interest. The failure to apply VAT on taxable transactions carried out in the 2014-2016 three-year period on a list of business customers is being disputed; the latter presented declarations of intent but the subsequent tax audits to which they were subject revealed that the business customers could not have submitted these, as they do not qualify as habitual exporters.

On 22 May 2023, although the Company believes it has operated correctly and merely for the purposes of avoiding any dispute, it signed deeds of acceptance with the Revenue Agency for a total of 27.2 million euro to be paid over five years with interest-bearing quarterly instalments, the first instalment of which was paid on 31 May 2023.

As at 31 December 2023, the amounts deriving from these deeds of acceptance are therefore recognised in the income statement and under liabilities.

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

On 20 July 2016, upon conclusion of a tax audit to which it was subject, the company received an assessment notice through which the Revenue Agency requested the recovery of direct taxes for 82 thousand euro, as well as penalties and interest. The deduction or non-taxation of income components relating to 2012 (the year in which the company was still part of the Esprinet Group) has been contested.

The company firstly filed a tax settlement proposal but, after its rejection by the Revenue Agency, filed an appeal and won said appeal on 26 June 2017 before the Provincial Tax Commission, but lost the appeal on 3 July 2018 before the Regional Tax Commission.

As envisaged by the administrative procedure, payments for a total of 162 thousand euro were made during the course of the judicial procedure, recorded in the income statement in 2018.

On 16 July 2019, the Company lodged an appeal before the Court of Cassation.

Edslan S.r.l. Registration tax for the year 2016

On 4 July 2017, the company, merged by incorporation into Esprinet S.p.A. in 2018, received an assessment notice through which the Revenue Agency requested the recovery of the registration tax for 182 thousand euro, as well as penalties and interest. The determination of the business unit acquired on 8 June 2016 by the selling company Edslan S.p.A. (now I-Trading S.r.l.) has been contested.

The company firstly filed a tax settlement proposal but, after its rejection by the Revenue Agency, filed an appeal and won said appeal on 19 June 2018 before the Provincial Tax Commission, and on 22 January 2020 before the Regional Tax Commission.

On 8 January 2021, the company filed a counter-appeal before the Court of Cassation, whose date of the hearing for the discussion of the case has not yet been set, after appeal by the Revenue Agency.

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

CURRENT LIABILITIES

27) TRADE PAYABLES

(euro/000)	31/12/2023	31/12/2022	Var.
Trade payables - gross	820,047	832,502	(12,455)
Credit notes to be received	(90,098)	(99,377)	9,279
Trade payables	729,949	733,125	(3,176)

The balance of Trade payables, compared to 31 December 2022, is largely influenced by the overall volumes of purchases and their trend over time, which in turn also depend on seasonal factors of the distribution business.

The item 'Credit notes to be received' refers mainly to the rebates for the achievement of commercial targets, 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)	31/12/2023	31/12/2022	Var.
Bank loans and overdrafts	33,702	37,792	(4,090)
Other financing payables	14,304	14,339	(35)
Financial payables to subsidiaries	21,382	22,578	(1,196)
Short - term financial liabilities	69,388	74,709	(5,321)

Bank loans and overdrafts mainly refer to the valuation at the amortised cost of the short-term financing lines and the portion falling due within next year of the medium-long term loans (27.7 million euro as principal as at 31 December 2023 and 25.2 million euro, also as principal, as at 31 December 2022).

The change compared to the previous year depends on the combined effect of the following phenomena:

- the greater or lesser use of short-term forms of financing;
- the portion due within the next year of new medium/long-term loans obtained by the Company;
- the repayment of the portions of medium/long-term loans according to the amortisation plans with the related reclassification from non-current financial payables of the instalments due within the 12 months following 31 December 2023.

Details relating to the outstanding loans can be found in the following '*Net financial indebtedness and loan 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 payables is closely correlated to the volume and different timing of the financial settlement of the receivables factored.

Financial payables to subsidiaries refer almost entirely to the relationship with the subsidiary V-Valley S.r.l. under the cash pooling contract signed in 2019 for centralised treasury management and for 0.2 million euro to the current account relationship with the subsidiary Celly Pacific LTD.

34) LEASE LIABILITIES (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (current)	8,124	7,307	817

The liability is related to the Rights of use existing at the reference balance sheet dates.

The change can be detailed as follows:

(euro/000)	31/12/2023	31/12/2022	Var.
Lease liabilities (current)	7,307	6,905	402
Merger changes	77	-	77
Increase from subscribed contracts	156	-	156
Reclassification non-current liabilities	7,658	7,731	(73)
Lease interest expenses	2,695	2,619	76
Payments	(10,768)	(9,948)	(820)
Termination/modification of contracts	999	-	999
Lease liabilities (current)	8,124	7,307	817

35) DEBTS FOR INVESTMENTS IN SUBSIDIARIES (CURRENT)

(euro/000)	31/12/2023	31/12/2022	Var.
Debts for investments in subsidiaries (current)	5,764	2,455	3,309

The item '*Debts for investments in subsidiaries (current)*' as at 31 December 2023 refers entirely to the consideration to be paid within 12 months for the purchase price of all the shares of the company Sifar Group S.r.l.

The balance as at 31 December 2022 instead included the deferred consideration for the purchase of all the shares and holdings of Dacom S.p.A. (0.6 million euro), idMAINT S.r.l. (0.1 million euro) and Bludis S.r.l. (1.7 million euro), paid in full in 2023.

32) PROVISIONS AND OTHER LIABILITIES

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

(euro/000)	31/12/2023	31/12/2022	Var.
Payables to subsidiary and associated companies (A)	1,245	599	646
Social security liabilities (B)	3,840	3,820	20
VAT payables	-	12,735	(12,735)
Short term Tax payables in installments	6,338	-	6,338
Withholding tax liabilities	39	55	(16)
Other tax liabilities	1,529	1,496	33
Other payables to Tax authorities (C)	7,906	14,286	(6,380)
Payables to personnel	4,405	5,269	(864)
Payables to customers	4,254	4,144	110
Payables to others	765	1,998	(1,233)
Total other creditors (D)	9,424	11,411	(1,987)
Accrued expenses and deferred income related to:			
- Accrued expenses for insurance costs	253	227	26
- Deferred income - advanced receivables	41	23	18
- Other deferred income	17	3	14
Accrued expenses and deferred income (E)	311	253	58
Provisions and other liabilities (F=A+B+C+D+E)	22,726	30,369	(7,643)

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)	31/12/2023	31/12/2022	Var.
Bludis S.r.l.	2	-	2
Celly Pacific LTD	2	-	2
Dacom S.p.A.	348	41	307
V-Valley S.r.l.	223	10	213
4Side S.r.l.	-	135	(135)
Esprinet Iberica S.L.U.	240	66	174
Esprinet Portugal Lda	40	2	38
V-Valley Advanced Solutions España, S.A.	390	345	45
Total payables to subsidiary and associated companies	1,245	599	646

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 payables are reduced to zero as a result of the excess, differently from the previous year, of the effective receivable accrued by the Company as at 31 December 2023 compared to the debt balance as at 31 December 2022.

The item *Long term Tax payables* in instalments refers to the portion due within 12 months after 31 December 2023 of the debt which arose following the signing of the agreements with the Italian Revenue Agency in the second quarter of 2023, aimed at settling out-of-court VAT disputes relating to the tax periods from 2013 to 2017. Further details are described in the 'Significant events occurring in the period' of the *Directors' Report on Operations* to which reference is made.

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

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, 14th month salary, monetary incentives) accrued at the end of the year.

Payables to others mainly include payables of 0.2 million euro to Directors for fees accrued in the year or in previous years (0.3 million as at 31 December 2022), and 0.4 million euro (0.5 million euro as at 31 December 2022) for fees accrued and not paid to the Company's agents' network.

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

5. GUARANTEES, COMMITMENTS AND POTENTIAL RISKS

COMMITMENTS AND POTENTIAL RISKS

(euro/000)	31/12/2023	31/12/2022	Var.
Third-party assets on consignment to the Company	53,634	72,944	(19,310)
Bank guarantees issued in favour of subsidiaries	373,098	343,010	30,088
Bank guarantees issued in favour of other companies	10,640	11,634	(994)
Total guarantees issued	437,372	427,588	9,784

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 mainly to guarantees or letters of comfort issued in favour of banks and factoring companies as guarantee for credit limits granted to the Company's subsidiaries, as well as guarantees issued to suppliers. The change compared with the previous year mainly refers to the increase in guarantees on behalf of the subsidiary Esprinet Iberica S.L.U. (50.1 million euro) and a decrease towards the subsidiary V-Valley S.r.l. (20.0 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 and bank and insurance suretyships issued to the Public Administration in order to participate in tenders for services or supplies.

6. 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)	2023	%	2022	%	Var.	% Var.
Product sales	2,413.1	99.6%	2,711.6	99.7%	(298.5)	-11%
Services Sales	10.7	0.4%	7.6	0.3%	3.1	40%
Sales from contracts with customers	2,423.8	100.0%	2,719.2	100.0%	(295.4)	-11%

SALES BY GEOGRAPHIC AREA

(euro/000)	2023	%	2022	%	% Var.
Italy	2,379.5	98.2%	2,657.9	97.8%	-10%
Spain	21.6	0.9%	27.6	1.0%	-22%
Portugal	3.8	0.2%	3.4	0.1%	12%
Other EU countries	13.6	0.6%	22.2	0.8%	-39%
Extra EU countries	5.3	0.2%	8.1	0.3%	-35%
Sales from contracts with customers	2,423.8	100.0%	2,719.2	100.0%	-11%

SALES AS '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/000)	2023	%	2022	%	% Var.
Sales from contracts with customers as 'principal'	2,417.3	99.7%	2,713.9	99.8%	-11%
Sales from contracts with customers as 'agent'	6.5	0.3%	5.3	0.2%	23%
Sales from contracts with customers	2,423.8	100.0%	2,719.2	100.0%	-11%

35) GROSS PROFIT

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750	100.00%	2,719,248	100.00%	(295,498)	-11%
Cost of sales	2,294,694	94.68%	2,579,271	94.85%	(284,577)	-11%
Gross profit	129,056	5.32%	139,977	5.15%	(10,921)	-8%

Gross profit amounted to 129.1 million euro, marking a decrease of -8% compared to 2022 (140.0 million euro), essentially due to the effect of the improvement in the percentage margin, from 5.15% to 5.32%, also thanks to the greater incidence of high-margin product categories which offset the sensitive increase in the cost of the non-recourse receivable assignment programmes following the growth in interest rates set by the European Central Bank. Adding to the 2022 result the 2.5 million euro of gross profit generated in the previous year by the company 4Side S.r.l., merged by incorporation from 1 January 2023, the percentage change would have shown a decrease of -9%.

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 ('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.

Lastly, profit has been reduced by the difference between the amount of receivables transferred without recourse to factoring companies within the usual revolving programme and the amounts collected. In 2023, such effect amounted to 10.1 million euro (3.2 million euro in 2022).

37-38-39) OPERATING COSTS

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Sales and marketing costs	50,392	2.08%	47,914	1.76%	2,478	5%
Overheads and administrative costs	62,732	2.59%	64,369	2.37%	(1,637)	-3%
Impairment loss/reversal of financial assets	27,306	1.13%	82	0.00%	27,224	>100%
Operating costs	140,430	5.79%	112,365	4.13%	28,065	25%
- of which non recurring	29,224	1.21%	2,754	0.10%	26,470	>100%
'Recurring' operating costs	111,206	4.59%	109,611	4.03%	1,595	1%

In 2023, operating costs amounted to 140.4 million euro and showed an increase of +25%, with an incidence on sales of 5.79% compared to 4.13% in the previous year.

Adding to the 2022 result the operating costs incurred in the previous year by the company 4Side S.r.l., merged by incorporation from 1 January 2023, and amounting to 1.7 million euro, the percentage change would have shown an increase of 23%.

Net of non-recurring charges of 29.2 million euro, for details of which please refer to the paragraph '*Non-recurring significant events and operations*', operating costs increased by +1%, with an incidence on sales up to 4.59% from 4.03%.

The following table gives a detailed breakdown of operating costs in the two years compared:

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Sales & marketing personnel costs	41,664	1.72%	39,586	1.46%	2,078	5%
Other sales & marketing costs	8,727	0.36%	8,328	0.31%	399	5%
Sales & marketing personnel costs	50,391	2.08%	47,914	1.76%	2,477	5%
Administr., IT, HR and general service personnel costs	17,367	0.72%	18,366	0.68%	(999)	-5%
Directors' compensation	(298)	-0.01%	3,202	0.12%	(3,500)	<-100%
Consulting services	6,458	0.27%	6,064	0.22%	394	7%
Logistics services	13,000	0.54%	13,001	0.48%	(1)	-0%
Amortisation, depreciation and provisions	11,231	0.46%	9,998	0.37%	1,233	12%
Other overheads and administrative costs	14,975	0.62%	13,738	0.51%	1,237	9%
Overheads and administrative costs	62,733	2.59%	64,369	2.37%	(1,636)	-3%
Impairment loss/reversal of financial assets	27,306	1.13%	82	0.00%	27,224	>100%
Total SG&A	140,430	5.79%	112,365	4.13%	28,065	25%

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 freelance personnel (for financial statements auditing services, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of property, plant and equipment, amortisation of intangible assets, excluding that relating to rented assets and equipment 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 following cases:

- 2.8 million euro of value adjustment to trade receivables to adjust them to their presumed realisable value. This amount includes 2.6 million euro of a non-recurring nature referring to a specific trade receivable position;
- 20.2 million euro of VAT, defined with the Revenue Agency in the deeds of membership and settlement signed during the year and described in more detail in the 'Significant events of the period' and in the

'Evolution of the Group's disputes and of Esprinet S.p.A.' to which reference should be made, no longer liable to refund against customers whose behaviour gave rise to the objections and to whom the invoices disputed by the Revenue Agency had originally been issued. Therefore, this tax was considered a non-recurring charge for the year that can no longer be refund as an asset from the original customers;

- 4.3 million euro for the write-down of the VAT receivable defined during the year with the Revenue Agency (see what is described in the previous point) and refund from customers. This non-recurring write-down was necessary following the assessment of the recoverability of said 'VAT receivable' made by the management at the end of the current year.

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)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Depreciation of tangible assets	4,279	0.18%	3,272	0.12%	1,007	31%
Amortisation of intangible assets	442	0.02%	282	0.01%	160	57%
Depreciation of right-of-use assets	8,860	0.37%	8,160	0.30%	700	9%
Amort. & depreciation	13,581	0.56%	11,714	0.43%	1,867	16%
Write-downs of fixed assets	-	0.00%	-	0.00%	-	0%
Amort. & depr., write-downs (A)	13,581	0.56%	11,714	0.43%	1,867	16%
Accruals for risks and charges (B)	360	0.01%	266	0.01%	94	35%
Amort. & depr., write-downs, accruals for risks (C=A+B)	13,941	0.58%	11,980	0.44%	1,961	16%

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.

(euro/000)	31/12/2023	31/12/2022	Var.
Depreciation of tangible assets increasing the accumulated deprec.	4,723	3,567	1,156
Debited to subsidiaries	(444)	(295)	(149)
Depreciation of tangible assets	4,279	3,272	1,007
Amortisation of intangible assets increasing the accumulated deprec.	598	423	175
Debited to subsidiaries	(156)	(141)	(15)
Amortisation of intangible assets	442	282	160

Personnel costs

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Wages and salaries	36,947	1.5%	35,199	1.3%	1,748	5%
Social contributions	11,178	0.5%	10,356	0.4%	822	8%
Pension obligations	2,738	0.1%	2,649	0.1%	89	3%
Other personnel costs	1,285	0.1%	1,248	0.1%	37	3%
Employee termination incentives	104	0.0%	182	0.0%	(78)	-43%
Share incentive plans	(917)	-0.0%	651	0.0%	(1,568)	<-100%
Total labour costs ⁽¹⁾	51,335	2.1%	50,285	1.9%	1,050	2%

⁽¹⁾ Costs of temporary workers excluded.

In 2023, personnel costs amounted to 51.3 million euro, up by +2% compared to the corresponding period of the previous year, mainly as a result of the merger of the subsidiary 4Side S.r.l. in 2023. In fact, considering that in 2022 4Side S.r.l. incurred charges of 1.3 million euro and net of the costs for resolution of the relationship and the cost for share plans, items whose value does not have a linear correlation to the number of personnel employed, the personnel costs in 2023 was equal to 52.2 million euro, up by 3% compared to the previous year (50.7 million euro) in line with the number of resources employed on average and including, also in 2022, the personnel of 4Side S.r.l.

Details of the Company's employees as at 31 December 2023, broken down by qualification, can be found under 'Human Resources' in the 'Directors' Report on Operations'.

Share incentive plans

On 22 April 2021, 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 7 April 2021 were assigned.

The Company currently owns only 63,655 of the ordinary shares underlying the above-mentioned Plan. Therefore, it will need to acquire the remaining amount relating to the 1,011,318 rights effectively granted.

The aforementioned plan was subject to 'fair value' accounting determined by applying the 'Black-Scholes' model, taking account of the dividend yield, of the volatility of the Esprinet share, of the risk-free interest rate level envisaged at the respective rights assignment dates and, in relation to the 'Double Up' component, the probability of the trend in the share in the vesting period of the Compensation plan.

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

(euro/000)	notes	Plan 2021-2023 component "Base"	Plan 2021-2023 component "Double Up"
Allocation date		22/04/2021	22/04/2021
Vesting date		30/04/2024	30/04/2024
Expiry date		30/06/2024	30/06/2024
Total number of stock grant allocated		172,718	784,000
Total number of stock grant allowed	(1)	32,683	-
Unit fair value (euro)		11.29	5.16
Total fair value (euro)		368,991	-
Rights subject to look-up (2 years)		25.0%	25.0%
Duration lock-up		2 years	2 years
Risk free interest rate	(2)	-0.4%	-0.4%
Implied volatility	(3)	40.6%	40.6%
Duration (years)		3	3
Spot price	(4)	13.59	13.59
"Dividend yield"		3.8%	3.8%

(1) Decrease due to employment termination of some beneficiaries and/or the estimated achievement of performance targets.

(2) 3-year IRS (source: Bloomberg, 21 April 2021).

(3) 3-year volatility calculated on the basis of the official prices at the close of the stock market in the previous three-year period as at 22 April 2021.

(4) Equal to the official price of Esprinet S.p.A. shares at grant date.

The total costs booked to the income statement in the year in relation to the Share incentive plans, with a balancing entry in the item 'Reserves' in the statement of financial position, were represented by a positive component of 0.9 million euro in relation to employees (expenses of 0.6 million euro in 2022) and 2.1 million euro with reference to directors (expenses of 1.3 million euro in 2022), following the non-achievement or only partial achievements of the non-monetary conditions these Plans are subject to.

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 133 thousand euro while those relating to contracts with a duration of less than 12 months are reduced to zero (126 thousand euro and zero respectively in 2022).

The following tables respectively contain the details of the costs and commitments for future payments relating to multi-year service contracts:

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Equipment	133	0.01%	125	0.00%	8	6%
Data connection lines	90	0.00%	91	0.00%	(1)	-1%
Housing CED	148	0.01%	133	0.00%	15	11%
Total multi-year services costs	371	0.02%	349	0.01%	22	6%

(euro/000)	2024	2025	2026	2027	2028	Oltre	Totale
Equipment	115	55	36	36	9	-	251
Data connection lines	824	812	812	777	9	-	3,234
Housing CED	180	180	180	180	-	-	720
Multi-year services commitments	1,119	1,047	1,028	993	18	-	4,204

42) FINANCE COSTS - NET

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Interest expenses on borrowings	1,321	0.05%	659	0.02%	662	>100%
Interest expenses to banks	6,298	0.26%	754	0.03%	5,544	>100%
Other interest expenses	7,028	0.29%	25	0.00%	7,003	>100%
Upfront fees amortisation	478	0.02%	516	0.02%	(38)	-7%
IAS 19 expenses/losses	132	0.01%	38	0.00%	94	>100%
IFRS financial lease interest expenses	2,695	0.11%	2,619	0.10%	76	3%
Intercompany interest expenses	13	0.00%	11	0.00%	2	18%
Total financial expenses (A)	17,965	0.74%	4,622	0.17%	13,343	>100%
Interest income from banks	(587)	-0.02%	(46)	0.00%	(541)	>100%
Interest income from others	(80)	0.00%	(67)	0.00%	(13)	19%
Interest incomes from intercompany	(515)	-0.02%	(95)	0.00%	(420)	>100%
Total financial income (B)	(1,182)	-0.05%	(208)	-0.01%	(974)	>100%
Net financial exp. (C=A+B)	16,783	0.69%	4,414	0.16%	12,369	>100%
Foreign exchange gains	(1,650)	-0.07%	(1,725)	-0.06%	75	-4%
Foreign exchange losses	849	0.04%	2,542	0.09%	(1,693)	-67%
Net foreign exch. (profit)/losses (D)	(801)	-0.03%	817	0.03%	(1,618)	<-100%
Net financial (income)/costs (E=C+D)	15,982	0.66%	5,231	0.19%	10,751	>100%

The total balance between finance costs - net, negative for 15.9 million euro, decreased by 10.8 million euro compared to the previous year (5.2 million euro) mainly as a result of: (i) 6.9 million euro of non-recurring interest accrued by the tax authorities as part of the agreements signed during the year by the Company with the Revenue Agency and aimed at settling VAT disputes relating to the tax periods from 2013 to 2017; (ii) 5.6 million euro for the increase in interest expense due to the banking system following the growth in interest rates ordered by the European Central Bank; (iii) 1.6 million euro for the improvement in currency rates thanks to a more favourable Euro/US dollar exchange rate trend.

45) INCOME TAX EXPENSES

(euro/000)	2023	%	2022	%	Var.	% Var.
Sales from contracts with customers	2,423,750		2,719,248		(295,498)	-11%
Current tax - IRES (Corporation income tax)	1,834	0.1%	4,777	0.2%	(2,943)	-62%
Current tax - IRAP (Regional tax on productive activities)	926	0.0%	1,266	0.1%	(340)	-27%
Income taxes previous years	5	0.0%	55	0.0%	(50)	-91%
Current income taxes	2,765	0.1%	6,098	0.2%	(3,333)	-55%
Deferred tax - IRES (Corporation income tax)	(1,151)	-0.1%	187	0.0%	(1,338)	-716%
Deferred tax - IRAP (Regional tax on productive activities)	69	0.0%	36	0.0%	33	92%
Deferred income taxes	(1,082)	-0.0%	223	0.0%	(1,305)	-585%
Total tax - IRES (Corporation income tax)	688	0.0%	5,019	0.2%	(4,331)	-86%
Total tax - IRAP (Regional tax on productive activities)	995	0.0%	1,302	0.1%	(307)	-24%
Total tax	1,683	0.1%	6,321	0.2%	(4,638)	-73%

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

(euro/000)	31/12/2023	31/12/2022
Result before taxes [A]	(27,356)	22,381
Operating result (EBIT)	(11,374)	27,612
(+) bad debt provision	3,409	790
(+) provision for risks and charges	360	266
Taxable amount for IRAP [B]	(7,605)	28,668
Theoretical taxation IRES (= A*24%)	(6,565)	5,371
Theoretical taxation IRAP (= B*3,90%)	(297)	1,118
Total theoretical taxation [C]	(6,862)	6,489
Theoretical tax rate [C/A]	25.1%	29.0%
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(108)	(142)
Other permanent differences	8,653	(26)
Total effective taxation [D]	1,683	6,321
Effective tax rate [D/A]	-6.2%	28.2%

The tax rate as at 31 December 2023 is negative as a result of a loss before taxes compared to a positive tax basis. This difference is attributable to 33.3 million euro of non-recurring charges, generated by agreements signed with the Revenue Agency and aimed at settling tax disputes which, however, were considered not relevant for the purposes of the tax calculation pending a specifically promoted ruling.

7. OTHER SIGNIFICANT INFORMATION

7.1 EMOLUMENTS TO THE BOARD MEMBERS, STATUTORY AUDITORS AND KEY MANAGERS

As defined by IAS 24 accounting standard and recalled by CONSOB Resolution No. 17221 of 12 March 2010, 'key managers are those persons having direct and indirect 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'.

The company has identified the directors, statutory auditors and general manager as executives with strategic responsibilities.

The remuneration due for the year 2023, in relation to the offices held in the company and in the other Group companies, are shown in the following tables and include all the remuneration items paid or payable (gross of tax and social security contributions) including benefits in kind.

(figures in euro/000)													
Name and surname	Office	Period for which office was held	Office expiry	Fixed compensation			Variable non-equity compensation			Non monetary benefits ⁽²⁾	Other remuneration	Total	Severance Indemnity for end of office or termination of employment
				Fixed compensation	Remuneration from subordinate employment	Compensation for committee participation	Bonuses and other incentives	Profit sharing					
Maurizio Rota	Chairman	01.01/31.12.2023	2024 ⁽¹⁾	450	-	-	-	-	6	-	456	-	
Marco Monti	Deputy Chairman	01.01/31.12.2023	2024 ⁽¹⁾	53	-	-	-	-	-	-	53	-	
Alessandro Cattani	Chief Executive Officer	01.01/31.12.2023	2024 ⁽¹⁾	433	17	-	139	-	3	-	592	-	
Chiara Mauri	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-	
Angelo Miglietta	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	41	-	-	-	-	71	-	
Lorenza Morandini	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-	
Emanuela Prandelli	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-	
Renata Maria Ricotti	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	41	-	-	-	-	71	-	
Angela Sanarico	Independent Director	01.01/31.12.2023	2024 ⁽¹⁾	30	-	18	-	-	-	-	48	-	
Giovanni Testa	Chief Operating Officer	01.01/31.12.2023		-	369	-	86	-	4	-	458	-	
Maurizio Dallochio	Chairman Statutory auditor	01.01/31.12.2023	2024 ⁽¹⁾	45	-	-	-	-	-	-	45	-	
Maria Luisa Mosconi	Permanent Auditor	01.01/31.12.2023	2024 ⁽¹⁾	40	-	-	-	-	-	-	40	-	
Silvia Muzi	Permanent Auditor	01.01/31.12.2023	2024 ⁽¹⁾	40	-	-	-	-	-	-	40	-	
(I) Compensation in the company preparing the financial statements				1,242	385	155	224	-	13	-	2,019	-	
(II) Compensation from subsidiaries and associate				-	-	-	-	-	-	-	-	-	
(III) Total				1,242	385	155	224	-	13	-	2,019	-	

⁽¹⁾ Date of approval of the financial statements for the year ending 31 December 2023.

⁽²⁾ 'Fringe benefit' represented by the use of the company car.

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

Beneficiaries	Bonus of the year			Bonus from previous year		
	Payable/ Paid	Deferred	Period	No longer eligible for payment	Payable/ Paid	Still deferred
Alessandro Cattani	-	-	2021	-	93	-
Alessandro Cattani	-	-	2022	-	-	81
Alessandro Cattani	99	40	2023	-	-	-
Giovanni Testa	-	-	2021	-	33	-
Giovanni Testa	-	-	2022	-	-	29
Giovanni Testa	71	14	2023	-	-	-
Total	170	54		-	126	110

No advances have been made and no loans have been granted to the directors, to the general manager and the statutory auditors of the Company for the performance of these functions, including in companies within the scope of consolidation.

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

Beneficiaries	Options held at 1° January 2023		Options held in 2023	Options assigned (taken up) in 2023	Options assigned in 2023	Options held at 31 December 20223		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Quantity	Average strike price	Average due date
Alessandro Cattani	679,717	free	-	-	-	679,717		from 22/04/2021 to 30/04/2024 ⁽¹⁾
Giovanni Testa	113,201	free	-	-	-	113,201		

⁽¹⁾ Date of the Shareholders' Meeting for the approval of the Financial Statements as at 31 December 2023 and presentation of the Consolidated Financial Statements as at 31 December 2023.

7.2 NET FINANCIAL INDEBTEDNESS AND FINANCIAL PAYABLES ANALYSIS

As set forth in 'Warning notice no. 5/21' issued by CONSOB on 29 April 2021, the following table provides information relating to the 'financial indebtedness' (or also 'net financial position') determined in substantial compliance with the criteria indicated by the European Securities and Markets Authority ('ESMA') in the document called 'Guidelines on disclosure obligations' of 4 March 2021. With reference to the same table, it should be underlined that net financial indebtedness, measured according to the ESMA criteria, coincides with the notion of 'net financial payables'.

(euro/000)	31/12/2023	31/12/2022
A. Bank deposits and cash on hand	113,120	121,129
B. Cheques	3	-
C. Other current financial assets	18,404	62,044
D. Liquidity (A+B+C)	131,527	183,173
E. Current financial debt	55,554	59,297
F. Current portion of non current debt	27,722	25,174
G. Current financial indebtedness (E+F)	83,276	84,471
H. Net current financial indebtedness (G-D)	(48,251)	(98,702)
I. Non-current financial debt	118,872	115,610
J. Debt instruments	-	-
K. Trade payables and other non-current payables	-	-
L. Non-current financial indebtedness (I+J+K)	118,872	115,610
M. Net financial indebtedness (H+L)	70,621	16,908
Breakdown of net financial indebtedness:		
Short-term financial liabilities	48,006	52,131
Lease liabilities	8,124	7,307
Debts for investments in subsidiaries (current)	5,764	2,455
Other current financial receivables	(9,656)	(10,336)
Financial receivables from factoring companies	(249)	(3,207)
Financial receivables/liabilities from/to Group companies	12,882	(25,922)
Cash and cash equivalents	(113,122)	(121,130)
Net current financial debt	(48,251)	(98,702)
Borrowings	39,480	34,568
Lease liabilities	78,792	80,442
Debts for investments in subsidiaries (non-current)	600	600
Net financial debt	70,621	16,908

The net financial position, negative for 70.6 million euro, corresponds to a net balance of gross financial liabilities of 87.5 million euro, financial payables due to Group companies for 12.9 million euro, debts for investments in subsidiaries of 6.3 million euro, financial receivables of 9.9 million euro, lease liabilities of 86.9 million euro, and cash and cash equivalents equal to 113.1 million euro.

The cash and cash equivalents mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the 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 non-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 2023, 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, mostly belonging to the large-scale retail sector, continued. In addition to this, the securitisation programme for additional trade receivables also continued during the period, launched in Italy in July 2015 and renewed uninterruptedly every three years, most recently in July 2021. 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 2023 is quantified at roughly 228.0 million euro (approx. 226.4 million euro as at 31 December 2022).

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)	31/12/2023			31/12/2022			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Banco Desio	2,681	1,352	4,033	2,652	4,033	6,685	29	(2,681)	(2,652)
BCC Carate	2,490	5,040	7,530	2,470	7,530	10,000	20	(2,490)	(2,470)
Banca popolare di Sondrio	2,790	10,863	13,653	5,080	-	5,080	(2,290)	10,863	8,573
Cassa Depositi e Prestiti	7,000	7,000	14,000	7,000	14,000	21,000	-	(7,000)	(7,000)
BPER Banca	12,761	15,277	28,038	7,972	9,044	17,016	4,789	6,233	11,022
Total loan	27,722	39,532	67,254	25,174	34,607	59,781	2,548	4,925	7,473

The following table, on the other hand, shows the book value in principal of the loans obtained, separately for each individual loan, the weighted average rate applied in 2023 was equal to approximately 2.1% (approximately 1.0% in 2022).

(euro/000)	31/12/2023	31/12/2022	Var.
Unsecured loan (agent: BPER Banca) repayable in six-monthly instalments by November 2025	4,013	5,000	(987)
Unsecured loan (agent: BPER Banca) repayable in six-monthly instalments by June 2025	9,025	12,016	(2,991)
Unsecured loan (agent: BPER Banca) repayable in six-monthly instalments by December 2026	15,000	-	15,000
Unsecured loan (agent: BCC Carate) repayable in six-monthly instalments by December 2026	7,530	10,000	(2,470)
Unsecured loan (agent: Banco Desio) repayable in six-monthly instalments by June 2025	4,033	6,685	(2,652)
Unsecured loan (agent: Banca Popolare di Sondrio) repayable in six-monthly instalments by June 2028	13,653	-	13,653
Unsecured loan (agent: Banca Popolare di Sondrio) repayable in quarterly instalments by November 2023	-	5,080	(5,080)
Unsecured loan (agent: Cassa Depositi e Prestiti S.p.A.) repayable in six-monthly instalments by December 2025	14,000	21,000	(7,000)
Total book value	67,254	59,781	7,473

The table above shows the following new loans, shown according to their principal value, all amortising, disbursed during the year:

- 15.0 million euro on 31 May 2023, by Banca Popolare di Sondrio, five-year, at a floating rate;
- 15.0 million euro on 4 December 2023, by BPER Banca, three-year, at a fixed rate.

The unsecured amortising 5-year loan granted by Cassa Depositi e Prestiti S.p.A., expiring in December 2025, for a total of 14.0 million euro in principal as at 31 December 2023, provides for the annual compliance with a given ratio of net financial position to EBITDA at consolidated level, but also half-yearly compliance with a given ratio of consolidated net financial position to consolidated net equity, under penalty of the potential acceleration clause for reimbursements in the event they are not observed.

Such economic-financial covenant structures are typical for transactions of this nature.

In addition to this loan, a back-up line consisting of a short-term, unsecured RCF-Revolving Credit Facility, 'committed' for three years, amounting to 180.0 million euro and not used at the reporting date but partially drawn down at the date of this Annual Report, taken out by the Company on 31 August 2022 with a pool of leading domestic and international banks, is also secured by the following structure of financial covenants, to be verified every six months on the basis of the data of the consolidated and audited financial statements:

- ratio of net financial position to EBITDA;
- ratio of extended net financial position to net equity;
- ratio of EBITDA to net finance costs;
- absolute amount of gross financial position.

As at 31 December 2023, the covenant represented by the ratio between the net financial position and the EBITDA securing the Revolving Credit Facility had not been met and the Company immediately started working with the lending banks for the usual remediations.

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

7.3 CASH FLOW ANALYSIS

(euro/000)	2023	2022
Net financial debt at year-beginning	16,908	(125,977)
Cash flow provided by (used in) operating activities	11,684	(89,337)
Cash flow provided by (used in) investing activities	(20,289)	(18,030)
Cash flow provided by (used in) changes in net equity	(27,796)	(25,562)
Total cash flow	(36,401)	(132,929)
Unpaid interests	(3,144)	(987)
Unpaid leasing interests	(218)	(218)
Right of use asset posting	(7,096)	(7,011)
Deferred price investments	(5,710)	(1,740)
Financial liabilities (no cash) 4Side merger	(1,144)	-
Net financial debt at year-end	70,621	16,908
Short-term financial liabilities	48,006	52,131
Lease liabilities	8,124	7,307
Other current financial receivables	(9,656)	(10,336)
Financial receivables from factoring companies	(249)	(3,207)
Debts for investments in subsidiaries (current)	5,764	2,455
Financial (assets)/liab. From/to Group companies	12,882	(25,922)
Cash and cash equivalents	(113,122)	(121,130)
Net current financial debt	(48,251)	(98,702)
Borrowings	39,480	34,568
Lease liabilities	78,792	80,442
Debts for investments in subsidiaries (non-current)	600	600
Net financial debt at year-beginning	70,621	16,908

As shown in the previous table, as a result of cash flow trends detailed in the *Statement of cash flows*, as at 31 December 2023, Esprinet S.p.A. recorded a negative net financial position equal to 70.6 million euro, compared to a negative 16.9 million euro as at 31 December 2022.

7.4 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 2023 prepared in accordance with IFRS accounting standards:

Direct subsidiaries:

N.	Name	Headquarters	Interest held	Group interest held
1	Bludis S.r.l.	Roma (RM)	100.00%	100.00%
2	Celly Pacific Limited	Hong Kong (China)	100.00%	100.00%
3	Dacom S.p.A.	Milano (MI)	100.00%	100.00%
4	Esprinet Iberica S.L.U.	Saragozza (Spain)	100.00%	100.00%
5	Esprinet Portugal Lda	Porto (Portugal)	5.00%	100.00%
6	idMAINT S.r.l.	Milano (MI)	100.00%	100.00%
7	Sifar Group S.r.l.	Milano (MI)	100.00%	100.00%
8	V-Valley S.r.l.	Vimercate (MB)	100.00%	100.00%
9	Zeliatech S.r.l.	Vimercate (MB)	100.00%	100.00%

N.	Name	Currency	Share capital	Net equity	Result for the period	Carrying amount
1	Bludis S.r.l.	EUR	600,000	4,640,593	1,329,723	8,645,956
2	Celly Pacific Limited	EUR	1,159	304,008	(58,836)	3,491
3	Dacom S.p.A.	EUR	3,600,000	17,102,655	(489,189)	12,820,634
4	Esprinet Iberica S.L.U.	EUR	54,692,844	208,032,055	15,368,496	75,674,549
5	Esprinet Portugal Lda	EUR	2,500,000	1,152,253	(2,234,912)	-
6	idMAINT S.r.l.	EUR	42,000	1,122,590	(395,608)	977,103
7	Sifar Group S.r.l.	EUR	100,000	9,399,115	486,212	16,983,108
8	V-Valley S.r.l.	EUR	20,000	7,369,436	627,408	20,000
9	Zeliatech S.r.l.	EUR	100,000	87,355	(12,645)	100,000

With respect to 31 December 2022, note should be taken of the entry into the scope of consolidation of the company Sifar Group S.r.l. from 2 August 2023 and of Zeliatech S.r.l., established on 6 September 2023, and the exit from the scope of consolidation of the wholly-owned subsidiaries Nilox Deutschland GmbH, liquidated in May 2023, and of 4Side S.r.l., merged by incorporation into Esprinet S.p.A. in November 2023 but with accounting and tax effects backdated to 1 January 2023.

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

7.5 SUMMARY OF SUBSIDIARIES' MAIN FINANCIAL AND ECONOMIC FIGURES

The following tables show key data from the subsidiaries' draft financial statements as at 31 December 2023 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 Pacific LTD	Dacom S.p.A.	idMAINT S.r.l.	Sifar Group S.r.l.	V-Valley S.r.l.	Zeliatech S.r.l.	Bludis S.r.l.	Esprinet Iberica S.L.U.
Sales from contracts with customers	442	72,109	1,352	25,849	192,852	-	17,861	1,219,861
Cost of sales	(315)	(67,443)	(1,646)	(21,046)	(190,849)	(5)	(11,497)	(1,167,796)
Gross profit	127	4,666	(294)	4,803	2,003	(5)	6,364	52,064
Sales and marketing costs	(149)	(2,172)	(164)	(944)	-	-	(2,205)	(10,869)
Overheads and administrative costs	(42)	(2,881)	(275)	(1,950)	(984)	(9)	(1,987)	(27,197)
Impairment loss/reversal of financial assets	-	1	(1)	(11)	(35)	-	17	(421)
Operating result (EBIT)	(64)	(386)	(734)	1,898	984	(14)	2,188	13,578
Finance costs - net	6	(349)	14	54	7	1	86	(684)
Result before income taxes	(59)	(734)	(576)	1,952	991	(14)	2,274	12,893
Income tax expenses	-	189	185	(543)	(287)	3	(666)	(2,153)
Net result	(59)	(546)	(391)	1,409	704	(10)	1,609	10,740

(euro/000)	Celly Pacific LTD	Dacom S.p.A.	idMAINT S.r.l.	Sifar Group S.r.l.	V-Valley S.r.l.	Zeliatech S.r.l.	Bludis S.r.l.	Esprinet Iberica S.L.U.
ASSETS								
Non-current assets								
Property, plant and equipment	-	41	20	135	-	-	171	2,914
Goodwill	-	-	-	-	-	-	-	13,781
Intangible assets	-	7	-	81	-	3	642	56
Investments	-	-	100	-	-	-	-	43,321
Deferred income tax assets	-	239	219	54	10	3	60	3,732
Receivables and other non-current assets	-	38	5	-	-	-	34	500
	-	325	343	270	10	6	907	64,304
Current assets								
Inventory	-	21,746	495	4,044	-	-	-	117,766
Trade receivables	83	6,890	148	1,513	55,117	-	7,398	176,080
Income tax assets	-	838	65	19	5	-	-	-
Other assets	213	712	340	1,487	23,397	9	18	15,634
Cash and cash equivalents	109	6,036	225	5,354	-	96	670	126,700
	405	36,222	1,273	12,417	78,519	105	8,086	436,180
Total assets	405	36,547	1,617	12,687	78,529	111	8,993	500,484
EQUITY								
Share capital	1	3,600	42	100	20	100	600	55,203
Reserves	362	13,928	1,460	7,927	6,782	-	579	106,036
Net income for the period	(59)	(546)	(391)	1,409	704	(10)	1,609	10,740
	304	16,982	1,111	9,436	7,506	90	2,788	171,979
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	304	16,982	1,111	9,436	7,506	90	2,788	171,979
LIABILITIES								
Non-current liabilities								
Borrowings	-	-	-	94	-	-	-	26,117
Deferred income tax liabilities	-	-	-	-	1	-	8	-
Retirement benefit obligations	-	415	203	291	-	-	772	-
Provisions and other liabilities	-	84	-	26	-	-	93	952
	-	499	203	411	1	-	873	27,069
Current liabilities								
Trade payables	55	7,563	128	1,589	62	15	3,691	267,813
Short-term financial liabilities	-	9,530	0	84	338	-	-	18,514
Income tax liabilities	16	-	-	-	-	-	415	170
Derivative financial liabilities	-	-	-	-	-	-	-	16
Provisions and other liabilities	30	1,973	175	1,167	70,622	6	1,226	14,923
	101	19,066	303	2,840	71,022	21	5,332	301,435
Total liabilities	101	19,565	506	3,251	71,023	21	6,205	328,504
Total equity and liabilities	405	36,547	1,617	12,687	78,529	111	8,993	500,484

7.6 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.

7.6.1 INTERCOMPANY COSTS AND SALES

Details of sales and costs recorded by Esprinet S.p.A. in relation to Group companies are as follows:

7.6.2 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 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	2023		2022	
		Sales	Cost	Sales	Cost
Sales					
V-Valley Advanced Solutions España, S.A.	Sales of goods	32	-	1	-
Dacom S.p.A.	Sales of goods	282	-	651	-
Sifar Group S.r.l.	Sales of goods	2	-	-	-
Esprinet Iberica S.L.U.	Sales of goods	20,760	-	27,551	-
Esprinet Portugal Lda	Sales of goods	3.780	-	3.426	-
Subtotal		24,856	-	31,629	-
Cost of sales					
4Side S.r.l.	Purchase of goods	-	-	-	157
4Side S.r.l.	Transport costs	-	-	-	(3)
Dacom S.p.A.	Purchase of goods	-	972	-	178
Dacom S.p.A.	Transport costs	-	(25)	-	(25)
V-Valley Advanced Solutions España, S.A.	Purchase of goods	-	1.480	-	929
Esprinet Portugal Lda	Purchase of goods	-	40	-	36
Esprinet Iberica S.L.U.	Transport costs	-	40	-	48
Esprinet Iberica S.L.U.	Purchase of goods	-	1,419	-	2,227
Subtotal		-	3,926	-	3,548

(euro/000)	Type	2023		2022	
		Sales	Cost	Sales	Cost
Sales and marketing costs					
V-Valley S.r.l.	Fees on sales	-	2,850	-	2,601
Subtotal		-	2,850	-	2,601
Overheads and administrative costs					
Dacom S.p.A.	Hardware and software support costs	-	(315)	-	(91)
Dacom S.p.A.	Administrative services	-	(620)	-	(470)
4Side S.r.l.	Administrative services	-	-	-	(15)
4Side S.r.l.	Hardware and software support costs	-	-	-	(2)
V-Valley S.r.l.	Hardware and software support costs	-	(117)	-	(104)
V-Valley S.r.l.	Administrative services	-	(123)	-	(98)
idMAINT S.r.l.	Administrative services	-	(7)	-	(34)
idMAINT S.r.l.	Hardware and software support costs	-	(6)	-	(4)
Esprinet Iberica S.L.U.	Hardware and software support costs	-	(1,498)	-	(1,808)
Esprinet Iberica S.L.U.	Administrative services	-	(119)	-	(117)
Bludis S.r.l.	Hardware and software support costs	-	(12)	-	-
Bludis S.r.l.	Administrative services	-	(10)	-	-
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	Administrative services	-	(3)	-	(2)
V-Valley Advanced Solutions Portugal, Unipessoal, Lda	Hardware and software support costs	-	(43)	-	(25)
GTI Software & Networking SARLAU	Administrative services	-	(1)	-	(1)
GTI Software & Networking SARLAU	Hardware and software support costs	-	(8)	-	(2)
Esprinet Portugal Lda	Hardware and software support costs	-	(91)	-	(80)
Esprinet Portugal Lda	Administrative services	-	(22)	-	(21)
V-Valley Advanced Solutions España, S.A.	Administrative services	-	(38)	-	(30)
V-Valley Advanced Solutions España, S.A.	Hardware and software support costs	-	(342)	-	(315)
Subtotal		-	(3,375)	-	(3,220)
Finance costs - net					
Dacom S.p.A.	Interests income	332	-	16	-
4Side S.r.l.	Interests income	-	-	4	-
Esprinet Portugal Lda	Interests income	28	-	3	-
Bludis S.r.l.	Interests income	3	-	-	-
Celly Pacific Ltd	Interests expenses	-	1	-	-
V-Valley S.r.l.	Interests expenses	-	12	-	11
V-Valley Advanced Solutions España, S.A.	Interests income	86	-	17	-
Esprinet Iberica S.L.U.	Interests income	66	-	55	-
Subtotal		515	13	95	11
Total		25,371	3,414	31,724	2,940

Esprinet S.p.A. manages and co-ordinates its subsidiaries resident in Italy.

These activities consist 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.

In particular, Group co-ordination 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 – Italian Subgroup

In 2022, V-Valley S.r.l. opted again for the ‘National consolidated tax regime’ for the 2022-2024 three-year period.

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.

Bludis S.r.l.

During the year, Bludis S.r.l. paid the parent company 22 thousand euro mainly for the chargeback of personnel costs and EDP consultancy and 3 thousand euro for interest income.

Dacom S.p.A.

During the year Dacom S.p.A. purchased goods from the parent company totalling 0.3 million euro and, conversely, sold products to Esprinet S.p.A. totalling 1.0 million euro.

Dacom S.p.A. also paid approximately 1.0 million euro mainly for the chargeback of personnel costs, EDP consultancy, use of data lines and interest income on the existing loan for 0.3 million euro.

idMAINT S.r.l.

During the year, idMAINT S.r.l. paid the parent company 13 thousand euro mainly for the chargeback of personnel costs.

Sifar Group S.r.l.

During the year Sifar Group S.r.l. purchased goods from the parent company for 2 million euro.

V-Valley S.r.l.

As a result of the commission agreement signed on 20 October 2010, in 2022, V-Valley entered into purchase agreements in its own name, but on behalf of the client Esprinet S.p.A., the total amount of which was 190.0 million euro (173.5 million euro in 2022), against which commission on sales accrued for 2.9 million euro (2.6 million euro in 2022).

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 2023 for the rental of equipment, chargeback of overheads, 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 2013, Esprinet S.p.A. resolved in favour of V-Valley, a letter of credit (granted to IFI Italia S.p.A. and still in place in 2023), for 18 million euro, through which Esprinet acts as guarantor in favour of the company's use of the same.

Esprinet Iberica S.L.U.

During the year Esprinet Iberica purchased goods from the parent company totalling 20.8 million euro and, conversely, sold products to Esprinet S.p.A. totalling 1.5 million euro.

Esprinet Iberica also paid approximately 1.6 million euro to it according to a service agreement to lease equipment, for the use of data lines and administrative services, and 66 thousand euro for interest income.

Esprinet Portugal Lda

In 2023, Esprinet Portugal purchased goods from the parent company for 3.8 million euro and, conversely, sold products to Esprinet S.p.A. totalling 40 thousand euro.

Esprinet Portugal also paid 113 thousand euro primarily for the chargeback of EDP consultancy, sundry administrative services and 28 thousand euro for interest income.

GTI Software & Networking SARLAU

During the year, GTI Software & Networking SARLAU paid the parent company 9 thousand euro for the chargeback of EDP consultancy.

V-Valley Advanced Solutions España, S.A.

In 2023, V-Valley Advanced Solutions España, S.A. purchased goods from the parent company totalling 32 thousand euro and, conversely, sold products to Esprinet S.p.A. totalling 1.5 million euro.

V-Valley Advanced Solutions España, SA also paid 0.4 million euro mainly for the chargeback of EDP consultancy and sundry administrative services and 86 thousand euro for interest income.

V-Valley Advanced Solutions Portugal, Unipessoal, Lda

During the year V-Valley Advanced Solutions Portugal, Unipessoal, Lda paid 46 thousand euro to the parent company, mainly for the chargeback of EDP consultancy and sundry administrative services.

7.6.3 RELATIONSHIPS WITH OTHER RELATED PARTIES

Relationships with other related parties, as defined by IAS 24, are described in paragraph 3. '*Relationships with related parties*' in the Directors' Report on Operations, to which reference is made for more details.

7.7 NON-RECURRING SIGNIFICANT EVENTS AND OPERATIONS

In 2023, the following non-recurring items were identified:

- 0.2 million euro relating to the costs of reorganising the Company's management structure;
- 33.3 million euro (24.5 million euro for tax, 1.9 million euro in penalties and 6.9 million euro in interest expense) relating to costs incurred by the Company following the signature during the year of the agreements with the Italian Revenue Agency aimed at settling out-of-court disputes regarding VAT for the tax periods from 2013 to 2017;
- 2.6 million euro relating to a provision on a trade receivable position.

In 2022, the following non-recurring operations and events were identified:

- 2.8 million euro relating to costs incurred in relation to the process targeted at the launch of the voluntary Public Tender Offer for all of the ordinary shares of the Italian company Cellularline S.p.A..

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

(euro/000)	Non- Recurring Charge Type	2023	2022
Overheads and administrative costs	Business combination	-	(2,754)
Overheads and administrative costs	Employee termination incentives	(212)	-
Overheads and administrative costs	Administrative penalties	(1,840)	-
Impairment loss/reversal of financial assets	VAT not claimable for refund	(20,234)	-
Impairment loss/reversal of financial assets	VAT claimed for refund bad debt accrual	(4,297)	-
Impairment loss/reversal of financial assets	Trade receivables bad debt accrual	(2,641)	-
Total SG&A	Total SG&A	(29,224)	(2,754)
Operating result (EBIT)	Operating result (EBIT)	(29,224)	(2,754)
Finance costs - net	Interest payable to tax authorities	(6,946)	-
Result before income taxes	Result before income taxes	(36,170)	(2,754)
Income tax expenses	Non- recurring events impact	685	768
Net result	Net result	(35,485)	(1,986)

7.8 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 'Directors' Report on Operations' also contains the Group's policies regarding the management of legal and tax-related disputes under 'Main risks and uncertainties'.

7.9 DISCLOSURE ON RISKS AND FINANCIAL INSTRUMENTS

7.9.1 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 statement of equity and financial position items'.

Assets (euro/000)	31/12/2023				31/12/2022			
	Carrying amount	Financial assets FVTPL ⁽¹⁾	Financial assets amortized cost	Out of scope IFRS 9	Carrying amount	Financial assets FVTPL ⁽¹⁾	Financial assets amortized cost	Out of scope IFRS 9
Guarantee deposits	1,755		1,755		1,773		1,773	
Rec.and other non-curr. Assets	1,755	-	1,755	-	1,773	-	1,773	-
Non-current assets	1,755	-	1,755	-	1,773	-	1,773	-
Trade receivables	330,419	70,700	259,719		348,798	80,749	268,049	
Receivables from subsidiaries	83,890		83,890		117,493		117,493	
Receivables from factors	249		249		3,207		3,207	
Customer financial receivables	9,656		9,656		10,336		10,336	
Other tax receivable	47,598			47,598	35,729			35,729
Receivables from suppliers	8,756		8,756		786		786	
Receivables from insurances	679		679		424		424	
Receivables from employees	-		-		2		2	
Receivables from others	73		73		72		72	
Pre-payments	5,321			5,321	4,937			4,937
Rec.and other curr. Assets	156,222	-	103,303	52,919	172,986	-	132,320	40,666
Cash and cash equivalents	113,122		113,122		121,130		121,130	
Current assets	599,763	70,700	476,144	52,919	642,914	80,749	521,499	40,666

Liabilities (euro/000)	31/12/2023				31/12/2022			
	Carrying amount	Financial liabilities FVTPL ⁽¹⁾	Financial liabilities Amortized cost	Out of scope IFRS 9	Carrying amount	Financial liabilities FVTPL ⁽¹⁾	Financial liabilities Amortized cost	Out of scope IFRS 9
Borrowings	39,480		39,480		34,568		34,568	
Lease liabilities	78,792		78,792		80,442		80,442	
Debts for investments in subsidiaries	600		600		600		600	
<i>Provisions of pensions</i>	<i>1,708</i>			<i>1,708</i>	<i>1,796</i>			<i>1,796</i>
<i>Other provisions</i>	<i>344</i>			<i>344</i>	<i>1,127</i>			<i>1,127</i>
<i>Long term tax payable in instalments</i>	<i>20,809</i>			<i>20,809</i>	-			-
<i>Cash incentive liabilities</i>	<i>57</i>		<i>57</i>		<i>118</i>		<i>118</i>	
Provis. and other non-curr. Liab	22,918	-	57	22,861	3,041	-	118	2,923
Non-current liabilities	141,790	-	118,929	22,861	118,651	-	115,728	2,923
Trade payables	729,949		729,949		733,125		733,125	
Short-term financial liabilities	69,388		69,388		74,709		74,709	
Lease liabilities	8,124		8,124		7,307		7,307	
Debts for investments in subsidiaries	5,764		5,764		2,455		2,455	
<i>Payables to assoc. and subsidiaries</i>	<i>1,245</i>		<i>1,245</i>		<i>599</i>		<i>599</i>	
<i>Social security liabilities</i>	<i>3,840</i>		<i>3,840</i>		<i>3,820</i>		<i>3,820</i>	
<i>Other tax liabilities</i>	<i>7,906</i>			<i>7,906</i>	<i>14,286</i>			<i>14,286</i>
<i>Payables to others</i>	<i>9,424</i>		<i>9,424</i>		<i>11,411</i>		<i>11,411</i>	
<i>Accrued expenses (insurance)</i>	<i>253</i>		<i>253</i>		<i>227</i>		<i>227</i>	
<i>Deferred income</i>	<i>58</i>			<i>58</i>	<i>26</i>			<i>26</i>
Provisions and other liabilities	22,726	-	14,762	7,964	30,369	-	16,057	14,312
Current liabilities	835,951	-	827,987	7,964	847,965	-	833,653	14,312

⁽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;
 - payables from suppliers;
 - 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).

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 (euro/000)	31/12/2023						31/12/2022					
	Carrying amount	Trade receiv.	Fair value				Carrying amount	Trade receiv.	Fair value			
			Financial receiv.	Receiv. from insurance	Receiv. from Group	Other Receiv.			Financial receiv.	Receiv. from insurance	Receiv. from Group	Other Receiv.
Guarantee deposits	1,755					1,755	1,773					1,378
Rec.and other non-curr. Assets	1,755	-	-	-	-	1,755	1,773	-	-	-	-	1,378
Non - current assets	1,755	-	-	-	-	1,755	1,773	-	-	-	-	1,378
Trade receivables	330,419	330,419					348,798	348,798				
Receivables from subsid	83,890					83,890	117,493					117,493
Receiv. from factors	249		249				3,207	3,207				
Customer financial	9,656		9,656				10,336	10,336				
Receiv. from suppliers	8,756					8,756	786					786
Receiv. from insurances	679			679			424		424			
Receiv. from employees	-						2					2
Receiv. from others	73					73	72					72
Rec.and other curr. Assets	103,303	-	9,905	679	83,890	8,829	132,320	-	13,543	424	117,493	860
Cash and cash equivalents	113,122		113,122				121,130	121,130				
Current assets	546,844	330,419	123,027	679	83,890	8,829	602,248	348,798	134,673	424	117,493	860

Liabilities (euro/000)	31/12/2023						31/12/2022					
	Carrying amount	Trade payables	Fair value				Carrying amount	Trade payables	Fair value			
			Financial payables	FVTPL derivate	Other payables	Payab. to Group			Financial payables	FVTPL derivate	Other payables	Payab. to Group
Borrowings	39,480		35,086				34,568	29,457				
Debts for investments in subsidiaries	600		605				600	608				
Cash incentive liabilities	57					57	118					118
Provis. and other non-curr. Liab.	57	-	-	-	57	-	118	-	-	-	118	-
Non-current liabilities	40,137	-	35,691	-	57	-	35,286	-	30,065	-	118	-
Trade payables	729,949	729,949					733,125	733,125				
Short-term financial liabilities	69,388		69,220				74,709	74,246				
Debts for investments in subsidiaries	5,764		5,671				2,455	2,455				
Payables to assoc. and subsidiar	1,245					1,245	599					599
Social security liabilities	3,840					3,840	3,820					3,820
Payables to others	9,424					9,424	11,411					11,411
Accrued expenses (insurance)	253					253	227					227
Provisions and other liabilities	14,762	-	-	-	13,517	1,245	16,057	-	-	-	15,458	599
Current liabilities	819,863	729,949	74,891	-	13,517	1,245	826,346	733,125	76,701	-	15,458	599

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 listed 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.

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.

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 debts 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' Curves as at 31 December, as published by financial providers, the second 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) Finance costs - net'.

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 amounted to a total of -27.3 million euro (-0.1 million euro in 2022), of which -27.2 million euro of a non-recurring nature, broken down as follows: -20.2 million euro for VAT defined in the year with the Italian Revenue Agency but "non-refund" vis-à-vis customers whose behaviour gave rise to the defined disputes, -4.3 million euro for VAT defined during the year with the Italian Revenue Agency and "recoverable" from customers but of estimated non-recoverability, and -2.6 million euro for the estimated non-recoverability of a specific commercial trade receivable.

7.9.2 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 highlighted in the section '*Trade and other receivables*', in case of impairment by credit losses, the value of receivables is adjusted. This transaction is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the financial assets written down.

The following table illustrates the change in the bad debt provision relating to trade receivables.

(euro/000)	Starting provision	Additions	Uses	Merger changes	Final provision
2023 Financial year	2,208	3,409	(1,165)	431	4,883
2022 Financial year	2,427	790	(1,009)	-	2,208

Esprinet S.p.A. usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.

The year 2023 saw also the continuation of the trade receivables securitisation programme structured by UniCredit Bank AG, launched in July 2015 and renewed uninterruptedly every three years, with the latest renewal in July 2021, 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 factoring of receivables with recourse and advances of trade bills, the Group continues to recognise all of these assets, the carrying amount of which continues to be posted in the financial statements, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.

As at 31 December 2023, the receivables transferred with recourse against which portfolio advances were obtained subject to collection amounted to 4 thousand euro (0.3 million euro at 31 December 2022); on the other hand, advances of trade bills amounted to 3.2 million euro (2.3 million euro as at 31 December 2022).

The financial assets' gross book value 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)	31/12/2023	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	335,302	77,558	101,639	156,105
Bad debt provision	(4,883)	(4,883)	-	-
Net trade receivables	330,419	72,675	101,639	156,105

(euro/000)	31/12/2022	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	351,006	82,637	83,403	184,966
Bad debt provision	(2,208)	(2,208)	-	-
Net trade receivables	348,798	80,429	83,403	184,966

(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 31/12/2023	101,639	12,900	4,745	6,724	77,270
Receiv. past due not impaired at 31/12/2022	83,403	2,666	(135)	5,818	75,054

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, Esprinet S.p.A. does not believe that 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 Esprinet S.p.A. to limit its credit risk (the percentages refer to trade receivables as at 31 December 2023):

- traditional credit insurance (covering 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. 60% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 7% 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 property mortgages) for approx. 1% of receivables.

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

Given that, except for the adjustment of the value of receivables arisen following unsuccessful attempt to claim a VAT refund by the Company with regard to some customers whose behaviour gave rise to the disputed positions by the Revenue Agency for the 2013-2017 tax periods, no other financial assets regulated by IFRS 7 and IFRS 13 have been impaired in the current or previous financial 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	Merger changes	Final provision
2023 Financial year	-	4,297	-	-	4,297
2022 Financial year	-	-	-	-	-

(euro/000)	31/12/2023				31/12/2022			
	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
Guarantee deposits	1,755			1,755	1,773			1,773
Rec.and other non-curr. Assets	1,755	-	-	1,755	1,773	-	-	1,773
Non-current assets	1,755	-	-	1,755	1,773	-	-	1,773
Receivables from subsidiar	83,890		(397)	84,287	117,493		1,145	116,348
Receivables from factors	249			249	3,207			3,207
Customer financial receivables	9,656			9,656	10,336			10,336
Receivables from suppliers	8,756		3,862	4,894	786		683	104
Receivables from insurances	679		679		424		424	
Receivables from employees	-			-	2			2
Receivables from others	4,370	4,297	73		72		72	
Rec.and other curr. Assets	107,600	4,297	4,217	99,086	132,320	-	2,324	129,997
Cash and cash equivalents	113,122		113,122		121,130		121,130	
Gross Current assets	220,722	4,297	117,339	99,086	253,450	-	123,454	129,997
Bad debts provision	(4,297)	(4,297)			-	-		
Net Current assets	216,425	-	117,339	99,086	253,450	-	123,454	129,997

(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	(397)	84	-	(76)	(405)
Receivables from insurance companies	679	339	72	98	170
Receivables from suppliers	3,862	362	34	2,382	1,084
Receivables from others	73	73	-	-	-
Receiv. past due not impaired at 31/12/2023	4,217	858	106	2,404	849
Receivables from subsidiaries	1,145	876	-	(112)	381
Receivables from insurance companies	424	291	-	44	88
Receivables from suppliers	683	177	9	40	457
Receivables from others	73	73	-	-	-
Receiv. past due not impaired at 31/12/2022	2,324	1,417	9	(28)	927

Receivables from factoring companies relate wholly to 'without-recourse' factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.

The past due quota relates to sums due at the ending date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Company.

It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

7.9.3 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 31/12/2023	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	39,480	42,407	694	624	24,771	16,318	-
Lease liabilities	78,792	91,054	-	-	10,205	28,341	52,508
Debts for investments in subsidiaries	600	600	-	-	-	600	-
Cash incentive liabilities	57	57	-	-	57	-	-
Provis. and other non-curr. Liab.	57	57	-	-	57	-	-
Non-current liabilities	118,929	134,118	694	624	35,033	45,259	52,508
Trade payables	729,949	734,152	730,508	559	1,047	2,038	-
Short-term financial liabilities	69,388	69,746	55,655	14,091	-	-	-
Lease liabilities	8,124	10,680	5,379	5,301	-	-	-
Debts for investments in subsidiaries	5,764	5,764	5,764	-	-	-	-
Payables to assoc. and subsidiaries	1,245	1,245	1,245	-	-	-	-
Social security liabilities	3,840	3,840	3,840	-	-	-	-
Payables to others	9,424	9,424	9,424	-	-	-	-
Accrued expenses (insurance)	253	253	253	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-
Provisions and other liabilities	14,762	14,762	14,762	-	-	-	-
Current liabilities	827,987	835,104	812,068	19,951	1,047	2,038	-

(euro/000)	Carrying amount 31/12/2022	Future cash flow	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	34,568	35,763	244	269	20,686	14,564	-
Lease liabilities	80,442	94,259	-	-	9,661	26,538	58,060
Debts for investments in subsidiaries	600	600	-	-	-	600	-
Cash incentive liabilities	118	118	-	-	118	-	-
Provis. and other non-curr. Liab.	118	118	-	-	118	-	-
Non-current liabilities	115,728	130,740	244	269	30,465	41,702	58,060
Trade payables	733,125	738,256	733,679	554	1,088	2,935	-
Short-term financial liabilities	74,709	74,992	62,285	12,707	-	-	-
Lease liabilities	7,307	9,896	5,014	4,882	-	-	-
Debts for investments in subsidiaries	2,455	2,455	2,340	115	-	-	-
Payables to assoc. and subsidiaries	599	599	599	-	-	-	-
Social security liabilities	3,820	3,820	3,820	-	-	-	-
Payables to others	11,411	11,411	11,411	-	-	-	-
Accrued expenses (insurance)	227	227	227	-	-	-	-
Accrued expenses	26	26	26	-	-	-	-
Provisions and other liabilities	16,083	16,083	16,083	-	-	-	-
Current liabilities	833,679	841,682	819,401	18,258	1,088	2,935	-

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 medium-long term loan contract, as well as a short-term Revolving Credit Facility, 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 these financing instruments and related covenants can be found in the following paragraph '*Net financial indebtedness and loans covenants*'.

As at 31 December 2023, one of the economic and financial covenants to which the Revolving Credit Facility is subject was not met but, as the line was not used at that date, no consequences were reflected in the timing of the cash flows represented in the previous tables.

With the exception of what has been reported above and of the non-compliance as at 31 December for the years 2018, 2017 and 2016, again without producing any consequences, with part of the financial ratios provided for in the loan agreements in place on those dates, the Company has never been in a non-compliant 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.

7.9.4 HEDGING DERIVATIVES ANALYSIS

Introduction

Esprinet S.p.A. signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.

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 requirements 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.

7.9.5 SENSITIVITY ANALYSES

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

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

For this purpose, having considered the 2023 market interest rate trend and the estimates on rates in the immediate future, a forward shift 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)	31/12/2023		31/12/2022	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Financial receivables	171	171	121	121
Cash and cash equivalents	336	336	330	330
Debts for investments in subsidiaries	17	17	18	18
Financial liabilities	(1,527)	(1,527)	(806)	(806)
Total	(1,003)	(1,003)	(337)	(337)

Scenario 2: -100 basis points

(euro/000)	31/12/2023		31/12/2022	
	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Financial receivables	(171)	(171)	(64)	(64)
Cash and cash equivalents	(336)	(336)	(35)	(35)
Debts for investments in subsidiaries	(17)	(17)	(5)	(5)
Financial liabilities	1,354	1,354	495	495
Total	830	830	391	391

7.10 SUBSEQUENT EVENTS

‘Subsequent events’ are described in the special section of the Directors’ Report on Operations, to which reference should be made for details.

7.11 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 service	Entity	Fees (euro/000)	
			2023	2022
Auditing services	PwC S.p.A.	Esprinet S.p.A.	410.8	327.2
Other services	PwC S.p.A.	Esprinet S.p.A.	8.7	12.0
	PwC network	Esprinet S.p.A.	14.0	22.0
Total			433.5	361.2

8. PUBLICATION OF THE DRAFT FINANCIAL STATEMENTS

The draft financial statements and their publication were approved by the Esprinet Board of Directors during the meeting of 12 March 2024, 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, 12 March 2024

On behalf of the Board of Directors

The Chairman

Maurizio Rota

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Stefano Mattioli, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the Company; and
- the effective application

of the administrative and accounting procedures used in drawing up the consolidated financial statements for 2023.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements as at 31 December 2023 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, a generally internationally-accepted reference framework.

In this regard, no significant aspects emerged.

3. We further declare that:

3.1 the consolidated financial statements as at 31 December 2023:

- a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- b) correspond to the amounts shown in the Company's accounts, books and records;
- c) provide a fair and correct representation of the equity, economic and financial situation and cash flows of the Company and its consolidated subsidiaries.

3.2 The Directors' Report on Operations includes a reliable analysis of the performance and results of operations as well as of the situation of the issuer and of the group of companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Vimercate, 12 March 2024

*Chief Executive Officer
of Esprinet S.p.A.*

(Alessandro Cattani)

*Executive charged with drawing up
the company accounting documents
of Esprinet S.p.A.*

(Stefano Mattioli)

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Stefano Mattioli, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the Company; and
- the effective application

of the administrative and accounting procedures used in drawing up the financial statements for 2023.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the financial statements as at 31 December 2023 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, a generally internationally-accepted reference framework.

In this regard, no significant aspects emerged.

3. We further declare that:

3.1 Financial Statements as at 31 December 2023:

- a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
- b) correspond to the amounts shown in the Company's accounts, books and records;
- c) provide a true and fair view of the equity, financial and economic situation and cash flows of the issuer.

3.2 The Directors' Report on Operations includes a reliable analysis of the performance and operating result as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Vimercate, 12 March 2024

*Chief Executive Officer
of Esprinet S.p.A.*

(Alessandro Cattani)

*Executive charged with drawing up
the company accounting documents
of Esprinet S.p.A.*

(Stefano Mattioli)

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