Exclusive Networks SA
A French *société anonyme* with a share capital of €7,317,129.44
Registered office: 20 quai du Point du Jour, 92100 Boulogne-Billancourt

839 082 450 Nanterre Trade and Companies Register

REGISTRATION DOCUMENT

The registration document was approved on 3 September 2021 by the *Autorité des marchés financiers* (the "**AMF**"), as competent authority under Regulation (EU) 2017/1129.

The AMF approves this registration document after having verified that the information it contains is complete, coherent and comprehensible. The registration document has the following approval number: I.21-044.

This approval should not be considered as a favorable opinion of the AMF on the issuer that is the subject of the registration document.

The registration document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where applicable, a summary and its supplement(s). The entirety then formed is approved by the AMF in accordance with Regulation (EU) No 2017/1129. It is valid until 3 September 2022 and, during this period and at the latest at the same time as the securities note and under the conditions of Articles 10 and 23 of Regulation (EU) 2017/1129, will have to be supplemented by a supplement in case of significant new facts or substantial errors or inaccuracies.

Copies of this Registration Document may be obtained free of charge at the Exclusive Networks SA's registered office at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, as well as on the websites of Exclusive Networks SA (www.exclusive-networks.com) and of the AMF (www.amf-france.org).

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GENERAL COMMENTS

*Exclusive Networks SA (formerly Everest HoldCo SAS), a French société anonyme, with a share capital of €7,317,129.44, having its registered office at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, and registered under the identification number 839 082 450 (Nanterre Trade and Companies Register) is referred to as the "**Company**" in this registration document (the "**Registration Document**"). The Company was formerly a French société par actions simplifiée. A general meeting of the Company's shareholders held on 1 September 2021 approved the conversion of the Company into a French société anonyme.*

*The term "**Group**" used herein, unless otherwise stated, refers to (i) the Company, its consolidated subsidiaries, branches and its direct and indirect equity interests, collectively, or (ii) prior to the date of incorporation of the Company, Exclusive France Holding SAS, its consolidated subsidiaries, branches and its direct and indirect equity interests, collectively.*

*This Registration Document describes the Group as it will exist after the completion of the reorganization described in Section 6.1.2 "Description of the Reorganization", which will take effect on the date of approval by the AMF of the prospectus for the initial public offering of the Company's shares (the "**IPO**") on the regulated market of Euronext in Paris ("**Euronext Paris**"), and after the entry into force, on the date of settlement and delivery of the shares offered in the proposed IPO on Euronext Paris, of the amendments to the Company's Bylaws.*

Forward-looking Statements

This Registration Document contains "forward-looking statements" regarding the prospects and growth strategies of the Group. Forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of the future tense, the conditional tense and forward-looking terms, such as "may", "will", "consider", "assume", "plan", "anticipate", "envisage", "think", "have the objective", "expect", "intend", "should", "could", "aim", "estimate", "believe", "wish" and "might" or, as applicable, the negative form thereof, other variations thereon or comparable expressions or formulations. Forward-looking statements are not historical data and must not be interpreted as guarantee of future performance nor guarantees that the facts and data set forth will occur. The Group's actual financial condition, results of operations and cash flows and the developments in the industry where the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this Registration Document. The forward-looking statements contained in this Registration Document are based on data, assumptions and estimates that the Group considers reasonable. Such information may change or be modified because of uncertainties related in particular to the economic, financial, competitive or regulatory environment. Moreover, the occurrence of certain risks described in Chapter 3 "Risk Factors" of this Registration Document could have an impact on the activities, financial position and the results of the Group and its ability to achieve its objectives. The Group operates in a competitive and rapidly changing environment. New risks, uncertainties and other factors may emerge that may cause actual results to differ materially from those contained in any forward-looking information.

This information is given only as of the date of the Registration Document. The Group expressly disclaims any obligation to update any forward-looking statements or the assumptions on which they are based, except as required by applicable law or regulation. In the context of the preparation of the securities note and in the context of the admission of the shares to trading on Euronext Paris, the Group will communicate to the market any update of the information that could have a significant impact on its activities, results, financial situation or outlook, in accordance with applicable regulations, and will comply with the ongoing disclosure requirements applicable to any company whose shares are admitted to trading on Euronext Paris.

IFRS, French GAAP and Non-IFRS Financial Measures

*This Registration Document includes (i) the Group's interim condensed consolidated financial statements presented in accordance with international financial reporting standards as adopted by the European Union ("**IFRS**") as of and for the six-month period ended 30 June 2021, including the six-month period ended 30 June 2020, as comparative (the "**Interim Condensed Consolidated Financial Statements**"), (ii) the Group's consolidated financial statements prepared in accordance with IFRS as of and for the year ended 31 December 2020 (including the year ended 31 December 2019 as comparative) (the "**2020 Consolidated Financial Statements**"), (iii) the Group's consolidated financial statements prepared in accordance with French generally accepted accounting principles ("**French GAAP**") as of and for the year ended 31 December 2019 (with a comparative 7-month period ended 31 December 2018) (the "**2019 Consolidated French GAAP Financial Statements**") and (iv) the consolidated financial statements prepared in accordance with French GAAP as of and for the year ended 31 December 2018 (the "**2018 EFH Consolidated French GAAP Financial Statements**" and together with the Interim Condensed Consolidated Financial Statements, the 2020 Consolidated Financial Statements, and the 2019 Consolidated French GAAP Financial Statements, the "**Financial Statements**"). Unless otherwise stated herein, financial information as of and for the year ended 31 December 2019 is as reported in the 2020 Consolidated Financial Statements. All financial information as of and for the year ended 31 December 2018 is as reported in the 2018 EFH Consolidated French GAAP Financial Statements.*

*The Group transitioned to IFRS as of 1 January 2019 and consequently, the Group's 2020 and 2019 financial information presented in accordance with IFRS is not fully comparable to either the Group's 2019 financial information presented in accordance with French GAAP or the financial information of Exclusive France Holding SAS ("**EFH**") presented in accordance with French GAAP. See Section 7.3.2 "Acquisition of Exclusive France Holding SAS and its subsidiaries". In accordance with IFRS 1, the consolidated financial statements for the year ended 31 December 2020 (including the year ended 2019 as comparative) have been prepared in accordance with the IFRS standards in effect at 31 December 2020, which are applied to all periods presented from the date of transition to IFRS, i.e., 1 January 2019.*

*This Registration Document also includes certain unaudited measures of the Group's performance that are not required by, or presented in accordance with IFRS, including (as defined in Section 7.5 "Key performance indicators"): Adjusted EBITA, Adjusted EBITA as a percentage of Net Margin, Adjusted EBITDA, Adjusted Net Income, Cash Conversion, Capex, Gross Sales, Net Debt and Operating Free Cash Flow before Tax ("**Operating FCF before Tax**"). The Group presents these measures because it believes them to be important supplemental measures of performance and cash flow that are commonly used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry and that such measures can prove helpful in enhancing the visibility of underlying trends in the Group's operating performance. However, these measures have limitations as analytical tools and they should not be treated as substitute measures for those stated under IFRS and they may not be comparable to similarly titled measures used by other companies. Please see Chapter 7 "Analysis of the Group's Financial Position and Results" and Chapter 8 "Liquidity and Capital Resources" of this Registration Document for a discussion of these financial measures and certain reconciliations to comparable IFRS measures.*

Risk Factors

Investors are invited to carefully consider the risk factors described in Chapter 3 "Risk Factors". The occurrence of all or any of these risks, separately or in combination, could have an adverse impact on the activities, financial position or the results of the Group. Moreover, other risks not yet identified or not considered material by the Group, could have the same adverse impact.

Information on the Market and Competitive Environment

Certain market data and certain industry forecast data relating to the industry in which the Group operates contained in this Registration Document were obtained from market research, publicly available information and industry publications and organizations, including, among others, third-party reports, research and studies (see Section 1.3 "Third-party information, experts' reports and declarations of interest"). In addition, certain statements about the Group's industry, its market position within the industry or estimates of future growth are based on internal estimates developed by the Group based on data included in reports published or provided by the above-mentioned sources, as well as its own experience and investigation of market conditions, and other information available to the Group. Such market data and industry forecast data included in this Registration Document are also based on a number of assumptions by the Group that it believes to be reasonable, but that may prove to be untrue.

While the Group believes the market research referred to in this Registration Document, is reliable and has been accurately extracted by the Group for the purposes of this Registration Document, such market research has not been independently verified, and consequently the Group is unable to guarantee its accuracy or completeness.

Rounding

Certain figures contained in this Registration Document, including financial data expressed in thousands or millions, as well as certain percentages, have been subject to rounding adjustments. Accordingly, in certain instances, the totals of such data presented in this Registration Document may differ slightly from the totals that would have been obtained by adding the exact values (not rounded) of these data.

Websites and Hyperlinks

The content of the website of the Company or any member of the Group, or of any site accessible by hyperlink included on any such websites, does not form a part of this Registration Document.

Glossary

A glossary providing the definitions of the main technical and financial terms used herein appears at the end of this Registration Document.

1. PERSONS RESPONSIBLE, THIRD PARTY INFORMATION AND EXPERTS' REPORTS

1.1 Name and position of the person responsible for the Registration Document

Mr. Jesper Trolle, Chief Executive Officer of the Company.

1.2 Declaration by the person responsible for the Registration Document

"*I certify that the information contained in this Registration Document is, to my knowledge, consistent with the facts and that it makes no omission likely to affect its import.*"

Paris, 3 September 2021

Mr. Jesper Trolle
Chief Executive Officer

1.3 Third-party information, experts' reports and declarations of interest

This Registration Document contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including market studies commissioned by the Company from Bain & Company, Inc. (the "**Company Market Study**") and information otherwise obtained from International Data Corporation (IDC), AV-Test, Crunchbase, Cybersecurity Ventures, Hampleton, Momentum Cybersecurity Group and PitchBook (together with the Company Market Study, the "**Market Reports**"). Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain, no facts have been omitted which would render the reproduced information provided inaccurate or misleading.

With respect to statements based on the Company's analysis or calculations of such information, the Company cannot guarantee that another party using different methods to analyze or calculate the data on these markets would obtain the same results.

1.4 Contact person for the financial information

Mr. Pierre Boccon-Liaudet, Chief Financial Officer of the Company.

2. STATUTORY AUDITORS

2.1 Principal statutory auditors

DELOITTE & ASSOCIÉS
6 place de la Pyramide, 92908 Paris la Défense Cedex

Represented by M. Jean-Marie Le Guiner.

Member of the *Compagnie régionale des Commissaires aux comptes de Versailles et du Centre* (the Regional Association of Auditors of Versailles and Centre).

DELOITTE & ASSOCIÉS was appointed by decision of the general shareholders' meeting of the Company on 4 June 2019 for a term of five years to end at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2023.

MAZARS
Tour Exaltis - 61, rue Henri-Regnault, 92075 Paris la Défense Cedex

Represented by M. Marc Biasibetti.

Member of the *Compagnie régionale des Commissaires aux comptes de Versailles et du Centre* (the Regional Association of Auditors of Versailles and Centre).

MAZARS was appointed by decision of the general shareholders' meeting of the Company on 19 April 2021 for a term ending at the general shareholders' meeting to be convened to approve the financial statements for the year ending 31 December 2026.

2.2 Statutory auditors that have resigned

S&W Associés, whose registered office is 65, rue la Boétie, 75008 Paris, resigned on 13 May 2019, with effect on 4 June 2019.

Mr. Bruno PALASSET, whose registered office is 49 rue Carnot, 95240 Cormeilles-en-Parisis, resigned on 17 June 2021, with effect on 21 June 2021.

3. RISK FACTORS

Before proceeding with an investment in shares of the Group, investors are invited to consider all of the information set forth in this Registration Document, including the risk factors described below. Given the Group structure (as described in Section 6.1.1 "Simplified Group organizational chart on the date of this Registration Document") and the position of the Company within the Group, risk factors described in this Chapter are those applicable to the Group.

As of the date of this Registration Document, these risks are those that the Group believes could have a material adverse effect on the Group, its business, financial position, reputation, results of operations or growth prospects, and that are material to any investment decision by an investor. The attention of investors is drawn to the fact that the list of risks presented in this Chapter 3 of the Registration Document is not exhaustive and that additional risks, that are unknown as of the date hereof or that the Group has currently identified as not material based on the information available to it, may have a material adverse effect on the Group, its business, financial position, reputation, results of operations or growth prospects, as well as on the market price of the Group's shares once listed on Euronext Paris.

In accordance with the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and the Council, this Chapter 3 sets forth the principal risks that could, as of the date of this Registration Document, impact the Group, its business, financial position, reputation, results of operations or growth prospects. Such risks were identified primarily in the context of the preparation of the Group's major risks mapping, which assessed their materiality based on the probability of occurrence and the expected magnitude of their negative impact, after taking into account the mitigation measures put in place. Within each of the risk categories described below, the risk factors that the Group considers to be the most material as of the date of this Registration Document are described first and are marked with an asterisk.

3.1 Risks Related to the Group's Business and Industry

3.1.1 *The Group's failure to maintain its relationships with its vendors, or material changes in the pricing or other terms of its existing agreements with such vendors, could materially adversely affect its business.**

The Group distributes the cybersecurity solutions of its partner vendors and operates in a highly competitive international environment. Although in some instances the Group may be the sole distributor, the cybersecurity solutions the Group distributes are developed by vendors with which the Group has nonexclusive distribution agreements, which are typically signed for at least one year and are automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement. As a result, maintaining distribution agreements with its key vendors, and on terms that are favorable to the Group, is essential to the Group's business.

While the Group's relationship with a vendor typically only ceases with respect to distribution in a specific country or region (as opposed to with respect to all products and services), the Group has experienced a limited number of vendor terminations during the period under review. Between 2018 and 2020, the percentage of the Group's vendors from whom the Group derived more than €1 million in Gross Sales in a given year who generated less than 5% of the Gross Sales amount the following year (i.e., a reduction in Gross Sales of more than 95%) ("**Churn Rate**"), averaged approximately 3%. The impact on the Group's Gross Sales from these "churn" vendors was less than 1% in 2020.

While the Group manages its vendors, performs regular reviews with the vendors' executives, and implements internal performance improvement plans where needed, it may not be able to maintain its distribution agreements with its key vendors. To the extent that the Group's key vendors reduce the number of cybersecurity solutions they sell through distribution or cease doing business with the Group, the Group's business could be materially adversely affected. See Section 3.1.2 "*The Group relies on certain key vendors for a significant percentage of its revenue.*" The Group's failure to identify suitable alternative sources of products to distribute could have a material adverse effect on the Group's business, results of operations or profitability.

The Group's vendors may limit the prices at which the Group on-sells their products, terminate distribution agreements, fail to renew, extend or continue existing agreements without interruption, enter into new relationships or agreements with other distributors, be acquired by other vendors, distribute directly to resellers or end-users or impose more stringent payment terms, each of which could materially adversely affect the Group's business and cash flow. For example, if vendors expand their offerings and sales directly to resellers or end-users, the demand for the Group's distribution services may decrease. Vendors and resellers could decide to work on the basis of a 1-tier model where vendors sell their solutions directly to resellers. If this were to happen, distributors like the Group would no longer be involved in these transactions.

Any of these may also require that the Group change its pricing structure, which could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.2 ***The Group relies on certain key vendors for a significant percentage of its revenue.****

While the Group distributes products for over 240 vendors, it relies heavily on certain key vendors for a substantial portion of its revenues in any particular period. Of these approximately 240 vendors, the top five vendors accounted for 66% and the Group's top 20 vendors accounted for 82%, 86% and 85% of the Group's revenues for the years ended 31 December 2020, 2019 and 2018, respectively. The revenue derived from the Group's top five vendors was divided among more than 31 countries and the revenue derived from the Group's top ten vendors was divided among more than 40 countries in 2020.

As a result of this vendor concentration, loss of one or more of the Group's top 20 vendors in its entirety, failure of any of these vendors to maintain its ability to innovate and produce attractive cybersecurity solutions, or the inability of the Group to obtain a greater percentage of the vendor's business could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.3 ***The Group experiences significant competitive pressures for reseller customers and the Group's failure to maintain and expand its relationships with its existing resellers or attract new resellers could materially adversely affect its business.****

The technology distribution industry is characterized by intense competition, based primarily on product availability, credit terms and availability, price, effectiveness of information systems and e-commerce tools, speed of delivery, quality and depth of product lines and training, service and support. The Group's customers are not required to purchase any specific volume of products from the Group and may move business if pricing for the same or similar products and services is reduced by competitors, resulting in lower sales to the Group. As a result, the Group must be extremely flexible in determining when to reduce prices to maintain market share and sales volumes and when to allow its sales volumes to decline to maintain the quality of its profitability. The size and number of the Group's competitors vary across markets, as do the resources the Group has allocated to the sectors and geographic areas in which it does business. Therefore, some competitors may have greater resources or a more extensive customer or supplier base than the Group in one or more of its market sectors and geographic areas, which may result in the Group not being able to effectively compete in certain markets, which, in turn, could impact the Group's profitability and prospects. For example, Global Broadliners (see Section 5.5.3 "*Competition*"), such as Ingram, TechData and Arrow, have a wide range of IT products and services with a strong global footprint. The Group also competes for customers with regional distributors and some of the Group's own suppliers that maintain direct sales efforts. Despite their small size, these Regional Broadliners (see Section 5.5.3 "*Competition*"), such as Also, Redington and Westcon, may compete with the Group on a local level. Competition is also present with more niche-focused Regional Specialists (see Section 5.5.3 "*Competition*"), such as Infinigate, ADN, Miel, Nuvias and TIM IT Distributions, which do not have a wide reach, but offer greater specialization. In addition, as the Group expands its offerings and geographies, the Group may encounter increased competition from current or new competitors. While the Group aims to develop new and incremental services that are sought after by vendors and resellers, it cannot be certain that it will maintain or enhance its market positions.

The Group's failure to maintain and enhance its competitive position for any of the reasons above or maintain or expand its relationships with its resellers could have a material adverse effect on the Group's business, results of operations or profitability.

See also Section 5.7.3 "*Products sold to resellers*" and Section 5.7.5 "*Resellers*" for further information on the Group's reseller relationships.

3.1.4 ***The Group is exposed to credit risk from its customers and may be exposed to delays and/or defaults in payments by its customers, which would adversely affect its cash flows and financial results.***

Credit risk relates to the risk of loss resulting from the non-performance by a customer of the Group of its contractual obligations. The Group makes provisions for such unpaid debts in its annual financial statements. The Group recorded provisions for unpaid debts of €8.3 million, €6.3 million and €5.5 million in the years ended 31 December 2020, 2019 and 2018, respectively.

Exposure generally relates to receivables from resellers in relation to the sale of cybersecurity solutions to them. Generally, the Group is obligated to pay its vendors regardless of whether and when the resellers pay the Group under their contractual agreements. Exposure also arises where the Group pays its vendors in advance of receiving payment from the final customer. While the Group assesses collectability of receivables for revenue recognition purposes on a regular basis, actual payment defaults may be higher than the provisions recorded in the Group's financial statements and collections may be difficult to enforce.

Further, foreign currency instability and disruptions in the credit and capital markets may increase credit risks relating to some of the Group's customers and may impair the customers' ability to repay existing obligations. While the Group has in place credit insurance, it may be insufficient to cover defaults by the Group's customers.

If the Group were to encounter significant delays or defaults in payment by its resellers or were otherwise unable to recover its trade receivables, the Group's cash flow would be negatively impacted and the future losses due to the inability to collect these future revenues could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.5 ***If the Group fails to maintain an effective system of internal controls or discovers material weaknesses in its internal controls, it may not be able to report its financial results accurately or timely or detect wrongdoing, which could have a material adverse effect on its business.***

With offices in 40 countries and the ability to service customers across five continents and in over 150 countries, an effective internal control environment is necessary for the Group to produce reliable financial reports, safeguard assets, and is an important part of its effort to prevent financial fraud or other wrong-doing. The Group has internal controls in place that address its code of conduct and ethics, delegation of authority, financial reporting, audit reviews, and monthly remediation plans. The Group is required to annually evaluate the effectiveness of the design and operation of its internal controls over financial reporting. Based on these evaluations, the Group may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of the Group's internal controls on a regular basis, these controls may not always be effective and management has identified failures in the past in its internal controls framework that have led it to implement improvements in that framework, including additional training, self assessment and audits (see Section 3.4.1(c) "*Internal controls and compliance monitoring*"). For example, despite implementing internal controls relating to the changing of Group bank accounts, in 2018 the Group was the victim of a CEO impersonation scheme (fraude au Président), albeit for an immaterial amount.

There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure in human judgment. In addition, control procedures are designed to reduce rather than eliminate financial statement and compliance risk. If the Group fails to maintain an effective system of internal controls, or if management or the Group's independent registered public accounting firm discovers material weaknesses in the Group's internal controls, it may be unable to produce reliable financial reports or prevent fraud or other wrongdoing, which could have a material adverse effect on the Group's business. In addition, the Group may be subject to sanctions or investigation by regulatory authorities for failure to ensure accurate financial disclosure or maintain effective controls or other legal or regulatory violations. Any such actions, or a loss of confidence in the reliability of the Group's financial statements, could result in an adverse reaction in the financial markets, which could cause the market price of its common stock to decline or limit the Group's access to capital.

The Group's failure to maintain its internal controls, discover internal weaknesses or report its financial results accurately could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.6 ***The Group faces risks related to its intensive acquisition strategy, including the inability to successfully integrate acquired companies, and may fail to realize expected benefits of such acquisitions, which may adversely affect the Group's results of operations.***

The Group has made, and expects to continue to make, strategic acquisitions or investments in companies around the world to further its strategic objectives and support key business initiatives. The Group has an intensive acquisition strategy to expand into new territories, reinforce its market share in certain countries where it currently operates and to add new service capabilities. Since 2013, the Group has completed 17 significant acquisitions. For example, in 2017 the Group acquired Fine Tec, expanding the Group's presence into the USA. In December 2020, the Group acquired Veracomp, a value-added distribution group, expanding the Group's presence into Central and Eastern Europe.

While the Group has not experienced any significant issues in integrating past acquisitions (see also Section 5.2.6 "*Proven industry consolidation platform on a global scale*"), acquisitions and investments involve risks and uncertainties, some of which may differ from those historically associated with the Group's operations. If the Group is not successful in mitigating or insuring against such risks, it could have a material adverse effect on the Group's business or financial performance. Significant risks and uncertainties related to the Group's acquisition and investment strategies include the following:

– failure to identify risks or to accurately quantify the probability and potential impact of the risks on the Group's business;

- inability to successfully integrate the acquired businesses, including difficulties with integrating different business systems and technology platforms and consolidating corporate, administrative, technological and operational infrastructures, which may be more difficult, costly or time-consuming than anticipated (for example, Veracomp, acquired in 2020, has not yet been fully integrated into the Group);

- inability to retain key employees and to adequately bridge differences in cultures and management philosophies;

- distraction of management's attention away from existing business operations while coordinating and integrating new and sometimes geographically dispersed organizations;

- insufficient profit generation to offset liabilities assumed and expenses associated with the strategy;

- inability to preserve the Group's and the acquired company's customer, vendor or other important relationships;

- inability to adapt to challenges of new markets, including geographies, new cybersecurity solutions and services, or to identify new profitable business opportunities from expansion of existing products or services;

- disruptions in the Group's business as a result of an acquisition, limited opportunities or acquisitions that do not strategically align with the Group's goals and growth initiatives, issues not discovered in the due diligence process or costs or liabilities associated with the companies acquired, or costs associated with failure to complete an acquisition;

- substantial increases in the Group's debt or the inability to obtain financing with conditions favorable to the Group;

- valuation methodologies that result in unfavorable prices or overpayment for an asset; and

- exposure to new regulations, such as those in new geographies or those applicable to new cybersecurity solutions or services. In addition, the Group may divest business units that do not meet its strategic, financial and/or risk tolerance objectives. The Group cannot ensure that it will be able to dispose of business units on favorable terms or without significant costs.

Although the Group has in place a dedicated committee to oversee financial integration, any failure to properly integrate acquired businesses or realize the expected benefits of the Group's acquisition strategy could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.7 *The Group's success depends upon its ability to attract, retain, motivate and develop key executives and employees with the requisite technical expertise, and the failure to do so could adversely affect the Group's results.*

One of the Group's strengths is its experienced management team, who are experts in the industry and the Group's success depends, to a significant extent, on the capability, expertise, and continued services of its key executives. See also Section 5.2.7 "*Experienced leadership team, with an entrenched entrepreneurial culture, supported by a visionary founder.*" Failure to attract, retain, motivate and develop key executives could adversely affect the Group's ability to develop and execute its business strategies, manage its business operations, and maintain relationships with customers and vendors. The Group believes it offers competitive rates and incentives as it closely follows market trends and practices to have competitive key executive on-target earnings ("**OTE**"). Additionally, all key executives are currently shareholders in the Group. This is a clear lever of retention as these key executives will be part of a long-term incentive plan ("**LTIP**") following the consummation of the proposed IPO that will align their interests to those of the shareholders. The LTIP will apply to a select number of senior executives and employees, both at central and local levels. The LTIP will include shares awarded annually on a rolling basis based on certain business performance indicators, with a 3-year "cliff-vesting" schedule from the date the shares are awarded, ensuring long-term incentives for management that are aligned with the Group's. The first LTIP will be implemented in January 2022, with rights in 100% of shares to vest after 2 years and 4 months. Awards under the first LTIP will be based upon profitability and cash-flow metrics. This initial LTIP will have a shorter vesting than future programs in order to act as a transition between the IPO and the full future LTIP payout and provide the right level of incentive to the Group's key employees following the IPO. The second LTIP will be implemented in 2023 and will have a vesting schedule of 50% in 2025, with the remaining 50% in 2026. Further ESG metrics are being contemplated to be included as part of the LTIP. See also Section 13.2.5 "*Long-term incentive plan*" for further details. The Group believes that additional non-financial levers of retention include the Group's strong cybersecurity focus and brand, its strategic vendor expansion, and the ability to identify emerging vendors with high future potential, thereby providing the ability to work with new and various technologies. Although the Group believes it offers competitive rates and incentives, if the Group were to lose any of its key executives, it may not be able to find a suitable replacement with comparable knowledge and experience in a timely manner, or at all.

The Group's success also depends on identifying, developing internally or hiring externally, training and retaining qualified employees, particularly engineers with product and technical knowledge. There is a limited number of qualified potential employees with the requisite cybersecurity expertise and experience, and competition for these employees can be intense. Attrition of experienced employees is also a risk for the Group. Although the Group aims to manage employee performance, plan for employee succession, implement employee training and has increased the number of its employees from 1,667 to 1,733 from 2018 to 2020 (see also Chapter 15 "*Employees*"), there can be no assurance that the Group will not lose existing qualified personnel or be able to hire new qualified personnel, as needed. In addition, as global opportunities and industry demand evolve, and as the Group expands its solutions and services, redeployment, training and hiring of skilled personnel may not be sufficiently rapid. Any failure to attract, retain, motivate and develop key executives and employees with the requisite technical expertise could have a materially adverse effect on the Group's business, results of operations or profitability.

3.1.8 *The Group is currently transitioning from certain legacy IT systems, which may cause disruptions, delays or deficiencies to the Group's business information systems.*

The Group's current global operations are dependent on a variety of information systems that reside on multiple technology platforms, most of which are hosted by third-party providers. In 2019, the Group started a transition towards the implementation of a new global enterprise resource planning ("**ERP**") system, expected to be completed by 2024, to replace certain legacy systems. Although we have created procedures to reduce and manage any difficulties which arise during this process, such as full project visibility, a strong change management process that starts nine to twelve months before the launch date, deep involvement throughout the design phase, fit/gap analysis and user acceptance testing, this implementation is a major undertaking from a financial, management and personnel perspective. The implementation of the global ERP system may prove to be more difficult, costly or time consuming than expected. Although the Group has not experienced any significant difficulties in implementing its ERP system, there can be no assurance that there will be no major problems during this remaining transition period or with the new global ERP system, or that this system will be beneficial to the extent anticipated. The Group has numerous protocols to prevent implementation and migration issues and that allow the Group to anticipate and detect issues, such as weekend migration and go/no-go procedures that allow rollback to legacy systems.

Any disruptions, delays or deficiencies in the design and implementation of the Group's new global ERP system could adversely affect the Group's ability to fulfill contractual obligations or otherwise operate its business. However, since the beginning of the transition in 2019, and through 18 launch events, the Group has not experienced any significant business disruption and no penalties were paid to partners as a result of business disruption.

As the Group implements the new global ERP system, the Group's exposure to system attacks may be elevated, regardless of the procedures the Group has put in place to reduce such risk, because the Group will be running old and new processes in parallel and must simultaneously protect both the new global ERP system and the existing legacy systems.

Should any one of these risks materialize, it could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.9 *If the Group's information technology (IT) systems are not properly functioning or available, or if they experience system security breaches or other cyber-attacks, its business, reputation and revenues could suffer.*

The Group's IT systems have been subject to, and could in the future be subject to, breakdown, malicious intrusion, cyber-attack, phishing, social engineering, attempts to overload the servers with denial-of-service attacks or data privacy breaches by employees, others with authorized access, and unauthorized persons. For example, in December 2020 the Group detected a cyberattack and breach of its systems in the UAE, US, France, UK and Singapore. Although the breach resulted in unauthorized access to data, the cyberattack did not impact the Group's day-to-day operations. Following the breach, the Group inspected and upgraded its global systems and processes to strengthen their integrity and efficacy. Further attacks could result in disruption to the Group's operations and the further loss or disclosure of, or damage to, the Group's or any of its customers' or vendors' data or confidential information could damage the Group's reputation.

The Group's IT systems' security measures may also be breached due to employee error, malfeasance, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, customers, or vendors to disclose sensitive information in order to gain access to the Group's data and IT systems. Any such breach could result in significant legal and financial exposure, damage to the Group's reputation, loss of competitive advantage, and a loss of confidence in the security of the Group's IT systems that could potentially have an impact on the Group's business.

As the techniques used to obtain unauthorized access, disable or degrade, or sabotage the Group's IT systems change frequently and often are not recognized until launched, the Group may be unable to anticipate these techniques or to implement adequate preventative measures. Further, third parties, such as the solution providers that host the Group's systems, could also be a source of security risk in the event their own security systems and infrastructure fail.

Although the Group has developed systems and processes that are designed to protect information, prevent data loss and other security breaches and reduce the impact of a security breach, such breaches, whether successful or unsuccessful, could cause the Group to incur additional expenses or face regulatory sanctions, among other negative consequences. Furthermore, any real or perceived breaches or improper use of, disclosure of, or access to such data could harm the Group's reputation as a trusted brand.

Should any one of these risks materialize, it could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.10 ***If the Group is unable to capture technological changes by successfully distributing new and enhanced cybersecurity solutions, the Group's business, results of operations, financial position and cashflows could be adversely affected.***

The Group's business model as a market specialist depends on market acceptance of the solutions it distributes. This market acceptance is dependent on a number of factors beyond the Group's control, including vendors' ability to anticipate changes in technologies and customer demand and to timely respond to such developments with competitive cybersecurity solutions, and the perceived utility and cost-effectiveness of their products.

The cybersecurity solutions market is characterized by incremental technological change, new product and service introductions and enhancements, changing customer demands and evolving industry standards. The Group depends on its vendors responding to these incremental technological changes to continually distribute relevant cybersecurity solutions to meet market demands.

In addition, cybersecurity solutions embodying new technologies can make existing products obsolete and unmarketable. Cybersecurity solutions are inherently complex, requiring significant time and research and development expenditures for vendors to develop and test new or enhanced solutions. The success of any enhancements, improvements or new solutions depends on several factors, including timely introduction, competitive vendor pricing, adequate quality testing, integration with existing technologies and the Group's platform and overall market acceptance.

The Group may not always succeed in marketing and delivering, on a timely and cost-effective basis, enhancements or improvements to the cybersecurity solutions distributed by the Group or any new solutions and services that respond to technological change or market demands. If the Group fails to capture and distribute solutions with these technological advances, resellers and customers may seek out products distributed by its competitors, which could adversely affect the Group's business.

Moreover, even if the vendors whose products the Group distributes introduce new solutions, the Group may experience a decline in revenue from its existing solutions that is not offset by revenue from the new solutions. Resellers and end-users may delay making purchases of new solutions to permit time for a more thorough evaluation of these solutions or until industry and marketplace reviews become widely available. This could result in a temporary or permanent revenue shortfall for the Group.

Any failure by the Group's vendors to anticipate industry trends and customer preferences and introduce enhancements to their products or new products in a timely manner could have a material adverse effect on the Group's business, results of operation or profitability.

3.1.11 ***Changes in macroeconomic and geopolitical conditions can affect the Group's business and results of operations.***

The Group's revenues, profitability, financial position and cash flows depend, to some extent, on macroeconomic trends and geopolitical conditions. For example, continued political tensions between China and Taiwan threaten trade relations between China, Taiwan, and its trade partners, which could impact the Group, since hardware components of the solutions the Group distributes are often manufactured in Taiwan, with component parts imported from China. Any political tensions or disputes between the two countries could disrupt the supply chain and thus the Group's ability to respect its contracts.

The global economy is currently experiencing a shortage of semiconductors, which is affecting all electronics and IT manufacturers. To the extent that the Group's hardware manufacturing partners are affected by this shortage, the Group's ability to distribute cybersecurity solutions could also be affected.

Additionally, the slowdown in the global economy in 2020 and the continuing economic weakness and uncertainty in many countries and regions, as well as instability in emerging markets where the Group has a presence, such as India, Thailand, Vietnam, Malaysia and Indonesia, continue to contribute to sustained lack of confidence in the global economy, potentially impacting the Group's future revenue and profits.

The increasing tension between countries adds to volatility and instability globally, potentially impacting future revenue and profits and the Group's ability to manage its cybersecurity solutions.

Such conditions may lead to the following consequences for the Group:

- reduced demand for cybersecurity solutions and services in general;
- more intense competition, which may lead to loss of sales and/or market share;
- reduced prices, and lower Net Margin;
- loss of vendor rebates;
- extended payment terms with customers;
- increased bad debt risks;
- shorter payment terms with vendors;
- reduced access to liquidity and higher financing and interest costs; and
- increased currency volatility making hedging more expensive and more difficult to obtain.

In addition, the United Kingdom ("**UK**") left the European Union ("**EU**") on 31 January 2020 ("**Brexit**"). The UK and EU signed an EU-UK Trade and Cooperation Agreement, which became formally applicable on 1 May 2021. Although this EU-UK Trade and Cooperation Agreement provides details on how some aspects of the UK and EU's relationship will operate, there are still some uncertainties that may impact the Group's global deals that contain multi-site launches.

Although the Group has implemented measures to counter the risks of these effects, such as currency hedging, increasing inventory amounts to counter delivery shortfalls, maintaining geographic balance among regions and limiting exposure in certain regions, each of these factors, individually or in the aggregate, could have a material adverse effect on the Group's business, results of operations or profitability.

3.1.12 ***The Group in its current form has a limited track record and the limited availability and comparability of historical financial information related to the Group may make it difficult for investors to evaluate the Group's historical performance and future prospects.***

The availability of historical financial information for the Group is limited. Certain factors as well as past events and transactions have had, and may continue to have, an impact on the comparability of the Group's business, results of operations or profitability. These factors and events include (i) the acquisition of the Group by Permira in 2018, (ii) other acquisitions, divestitures and changes in the scope of consolidation, and (iii) changes in accounting standards. In connection with Permira's acquisition of the Group, a new holding company, the Company, was incorporated for the purposes of acquiring 100% of the shares of Exclusive France Holding SAS (the then holding company of the Group). Exclusive France Holding SAS prepared its last consolidated financial statements for the year ended 31 December 2018 in accordance with French GAAP while the Group prepared its first statutory consolidated financial statements in accordance with French GAAP for the 19-month period ended 31 December 2019. For the purposes of this Registration Document, the Group prepared reconstituted financial statements for the 12-month period ended 31 December 2019, with comparative financial information for the 7-month period ended 31 December 2018, in accordance with French GAAP. As a result of these changes in scope of consolidation and presentation, the financial statements for the periods following 2018 are not comparable with those periods prior to 31 December 2018. Accordingly, the Group's historical financial information may not reflect its current business, which may impact investors' ability to make an informed evaluation of the Group.

3.1.13 *General business conditions are vulnerable to the effects of epidemics and pandemics, such as the Covid-19 pandemic, which could materially disrupt the Group's business and have a negative impact on the Group's financial results and financial condition.*

Due to the outbreak of Covid-19 in March 2020, there has been a substantial curtailment of travel and business activities, which is causing significant disruptions to the European and global economies. The Covid-19 outbreak has negatively impacted the global economy, disrupted global supply chains, constrained workforce participation due to travel restrictions and quarantine orders, disrupted logistics and distribution systems, and created significant volatility and disruption of financial markets.

Although the Group has not yet experienced any material disruption to its operations as a result of the Covid-19 pandemic, the Group has been impacted by lockdowns in certain countries, such as Malaysia, and has experienced minor disruptions to product availability and logistics operations as a result of such lockdowns. The Group could experience future disruptions in its supply chain for the hardware components of the solutions it distributes, a substantial portion of which are manufactured in the US, Taiwan and China, countries where some production was interrupted as a result of Covid-19-related lockdowns. The extent to which Covid-19 impacts the Group's results will depend primarily on future developments, which are highly uncertain and cannot be predicted with confidence, including the severity and duration of the crisis, the speed and effectiveness of vaccine and treatment developments and deployment, potential mutations of Covid-19, and the impact of actions taken and that will be taken to contain Covid-19 or treat its impact, among others. The Group may be affected by the general economic impact of this continued disruption. In addition, a European or global recession or a banking crisis triggered by the Covid-19 pandemic could reduce the demand for the Group's solutions and services, reducing access to its vendors, increasing customer defaults, reducing its access to capital, and reducing the value of its common stock.

Each of these considerations, individually or in the aggregate, could have a material adverse effect on the Group's business, results of operations or profitability.

3.2 Financial Risks

3.2.1 *Currency fluctuation may adversely affect the Group's revenues and costs.**

The Group has offices in 40 countries, and the ability to service customers across five continents and over 150 countries, and is therefore exposed to foreign currency exchange rate fluctuations. The Group has operations primarily in Europe but distributes cybersecurity solutions and services to customers globally. The majority of the Group's sales are made in local currency, including euro, U.S. Dollar and pound sterling, while the vast majority of its cost of goods sold is denominated in U.S. Dollars, since most of its vendors are located in the United States. In addition, the Group also incurs other expenses denominated in euro. As a result, the Group's revenues, results of operations and cash flows are therefore subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the value of the U.S. Dollar, euro and pound sterling. In particular, because the Group conducts business in currencies other than euro but reports its results of operations in euro, the Group also faces translational risk as a result of fluctuations in currency exchange rates. See Section 7.2.8 "*Foreign exchange rate fluctuations*" for a further description of this translational risk.

In most cases, the Group hedges its transactional foreign currency exposure with standard hedging transactions. These hedging transactions lessen trading risks, but do not completely eliminate the effects of foreign currency exposures on the Group's financial results. Since the hedging activities are designed to lessen volatility, they not only reduce the negative impact of a stronger U.S. Dollar or other trading currency, but they also reduce the positive impact of a weaker U.S. Dollar or other trading currency. The Group's future financial results could be significantly affected by the value of the U.S. Dollar, euro, pound sterling and other currencies in relation to the foreign currencies in which the Group conducts business. The degree to which the Group's financial results are affected for any given time period will depend in part upon the Group's hedging activities, and there can be no assurance that these hedging activities will be effective.

See Note 9 to the 2020 Consolidated Financial Statements for further information.

In addition, fluctuations in currency exchange rates may reduce the demand for products as local currencies depreciate, thereby increasing prices of the products we distribute.

3.2.2 ***Tariffs may result in increased prices and could adversely affect the Group's business and results of operations.***

The Group is engaged in the worldwide distribution of cybersecurity products, and consequently, is subject to risks inherent in international business activities, including the burden of complying with a wide variety of tariffs and other trade barriers in the various countries in which it operates.

The Group's import procedures are determined in accordance with international and domestic laws, including case law, which may be interpreted in different ways. The Group often relies on generally available interpretations of laws and regulations and sometimes follows its own interpretations of such rules. The Group cannot be certain that the relevant authorities agree with these interpretations. The Group is regularly audited, and tariff calculations and interpretations of laws are reviewed by various authorities.

Tariff amounts depend on the classification of the products the Group distributes through a harmonized system of product codes. The Group uses the product codes supplied by the vendor and applies the tariffs that are linked to these product codes. The under-classification of goods by a vendor could result in additional tariff liability under the various tariff regimes, as well as the payment of penalties, interest or sanctions. Although the Group believes that its tariff estimates and calculations, based on product classification and valuation, are reasonable, it cannot be certain that the relevant authorities agree with its estimates, calculations and interpretations. The final outcome of any audits or reviews could result in the Group being obligated to make increased tariff payments.

Past audits have led to non-material adjustments that have caused the Group to review its tariff position. For example, in the past, certain authorities have argued that the product codes for specific products distributed by the Group were incorrect, resulting in higher tariffs than originally expected. Any additional liabilities resulting from such final determinations or any interest or any penalties or any regulatory, administrative or other sanctions relating thereto could have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, in recent years, the U.S. government imposed tariffs on certain products imported into the United States and the Chinese government imposed tariffs on certain products imported into China, which have increased the prices of many of the products that the Group distributes. Any further changes to such tariffs (including the imposition of new tariffs or increases in existing tariffs), their interpretation or the manner in which they are administered by the relevant government agency would result in further price increases and impact the operational or financial performance of the Group.

While the Group's vendors aim to pass price increases on to their customers, the effects of tariffs on prices may impact the Group's results of operations. For example, although the Group does not buy products directly from China, its vendors purchase products, such as cybersecurity solutions with hardware components imported from China, which could result in increased prices to the Group as the Group is generally not able to pass on these increased prices to its customers. See Section 3.1.10 "*If the Group is unable to capture technological changes by successfully distributing new and enhanced cybersecurity solutions, the Group's business, results of operations, financial position and cashflows could be adversely affected.*"

The tariffs and the additional operational costs incurred in minimizing the number of products subject to the tariffs could adversely affect the operating results for certain of the Group's vendors and customer demand for certain products which could have an adverse effect on the Group's business, results of operations or profitability.

3.2.3 ***The Group is subject to tax risks, which could arise in particular as a result of tax audits or past measures and changes in tax legislation.***

Due to the international nature of its business, the Group is subject to complex and evolving income taxes and other tax rules across a number of jurisdictions. In particular, in many jurisdictions, there is substantial uncertainty as to the classification of cybersecurity solution license proceeds as business profits or royalties. Tax authorities may therefore disagree with the Group's treatment of such revenues as far as sales tax, value added tax and withholding taxes are concerned. A different interpretation by tax authorities on the qualification of such revenues can create a significant additional tax burden for the Group, in particular with regard to withholding taxes. However, the Group has not been involved in any significant tax dispute in the past.

Moreover, and considering its cross-borders activities, the Group is subject to transfer pricing regulations, which are complex and can be subject to differing interpretations by the relevant tax authorities. For example, tax authorities could disagree with the Group's transfer pricing policy or the appropriate allocation of profits or tax liabilities in various jurisdictions.

The Group's tax liabilities and returns are calculated and prepared in accordance with international and domestic laws, including case law, which may be interpreted in different ways. The Group often relies on generally available interpretations of tax laws and regulations and sometimes follows its own interpretations of such rules. It cannot be certain that the relevant tax authorities agree with such interpretations. The Group is regularly audited, and tax calculations and interpretation of laws are reviewed by tax authorities.

Although the Group believes that its tax estimates and calculations are reasonable, the final outcome of any such tax audits or reviews could result in tax liabilities that differ from the

Group's historical tax payments, provisions and accruals, and the results of such audits or reviews, such as additional tax liabilities, interest, penalties, or regulatory, administrative or other sanctions could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is, and may in the future become, involved in proceedings with national or regional tax authorities. For example, the Group is currently engaged in tax proceedings with the Italian authorities regarding the Group's prior tax assessments, including in relation to the classification of certain cybersecurity solution license proceeds as royalties, in relation to which penalties could apply. If the outcome of these or other tax proceedings in which the Group is or may become involved is adverse, this could result in substantial liabilities.

In addition, future changes in tax legislation could have an adverse effect on the Group's tax rate, or the carrying value of deferred tax assets or deferred tax liabilities. For example, the UK parliament has approved an increase in its corporate income tax rate to take effect in 2023. The Group's effective tax rate in the future could also be adversely affected by changes to its operating structure, the acquisition of other businesses, and changes in the mix of earnings in countries with differing statutory tax rates. Moreover, future changes in tax legislation, including the creation of new taxes or rate increases of existing taxes, whether direct or indirect, could have a material impact on the Group's profitability.

The outcome of any tax proceedings in which the Group is or may become involved, any tax audit or changes in tax legislation or other factors resulting in higher taxes for the Group could have a material adverse effect on the Group's business, results of operations or profitability.

3.2.4 ***Failure to comply with the covenants or other obligations contained in any of the Group's Facilities Agreements could result in an event of default. Any failure to repay or refinance the outstanding debt under any of the Group's Facilities Agreements when due could have a material adverse effect on the Group's business.***

The Group has incurred indebtedness (see Section 8.4 "*Financial liabilities*"). Effective on the date of settlement and delivery of the shares offered in the proposed IPO, the Group intends to simplify its legal structure and to refinance certain of its outstanding indebtedness. The Group intends to repay its intra-group debt to Everest BidCo, which will in turn repay the Group's outstanding indebtedness under the Existing Facilities Agreements by entering into a New Facilities Agreement. The New Facilities Agreement will require Everest SubBidco SAS, an indirect, wholly owned subsidiary of the Company, to maintain a maximum total net leverage ratio, subject to equity cure provisions and financial covenant acquisition adjustments. See Section 6.1.2 "*Description of the Reorganization*", Section 8.4.3 "*The Group's existing financial liabilities*" and Section 8.4.4 "*The Group's new financial liabilities*". If there were to be an event of default under any of the Facilities Agreements that is not cured or waived in accordance with the terms of the applicable facilities agreement, the lenders under the facilities agreement could terminate commitments to lend and cause all amounts outstanding with respect to the loans granted under the facilities agreement to become due and payable immediately.

In such a situation, the creditor under the Facilities Agreements could seek to enforce upon the security and collateral from which it benefits, including the security over shares in certain direct and indirect material subsidiaries of the Company, the credit balance of the debtor's bank accounts, and the debtor's receivables. In the context of the shares and receivables security provided by Everest BidCo, lenders may be entitled to take control of the operating group (SubBidCo and its subsidiaries) by enforcing the share and receivables pledge to recover any outstanding sums. See Section 8.4.4(i) "*Security*" for further details.

The Group's assets and cash flow may not be sufficient to fully repay its outstanding debt under one or more of the Facilities Agreements when due whether upon an acceleration of the loans granted under the applicable facilities agreement or on the maturity date of any of the facilities agreement. In addition, a default under any of the Facilities Agreements could result in a default under the Group's other financing arrangements and could cause or permit lenders under those other financing arrangements to accelerate such financing arrangements, causing the amounts owed under those arrangements to become immediately due and payable.

Furthermore, any inability to meet its debt payment obligations could result in insolvency proceedings or debt or other restructuring and could result in investors losing all or a substantial portion of their investment.

Failure to comply with these covenants or obligations, or any failure to repay or refinance any of the Group's outstanding debt could have a material adverse effect on the Group's business, results of operations or profitability.

3.2.5 *Substantial leverage and obligations under certain of the Group's debt facilities may adversely affect the Group's cash flow and impair its ability to expand or finance its future operations.*

As of 31 December 2020, the Group's Financial Gross Debt (including Bank Borrowings, Bank Overdrafts, Short Term Loans and Factoring Liabilities) amounted to €752.4 million and its Net Debt[1] amounted to €589.2 million. As of 31 December 2019, the Group's Financial Gross Debt amounted to €724.7 million and its Net Debt amounted to €607.4 million. As of 31 December 2018, the Group's Financial Gross Debt amounted to €382.9 million and its Net Debt amounted to €282.4 million. If utilizing the same definition as presented in the 2020 Consolidated Financial Statements, and including all holding companies, the Group's Financial Gross Debt and Net Debt as of 31 December 2018 would have amounted to €697.6 million and €594.5 million, respectively. Following the Reorganization and Refinancing transactions, which are expected to take effect on the date of settlement and delivery of the shares in the proposed IPO and (in the case of the Refinancing) the application by the Group of a portion of the proceeds, the Group's Net Debt is expected to amount to between €350 million and €400 million, or 3x the Adjusted EBITDA defined in the new Senior Facilities Agreement. The majority of the Group's outstanding debt is floating rate based on EURIBOR, and although the Group hedges its risk in part, it is exposed to fluctuations in interest rates.

As of 31 December 2020, the Group's leverage ratio, calculated as Net Debt to Last-Twelve-Month EBITDA, was 4.7x. This leverage ratio has declined from leverage ratios of 6.1x and 6.5x for the years ended 31 December 2019 and 2018, respectively. For the six-month period ended 30 June 2021, the Group's leverage ratio was 4.7x. The Group is targeting a leverage ratio of 3.0x immediately following consummation of the proposed IPO and a leverage ratio of approximately 2.5x as of 31 December 2021. See Section 10.3 "*Leverage*" for further discussion of the Group's leverage outlook.

The Group's indebtedness may limit the Group's financial flexibility and affect its operations in several ways, including, but not limited to: (i) putting the Group at a competitive disadvantage compared to similar companies that have less debt and greater access to capital resources; (ii) preventing the Group from obtaining additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; or (iii) causing the Group to incur higher borrowing costs to obtain such funding and being required to accept more restrictive covenants for such financing.

[1] See Sections 7.5 "*Key performance indicators*" and 7.5.1 "*Reconciliation of KPIs*" for a reconciliation of the Group's KPIs with IFRS and/or French GAAP measures.

3.2.6 ***The Group's goodwill and identifiable intangible assets could become impaired, which could reduce the value of its assets and reduce its net income in the year in which a write-off occurs.***

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets acquired. For the years ended 31 December 2020, 2019 and 2018, the Group's goodwill amounted to €288.6 million, €274.1 million and €269.8 million, respectively. The Group also ascribes value to certain identifiable intangible assets, which consist primarily of intellectual property, customer relationships and trade names, among others, as a result of acquisitions, and the Group's trademarks. For the years ended 31 December 2020, 2019 and 2018, the Group's intangible assets amounted to €1,166.9 million, €1,235.4 million and €1,260.6 million, respectively. The Group may incur impairment charges on goodwill or identifiable intangible assets if it determines that the fair values of the goodwill or identifiable intangible assets are less than their current carrying values. The Group evaluates, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

A decline in general economic conditions or global equity valuations could impact the Group's judgments and assumptions about the fair value of its businesses and the Group could be required to record impairment charges on its goodwill or other identifiable intangible assets in the future.

The Group may incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with business combinations, and to the extent that the value of goodwill or intangible assets with indefinite lives acquired in connection with a business combination and investment transaction become impaired, the Group may be required to incur material charges relating to the impairment of those assets. For example, the Group had €288.6 million of goodwill and €1.2 billion of identifiable net intangible assets, including vendor relationships and the "Exclusive Networks" trademark recorded in connection with various acquisitions as of 31 December 2020. If the Group's future results of operations for these acquired businesses are not as expected, the Group may have to recognize impairment charges, which could have a material adverse effect on the Group's business, results of operations or profitability.

3.2.7 ***The Group faces a variety of risks in its reliance on third-party service companies and sub-contractors.***

The Group relies on various third-party service companies to provide services and support to the Group, including IT services, shipping, import and export services and logistics. Since the Group does not have operations in every country in which it distributes products, it relies heavily on third-party service companies and sub-contracts. Without these third-party services, the Group's day-to-day functions would be greatly impaired. In particular, the Group relies on third-party specialists in over 100 counties for consulting and professional services relating to sales of its products, such as installation, implementation and maintenance. At the same time, the Group is subject to the consequences of these third parties' and sub-contractors' actions, quality of service and work product. Failure of any third-party service company or any sub-contractor to timely and efficiently provide its service to the Group or its customers could result in a number of adverse consequences, including operational disruptions (of either the Group or its customers to whom the service was provided), damage to the Group's reputation or liability of the Group toward its customers, any of which could have a material adverse effect on the Group's business, results of operations or profitability.

3.3 Risks Related to the Group's Regulatory and Legal Environment

3.3.1 ***The Group operates a global business that exposes it to risks associated with conducting business in multiple jurisdictions.****

The Group operates a global business, with offices in 40 countries and the ability to service customers across five continents and in over 150 countries, including in EMEA, APAC, and the Americas. See Section 5.7.1 "*Principal Markets*" for further detail. An increasing portion of the Group's business activity is being conducted in emerging markets. As a result, the Group's operating results and financial condition have in the past been, to a non-material degree, and could be significantly in the future, affected by risks associated with conducting business in multiple jurisdictions, including in less-developed countries. The associated risks include, but are not limited to, political instability, terrorism and potential military conflicts or civil unrest; economic instability in a specific country or region; as well as violations of increasingly complex regulations that vary by jurisdiction, such as trade protection laws (including import/export regulations), policies and measures, anti-corruption laws, consumer and data protection and privacy laws, network security laws, environmental laws and regulations, intellectual property rights, employment and labor laws and practices and tax laws.

The potential criminal penalties for violations of such laws and regulations create heightened risks for the Group's international operations. In the event that the Group violated any of these laws, the Group could be fined significant sums, incur sizable legal defense costs or face limitations on its import/export capabilities, which could have a material and adverse effect on the Group's business and reputation.

While the Group has and will continue to adopt measures designed to promote compliance with these laws, such as internal control procedures, policies and standards, compliance reviews, evaluations and the hiring of additional staff (see also Section 3.4.1(c) "*Internal controls and compliance monitoring*"), these measures may prove to be inadequate. The Group's failure to comply with any of the laws of the jurisdictions in which it operates, or an alleged violation of such laws, could have a material adverse effect on the Group's reputation, business, results of operations or profitability.

3.3.2 ***The Group is subject to governmental, economic and trade sanctions laws and regulations and export and import controls that could subject the Group to liability in the event of non-compliance or impair the Group's ability to compete in international markets.****

The Group is subject to risks inherent in international business activities, including those relating to complying with a wide variety of economic and trade sanctions laws and regulations and export and import controls in various countries (see also Section 9.1 "*Customs*"). Most of the products and solutions distributed by the Group incorporate encryption technology and are classified as dual-use items (i.e., items that can be used for both civilian and military purposes). Dual-use export controls affect the research and development, production and trade of high-tech, advanced products across a wide range of industries, including telecommunications, information and cybersecurity, including the products bought and sold by the Group. The trade in dual-use items is subject to controls to prevent the risks that these items may pose to international security (see also Section 9.2 "*Dual-use products*").

As a result of the nature of the Group's business activity, the Group is subject to the export control regimes of the countries in which it operates, including the United States, European Union and the United Kingdom, and has implemented complex procedures to ensure that the final destination of the products is known to the Group and the Group's vendors (to whom the Group gives an information undertaking). These procedures may be time-consuming and may result in the delay or loss of sales opportunities. Vendors who have been found to have not complied with certain laws and regulations may also seek recourse against the Group if the

Group has not assisted it adequately in its compliance obligations, for example, by accurately informing it of the countries in which its products are distributed.

As with U.S.-origin cybersecurity products generally, the products the Group distributes on behalf of its vendors are subject to U.S. export control laws and regulations, including the U.S. Export Administration Regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. Exports of these products must be made in compliance with these laws and regulations. Further, U.S. export control laws and economic sanctions prohibit the shipment or provision of certain products to U.S.-embargoed or sanctioned countries, governments or persons as well as the exposure of software code to nationals of embargoed countries. Although the Group takes precautions to prevent the products it distributes from being shipped to U.S. sanctions targets, the products could be shipped to those targets by the Group's customers. Any such shipments could have negative consequences for the Group, including governmental investigations, penalties and reputational harm.

The products the Group distributes on behalf of its vendors are also subject to EU export control and economic sanctions laws and regulations. The EU export control regime is governed by Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items, as amended by Regulation (EU) 2019/496 (the "**Dual-Use Regulation**"), which provides for common EU control rules, a common EU control list of dual-use items and harmonized policies for implementation. Under the EU regime, the export of dual-use items is subject to control and dual-use items may generally not leave the EU customs territory without an export authorization. The Dual-Use Regulation is binding and directly applicable throughout the EU.

In addition, in a number of countries, import and export of dual-use items requires obtaining local licenses through a complex license process that is time consuming and may result in delays or the loss of business opportunities. When exporting from the Group's jurisdictions or when the Group's warehouses or internal systems are utilized in the transaction, the Group must acquire and maintain its own export licenses.

Changes in export or sanctions laws and regulations, shifts in the enforcement or scope of existing laws and regulations, or changes in the countries, governments, persons or products targeted by such laws and regulations, could also limit the Group's ability to distribute its products, or increase its distribution costs, with a consequent negative impact on revenues and profit.

Finally, the Group's failure to comply with applicable economic and trade sanctions and import and export laws of the jurisdictions in which it operates could lead to substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, reputational harm, and other consequences, each of which could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.3 *The Group is subject to UK, European, U.S. and certain foreign anti-corruption laws, anti-bribery laws, and anti-money laundering laws and regulations. In the event of non-compliance, the Group can face serious consequences, which can harm its business.*

The Group is subject to the EU regulatory measures targeted at preventing and countering financial crime, anti-money laundering and countering the financing of terrorism, France's Sapin II anti-corruption law, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. §201, the UK Bribery Act 2010 and other state and national anti-bribery and anti-money laundering laws in the countries in which it conducts business (see also Section 9.4 "*Anti-corruption, anti-money laundering and anti-bribery*"). Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector.

The Group's rapid expansion has largely been based on acquisitions, and it has been a constant challenge for the Group to implement and maintain a unified compliance culture. In addition, the Group is exposed to risk as it is an intermediary business that engages third-party providers in a number of markets in which it operates. Since the Group may not be able to control the actions of these third-party providers, the Group could be held liable for their actions. Operating in certain markets, such as the APAC region, subjects the Group to greater bribery and corruption risks. The Group can be held liable for the corrupt or other illegal activities of its employees, agents, and contractors, even if it does not explicitly authorize or have actual knowledge of such activities. The Group has in the past carried out internal audits to ensure that any compliance-related incidents are identified and addressed and it will continue to use internal audits as a monitoring tool.

Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences, each of which, individually or in the aggregate, could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.4 ***The Group may not be able to adequately anticipate, prevent, or mitigate damage resulting from criminal and other illegal or fraudulent activities committed against it or as a result of misconduct or other improper activities by its employees or contractors.***

Global businesses are facing increasing risks of criminal, illegal, and other fraudulent acts. The evolving nature of such threats, considering new and sophisticated methods used by criminals, including phishing, misrepresentation, social engineering and forgery, is making it increasingly difficult for the Group to anticipate and adequately mitigate these risks. For example, the Group has been subject to phishing, misrepresentation, social engineering and forgery attempts in the past and may be subject to such attempts in the future. In addition, designing and implementing measures to defend against, prevent, and detect these types of activities are increasingly costly and invasive into the operations of the business.

In addition, misconduct or failure of its employees or contractors to adhere to Group policy may further heighten such risks. As a result, the Group could experience a material loss to the extent that controls and other measures implemented to address these threats fail to prevent or detect such acts. In addition, misconduct by its employees or contracts may include intentional failures to comply with the applicable laws and regulations in the European Union and abroad, report financial information or data accurately or disclose unauthorized activities to the Group.

It is not always possible to identify and deter employee misconduct, and any other precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting the Group from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against the Group, and it is not successful in defending itself or asserting its rights, those actions could result in the imposition of significant civil, criminal and administrative penalties. Whether or not the Group is successful in defending against such actions or investigations, it could incur substantial costs, including legal fees, and divert the attention of management in defending itself against any of these claims or investigations.

Any such misconduct or actions instituted against the Group could result in legal or regulatory sanctions, cause serious harm to the Group's reputation and could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.5 ***Any real or perceived privacy breaches or improper use of, disclosure of, or access to such data could harm the Group's reputation as a trusted brand, as well as have a material and adverse effect on its business, financial condition, results of operations and prospects.***

The Group collects and processes customer personal data in the context of its distribution activities, as well as the personal data of its clients, end-users and prospects in its marketing activities, the provision of its value-added services, such as support services, and its subscription-based services, such as X-OD. Global privacy legislation, enforcement, and policy activity are rapidly expanding and creating a complex compliance environment (see also Section 9.3 "*Data Protection*"). The European Union's General Data Protection Regulation ("**GDPR**"), which entered into application in May 2018, created a range of new compliance obligations for the Group in addition to the obligations the Group already had under Directive 2002/58/EC (the "**e-Privacy Directive**"). Failure to comply with the GDPR may lead to regulatory enforcement actions, which could result, for example, in administrative fines up to €20,000,000 or up to 4% of annual worldwide revenue of the preceding financial year, orders to discontinue certain data processing operations, private lawsuits or reputational damage. While the Group has not experienced any significant data breach (breach of data confidentiality, data integrity or data availability), or any material financial losses related to cybersecurity attacks, the Group has experienced cybersecurity attacks, of which it informed its customers, and took corrective action. The Group's systems, those of its vendors and customers, and those of the Group's third-party service providers are under constant threat.

The Group's failure to comply with cybersecurity, privacy-related or data protection laws and regulations could result in proceedings against the Group by governmental entities or others. Any insurance coverage for protecting against loss from cybersecurity and privacy risks may not be sufficient to cover all possible claims, and the Group may suffer losses that could have a material adverse effect on its business.

Any real or perceived breaches or improper use of, disclosure of, or access to such data could harm the Group's reputation as a trusted brand and could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.6 ***The Group cannot predict the outcome of litigation matters or other investigations in which it may be involved from time to time.***

From time to time, the Group may become involved in legal proceedings, including government investigations, that arise out of the ordinary conduct of the Group's business, including matters involving intellectual property rights, commercial matters, merger-related matters, product liability and other actions. Although the Group is not currently party to litigation or investigations it believes are material, the Group has from time-to-time received pre-claims notices.

Furthermore, the Group is currently involved in limited claims, disputes, and lawsuits. Although the Group does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial position, results of operations or cash flows, the Group may not ultimately prevail in any of these matters.

3.3.7 ***The Group may be subject to intellectual property rights claims, which are costly to defend, could require payment of damages or licensing fees and could limit the Group's ability to use certain technologies in the future.***

The Group distributes cybersecurity products that include intellectual property owned by the Group's vendors. Substantial litigation and threats of litigation regarding intellectual property rights exist in the cybersecurity solutions and certain ancillary service industries. Although the Group, to its knowledge, has had no intellectual property issues, third parties (including companies which acquire patents solely with the intention of aggressively seeking licensing revenue from purported infringers and not to develop technology) may, from time to time, assert patent, copyright and/or other intellectual property rights to technologies that are important to the products distributed by the Group. Depending on the nature of the claim, the Group may be able to seek indemnification from its vendors for itself and its customers against such intellectual property claims, but it may not always be successful or be fully protected against such claims. The Group has received such claims in the past, which have been forwarded to and handled directly by the relevant vendors. In addition, the Group is exposed to potential liability when it combines multiple technologies of its vendors, for which it may have limited or no indemnification protection.

The Group may be obligated to indemnify and defend its customers if the products or services it distributes are alleged to infringe any third party's intellectual property rights. Any infringement or indemnification claim brought against the Group, regardless of the duration, outcome, or size of damage award, could:

– result in substantial cost to the Group;

– divert management's attention and resources;

– be time consuming to defend;

– result in substantial damage awards; or

– cause product shipment delays.

Additionally, if an infringement claim against the Group or its customers is successful, the Group or the vendor may be required to pay damages or the vendor may be required to seek royalty or license arrangements, which may not be available on commercially reasonable terms. The payment of any such damages or royalties may significantly increase the Group's operating expenses as a result of vendors increasing the costs of their cybersecurity products. Further, royalty or license arrangements may not be available at all, which would then require the Group to stop distributing certain cybersecurity solutions or using certain technologies.

Should any of the foregoing risks materialize, it could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.8 ***If the solutions provided by the Group's vendors are defective or fail to meet the required standards, or if the Group causes damage or injuries through its negligent acts or omissions in providing its vendors' cybersecurity solutions, the Group's business and reputation may be adversely affected.***

The Group sources the cybersecurity solutions offered to its customers from a variety of international vendors. The quality of the cybersecurity solutions provided by the Group's vendors is not under its control. Performance issues with the cybersecurity solutions from the Group's vendors may result from the products themselves or from their settings. There is no assurance that the Group or its vendors would be able to detect and resolve these defects and errors in a timely manner or at all. For example, in the past, hardware components sold by the Group resulted in a fire on the premises of an end-user.

Although the Group's vendors generally warrant to end-users, through an end-user license agreement, that the solutions will perform in accordance with their specifications for a certain period upon delivery, such cybersecurity solutions may have coding, design or other defects or errors that may impair customers' operation or cause malfunctions. As is standard in the industry, the Group's agreements with its vendors contain no such provisions providing a warranty to the Group and, as a result, warranty or product liability claims may be asserted against the Group. However, while this is the case for the sale of licensed products, in the case of the provision of support and maintenance services, the Group's vendors generally warrant to end-users an end-user support agreement, which limits the liability of the Group to non-material support services.

The Group's business could be materially adversely affected as a result of a significant quality or performance issue in the cybersecurity solutions it sells, if it is required to pay for the associated damages or if it is exposed to any reputational damage. Although the Group currently has product liability insurance, such insurance is limited in coverage and amount and may not be sufficient to cover all possible claims. Further, when relying on contractual liability exclusions, the Group could lose customers if their claims are not addressed to their satisfaction.

As part of its agreements with its vendors, the Group indemnifies the vendors against any breach of the Group's obligations when acting on behalf of a vendor. Further, if a reseller causes the Group to be in breach of its obligations under a vendor agreement, for example, if the reseller breaches export control requirements, the Group may be required to indemnify the vendor but may not have an indemnity claim against the reseller, as the reseller does not indemnify the Group.

In addition, many of the cybersecurity solutions distributed by the Group form a critical part of the operations of the end-users' businesses and any defects or errors in these solutions could affect the end-users' operations. Although the cybersecurity solutions distributed by the Group typically run through user acceptance testing before final launch by the vendor, there is no assurance that all bugs, errors or flaws have been detected and corrected, and the Group may be liable for damage to the end-user's operations.

There may also be compatibility issues between the products the Group sources from its vendors and its customers' existing IT environment that may be outside of the control of either the Group or its vendors. There is no assurance that the Group would be able to detect and resolve these compatibility issues in a timely manner or at all.

Finally, in order to provide cybersecurity solutions, the Group's employees may be required to work on the customers' premises and thus the Group may be exposed to potential liabilities or may face claims or legal actions brought by the Group's customers for damages caused by the negligent conduct or fault of the Group's employees. In such event, the Group may need to incur additional costs to settle or defend these claims or legal actions.

Each of these considerations, individually or in the aggregate, could have a material adverse effect on the Group's business, results of operations or profitability.

3.3.9 ***The Group will incur increased costs as a result of operating as a public company and the Group's management will be required to devote significant time to additional compliance regulation.***

As a public company, the Group will incur significant legal, accounting and other expenses that it did not incur as a private company. The listing requirements of the Euronext exchange, and other applicable rules and regulations impose various requirements on public companies such as mandatory compensation rules. The Group currently intends to hire additional accounting, finance, legal and other personnel (such as risk management personnel) in connection with its efforts to comply with the requirements of being a public company, and that the Group's management and other personnel will need to devote a substantial amount of time towards maintaining compliance with these requirements. These requirements will increase the Group's legal and financial compliance costs and will make some activities more time-consuming and costly.

In anticipation of becoming a public company, the Group will need to revise additional internal controls and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports. The Group is currently evaluating these rules and regulations and cannot predict or estimate the amount of additional costs the Group may incur or the timing of such costs. In addition, future changes in interpretations of these rules and regulations or changes in their application and practice could have a material adverse effect on the Group's business, results of operations or profitability.

3.4 Risk Management and Insurance

3.4.1 *Overview of risk management policy*

The Group has put risk management procedures in place to ensure that (i) risk exposure is identified, (ii) plans are made for mitigating such risks and (iii) there is adequate monitoring of the progress made on key mitigating actions. Risk management is closely monitored within the Group, with the involvement of management, the Audit Committee and senior managers from the legal or finance teams, as well as from the operational teams.

(a) Organizational framework

The identification, assessment, prioritization and management of the risks faced by the Group are closely and regularly monitored, under the ultimate supervision and responsibility of the Audit Committee. In order to adequately monitor the Group's risks and the implementation of mitigating measures, the Audit Committee meets on a regular basis, with additional meetings convened when necessary to discuss internal control, risk management (including tax risk), audits (internal and external) and ongoing material litigation.

In addition to the CEO and senior managers, who usually attend every audit committee meeting, when necessary, individuals in various positions of responsibility within the Group, in departments such as compliance, tax, finance, sales and legal, amongst others, also attend audit committee meetings and present to the committee:

- the main risks faced by the Group (for example, business (including compliance), operational (including products, IT, employment and costs), finance (including debt and tax)) and the assessment of the impact (either effective or potential) and priority of such risks for the Group;
- any mitigating measures being contemplated or taken to prevent or offset such risks (including financial hedging, internal policies and insurance policies);
- the analysis of the implementation of any such mitigating measures;
- the status of new or ongoing audits (internal and external) and/or litigation (either threatened or ongoing); and
- the level of Group exposure in relation to such audits or litigation.

The Audit Committee, which will be put in place subject to pricing of the Company's shares in the context of the proposed IPO, will replace the existing audit committee and will monitor the effectiveness and consistency of the internal control and risk management systems and, if necessary, will suggest complementary actions. The duties of the Audit Committee are described in Section 14.4.1 "*Audit Committee*".

(b) Implementation and update of the Risk Register

As part of its risk management processes, and under the supervision of the Audit Committee, the Group has drawn up a risk register (the "**Risk Register**"), first produced in 2014 and regularly updated based on the evolution of the Group's risks and the implementation of mitigating measures (with an ultimate approval of each update by the Audit Committee, the most recent update having been implemented in May and June 2021). Prepared on the basis of feedback from managers at the Group level (including the CEO and CFO) and at the local level (including regional managers and country managers), the Risk Register presents the Group's main markets, strategy, operations, IT, finance, compliance and human capital risks and provides guidance to the Group's management as to such main risks faced by the Group. The Risk Register provides:

- a mapping of risks, allowing the Audit Committee and the Group's management to have a visual representation of the probability of the occurrence of a risk and the impact on the Group (both quantitatively and qualitatively) should that risk occur, enabling it to better understand how to allocate resources and seek to strengthen mitigation actions;

- an identification of key risks within each main category (e.g. business, operational and finance);

- an overview for each key risk of (i) the potential causes of such risks, (ii) the potential consequences of such risk, (iii) existing mitigating actions, and (iv) further mitigating actions to be taken;

- an indication on the level of the probability of the occurrence of a risk and the impact on the Group should that risk occur; and

- the identity of the Group individuals (such as the CFO) or local individuals (such as regional or country heads) within the Group that are assigned responsibility for implementing mitigating actions under the Audit Committee's supervision.

(c) Internal controls and compliance monitoring

Alongside the identification and management of the Group's main risks, the Group has put an internal control and compliance monitoring system in place which is based upon:

- formal training for Group employees on the Group's code of conduct and ethics;

- delegation of authority through region-specific matrixes which set out when authority from certain individuals is needed before certain actions can be taken;

- yearly self-assessment of financial monitoring controls;

- regular internal and external audit reviews (covering, for example, the Group's compliance with anti-corruption and export control laws and regulations); and

- following each audit review, the drawing up of a monthly remediation plan.

The Group has regularly upgraded its internal controls and compliance monitoring after discovering compliance failures in the past. The Group continues to improve its internal controls, including strengthening its governance, providing supplemental training to its teams, and introducing improved technology to monitor the implementation of the controls.

3.4.2 *Insurance*

The Group's insurance is mainly coordinated by the Group's legal and Risks and Compliance departments, while certain specific policies (including the Group's policies for credit insurance and transport insurance, which are coordinated by the Group's finance and operations departments, respectively) may be managed by other dedicated departments within the Group in order to make sure that the coverage of such policies is adequate given the business specificities. In each case, support is provided by the Group's local management.

The Group's insurance policies, including the Group's cybersecurity insurance policy entered into in October 2020, are negotiated at the Group level, with the exception of property insurance, health insurance and car insurance, each of which are established and managed at a local level.

The Group's legal department negotiates with the major insurance carriers on an annual basis to set up the most appropriate coverage for the Group's risk. The premium charged by the Group's insurance counterparties depends on the level of risk, as does the capped amount which the Group can claim under each policy (on a claim-by-claim and aggregate basis) and the deductible amount per claim.

The implementation of insurance policies is based on the determination of the level of coverage necessary to deal with the reasonably estimated occurrence of liability, damage or other risks. This assessment takes into account the assessments made by insurers as risk underwriters. Uninsured risks are risks for which there is no coverage available on the insurance market or for which the coverage offer and/or its cost are not in line with the financial indemnification offered by the insurance, or for which the Group considers that the risk does not require insurance coverage.

The Group's main policies, underwritten by internationally renowned insurance companies, include cybersecurity insurance, civil liability insurance, product liability insurance, directors' and officers' indemnification, transport insurance and credit insurance.

4. INFORMATION ABOUT THE ISSUER

4.1 Legal and commercial name of the Company

As of the date of this Registration Document, the corporate name of the Company is Exclusive Networks SA.

4.2 Registration location and number and legal entity identified (LEI)

The Company is registered with the Nanterre Trade and Companies Register (RCS Nanterre) under number 839 082 450.

The LEI number of the Company is the following: 969500GFM1C4M1KMPL74.

4.3 Date of incorporation and term of the Company

The Company was incorporated on 19 April 2018. The Company's duration is 99 years from the date of its registration subject to early dissolution or extension.

The Company has a fiscal year of twelve months beginning on 1 January and ending on 31 December of each year.

4.4 Registered office, legal form and applicable legislation

The Company's registered office is located at 20 quai du Point du Jour, 92100 Boulogne-Billancourt. The telephone number of the headquarters is +33 (0)1 41 31 53 04.

As of the date of this Registration Document, the Company is a French *société anonyme* governed by French law. The Company was formerly a French *société par actions simplifiée.* A general meeting of the Company's shareholders held on 1 September 2021 approved the conversion of the Company into a French *société anonyme*.

The address of the Company's website is: www.exclusive-networks.com. The information provided on the Company's website is not part of this Registration Document and has not been reviewed or approved by the AMF.

5. OVERVIEW OF THE GROUP'S ACTIVITIES

5.1 Overview

The Group is a leading global specialist in innovative cybersecurity technologies. The Group provides services to accelerate the sale of cybersecurity disruptive technologies on a global scale. The Group is positioned at the center of the cybersecurity ecosystem to help, on the one hand, cybersecurity vendors efficiently scale their businesses globally, and, on the other hand, provide its customers (i.e., value-added resellers ("**VARs**"), system integrators ("**SIs**"), telecommunications companies ("**Telcos**") and managed service providers ("**MSPs**")), with cybersecurity expertise, disruptive technologies and services to fit the needs of their corporate customers.

The Group buys and sells the cybersecurity solutions and adjacent products of its disruptive and established vendors. The Group offers the entire portfolio of cybersecurity solutions provided by its vendors except for those that fall outside of the Group's cybersecurity segments. The Group's cybersecurity segments include Next Generation Firewall, Content Security, Endpoint Security, Security & Vulnerability Management, Identity & Access Management and Other Segments (Network Access Control, Intrusion Detection and Prevention, Virtual Private Network, Distributed Denial of Services, Domain Networks System, Network Detection and Response and Software Defined Networking). The Group provides its vendors and customers with standard services (e.g., shipping, billing, logistics, customs, invoicing, cash collection and foreign exchange) in addition to another layer of services only a specialist can provide (e.g., evangelization of new technology, specialized training and support, global expansion, channel management, marketing, demand generation and pre-sales technical advice). The Group also provides services such as training, support and installation. See Section 7.2.1(a) "*Profitability*" for further discussion.

The Group employs 2,200 employees (including Veracomp), including more than 500 technical engineers and 150 other cyber and certified tech salespeople, thus maintaining a ratio of approximately one technical engineer for every two salespeople. Approximately 25% of the Group's employees are part of the technical team and these technical engineers have an average of five technical certifications. Technical engineers provide services, such as technical support and professional services, after products are sold. Certified technical salespeople generally provide expertise and knowledge prior to the sale (i.e., pre-sales support). Additionally, the Group employs more than 130 accredited trainers. These trainers provide classroom and remote vendor-accredited training courses or courses created by the Group. This makes the Group a valuable, credible partner in the highly technical and ever-evolving cybersecurity market. Thanks to its strong technical staff and specialization, the Group has developed a proven ability to launch new cybersecurity solutions, from both disruptive and established vendors, in the geographic markets where the Group operates. This ability to promote disruptive technologies and solutions in local markets is at the center of the Group's value proposition, regardless of the solution's nature, enabling coverage of a range of products, including, for example, licenses, support services or subscriptions.

The Group excels by combining global scale with local execution. With offices in 40 countries and the ability to service customers across five continents and in over 150 countries, the Group, headquartered in France, offers a "global scale, local sale" model. This model enhances performance in local operations by providing both global support (such as global support centers, vendor onboarding, global deal desk and global delivery services) and local support (such as local and regional distribution, local team onboarding, delivery follow-up coordination and POD consolidation). This approach has enabled the Group to (i) develop one of the world's broadest portfolios of cybersecurity solutions from over 240 leading vendors and (ii) develop a worldwide customer base, consisting of over 18,000 VARs, SIs, Telcos and MSPs, indirectly serving more than 110,000 end-customers. Over the period from 2018 to 2020, the Group conducted business in more than 124 countries.

The Group's approach enables vendors to adopt a simple and agile go-to-market model in relation to their cybersecurity solutions, while benefitting from the Group's local expertise and market knowledge in each jurisdiction where it operates. The Group's scale is equally important to its customers as their own end-users may be located in multiple regions of the world. In addition, the Group helps its customers through its expertise in vendor selection as cybersecurity solutions become ever more complicated and keep evolving in the face of increasing cybersecurity threats.

The Group offers technical expertise and a wide range of services to both vendors and customers. Services to resellers mainly include (i) (multi-)vendor professional and technical services, (ii) implementation and support, (iii) asset financing and leasing, (iv) project management and logistics and (v) accredited training. Several of these services are billable services. Services to vendors include channel development enablement and management, marketing and demand generation. This broad service offering helps the Group maintain and strengthen its relationship with vendors currently under contract, as well as develop new relationships with vendors offering innovative solutions. The Group has been the go-to-market expansion partner for some of the fastest growing vendor brands in the cybersecurity market, including Fortinet, Palo Alto Networks, F5 Networks, SentinelOne, Infoblox and Proofpoint, and has contributed to their journeys to become major players in international markets.

The Group's proven ability to secure contracts with disruptive vendors is an important strength as these disruptive vendors represent future growth opportunities for the Group and its customers. The Group's services offering also strengthens the development of its customer base, whether in relation to its larger or smaller resellers. In less mature markets, the Group's services are particularly valuable to smaller resellers, who benefit from the training, support, and technical expertise of a specialist such as the Group. For larger resellers that cover a broad range of IT services, but are not cybersecurity specialists, the Group's general expertise in cybersecurity helps them understand key market trends and identify the best technologies for their end-users.

5.2 Competitive Strengths

The Group believes that it has the following key strengths:

5.2.1 *At the center of a large and fast-growing cybersecurity market*

The cybersecurity value-chain is highly complex and continuously evolving, with a fragmented ecosystem of players including vendors, partners and end-customers. The overall cybersecurity products and services market was believed to be worth approximately €58 billion in 2020, according to the Market Reports. Between 2016 and 2020, the market grew at an approximately 10% Compound Annual Growth Rate ("**CAGR**") and is expected to continue to grow significantly, at approximately 9% CAGR between 2020 and 2026, according to the Market Reports, driven primarily by continued increases in product adoption.

The vast majority of the Group's sales originate from distributing and servicing cybersecurity solutions, with a small portion coming from non-cyber related business, such as cloud transformation and unified communications. The Group's central role in the distribution chain and its ability to add value to this highly attractive market should enable it to capitalize on the expected continued structural growth opportunities. The Group believes that it is well-placed to continue to grow its share of the overall market given its differentiated product offering and its services portfolio, which enable it to play a critical role within the cybersecurity ecosystem.

5.2.2 *Partner of choice for industry leaders, driving network effects*

The Group has developed a best-in-class vendor portfolio. The Market Reports have identified the Group's vendors, such as Arista, Crowdstrike, SentinelOne, Netskope, Exabeam, Fortinet, F5, Imperva, Juniper, LogRhythm, McAfee and Palo Alto, to be market leaders in key sub-sectors. This portfolio has been cultivated through a robust and efficient vendor selection framework, enabling the Group to partner with the industry leaders of the future. The Group has a rigorous process of (i) information gathering and screening, (ii) formal valuation and presentation, (iii) internal product committees and (iv) momentum planning to determine with which vendors to partner. In 2020, the Group added 21 new vendors with greater than €100 thousand in Gross Sales[2] after screening more than 50 over the course of the year. The Group believes that this rigorous framework will enable it to continue to identify the future industry leaders, and provide opportunities for the Group to grow alongside its judiciously selected vendors. The Group has added 6 new vendors in 2021 to date, with 11 new vendors currently in development.

Exclusive Networks' ability to identify future industry leaders translates to powerful network effects. The Group's best-in-class vendor portfolio leads to Exclusive Networks continuing to grow and expand its partner base. This expansion of the partner base enables the Group to further enhance its cybersecurity expertise, which in turn enables Exclusive Networks to reinforce its existing international reputation. This status, in turn, enables Exclusive Networks to attract and retain the best talent, which enables the Group to continue to identify and maintain relationships with existing and future industry leaders. The Group believes that this cycle enables it to continue driving sustainable growth on an ongoing basis, with the related network effects creating high barriers for new market entrants.

5.2.3 **Unique value proposition across cybersecurity ecosystem underpinned by specialization**

Cybersecurity has mission-critical implications for all organizations relying on IT and digital tools to operate their businesses. Consequently, the distribution channels from vendors to end-customers are numerous and complex and require players that combine deep technical expertise as well as global market capacities. The Group represents a critical component of the global cybersecurity distribution chain, positioned between the over 3,000 vendors that exist industry-wide, and more than 100,000 VARs, SIs, Telcos and MSPs, who then address over 40 million end-customers. It offers a wide range of value-added services at both ends of the value chain, enabling vendors to benefit from a global marketing and sales strategy so they can focus on their core software development activity, while helping resellers navigate a fragmented, technically challenging and constantly evolving product offering.

The Group's upstream positioning in the value chain is derived from its ability to deliver a very broad range of technical and commercial services. Today, the Group successfully addresses the majority of the key cybersecurity market segments, according to the Market Reports. Technical services, including product training, professional services, technical support and managed services are essential for some of the Group's reseller clients, who lack the technical familiarity with the vendors' products to master the fragmented and constantly evolving cybersecurity solutions landscape. Commercial services, including partner enablement and management, lead generation and marketing are important for vendors, many of which cannot dedicate large parts of their organization to their marketing strategy, especially outside of their home market.

The Group's positioning as a specialist in cybersecurity comes from a deep technical expertise made possible by more than 500 engineers, or approximately 25% of the Group's workforce. In October 2020, the Group launched an initiative enabling the shift to cloud-based subscription

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[2] See Sections 7.5 "*Key performance indicators*" and 7.5.1 "*Reconciliation of KPIs*" for a reconciliation of the Group's KPIs with IFRS and/or French GAAP measures.

with Exclusive On Demand ("**X-OD**"). X-OD has already been launched successfully with four vendors, and is now being applied in key geographies in Europe, namely the UK, Ireland, France, Germany, Austria, the Netherlands, Belgium, Spain and Finland. The Group believes that X-OD highlights how the Group continues to innovate to best serve its clients.

5.2.4 Global footprint with local presence, providing access to a large and diversified customer base

The Group operates globally. With significant scale and geographical reach, it combines offices in 40 countries and the ability to service customers across five continents with a global network of third-party specialists that create value for clients by providing on-the-ground services in over 100 countries and logistics capabilities in more than 150 countries. This global footprint is managed with a decentralized organization and five global support centers.

The cybersecurity ecosystem is highly complex and therefore Exclusive Networks is critical for both vendors and resellers to navigate that complexity. Through the Group's extensive network, vendors are able to scale globally despite lacking the necessary presence in their target geographies, utilizing the Group's local expertise. The Group provides access to over 18,000 VARs, SIs, Telcos and MSPs, enabling vendors to unlock a large, diversified customer base. Exclusive Networks is able to grow alongside the vendor, with both parties benefitting from the symbiotic relationship. The Group believes that global presence and local expertise will remain critical within the cybersecurity ecosystem, and that it is best placed to continue benefitting from such trends.

5.2.5 Strong track record of profitable growth at scale, with software-like attributes

The Group believes that it offers a powerful and unique combination of leading market positions, with an established track record of strong revenue growth, proven profitability, and an asset light model supporting strong cash generation.

The Group has a strong revenue profile, with Gross Sales growing at approximately 36% CAGR, and more than 28% organic growth[3], between 2013 and 2020, including Veracomp as it had been acquired at 1 January 2020. Between 2018 and 2020, Gross Sales including Veracomp grew at 20% CAGR driven by both organic growth (11%) and acquisitions (9%, of which Veracomp accounted for 7%). For the year ended 31 December 2020, the Group reported Gross Sales of €2.6 billion, excluding Veracomp, which represented a CAGR of 13% since 2018, driven by organic growth (11%) and acquisitions (2%), and a year-on-year growth of 7.9% (7.6% organic growth). The nature of the business model is such that the Group has a highly sticky revenue stream that provides the foundation for future growth both organically, and as businesses are acquired and integrated.

Exclusive Networks has demonstrated profitability, with an Adjusted EBITA as a percentage of Net Margin[4] of 37% for the year ended 31 December 2020, which is broadly consistent with prior years with an Adjusted EBITA as a percentage of Net Margin of 33% and 36% for the years ended 31 December 2019 and 31 December 2018, respectively. Including Veracomp as if it had been acquired at 1 January 2020 (see 7.3.3 "*Acquisitions, divestitures and changes in consolidation*" for a description of the Veracomp acquisition), the Group's Adjusted EBITA as a percentage of Net Margin would have been 37%. The Group's Adjusted EBITA as a percentage of Net Margin is approximately 9-10 points greater than the average for broadliners

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3 Organic growth is calculated considering an acquired company's performance as organic from the year following the Group's acquisition of it, and is an unaudited measure not calculated in accordance with IFRS.

4 See Sections 7.5 "*Key performance indicators*" and 7.5.1 "*Reconciliation of KPIs*" for a reconciliation of the Group's KPIs with IFRS and/or French GAAP measures.

at 29%, high-growth VARs at 29% and medium-growth VARs at 26%, and the overall average at 28%.

The Group operates an asset light model, as measured by its Return on Capital Employed ("**ROCE**"). The Group's ROCE for the year ended 31 December 2020 was 53%[5], representing an asset-light model when compared to high-growth VARs, medium-growth value-added distributors ("**VADs**") and broadliners with average ROCEs of 49%, 30% and 17% for the same period, according to the Market Reports, respectively. On the basis of the Group's 2020 ROCE and its 2020 revenue growth, the Group exceeds the ROCE to revenue growth ratio of traditional Broadliners. This asset light model enables strong cash conversion, with the Group's average Cash Conversion[6] at approximately 80% over the past three years. For the years ended 31 December 2020, 2019 and 2018, the Group's Cash Conversion percentages were 108%, 64% and 74%, respectively. For the six-month period ended 30 June 2021, the Group's cash conversion percentage was 92%.

In addition, under the "Rule of 40", the Group's growth rate and profit margin show strong performance as an SaaS company. The Rule of 40 is an industry metric measuring the performance of SaaS companies, whereby the sum of a company's (1) profitability and (2) revenue growth should exceed 40%. With the Group's Adjusted EBITA as a percentage of Net Margin of 37% and the Group's revenue growth between the years ended 31 December 2019 and 2020 of approximately 8.6%, which added together equals 45.6%, the Group exceeds the Rule of 40 threshold for SaaS companies.

5.2.6 Proven industry consolidation platform on a global scale

Exclusive Networks has acquired 17 businesses since 2013 and has a proven track record of making disciplined acquisitions, adhering to specific acquisition criteria. The Group believes it has a best-in-class M&A playbook that is focused on geographical coverage and service offering. Through selective acquisitions, Exclusive Networks has expanded into over 25 new geographies since 2013, adding capabilities including training and education platforms and global project management. Most recently, Veracomp (in December 2020) and JJNet (in August 2020) were acquired, expanding the Group's footprint in Central and Eastern Europe and reinforcing the Group's presence in Hong Kong, respectively. Selective acquisitions also expand the Group's capabilities. In July 2021, the Group acquired Ignition Technology to reinforce its ability to address the needs of its emerging vendors. The acquisition of Nuaware (in November 2020) increased the Group's capabilities in DevSecOps.

The Group has a highly selective and efficient screening process, with between 10 and 15 targets reviewed annually, that have resulted historically in one to three acquisitions per year. Exclusive Networks has a clear and robust approach to integration aimed at maximizing the target's performance while preserving their own identity and entrepreneurial spirit (usually focusing on founder retention of a significant minority stake in the company or share options granted to key managers), within the parameters of the Group's framework. The Group has a track record of accelerating acquired companies' growth and achieving synergies by sharing technical and commercial expertise. The Group believes this disciplined approach to acquisitions will ensure that the Group is able to continue to enhance its growth trajectory as an extension to organic growth, enabling Exclusive Networks to scale further effectively.

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[5] The Group's 2020 ROCE excludes a €28 million exceptional decrease in Net Working Capital due to a one-off delayed VAT payment in the UK and exceptional improvement of payments terms with one vendor.

[6] See Sections 7.5 "*Key performance indicators*" and 7.5.1 "*Reconciliation of KPIs*" for a reconciliation of the Group's KPIs with IFRS and/or French GAAP measures.

5.2.7 Experienced leadership team, with an entrenched entrepreneurial culture, supported by a visionary founder

Exclusive Networks is led by a dynamic senior leadership team, who are fully dedicated to the continued success of the Group and have deep experience within the industry. The team comprises long-standing employees, and more recent joiners with extensive industry experience and specialist expertise. Exclusive Networks has a clear identity focused on a strong engineering culture, with approximately 25% of the Group's employees as technical engineers, and an approximate ratio of 1:2 engineers to salespeople. The Group employs more than 500 technical engineers, who have an average of five technical certifications. This is combined with a customer-centric approach and a wider focus on creating positive benefits for society. See Section 5.12.1 "*Overview*" of this Registration Document.

Exclusive Networks' management team is led by Mr. Jesper Trolle, who was appointed as CEO in September 2020. Jesper's appointment as CEO was part of a planned succession strategy from the Group's visionary founder, Mr. Olivier Breittmayer who remains involved with the Group as a Non-Executive Director on the Board. Jesper is vastly experienced with the IT industry having worked for over 28 years in the sector both within the reseller community and distribution (for further information, see Section 12.1.1(a) "*Biographical information of the members of the Board of Directors*").

The Group believes that the current composition of the senior management team combines deep knowledge of the industry, with the expertise of operating globally within a highly complex ecosystem. The Group's committed and highly capable senior leadership team has enabled Exclusive Networks to establish itself as the global cyber-security distribution specialist that is very well placed to transition successfully to become a publicly listed business.

5.3 Group Strategy

The Group has historically demonstrated a strong track record of profitable growth and has a clear strategy in place, with the aim of delivering future growth. This strategy is founded on five core pillars: (i) continuing to leverage the underlying growth of existing vendors in current geographies; (ii) adding new geographies for existing vendors; (iii) attracting new vendors to its existing services and solutions offering; (iv) expanding its services and solutions offering to serve customers' needs; and (v) pursuing value-accretive M&A.

5.3.1 Continue to leverage the underlying growth of existing vendors in current geographies

The Group expects that future growth will be underpinned by the continued growth in cybersecurity spending. The Group operates in a highly attractive market which benefits from strong underlying growth with multiple structural drivers (see Section 5.5 "*Industry*"). According to the Market Reports, the global cybersecurity market is forecast to grow at a CAGR of approximately 9% over 2020A-2026E, with specific industry sub-segments expected to grow at an even higher rate, such as Content Management (CAGR of approximately 10%), Network Security (CAGR of approximately 9%), Identity and Access Management Software (CAGR of approximately 9%), Endpoint Security (CAGR of approximately 9%) and Security and Vulnerability Management Software (CAGR of approximately 8%).

Within the Content Management segment, the Cloud-Access Security Broker (CASB), Secure Access Service Edge (SASE), Security Email Gateway (SEG), Data Discovery (DD)/Data Classification (DC)/Data Loss Prevention (DLP) and Web Application Firewall (WAF) sub-segments are expected to grow at 2020-2026E CAGRs of approximately 30%, 29%, 14%, 12% and 8%, respectively. Within the Network Security segment, the Software-Defined Networking (SDN)/Zero Trust Access sub-segment is expected to grow at a 2020-2026E CAGR of approximately 17%. Within the Identity and Access Management Software segment, the

Privileged Access Management (PAM), Advanced Authentic and ID Governance & Administration sub-segments are expected to grow at 2020-2026E CAGRs of approximately 20%, 14% and 13%, respectively. Within the Endpoint Security segment, the Containers Serverless sub-segment is expected to grow at a 2020-2026E CAGR of approximately 10%. Within the Security & Vulnerability Management segment, the Security Information and Event Management (SIEM) sub-segment is expected to grow at a 2020-2026E CAGR of approximately 10%.

From a regional perspective, the cybersecurity market in the Americas, EMEA and APAC regions is expected to grow at a 2020A-2026E CAGR of 8%, 7%, and 13%, respectively.

The Company's vendor base is continuing to grow and evolve focusing on newer areas of the cybersecurity market such as cloud security, next-generation firewall and ransomware detection. In addition, vendors continue to actively pursue mergers and acquisitions, with Palo Alto's acquisition of Twist lock and Parsec as examples. These dynamics ensure that the market continues to evolve and grow, with potential benefits for the market position and growth of Exclusive Networks.

This substantial upside potential is evident in the Company's cross-sell and up-sell abilities. The Company has significant opportunity for a "one-stop-shop" approach by cross-selling extra vendors or products to the existing customer base. Over 70% of the Group's partners purchase products from one or two of the Group's vendors. The substantial upside potential is evident in the Group's average vendors per re-seller which, in 2020, was approximately 2.2. The Group also has a strong up-sell opportunity, particularly upon renewal, as partners and end customers have a significant need for multiple products averaging more than 50 products per end-customer. The substantial upside potential is evident from the average revenue per re-seller which, in 2020, was approximately €160 thousand. An increase in the average revenue per reseller allows for growth without adding additional resellers to the Group's reseller base. The Company intends to leverage these dynamics to support future growth. Approximately 80% of the Group's growth stems from its existing customer base and 20% from new customers acquired.

5.3.2 Add new geographies for existing vendors

The Company is typically engaged by its vendors to operate as their partner in a specific country or countries, because of the Group's strong track record of introducing vendors' products to geographies where it already has existing presence and capabilities. However, as of today, no key vendor of the Group is contracted across all territories. The Company has a strong record of geographic expansion and has grown significantly in the Americas and APAC regions since it entered those markets in 2015 and 2017 (approximately 57% and 47% CAGR, respectively).

A key geography in which the Company is targeting to expand is the US, where, in 2020, it had less than 5% market share by revenue and which represented 11% of the Company's revenue. Given that the majority of cybersecurity vendors are based in the US and the US is the largest market globally, there is a lower proportion of 2-Tier distribution models, with only approximately 50% of total sales of cybersecurity products being sold indirectly via distributors, compared to approximately 80% in EMEA and approximately 80% in APAC, in each case, according to the Market Reports. However, given the size of the US cybersecurity market, the opportunity remains very large and the Company believes that it has a strong offering to address that market opportunity. As of today, the Company has a large number of US vendors for whom it sells internationally but a small handful of vendors for whom it sells into the US and approximately 90% of the Company's US revenue is generated by one vendor. As such, there is a clear opportunity to increase US growth. There are also trends that the Company believes are supportive of its aim to gain US market share, including continued consolidation of distributors, resulting in fewer distribution options for existing vendors and greater competition amongst vendors within newly merged distributors, which will likely trigger the desire for some of Exclusive's existing vendors.

5.3.3 Expansion of the vendor portfolio

The cybersecurity market is continuously evolving with over 100 new cybersecurity start-ups emerging every year and approximately $8 billion in venture capital raised in cybersecurity in 2020 alone. Through its dedicated focus on cybersecurity and continuous tracking of new, often disruptive, solutions, the Group has been able to consistently add new vendors to its portfolio, adding 10 new vendors with over €100 thousand in Gross Sales in 2019 and 21 in 2020. In 2021 to date, the Group has added 6 new vendors with 11 new vendors in development. The Group believes several of its newer vendors (such as Crowdstrike and Proofpoint) have strong potential to meaningfully outgrow the overall market.

The Group does not cover all sub-segments of the cybersecurity market. Adding leading disruptive vendors in other sub-segments represents a real opportunity for the Group to generate cross-sales across its portfolio of customers.

Furthermore, existing vendors spend a significant amount on developing new solutions, with $13 billion spent on research and development over the last three years by certain of the major cybersecurity players[7]. Moreover, several of the Group's top vendors have been acquisitive (e.g., Palo Alto Networks), thereby expanding their product offerings, which in turn presents an opportunity for Exclusive Networks to increase its offerings to the markets it serves.

The Group also aims to enter relevant IT segments adjacent to cybersecurity. For example, the Group acquired Nuaware in 2020 to enter the fast-growing DevSecOps market. The move added immediate global scale, marketing and services capability to the Nuaware proposition and portfolio, while providing the Group, its vendors and reseller community a unique skill set for capitalizing on increasing demand in the DevSecOps market.

The Group aims to continue to grow this vendor and solutions base over time and identify the leading vendors across market segments, driving Group revenues due to the wider portfolio that it can offer to its customers.

5.3.4 Expand services and solutions offering to continuously increase the value proposition

The Group aims to continually adapt its product and services offering to offer best in class solutions to its vendors and customers, either organically or through M&A.

Most recently, the Group has been focused on developing a leading solution to tap into the changing market landscape of cloud-based delivery and billing models. In October 2020, it launched the Exclusive On Demand ("**X-OD**") platform:

– X-OD is the online subscription-based service for select Exclusive Networks cybersecurity and infrastructure products and services, designed to simplify technology consumption and drive growth by accelerating the evolution to the subscription economy.

– X-OD enables the transition to subscription-based consumption by bundling and selling licenses through a subscription-based billing model. The new platform marks a shift in how cyber and infrastructure solutions and related services are bought and sold, enabling partners to meet the market need for OpenX-based consumption, deliver a fully digital

[7] Public filings by Okta, Zscaler, Crowdstrike, Cloudflare, CyberArk, SailPoint, Mimecast, Fortinet, Palo Alto Networks, Qualys, Proofpoint, Rapid7, Tenable

customer experience across the value chain and optimize ongoing customer success with rich data insights.

– X-OD is fully embedded in and complements the Group's sales organization. X-OD is not another division or business unit running in parallel with the core business of the Group but is a service proposed within the existing business to solve operational, administrative and financial challenges of the Group. As X-OD facilitates the sale and consumption of subscription-based cybersecurity solutions, the Group is able to propose both standard and X-OD options.

– X-OD is expected to lead to strong recurring revenue and better visibility, driving differentiation and sustainable growth at scale, providing access to valuable customer and business insight and minimizing churn and maximizing customer loyalty.

– X-OD is available today in the UK, Ireland, France, Germany, Austria, the Netherlands, Belgium, Spain and Finland with a planned expansion into the APAC and Americas regions targeted to occur by the end of 2021.

The Group intends to continue to develop its service offering to support future growth and maintain its product leadership and level of offering to its vendors and customers.

5.3.5 Selectively pursue M&A opportunities to accelerate the company's strategy

The Group has a strong track record of accretive acquisitions and efficient integrations and in industry consolidation. The Group has made 17 acquisitions since 2013 which have added both capabilities (including training and education, global project management and DevSecOps) as well as geographic reach across an additional 25 countries. To date, the Company has typically looked to add regional or country presence through acquisition rather than organically, such as the acquisition of FineTec to enter the US or the acquisition of Transition to enter South East Asia.

The Group has a best-in-class playbook across the below aspects:

– Highly disciplined M&A strategy with well-defined key criteria: geographical coverage and specialist service expansion

– Selective and efficient screening: 10-15 targets reviewed annually (generally in addition to 10-12 reverse enquiries), almost always on a bilateral basis, for 1-3 acquisitions per annum historically

– Recurring pipeline of small M&A targets: <€5m EBITDA contribution, seen as an extension to organic growth

– Clear and robust approach to integration aimed at maximizing the target's performance while preserving their own identity and entrepreneurial spirit (usually focusing on founder retention of a significant minority stake in the company or share options granted to key managers), within the parameters of the Group's framework

– Track-record of accelerating acquired companies growth and achieving synergies by sharing technical and commercial expertise

The acquisition of Nuaware in 2020 represents a strong example of the Company's successful M&A strategy. Nuaware is a born-in-the-cloud distributor at the cutting edge of DevSecOps whose acquisition added immediate global scale and distribution and services capability to the Nuaware proposition and portfolio, while providing the Group, its vendors and partner community with a unique skillset for capitalizing on immense demand shifts brought about by digital transformation.

The acquisition of Veracomp in December 2020 provides a good illustration of the Group's ability to complete acquisitions to expand its geographic reach. As a result of this acquisition, the Group is able to serve its vendors and reseller partners in the fragmented Central and Eastern European region.

In June 2021, the Group entered into an exclusivity agreement with Networks Unlimited to pursue discussions around a potential acquisition, which would expand the Group's reach in Sub-Saharan Africa.

Most recently, in July 2021, the Group acquired Ignition Technology to reinforce its ability to address the needs of its emerging vendors. As a result of the acquisition, the Group will be even better positioned to support the development of emerging vendors.

The Group utilizes a consistent approach to integration aimed at maximizing performance while preserving the Group's entrepreneurial spirit. The Group's integration process focuses on four key pillars: (1) ensuring business growth and synergy maximization; (2) implementing strong finance and business monitoring; (3) reinforcing IT capabilities and existing teams; and (4) preserving identity and entrepreneurial spirit. When integrating a newly acquired business, the Group utilizes its organization, tools and people.

Organization

– Integration committee meets every six weeks

– Weekly updates with subject owners

– Continuous involvement from the regional manager, the region senior vice president and the integration leader

Tools

– Provide target with integration plan focused on key areas such as business, QlikView, finance, marketing, IT and compliance

– Connect to business intelligence tool within a maximum of three months

– Allow for substantial leeway before full IT integration, usually after at least one year

People

– Trust existing teams and leaders by keeping them on board

– Ensure preservation of local identity and introduce the group's culture

– Offer long-term personal development and training resources

The Group intends to continue its strategy for M&A and business integration in order to support and accelerate the implementation of its growth strategy.

5.4 **History**

Since its inception in 2003, the Group has increased its global presence, partly organically, by adding vendors, growing with its vendors in existing markets, expanding their presence in new markets and establishing operations in new countries, and partly through an intensive acquisition strategy to expand into new territories, reinforce its market share in certain markets in which it already operates and to add new service capabilities.

The Group has completed several acquisitions since its inception, the most significant of which are included in the table below.

Key dates

2003:	HTIV acquires 70% of Techniland, a company founded in 1995 in France by Mr. Xavier Lafaure, which initially focused on IT integration services and later shifted to distribution of communication products. HTIV was owned 50%/50% by Mr. Philippe Dambrine and Mr. Olivier Breittmayer. Olivier Breittmayer was a shareholder in Techniland and sold his shares to Xavier Lafaure in 1998. Following the acquisition, the Fortinet distribution contract is signed, representing a first step for the Group in the cybersecurity market.
2005:	Mr. Olivier Breittmayer takes over the management of Techniland from Mr. Xavier Lafaure.
2007:	Techniland is renamed Exclusive Networks. Funds managed by Edmond de Rothschild acquire a minority stake in Exclusive Networks. Exclusive Networks begins its international development: – The Group acquires Qdis in Holland and Deltalink in Belgium. – The Group establishes operations in Spain and Italy.
2008:	The Group establishes operations in Sweden and Finland.
2009:	Exclusive Networks acquires Arc Technology, expanding the Group's presence into the United Kingdom.
2010:	The Group is acquired by Omnes Capital (formerly Crédit Agricole Private Equity). Mr. Xavier Lafaure and Mr. Philippe Dambrine sell all their shares.
2011:	Exclusive Networks acquires TLK Distribution, expanding the Group's presence into Germany, Austria and Switzerland.
2013:	Exclusive Networks acquires Secureway, expanding the Group's presence into the Middle East.
2014:	Exclusive Networks acquires White Gold, expanding the Group's presence into Australia and New Zealand, signifying its first step outside of the EMEA region.

2015:	The Group is acquired by Cobepa through a leveraged buy-out providing the Group with additional resources to pursue its growth. Exclusive Networks acquires Transition Systems, expanding the Group's presence into South-East Asia.
2017:	Exclusive Networks acquires Fine Tec, expanding the Group's presence into the USA.
2018:	The Group is acquired by Permira, providing support to continue the Group's ambitious development plan.
2020:	Mr. Olivier Breittmayer takes on a non-operative role and Mr. Jesper Trolle is appointed as CEO of the Group. Exclusive Networks enters DevOps (the combination of software development and IT operations) and Containers segments through the acquisition of Nuaware in the UK. Exclusive Networks acquires Veracomp, expanding the Group's presence into Central and Eastern Europe.
2021:	Exclusive Networks acquires Ignition Technology, reinforcing the Group's ability to address the specific needs of emerging vendors.

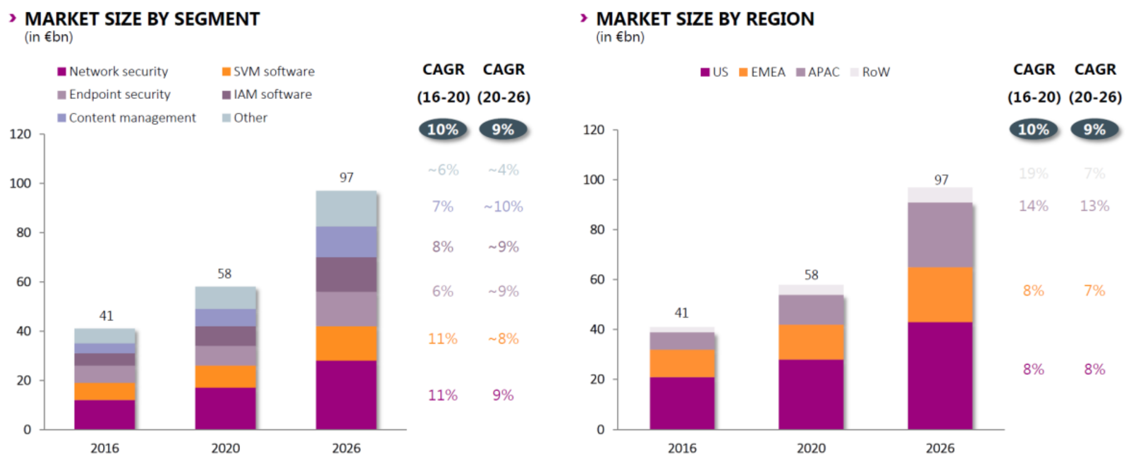
5.5 **Industry**[8]

5.5.1 ***Overview of the Cybersecurity Market***

The Group's offering is focused on the large and growing global cybersecurity market. Within this market, the Global IT Security Product and Select Services Total Addressable Market ("**TAM**") had an estimated value of approximately €58 billion for 2020, which comprises both the software and hardware sales elements of the market. This sub-segment, in turn, includes Network Security, Endpoint Security and Security Vulnerability Management ("**SVM**"), which account for approximately 65% of the market. The global cybersecurity market is expected to grow at a CAGR of approximately 9% between 2020 to 2026, with Content Management, Network Security, IAM software and SVM being the fastest growing sub-segments. The overall IT Services market, by contrast, is projected to grow at a CAGR of approximately 3% between 2020 to 2024.

[8] Unless otherwise stated, market information in this Section 5.5 "*Industry*", including size and growth prospects, is from the Market Reports presented in Section 1.3 "*Third-party information, experts' reports and declarations of interest*" of this Registration Document.

Market size by segment and region



Source: Market Reports

The key driver of the market growth is ever-changing technology, such as:

– Threat sophistication: The threat landscape is continually evolving, causing a high loss from cyber-attacks, with damages estimated to cost $6 trillion per annum by 2021 and $10.5 trillion per annum by 2025 (up from $3 trillion in 2015), requiring new technologies. More than 138 million new malicious programs were registered in 2020; in 2021, to date, there was a ransomware attack on businesses every 11 seconds, up from every 40 seconds in 2016.

– Technology complexity: The overall attack surface continues to expand, presenting a wider target for potential attackers. This has been enhanced by ongoing digital transformations, environment complexity with public cloud, hybrid/multi-cloud environments, and device proliferation, which has been further accelerated by increased work from home. This means that companies need consistent, integrated security across disparate environments. They are also seeking increasing solutions for new technologies (such as containers) and enhanced protection across automated workflows, including DevOps (VA / VM).

– Capability gaps:

    o Companies tend to suffer severe skill shortage in the cybersecurity area. For example, there are currently approximately 500,000 open positions for experienced individuals in the US and 3.5 million across the rest of the world, resulting from a high level of voluntary attrition (with average turnover of 2-3 years).

    o This increases the need for companies to seek a technological solution with a high level of automation and strong workflow orchestration as well as driving the need to consume product in a more managed manner (e.g., managed services).

– Breach implications:

    o The overall risk and impact of breaches continues to expand, including financial impact (clean-up, revenue, lawsuits), reputational harm and executive departures (CEO, CISO). This is enhanced by ongoing changes in compliance with new stipulations and breach implications (GDPR, NYDFS 23 NYCRR 500, CCPA, POPI).

- o For companies, this increases the need for strategic advisory services (95% breaches preventable) and other professional services (IR, forensics, remediation) as well as increasing demand for cybersecurity warranties and insurance and more straightforward support to meet their compliance needs.

The cybersecurity market is constantly changing, and as a result, the Group sees a constant, high level of continued investment and innovation by vendors. For example:

– Over 100 new cybersecurity companies are launched every year.

– Approximately $8 billion of venture capital funding was raised in the cybersecurity market in 2020.

– Over $13 billion in aggregate was spent on R&D over the last four years by certain vendors, primarily to upgrade their product set to match the threat sophistication and needs of their end-users.

– Cybersecurity vendors spend approximately twice as much on R&D than the software category average.

5.5.2 ***2-Tier model***

The global cybersecurity market is highly fragmented, with more than 3,000 vendors, mostly US-based and representing 48% of the global TAM, and over 100,000 re-sellers, targeting more than 40 million end-customers. End-customers need trusted partners, the resellers, to navigate in this increasingly sophisticated environment.

Resellers are mostly local, highly fragmented and lack the resources or capabilities in cybersecurity.

– Reseller’s focus relies entirely on the end-customer and they often have very limited knowledge of the latest developments in the cybersecurity vendor landscape.

– Resellers are generally local and lack the ability to provide global 24/7 technical support.

– Resellers focus on system integration and general services versus dedicated vendor-specific or cyber-specific services.

The vendor landscape is highly fragmented, constantly evolving with vendors more typically focused on R&D and sales.

– The core focus of vendors is typically on investing in research and development to enhance their own core product offering rather than providing detailed technical support around this offering.

– From a sales perspective, their focus is to sell to large companies, not smaller companies that work through a highly fragmented local base of resellers.

– Vendors typically focus on larger markets, that are closer to their core geographic presence and often have no presence in smaller countries.

– Finally, vendors focus on their own solutions and naturally have limited in-house knowledge on other cybersecurity vendors.

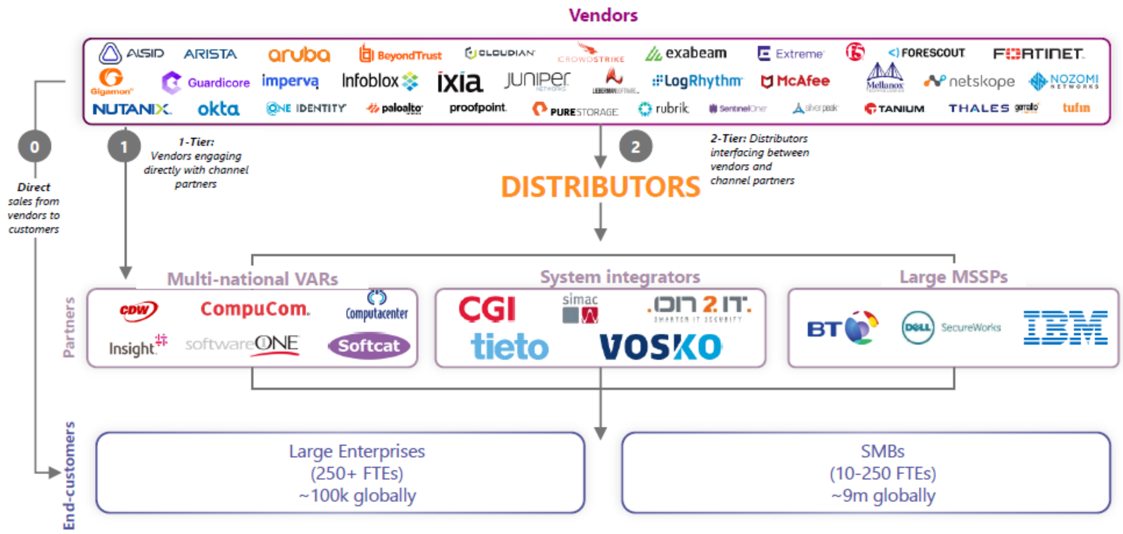
Whilst several potential routes to market exist, as a result of the above dynamics, the global cybersecurity market is mainly driven by the 2-Tier channel.

– Direct: The vendor sells directly to the end-user. This is typically reserved for very large companies with suitable in-house expertise and normally only in the core locations where the vendor operates, hence it has sufficient leverage to go-to-market directly.

– Reseller (1-tier): The vendor partners directly with the reseller. Channels are mostly used by the larger and more established vendors (e.g., Cisco, Microsoft) and typically several large and upper mid-market customers who often have in-house cybersecurity 'know-how' to solve their complex security needs.

– Distributors (2-Tier): The vendor connects with a distributor who sells the vendor's products to resellers who in turn sell to end-customers. This is further explained below.

Overview of the 2-Tier distribution model



Source: Market Reports

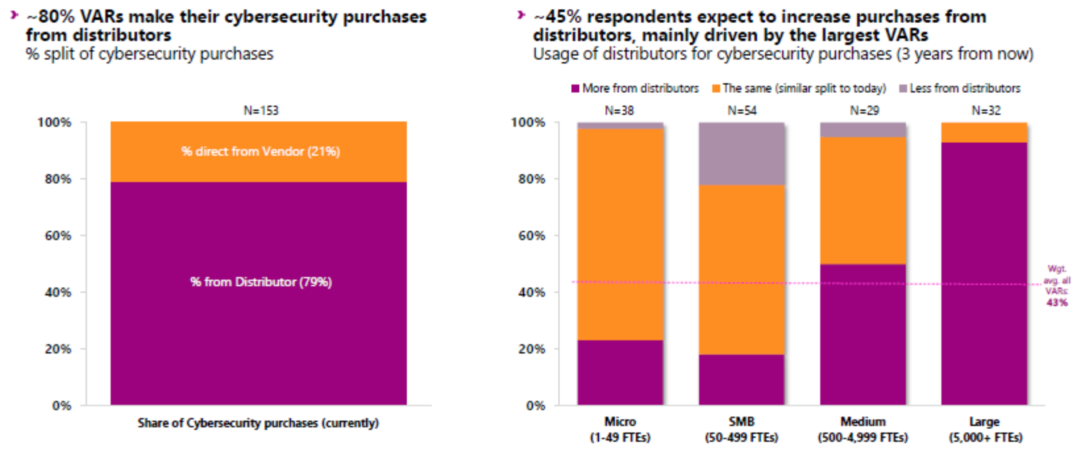
This 2-Tier model is served by two types of distributors: specialist Value-Added Distributors 'VADs' and traditional distributors known as 'Broadliners'. Given the complexity of the cybersecurity ecosystem and the resulting requirements for education and support, there has been strong appetite for the added array of services provided by VADs, powering the 2-Tier model. VADs assist resellers (VARs, managed service providers, etc.) with technical education and product/ implementation support, providing a quick ramp-up on new security technologies with minimal up-front investment, as well as technical resources to enable selling incremental solutions to existing customers. VADs offer vendors several essential benefits:

– Avoid added costs of multi-lingual sales teams and back office by providing reach across different geographies;

– Accelerate their go-to-market and sales growth;

– Transfer financial risk of end-users and resellers; and

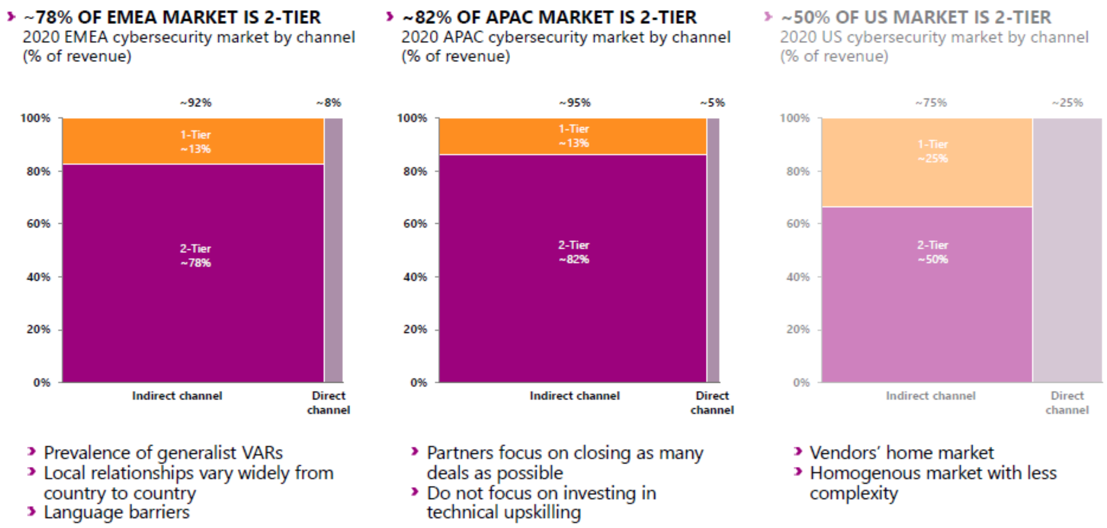
– Streamline logistics.



Source: Market Reports

The percentage of VARs that purchase from distributors reflects the prevalence of the 2-Tier model. Approximately 79% of VARs purchase cybersecurity solutions from distributors, while the remainder purchase directly from vendors. This percentage is expected to increase, mainly driven by the purchases of the largest VARs.

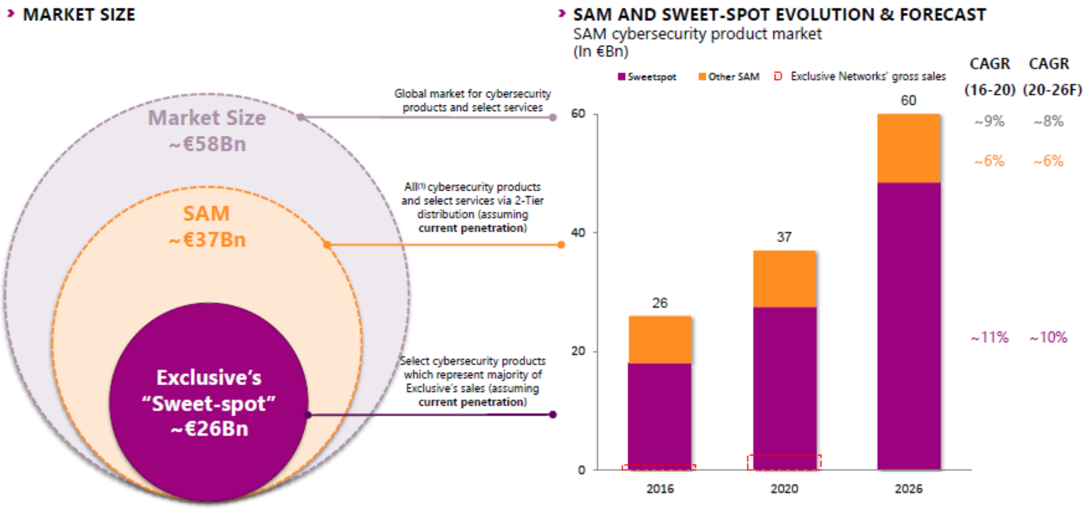
2-Tier model by region (2020)



Source: Market Reports

Globally, approximately 65% of the cybersecurity market is distributed through the 2-Tier model, but the prevalence of this model varies by region. In EMEA, approximately 78% of the cybersecurity market is distributed through the 2-Tier channel, mainly driven by local relationships that vary from country to country, different currencies and due to language barriers, meaning that vendors usually do not see value in the direct approach in EMEA. The prevalence of the 2-Tier channel in EMEA is expected to slightly decline to 76% by 2026. In APAC, approximately 82% of cybersecurity is distributed through the 2-Tier channel, which is driven by the same factors as in EMEA, and also by resellers usually focusing on quantity, which does not allow them to invest in technical upskilling. In the US, only approximately 50% is distributed through the 2-Tier channel (whereas 1-Tier and direct sales each account for 25%), as a consequence of the fact that the US is the domestic market of many vendors and resellers are very large and have the ability to carry out many of the value-add functions themselves, enabling them to buy directly from the vendors. Despite the lower prevalence of the 2-Tier model, the US market reflects a key opportunity for the Group. The US TAM is €28 billion, and it is estimated that it will grow at 8% per annum between 2020 and 2026. The US market contains the vast majority of vendors, representing 48% of the global TAM with more than 2,600 vendors.

Exclusive Network's serviceable addressable market



Source: Market Reports

The global market for cybersecurity products and select services is estimated at €58 billion. Exclusive Networks' serviceable addressable market ("**SAM**") of €37 billion is in 2-Tier global distribution of cybersecurity products and select services (assuming current penetration[9]). Globally, cybersecurity market penetration in this SAM is approximately 65%, with a cybersecurity penetration of 60%, 50% and 75% in the EMEA, APAC and Americas regions, respectively. The product categories in this SAM include all cybersecurity hardware and software products (excluding consumer products) and select services. Within this SAM, the Company has a current "Sweet Spot" of €26 billion in the EMEA, APAC and Americas regions, which represents a more select offering of cybersecurity products and services at today's penetration levels. Globally, cybersecurity market penetration in this Sweet Spot is approximately 65%, with a cybersecurity penetration of 60%, 50% and 75% in the EMEA, APAC and Americas regions, respectively. The select products and services in the Sweet Spot represent the majority of the Group's sales. The product categories in this Sweet Spot include Network Security (growing from €11.9 billion in 2016 to €18.0 billion in 2020), Content Management (growing from €5.0 billion in 2016 to €6.6 billion in 2020), Endpoint Security (growing from €5.9 billion in 2016 to €7.3 billion in 2020), IAM (growing from €5.4 billion in 2016 to €7.4 billion in 2020), SVM (growing from €6.4 billion in 2016 to €9.6 billion in 2020) and select services such as training, support services, and professional services (including consulting, installation and on-site configuration). The Company's SAM and Sweet Spot are expected to grow at approximately 8% and approximately 10% CAGR from 2020 to 2026, respectively.

Ongoing trends within the 2-Tier model

9 "Penetration" means the percentage of companies (out of all companies) using cybersecurity tools across all product categories and is a high-level average to show product adoption and potential for growth in the market.

As the market continues to transition to cloud-based products, these present certain risks and opportunities for the market:

- Cloud transformation:
  - Cloud-based products increase the risk of cyber-attacks due to a number of factors, including multiple points of security control, higher-order security requirements, regulatory compliance, increased complexity of threat detection and requirements for multi-device and multi-environment management.
  - The shift to cloud-based products introduces new IT complexity, creating new requirements for cybersecurity products related to (i) dispersed digital assets requiring multiple points of security control, (ii) higher-order security requirements, (iii) regulatory compliance, (iv) complex threat detection and (v) multi-device management.
  - Alongside this, the increased prevalence of cloud offerings presents an opportunity for vendors to potentially sell their products in new manners, so-called "Security-as-a-service" or "SECaas". This enables vendors to deliver selected products directly, via the cloud. Whilst the overall penetration of SECaas is expected to increase, this will more be seen in products such as messaging/web products, with limited impact on network security products. Overall, the impact is expected to be felt more by Cloud Service Providers ("CSPs") rather than companies such as Exclusive Networks.
  - The overall impact on Exclusive Networks is expected to be relatively limited as the business' core proposition remains in-place. Additionally, the business has already been making significant progress on its subscription offering with subscription-based Gross Sales representing approximately 21% of revenue for Q1 21, as compared to 15% for Q1 19. The Company has a clear product offering in place via X-OD to enable subscription and cloud consumption.
- CSP dynamics:
  - CSPs, such as Amazon Web Services, Google Cloud and Microsoft Azure, also offer cybersecurity products to end-users via their platforms. These typically constitute a mix of third-party vendor products or some in-house solutions, notably for Microsoft.
  - This offering has relatively limited impact on the majority of the market with larger companies still looking to consume their cybersecurity products in their usual manner driven by their scale and complexity of their needs. CSP offerings are likely to be most appealing to smaller SMBs with limited security sophistication where a 'good-enough' solution may be sufficient.
  - The main segments in which Exclusive Networks operates (IAM, SVM and Network security) are likely to see limited impact as the product complexity favors a 2-Tier distribution model versus more commoditized products like VPN which may be sold safely by CSPs.
  - Today, only 24% of the total cybersecurity market is cloud based. CSPs represent only 1% of global cyber-security sales and even if that increases by a significant multiple, the impact on Exclusive Networks is expected to be limited.

5.5.3 *Competition*

The competitive landscape is characterized by companies with a varying degree of specialization, some of which are more or less focused on the cybersecurity segment and able to offer a more comprehensive range of value-added services, and companies with a varying level of geographical reach which is important to help its vendors scale in new geographies.

The Group typically competes with two types of companies: distributors and specialist resellers. A distributor's main value relies in its ability to transact business (order processing, working capital management, basic logistics, etc.) while having limited business development capabilities for vendors and limited technical skills to assist resellers. Distributors can be local or global. Specialist partners, who are regional or local players, provide a value proposition closer to Exclusive Networks', and typically are the ones with whom the group competes for new emerging vendors, but also who have limited geographic reach and scale to develop innovative services like X-OD or 24/7 Global Support.

The Group typically competes with other businesses in the below categories:

– Global Broadliners

    o Key competitors: Ingram, TechData and Arrow.

    o Global Broadliners typically distribute a wide range of IT products and services in large quantities and have a strong global footprint.

    o Due to the above, Global Broadliners typically only offer basic services as tailored products are not part of their core value proposition. They also have limited specialized knowledge of the cyber-security market or the shifting dynamics. As a consequence, the Group faces minimal competition from Global Broadliners when signing with new disruptive vendors.

– Regional Broadliners

    o Key competitors: Also, Redington and Westcon.

    o As with Global Broadliners, these companies typically offer a generic range of IT products and services with limited specialized knowledge or support services.

    o They are typically more focused on specific regions and have a lower level of reach than the Global Broadliners.

– Regional Specialists

    o Key competitors: Infinigate, ADN, Miel, Nuvias, TIM IT Distribution and others.

    o Similar to the Regional Broadliners, Regional Specialists have a more local footprint compared to Global Broadliners and have strong local presence.

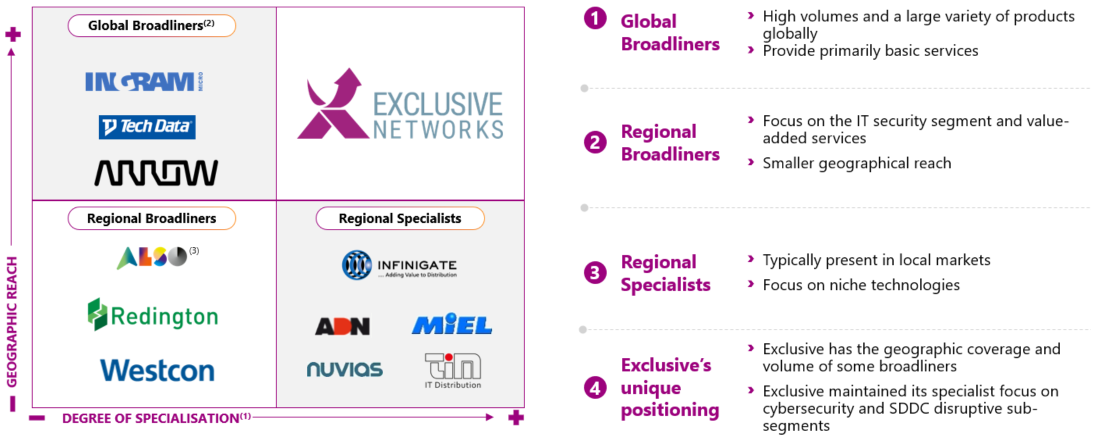
    o In contrast to the Regional Broadliners, Regional Specialists focus more on niche technologies, allowing them to specialize in more complex IT sub-segments rather than generic services, albeit they are restricted by their geographic reach.

– Exclusive Networks' positioning

    o Exclusive Networks has the reach and volume of a broadliner, combined with the value and services of a specialist.

Exclusive Networks' vendor and reseller network, aligned with its expertise and broad coverage, equates to a powerful and defensive moat, meaning that Exclusive Networks has a unique place in the market.

Competitive landscape



Source: Market Reports

Exclusive Networks has a leading position in Europe with approximately 15-20% market share, closely followed by Arrow (approximately 15-20%), then Westcon (approximately 10-15%) and Infinigate (approximately 5-10%). Within this core competitive set, Exclusive Networks differentiates on its specialization, its ability to best support vendors with customer reach (i.e., more countries and resellers) and ability to launch new products while enabling and educating resellers to sell these successfully in their local markets. This helps create a virtuous cycle where resellers rank Exclusive Networks highly on product breadth and innovation of its portfolio. Exclusive Networks is well positioned to continue taking share, driven by its exposure to an accelerated growth vendor portfolio.

This quality of offering is reflected in the positive views of Exclusive Networks' vendors and customers, who generally value their partnership with Exclusive Networks.

5.6 Business Model

The Group benefits from a premium and unique positioning in the industry value chain, connecting both disruptive and established vendors of cybersecurity solutions, who are looking to provide cutting-edge technology, to end-users, but lack (or do not wish to develop) the resources and expertise to efficiently address a highly fragmented reseller and end-user base. See the chart titled "*Overview of the 2-Tier distribution model*" in Section 5.5.2 "*2-Tier model*" above as an example of this industry value chain. Exclusive Networks is the only player combining a specialization in cybersecurity with an ability to launch new cybersecurity solutions and a global reach. As well as providing basic distribution services (logistics, cash collection, inventory management and freight services), the Group provides higher value-added services for its vendors and customers, such as specialist support throughout the sales cycle of vendors' solutions thanks to its team of engineers, comprehensive management of global deals, technical support, training and professional services.

The Group's scale and ability to identify high-growth vendors is important to the Group's customer network who mostly do not engage in direct acquisitions from vendors because (i) many are not cybersecurity solution specialists and are therefore less able than the Group to identify the right vendors offering innovative solutions and services, (ii) others are cybersecurity and cloud solution specialists but do not have the scale offered by the Group or

(iii) most vendors do not sell directly to resellers. These factors also explain why end-users, who tend to be large companies and small- and medium-sized companies with varied IT needs, do not purchase directly from vendors and mostly prefer to work with VARs who offer their own value-added services, focusing on architecture, design and project management, solution specification, and equipment installation and integration.

The Group believes that its customers also order from it because of its technical expertise and knowledge of cybersecurity solutions, which help them understand how to apply the cybersecurity and cloud solutions offered by vendors. As a result of trainings and certifications provided to the Group by its vendors, the Group possesses in-depth technical knowledge in relation to the cybersecurity solutions it distributes. The Group's broad product mix helps create synergies between different products.

5.7 Principal activities

The Group provides its vendors with market knowledge in relation to the Europe, Middle East, and Africa ("**EMEA**"), the Asia-Pacific ("**APAC**") and the Americas regions to help them expand their geographical reach into new markets with limited risk to them. The Group has an established track record of ensuring delivery of its vendors' products throughout the network, and for certain of its vendors into as many as over 100 countries, and expanding vendors' international customer base.

The Group provides services tailored to its partners' expectations.

– Exclusive Networks' range of services can vary from one vendor to another depending on the vendor's level of maturity, its own resources available on the ground and its own policy regarding services.

– The vendors and resellers' expectations may be different from one country to another, depending, among other things, on the size of the market and the market's level of development.

– Expectations from one reseller to another can be different depending, especially, on the reseller's size, its technical resources and its level of specialization in cybersecurity.

The Group provides the core distribution services provided by Broadliners (particularly logistics and cash collection) but distinguishes itself from its competition by leveraging its product expertise and specialization as a digital infrastructure expert to provide vendors with additional high value-added services adapted to vendors at different stages of maturity including:

(a) (multi-)vendor professional and technical services;

(b) implementation and support, including marketing and business development (e.g., public relations activities, trade shows, direct marketing);

(c) financial services; and

(d) project management and complex logistics, particularly for multi-country deployment.

The Group also provides value-added services to its reseller customers who can benefit from the Group's size and reach, its knowledge of cybersecurity and adjacent segments and its ability to identify the right vendors and products. The Group proposes, among other services, training, technical support, installation and global logistics services. More information on the value-added services offered by the Group is set out in Section 5.7.5 "*Resellers*" below.

5.7.1 **Principal markets**

The Group has operations in each of the three largest corporate, rather than consumer, IT markets: the EMEA region, the Americas region and the APAC region. For the year ended 31 December 2020, the EMEA, APAC and the Americas regions accounted for 75%, 14% and 11%, respectively, of the Group's Gross Sales. Including Veracomp as if it had been acquired at 1 January 2020, the EMEA, APAC and Americas regions accounted for 78%, 13% and 9%, respectively, of the Group's Gross Sales. For the year ended 31 December 2019, the EMEA, APAC, and the Americas regions accounted for 73%, 16% and 11%, respectively, and for the year ended 31 December 2018, the three regions accounted for 72%, 17% and 11%, respectively.

The EMEA region has characteristics that are favorable to the Group. It is far from most vendors' domestic markets (namely, the US) and is very fragmented (44 countries with different languages, cultures and a variety of currencies). As a consequence, vendors rely heavily on Exclusive Networks to develop their businesses.

The APAC region, despite being less developed than the EMEA region, is also an interesting area with a high degree of fragmentation.

The Americas has a number of characteristics that are specific to the region. Since the US represents the domestic market for most vendors, vendors and resellers expect less services from the Group. However, this is the biggest market and represents strong potential for the Group.

The Group has expanded its global presence in the past six years through several key acquisitions, including the acquisitions of:

– *Transition Systems*, a specialist South-East Asian-based, value-added distributor, which brought to the Group 18 additional offices, located in Singapore, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam and Australia (2015);

– *FineTec*, a US-headquartered cybersecurity value-added distributor in network security, data integrity and storage solutions, which enabled the Group to significantly expand its offering beyond EMEA and APAC for the first time (2017); and

– *Veracomp*, a value-added distribution group with offices in 10 Central and Eastern European countries, including Poland, Romania, Czech Republic, Slovakia and Serbia (2020).

In addition to its offices in 40 countries, the Group's global reach is supported by (i) a sophisticated third-party global logistics network allowing the Group to manage multi-site deployments and projects from a single point of contact with logistics in more than 150 countries and (ii) third-party, on-the-ground services capabilities, such as installation, implementation and maintenance, in over 100 countries as at 30 June 2021. The Group operates five global logistics hubs and over 20 permanent supply-chain warehouses throughout the world and utilizes third-party logistics and service providers where the Group does not have local capabilities or when customers want a regional hub for their product distribution. When a project requires local assistance, the Group utilizes its network of contractors to organize the installation, implementation and maintenance of the project in all relevant countries.

5.7.2 Vendors

In the context of the cybersecurity solutions industry, vendors are companies that research, develop and produce cybersecurity solution goods and services.

The Group works with over 240 vendors and its vendor portfolio comprises both disruptive and established vendors covering key cybersecurity and adjacent segments. According to the Market Reports, the Group's key vendors are often recognized as leaders in their respective sub-segments of the cybersecurity industry. For example, the Group's established vendors (i.e., vendors that are among the leaders in their respective fields, according to the Market Reports) include (i) Palo Alto, a leader in the corporate networks firewalls segment, (ii) Fortinet, a leader in unified threat management, (iii) Imperva, a leader in web application firewalls, (iv) LogRhythm, a leader in security information and event management, (v) Nutanix, a leader in hyperconverged infrastructure and (vi) Arista Networks, a leader in data center networking. The Group also works with several vendors offering solutions in other specific sub-segments, including Proofpoint, Crowdstrike, Infoblox, Okta, SentinelOne, Rubrik, Thales, F5, Netskope and several others. The Group began its partnership with many of its established vendors, such as Palo Alto and Fortinet, very early in their development (in 2003 and 2009 in the case of Fortinet and Palo Alto, respectively), at a point in time when they did not have the same attractive market positions as today, highlighting the Group's expertise in identifying and working with up-and-coming high-value vendors. These two vendors are now listed on the Nasdaq Stock Market.

The Group maintains a balance between established vendors and disruptive vendors, with a focus on innovative cybersecurity solutions. Established vendors continuously make significant research and development investments to launch new solutions and need the assistance of the Group in this respect, while identifying and partnering with new disruptive vendors is very important to fuel the future growth of the Group and compensate for the growing maturity of certain vendors. For example, vendors whose products the Group recently began to distribute include (i) SentinelOne, focusing on next-generation endpoint security, (ii) Vectra, focusing on intrusion detection and prevention systems, (iii) Netskope, focusing on cloud access security broker solutions, (iv) Nozomi, focusing on operational technology security, (v) Alsid, focusing on identity and access security management, (vi) Crowdstrike, focusing on next-generation endpoint security, and (vii) Okta, focusing on access management.

Having a well-balanced portfolio at the country level is a key asset for the Group and is a critical point of differentiation from its distributor competitors. The portfolio of vendors can vary from one country to another, but the Group aims to have a common base of vendors in each country. In most cases, in any specific country, the Group is the number one or number two partner of its top vendors. However, gross sales generated in any one country by any single vendor did not exceed 8% of the Group's global Gross Sales for 2020. The Group's well-balanced portfolio allows the Group to position itself as a provider of innovative and efficient cybersecurity solutions for resellers.

The Group closely monitors its vendor portfolio to ensure it focuses its resources on performing or promising vendors. The Group tracks the performance of vendors' products according to two key criteria (i) gross sales Compound Annual Growth Rate ("**CAGR**") and (ii) the difference between the actual price realized by the Group on a good purchased for sale and the price paid by the Group at the time it is purchased. A case-by-case analysis is then performed for vendors with poor performance on both criteria, involving, for example, interviews with vendors, analysis by the Group's technical teams and a review of the positioning of the vendor in the Group's overall product strategy. Between 2018 and 2020, the percentage of the Group's vendors from whom the Group derived more than €1 million in Gross Sales in a given year who generated less than 5% of the Gross Sales amount the following year (i.e., a reduction in Gross Sales of more than 95%) ("**Churn Rate**"), averaged approximately 3%. Based on its internal assessment, the Group may terminate its relationship with the vendor in question, allowing it to focus its resources on performing or promising vendors, or it may deploy a specific action plan to remedy the situation. In 2020, for example, the Group retained 99% of its vendors. The impact on the Group's Gross Sales from these "churn" vendors was less than 1% in 2020. The Group saw a 6% revenue increase from its existing and maintained vendors (those with Gross Sales greater than €100k in 2019) in 2020.

(a) Key Vendors

For the year ended 31 December 2020, the Group's top five vendors accounted for 66% of the Group's Gross Sales while its top ten vendors, with which it has long-standing relationships, accounted for 72% of the Group's Gross Sales. However, gross sales generated in any one country by any single vendor did not exceed 8% of the Group's global Gross Sales for 2020. The revenue derived from the Group's top five vendors was divided among more than 31 countries and the revenue derived from the Group's top ten vendors was divided among more than 40 countries in 2020. The Group's vendor renewal rate, defined as Gross Sales generated in year N from vendors or customers active in year N-1 divided by Gross Sales from the same vendors or customers in year N-1 ("**Renewal Rate**") for the years ended 31 December 2020, 2019 and 2018 was 106%, 115% and 115%, respectively, with a three-year average of 112%. For the six-month period ended 30 June 2021, the Group's vendor Renewal Rate was 112%.

(b) Contractual Arrangements

Most of the Group's agreements signed with vendors have the same structure and include clauses relating to the following terms:

- Duration (agreements generally have a one-year term with automatic renewal, with a contractual notice period of 30-60 days for either party);
- Territory (global agreements include a schedule of applicable countries, otherwise the agreement is country-specific);
- Licenses, intellectual property and restrictions (generally providing for distribution rights, ownership, use of trademarks and transferability restrictions);
- Records and reporting (generally providing for required data points, retention periods and accessibility);
- Payment terms, price list, resale price and price changes (generally apply to specific orders and specify a limited time, usually one year);
- Purchasing process (generally providing for order submission requirements, the effect of price and product changes and delivery and title);
- Shipping and delivery (generally providing for delivery date and location, additional delivery costs and acceptance or rejection);
- Compliance, including as to export controls (warranty usually provided by the Group as to compliance with export controls);

– Indemnity provided by the Group to the vendor (vendor indemnifies the Group, but only as to intellectual property);

– Inventory and stock (generally providing for inventory levels required to meet customer needs, minimum purchase requirements, purchase and use of demonstration stock and stock rotation rights); and

– Partner program (training, minimum sales, effect of product discounts and logistical support).

Renegotiations of the Group's agreements generally occur on a case-by-case basis and only for older agreements in regards to which certain terms can be improved. For example, in preparation for the signing of an amendment, the Group aims to improve the entire agreement as to key provisions.

(c) Vendor Selection Process

The Group is typically contacted by vendors seeking the Group's distribution services, receiving approximately 50 requests annually. The Group completes a thorough screening and selection process of such vendors. After selecting a vendor, the Group generally launches the vendor's products in specific countries, and if successful, expands distribution to other countries. The Group's rigorous vendor selection process can be split into four phases.

Phase 1 *Initial information gathering and screening*

The Group carries out initial information gathering and screening on roughly 50 vendors per year, of which 80% operate in the cybersecurity market. The criteria by which vendors are judged include (i) the nature of the solution, (ii) duplication avoidance, (iii) strategic and commercial value, (iv) backers and (v) management.

Phase 2 *Formal evaluation and presentation*

Roughly 20 vendors per year reach this stage, which consists of (a) a detailed analysis of the vendors' value proposition and its potential conflict with the Group's existing strategic vendors, (b) a technical evaluation (consisting of product testing and diligence to ensure quality control), (c) a detailed commercial evaluation, especially of sales and total addressable market potential, (d) a partner mapping ("heatmap") together with all countries involved and (e) negotiation of contractual terms and conditions.

Phase 3 *Product committee decision / local decisions*

Roughly three vendors per year reach this stage which comprises (a) a presentation to the Group's product committee, (b) a presentation to the Group's general management team, (c) a vote and action plan and (d) the finalization of contractual and commercial terms.

Phase 4 Roll-out planning and support

The Group provides roll-out planning and support for vendors in four key ways:

1) Go to market planning: including the provision of template resources for planning, region selection, a decision as to fast-path tracking and enablement team training;

2) Enablement: including investment in technical pre-sales training and skills, sales training, go-to-market planning and support and collateral and launch events;

3) Case studies: including analysis of previous case studies from the vendor and new case studies from test-bed customers; and

4) Momentum plan: including a quarterly business review and selection of second stage targets and additional region planning and roll-outs.

The Group also provides a level of flexibility to its local management to onboard new vendors for the local market. This allows the Group to test a new vendor on a smaller scale before introducing it in multiple countries.

In addition, the Group's central vendor team continually assesses the ability to roll out the Group's vendors in new geographies.

5.7.3 **Products sold to resellers**

Below is an overview of the key solutions portfolio provided by the Group's selected families of vendors.

(a) Network security - Protecting the usability and integrity of the network and its data

Network security is the strategic combination of hardware and software designed to protect the sensitive data housed within the corporate data center. It consists of the policies, processes and practices adopted to prevent, detect and monitor unauthorized access, misuse, modification, or denial of a computer network and network-accessible resources. Network security involves the authorization of access to data in a network, controlled by an administrator.

In this field, the Group proposes solutions from Fortinet and Palo Alto Networks, among others.

(b) Endpoint security - Software and procedures aimed at protecting a device from an external attack

Endpoint security is the process of securing the various endpoints on a network, often defined as end-user devices, such as Internet-of-Things devices, any wireless devices, mobile phones, tablets, laptops, and desktop PCs, although hardware such as servers in a data center are also considered endpoints. As the connection of these devices creates potential attack paths for security threats, endpoint security attempts to ensure that such devices follow a defined level of compliance with standards.

In this field, the Group distributes solutions such as Sentinel One and Crowdstrike.

(c) *Identity and access management (IAM) - Defining and managing the roles and access privileges of individual network users*

Identity and access management (IAM) in corporate IT is about defining and managing the roles and access privileges of individual network entities to a variety of cloud and on-premises applications of customers, partners and employees users and devices, including computers, smartphones, routers, servers, controllers and sensors. IAM solutions not only identify, authenticate, and control access for individuals who will be utilizing IT resources, but also the hardware and applications employees need to access IT resources.

In this field, the Group proposes solutions from vendors such as BeyondTrust, Okta and One Identity.

(d) *Security Information and Event Management (SIEM) - Software that monitors data traffic*

Security information and event management (SIEM) refers to software that monitors data traffic (both incoming and outgoing) from computers, servers, applications, and any other Internet-connected device or application that makes up an organization's network. The SIEM system constantly analyses this data and helps security systems administrators decide if there is a looming threat or an ongoing attack, in order to take appropriate steps to deal with these problems before they escalate.

In this field, the Group mainly works with Exabeam and LogRhythm.

(e) *Content and Email security - Inspecting incoming emails for malicious threats and encrypting or securing outbound emails*

Content and email security is a term for describing different procedures and techniques for protecting email accounts, content, and communication against unauthorized access, loss or compromise. Email is often used to spread malware, spam and phishing attacks, as attackers use deceptive messages to entice recipients to part with sensitive information, open attachments or click on hyperlinks that install malware on a victim's device. Email is also a common entry point for attackers looking to gain a foothold in a company's network and obtain valuable company data.

In this field, a key vendor for Exclusive Networks is Proofpoint.

(f) *Application Security - Developing security features within applications to prevent security vulnerabilities*

Application security is the process of developing, adding, and testing security features within applications to prevent security vulnerabilities against threats such as unauthorized access and modification as today's applications are often available over various networks and connected to the cloud, increasing vulnerabilities to security threats and breaches.

Different types of application security features include authentication, authorization, encryption, logging, and application security testing.

In this field, the Group mainly works with Citrix and F5.

(g) *Cyber threat Intelligence - Data collecting, processing, and analysis to understand a threat actor's motives, targets and behaviors*

Cyber threat intelligence is information an organization uses to understand the threats that have, will, or are currently targeting the organization, in order to prepare, prevent, and identify cyber threats.

Threat intelligence can help organizations gain valuable knowledge about these threats, build effective defense mechanisms and mitigate the risks that could damage their bottom line and reputation. As targeted threats require targeted defense, cyber threat intelligence helps deliver the capability to defend against threats more proactively.

In this field, the Group works with FireEye, Imperva & Palo Alto Networks.

(h) *Internet of Things (IoT) Security - Securing internet-connected or network-based devices*

IoT security refers to the methods of protection used to secure internet-connected or network-based devices. IoT security is the family of techniques, strategies and tools used to protect these devices from becoming compromised, as the very connectivity inherent to IoT makes these devices increasingly vulnerable to cyberattacks.

In this cybersecurity segment, the Group works with Forescout, Nozomi and Palo Alto Networks.

(i) *Cloud Access Security Brokers (CASB) - Protecting cloud data, applications and infrastructure*

A cloud access security broker (CASB) is a software tool or service that sits between an organization's on-premises infrastructure and a cloud provider's infrastructure.

CASBs are available as both an on-premises or cloud-based software as well as a service. A CASB acts as a gatekeeper, allowing organizations to extend the reach of their security policies beyond their own infrastructure.

In this field, Exclusive Networks sells solutions from Netskope and Bitglass, among others.

(j) *Others*

Exclusive Networks distributes many other cybersecurity solutions as well as solutions in complementary and adjacent IT segments, including Networking; Hyper Convergence Infrastructure; Data Storage, Data Management and Data Protection; Adoption of and Migration to Hybrid Cloud and Multi-Cloud; Containerization, Kubernetes, DevOps and DevSecOps; and Unified Communications. A brief description of each follows.

<u>Networking</u>

Networking, also known as computer networking, is the practice of transporting and exchanging data between nodes over a shared medium in an information system. Networking comprises not only the design, construction and use of a network, but also the management, maintenance and operation of network infrastructure, software and policies.

Computer networking enables devices and endpoints to be connected to each other on a local area network or to a larger network, such as the Internet or a private wide area network.

Hyperconvergence Infrastructure

Hyperconvergence is an IT framework that combines storage, computing and networking into a single system in an effort to reduce data center complexity and increase scalability. Hyperconverged platforms include a hypervisor, which is a virtual machine monitor for virtualized computing, software-defined storage, and virtualized networking.

For data center modernization projects, hybrid cloud and multi-cloud adoption, hyperconvergence can provide the agility of public cloud infrastructure without relinquishing control of infrastructure on an end-customer's own premises (data center or private cloud).

Data Storage, Data Management and Data Protection

Data storage is the process of retaining data using computer and storage devices in the form of file storage, block storage or object storage.

Data management consists of the practices, architectural techniques, and tools for achieving consistent access to and delivery of data across the spectrum of data subject areas and data structure types in the company, to meet the data consumption requirements of all applications and business processes.

Data protection is the process of safeguarding important information from corruption, compromise, breach, ransom or loss.

Adoption of and Migration to Hybrid Cloud and Multi-Cloud

A hybrid cloud infrastructure blends two or more different types of cloud services from different cloud vendors, while multi-cloud blends different cloud solutions of the same type.

Containers / Kubernetes / DevOps / DevSecOps

A container is a standard unit of software that packages up code and all its dependencies so the application runs quickly and reliably from one computing environment to another. A container image is a lightweight, standalone, executable package of software that includes everything needed to run an application: code, runtime, system tools, system libraries and settings.

Kubernetes is an open source platform used to manage Linux Containers across private, public and hybrid cloud environments. Businesses can also use Kubernetes to manage microservice architectures. Containers and Kubernetes are deployable on most cloud providers.

DevOps is a set of software development practices that combines software development (Dev) and information technology operations (Ops) to shorten the systems development life cycle while delivering features, fixes, and updates frequently in close alignment with business objectives.

DevSecOps (development plus security plus operations) is a management approach that combines application development, security, operations and infrastructure as a code in an automated, continuous delivery cycle. DevSecOps is used to automate, monitor and apply security at all phases of the software lifecycle (i.e., plan, develop, build, test, release, deliver, deploy, operate and monitor).

Unified Communications

Unified communications is a conceptual framework for integrating various business communication methods—telephony, video calling and conferencing, email, instant messaging, presence, etc.—into a single platform, with the goal of streamlining and enhancing business communications, collaboration and productivity.

The term "unified communications" does not represent a single technology; rather, it indicates a high-level strategy for bringing together an array of disparate tools and services, with the ability to use each in concert or separately via a common user interface.

5.7.4 ***Examples of key value-added services offered by the Group***

(a) Vendor-oriented services

The Group aims to be considered by its vendors as an extension of their organization, helping them achieve their growth plans.

The Group offers a variety of services ranging from transactional to more value-added services depending on whether the vendors are more similar to Broadliners or Distribution Specialists. The Group provides services that support financing, transactions and business growth and renewals.

Services that support financing include cash collection and a credit shield. The Group helps provide liquidity to its vendors by managing cash collection in the highly fragmented reseller market with customers located in many countries and with varying payment terms and currencies. The Group also provides its vendors with a credit shield by consolidating and managing the credit of reseller customers.

Services that support transactions include product and inventory management and selling support. The Group provides product and inventory management by maintaining more than 20 permanent warehouses globally and by facilitating services such as warehouse storage, integration and staging, standard exchange and transit and consolidation services. The Group provides selling support by advising vendors on planning and strategy, global collaboration with local execution and vendor strategy alignment.

Services that support business growth include business intelligence, channel management, professional services, partner education, market making, product management services and recruitment services. Business intelligence services include providing information on targeted activity including the sales recorded between the vendor, partner, or end-user. Channel management includes deal registration and lead management. The Group provides professional services via specialists covering pre-sales, consulting and engineering as well as field services and engineers-as-a-service. The Group provides partner education services on behalf of its vendors by providing sales, product and technical education. Market making focuses on innovation days and solution selling. The Group manages vendor announcements, launches and program changes through its product management services. Finally, given its distribution-led business, the Group engages in proactive marketing and partner recruitment for its vendors. The Group's marketing services cover all aspects from strategic development to tactical execution, from messages and stories to media planning and prospect engagement. The Group's marketing machine includes approximately 19 thousand social posts per year, five thousand email campaigns, two thousand onboarding campaigns, three thousand webinars, four thousand lead generation campaigns and two thousand technical workshops per year. The Group leverages its global network to share best practices and advise on planning and strategy, global collaboration with local execution and vendor strategy alignment.

The Group also offers its vendors a variety of "pre-sale" and "post-sale" services. Pre-sale services include go-to-market sales and acceleration services, including global demand generation, customized marketing campaigns, partner enablement across large networks, professional technical workshops, high quality proof of concept, and relevant certifications. The Group's post-sale services include education and training, technical support services and professional services.

The Group also assists the vendors on the technical side by delivering proofs of concept, organizing technical workshops and providing solutions design, for example.

(b) Reseller-oriented services

The Group offers a variety of financing, transaction and value-added services to its resellers.

To support financing, the Group offers credit lines (see Section 5.7.4(f) "*Financing and Leasing Services*" below) and discounts. The Group provides discounts based on credit strength while leveraging bulk inventory to increase its margin.

To support transactions, the Group offers logistics and quoting and ordering services. Logistics services include services tracking, local invoicing and taxation optimization, IOR services and global asset management services. The Group provides logistics services in more than 150 countries. The Group's quoting and ordering services provide fast turn-around, high accuracy and choice and availability in stock.

To support overall business growth, the Group offers its resellers marketing support, professional services (global events, local events, physical events and virtual events), product training, technical support, enablement services and managed services. The Group provides partner education services by providing sales, product and technical education. The Group's products training trains partners for accreditation and end-customer certifications. The Group provides professional services via specialists covering pre-sales, consulting and engineering as well as field services and engineers-as-a-service. The Group's enablement services include GTM, sales training, enablement and lead-generation services. Finally, the Group provides 24/7 access to technical support and post-sales support.

The Group also helps resellers with locating prospective leads, lead generation, lead nurturing and telemarketing, and advises on vendor strategy alignment.

(c) Technical support

Technical support service contracts provide access to the Exclusive Networks Technical Assistance Centre ("**EXN TAC**") to work with customers and their end-users through any post-sales technical support queries, technical incident assistance and the replacement of hardware determined to be defective by the vendor. The Group operates five global support centers. In 2020, the Group's technical support service addressed more than 15 thousand tickets and cases in Europe, providing support in more than 22 countries. The Group has strong customer satisfaction, with Net Promoter Scores (a metric used to measure customer satisfaction based on a range of -100 to 100) of 81, 78, 71 and 77 in 2021, 2020, 2019 and 2018, respectively. The EXN TAC works with various technology vendors, as a certified Authorized Support Centre (ASC) to provide technical support and services. The EXN TAC engineers hold accreditations in the products supported and are available either on a "round-the-clock" basis (24x7x365) or during local business hours (8x5), depending on the case, to respond to customer requests.

(d) Professional training

The Group offers a wide range of trainings, both on-site and online. The Group provides access to a comprehensive range of more than 1,500 courses and a global team of more than 130 trainers, and has trained more than 10,000 professionals in 2020.

Exclusive Networks is an authorized training center for some of the technologies distributed by the Group. As a consequence, the Group trains teams of resellers and end-users and is able to deliver certifications for such technologies.

Also, in support of resellers who may be less familiar with the potential offered by cloud technology, the Group offers Arcitura-certified training courses. The training helps resellers convert cloud transformation opportunities, meet new customer challenges and exploit the latest cloud innovations. Arcitura is a leading global provider of progressive, vendor-neutral training and certification programs.

(e) Consulting and professional services

The Group offers global consulting and professional services to help resellers stand out from competitors and access larger deal opportunities by adding value to the customer lifecycle—from initial pre-sales engagement to global delivery, deployment, installation, configuration and handover and multi-site maintenance to worldwide management. Resellers can select from a range of modular and bespoke services offerings and apply them to local, multi-national or global needs. The Group provides a curated partner network for services delivery. The Group has third-party, on-the-ground specialists covering pre-sales and consulting and engineering personnel in more than 100 countries worldwide as at 30 June 2021. The Group has its own engineers in the 40 countries where it has offices and its global services operations team also relies on a network of qualified third-party partners to manage installation and support in those countries where the Group is not present.

(f) Financing and Leasing Services

The Group provides a financing and leasing program that enables its reseller partners to sell bigger IT solutions that more customers can afford and more easily address the business market's increasingly OPEX-orientated, subscription-based IT consumption demands.

(g) Global Service Operations ("GSO")

GSO, together with the Global Deal Desk, is a full lifecycle service wrap that is available to the Group's resellers as and when needed. It allows resellers to benefit from, among other things, Import of Record (IOR) services (i.e., ensuring that exports of goods comply with legal requirements and regulations of the destination country) to more than 150 countries as at 30 June 2021, global logistics and warehousing and installation (thanks to access to more than 650 approved service partners, which provide access to nearly 10,000 engineers).

The Global Deal Desk provides the seamless process and delivery of complex, multi-country projects. The Global Deal Desk comprises an expert team that is available to support the Group's local teams, coordinate via a single point of contact, address complex deployments, provide 24/7 support management and increase partners' and vendors' loyalty by serving as an enabler for upcoming projects. The Global Deal Desk includes (1) a global logistics desk for complex locations, IOR and tax optimization, (2) regional strategy validation for logistics solutions and compliance, (3) local team support for logistics partners management and (4) a global focal point that tracks and traces reporting and KPI consolidation. As of 30 June 2021, the Global Deal Desk has supported more than 188 projects in 2021 with a success rate (i.e., the orders received after the quotation process as compared to the total number of quotations done) of 18% on international deals.

This is a powerful tool to assist resellers dealing with the complexity of multi-country deals.

(h) Exclusive On Demand ("X-OD")

As part of its efforts to provide multiple consumption options alongside its main procurement model, and in the context of an increased end-user demand of "as a service" solutions, the Group launched in October 2020 a platform to facilitate the consumption of subscription-based solutions.

The X-OD platform allows resellers to subscribe to the products offered by the Group's vendors, simplifying consumption and enabling new services and bespoke bundles to be created, sold and provided at speed and scale. The platform is proposed on a white label basis (i.e., the resellers can offer this service to their end-users under their own brand) to the resellers, who can use it to build their on-demand services for their end-users.

This is an important tool to help (i) vendors to deal with the administrative burden to shift from their current model to a subscription model, (ii) resellers in their journey to become MSPs and (iii) end-users to shift from CapEx to consumption of their cybersecurity.

Exclusive Networks is currently in the process of onboarding vendor and reseller partners related to this service.

(i) Other

The Group offers other services, such as:

– Managed Security Services Distributor (MSSD) is the Group's managed security service dedicated to creating value within the channel. Demand for managed security services is high and the Group provides such services to resellers who might not be able to provide them themselves due to (i) high setup costs, (ii) skills shortages, (iii) restricted back-office capabilities, (iv) distribution channel conflicts (such as the disadvantage of subscribing to such services from rival resellers) and/or (v) problems tracking rapid market evolution.

  The Group's offering comprises a security operation center and covers monitoring, alerting, prevention and countermeasures on a white label basis (i.e., the resellers can provide these services to their end-users under their own brand). The services are actually operated by a third party.

– Infrastructure as a Service (IaaS) is a managed virtual cloud hosting platform operated by a third party and based on technology from Nutanix, one of the Group's vendors.

5.7.5 *Resellers*

The resellers with which the Group partners generally provide a wider range of IT solutions beyond cybersecurity solutions to end-users. This means that the Group's ability to source vendors offering innovative cybersecurity solutions and provide technical advice on how to apply such products makes it an attractive partner. The Group provides its reseller partners with global resources and capabilities to leverage in their local markets. The Group works with global resellers as well as local resellers, both of which need the geographic scale, training, support, and technical expertise of the Group. The Group ensures that the resellers are trained on the specific vendor products. The Group's global network of resellers allows it to propose world-wide roll-outs to its vendors, further differentiating itself from other value-added distributors.

The Group has a large and diversified base of reseller relationships, working with over 18,000 VARs, SIs, Telcos and MSPs, as at the date of this Registration Document. From a regional perspective, the Group works with approximately 13,600 resellers in the EMEA region, 3,700 resellers in the APAC region and 1,100 resellers in the Americas region. For the year ended 31 December 2020, the Group's top three and top ten resellers represented 10.1% and 19% of the Group's revenues, respectively. However, the Group is not dependent on any single reseller globally as no reseller represents more than 5% of the Group's revenue. The Group's reseller Renewal Rate for the years ended 31 December 2020, 2019 and 2018 was 103%, 111% and 110%, respectively, with a three-year average of 108%. For the six-month period ended 30 June 2021, the Group's reseller Renewal Rate was 108%.

The Group also has a history of large and diversified deal sizes with its reseller customers based on Gross Sales. For the year ended 31 December 2020, 9% of the Group's reseller deals exceeded €1.0 million, 8% exceeded €500 thousand but were less than €1.0 million, 32% exceeded €100 thousand but were less than €500 thousand, 29% exceeded €20 thousand but were less than €100 thousand and 22% were less than €20 thousand.

(a) Value-Added Resellers (VARs)

Value-added resellers (VARs) resell vendor products along with complementary products or services (e.g., installation and consulting). Their focuses are architecture, design and project management, solution specification, and equipment installation and integration. VARs are generally interested in access to the right technologies at the right price, which makes the Group and its portfolio of fast-growing, disruptive vendors an attractive source of business.

The VAR market is very fragmented. The Group recruits VARs through a process of sales and marketing activity and manages these VARs based on addressable market, business focus, credit worthiness and compliance. Attrition of VARs generally occurs when the Group decides to stop selling a certain vendor's products.

(b) System Integrators (SIs)

A System Integrator (SI), known as a global system integrator when managing projects on a global scale, is a company that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together, a practice known as system integration. The Group works with more than 500 SIs, including the top 20 global SIs.

(c) Telcos

Telcos are telecommunication providers in a given country, be it fixed line or mobile. Their businesses have evolved over the years to encompass both a larger geographic coverage through additional countries and a wider range of products and services. While their products historically were fixed line communications and telephone, broadband and Internet connections, today they have an extensive range of solutions, combining connectivity with networking and cybersecurity offerings for end-users. The Group works with more than 100 Telcos.

In most countries, the market for Telcos is generally quite concentrated.

(d) Managed Service Providers (MSPs)

Managed service providers (MSPs) are outsourcers who specialize in maintaining, and anticipating need for, a range of processes and functions to improve operations and cut expenses. This is a growing category of customers and other kinds of customers are shifting towards this model as a result of end-user's expectations.

5.7.6 *Sales and Marketing*

The Group's sales team is split into three regions: EMEA, APAC and Americas, with a senior vice-president heading each region. Within each region, each country has a designated country manager.

The Group has also central teams dedicated to the management of vendor relationships, global system integrators and marketing. These teams work closely with the Group's in-country local teams to support them in their day-to-day business.

5.8 Dependency factors

Information about the Group's dependency factors is provided in Chapter 3 "*Risk Factors*" of this Registration Document.

5.9 Information Technology (IT)

The Group's IT infrastructure is mainly based in the UK, where the Group has received ISO27001 Certification, setting out the specifications for an information security management system. The concept of "think global, act local" fully applies to the Group's IT organization. The Group can leverage global governance, compliance and a network and domain structure using a central team, while also utilizing local IT representatives (over 50 engineers) as well as the Group's best local cyber engineers for day-to-day IT operations and systems maintenance. The Group's growth over the past ten years has come from several acquisitions. As a result, the Group currently operates ten different enterprise resource planning ("**ERPs**") and customer relationship management ("**CRMs**") programs. These ERPs and CRMs are located on cloud, regional and local servers. The Group's IT structure will be completely reorganized through the Group's Project "CORE" (Commercial & Operations Roadmap for Excellence), a plan launched in September 2018 to harmonize processes and systems around the globe through the deployment of the Oracle solution NetSuite and to be hosted on the cloud.

5.9.1 *Description of IT tools used*

As stated above, the Group currently operates numerous ERPs and CRMs. However, the Group's operations and financial data are collected on a daily basis from all the ERPs and entered into a central database, which gives a global and detailed view of the business to tools like QlikView.

QlikView is a connected Business Intelligence ("**BI**") tool for efficient and accurate decision making and provides a connected platform that collects data from every country and every operating entity, reloaded daily from local and global systems. QlikView provides both internal and vendor benefits. Internal benefits include business and financial monitoring (strategic KPIs, market trends and full P&L overview for each entity), operational improvements (identify efficiency gains with entity, country and region benchmarking) and quarterly business review preparation. This tool has more than 500 internal users worldwide, has more than 50 connected entities and provides access to more than ten years of historical data. This tool is used by the Group's leadership teams around the world. From the vendor perspective, QlikView provides complete visibility on the vendor's operations across the globe in one, central place, tracks vendor KPIs with a multi-dimensional analysis shared with vendors at a global, regional and local scale, and a vendor cockpit, which includes market analysis, new customers acquired, sales evolution and territory preparation.

On top of this business decision-making tool, the Group utilizes a services and logistics tool, MyTower, which provides a best-in-class platform for end-to-end visibility to track the Group's record of service, provide consistent, on-time delivery and ensure partner trust and confidence. MyTower is a collaborative tool shared with the Group's internal logistics hubs, services providers and key partners. It tracks and traces all ongoing shipments, provides tailor-made information to capture partners' needs and incorporates key features such as quote, transport and tracking modules. Since inception, MyTower has facilitated more than 2,000 project quotes, covers more than 88 countries and currently tracks more than 150 shipments.

The Group also has export compliance software ("**AEB**") that screens reseller profiles (from a "bill to-ship to" perspective) to make sure the Group complies with any US and EU export regulations for the Group's "dual-use" products portfolio. The Group also invested in a new marketing tool (Oracle/Eloqua) that can be deployed and used as a standalone tool (or connected to CORE), or in special cases, with legacy systems. The Group recently designed a renewal module link to the CORE platform that is currently in the production rollout phase. The Group continues to explore a light eCommerce/customer web portal to facilitate access to product information and is currently running several pilot programs in the EU and the APAC region. In September 2018, the Group decided to implement Oracle/NetSuite for every Exclusive Networks legal entity, where ERP and CRM will be used in NetSuite.

5.9.2 *On-going CORE implementation*

The Group's Project CORE was born around the selection of a new, fully integrated ERP/CRM software editor. This process was driven by a selection of end-users, rather than selected through a typical "request for quotation" process. After a rapid selection process, Oracle's NetSuite received the best score for the Group's needs.

NetSuite offers the immediate ability to transfer business operations without disruption, produce short-term productivity gains and provide long-term structural efficiencies. The Group's Project CORE is part of a much larger digitalization project combining electronic data interchange, eCommerce solutions and other third-party tools to support future scalability and efficiency gains through process automation. For example, the Group believes it can achieve EBITDA over Net Margin improvements through limited growth in operating expenses as compared to Net Margin growth, as a result of process automation by growing the Group's sales force while keeping back-office resources flat.

With 18 countries already on board, the goal of CORE is to bring approximately 57% of the Group's business transactions onto NetSuite by the end of 2021. In the past two years, seventeen countries migrated to CORE and were on time, on budget and migrated with no critical business disruptions. The CORE roadmap is to finish the CORE migration by the end of 2023, with necessary adjustments reflecting additional acquisitions by the Group. Although CORE is standardized, the migration process requires (i) specialization in local countries and (2) the migration of data, which is time consuming.

The Group uses minimal consulting services from an external consulting company and has built a strong and knowledgeable internal team. This team is composed of experienced NetSuite consultants as well as key people from the Group's business operations. CORE team members are based in almost all of the Group's business regions.

The CORE team is built around five main areas: (i) solution architecture and deployment; (ii) governance, master data, training and post-go live maintenance; (iii) development (localization, renewal module, and external application programming interfaces); (iv) project management (located in Paris and Singapore) and change management; and (v) business operations (the link between the ERP project team and business).

5.9.3 *IT team*

The Group's IT infrastructure is mainly based in the UK with approximately 15 employees who also leverage the local IT representatives and the Group's local cyber-engineering community. The IT infrastructure is monitored 24x7 by different teams and various applications. The Group centralizes all user requests though a ticketing system (Helpdesk) whereby an individual can open a ticket simply using email. The Group's service-level agreement dashboard is global. The Group's IT team covers the following activities:

– Network infrastructure (global and local);

– Databases / email / Share Point / Office 365;

– Legacy and CORE platforms (system engineers and technical support);

– BI Development (QlikView);

– Online training tool (VLE);

– Helpdesk (Tickets);

– Cybersecurity (Cyber Defense Council in place); and

– GDPR compliance/System access policy and security.

5.9.4 *Cybersecurity*

The Group's main network is protected by the cybersecurity solutions the Group sells as well as by any new technology that could reinforce the Group's protection against fraudulent access as well as reinforce its data protection worldwide. The Group leverages its internal cybersecurity engineers (approximately 25% of the employees worldwide) through the "CDC" (Cyber Defense Council). The CDC brings the Group's best engineers together with the Group's IT Infrastructure Director and meets monthly to debate best practices across the regions, share new technology, cybersecurity solutions coming to the market, discuss network monitoring, fraudulent access attempts (if any, the specific business case is reviewed) and cyber surveillance, in some cases, and many other cyber-related topics.

5.9.5 *IT organization in general*

Due to the Group's fast-growing operations and recent large acquisitions, a new chief information officer was appointed and arrived in May 2021 and has provided an opportunity for the Group to review and re-assess specific points of the Group's IT organization and global infrastructure, with a key focus on the CORE deployment.

5.10 Intellectual Property

The Group's portfolio of intellectual property and rights consists of a limited portfolio of brands, trademarks, domain names and licenses.

5.10.1 *Brand and Trademark Licenses*

The Group's significant brands and trademarks are Exclusive Networks and Exclusive On Demand (X-OD).

In addition, the Group continuously monitors the brands registered by third parties in order to take action if a trademark is damaging to the Group.

5.10.2 *Domain Names*

Among the domain names registered by the Group, the most important ones are exclusive-networks.com, supervadnet.com, x-od.com, itec-is.com, exclusive-networks.de and exclusive-capital.com.

The Group's domain names are all reserved and hosted by the same service provider and renew automatically.

5.11 Property, Plant and Equipment

The only real estate owned by the Group is its warehouse in Lyon.

The Group does not have any material leases.

5.12 Environment, social and governance overview and policy

5.12.1 *Overview*

The Group's mission is to drive the transition to a totally trusted digital world for all people and organizations. The Group directly contributes and plans to continue contributing in the future to improving security in the digital infrastructures in order to ensure trust in all digital interactions.

As a leading global specialist in innovative cybersecurity technologies, the Group believes that its impact on the environment and on society is not as significant as for other industries. The Group's direct environmental impacts are primarily from product distribution, which is limited due to the nature of products it distributes (see Section 5.7.3 "*Products sold to resellers*" of this Registration Document), and business travel, which is also limited due to the presence across the globe of local experts and local managers within the Group.

However, the Group acknowledges the importance of global environmental, social and governance ("**ESG**") related challenges and believes that all industries and aspects of society have a role to play. It also believes that through its choices and its actions, it can create positive benefits for the environment and for society.

Due to its unique position in the cybersecurity distribution chain, the Group has relationships with over 240 vendors, as well as VARs, SIs, Telcos and MSPs that serve over ten million end-customers (see Section 5.2.3 "*Unique value proposition across cybersecurity ecosystem underpinned by specialization*" of this Registration Document). This gives the Group the ability to support others in the value chain to address ESG challenges.

The Group has a "global scale, local sale" model, combining the focus, value and entrepreneurship of local independents with the scale and service delivery of a single worldwide distribution powerhouse (see Section 5.1 "*Overview*" of this Registration Document). This model gives the Group perspective on local ESG challenges, while also helping to maximize impact by acting at scale across a global network.

The Group considers both its impact as a business on ESG issues, and the importance of these issues to its stakeholders including employees, vendors, resellers, end-customers and investors. In line with the Group's seven ethical principles (namely (i) honesty and integrity, (ii) fairness of commercial practices, (iii) data confidentiality, (iv) professional behavior, (v) professional skills and added value, (vi) social respect and (vii) environmental care) the Group has made several ESG commitments, across all its operations, around two pillars:

– *acting with integrity:* being ethical in business interactions, promoting diversity, inclusion and mutual respect in the workforce, engaging with stakeholders and communities and reducing its environmental footprint; and

– *promoting change*: using the company's skills, resources, and social connections to work with and influence others in ways that improve lives, bring about positive change and have a lasting impact on the environment.

5.12.2 ***Policy by category***

The below sections set out the Group's position, measures, future KPIs and commitments (where applicable) in relation to key ESG areas. The Group has not yet determined objectives for its KPIs but they will be determined and published by the Group, after the listing of the Company's shares on Euronext Paris. The objectives are likely to be evaluated on an annual basis.

The KPIs have been drawn up by the Group's risk and compliance and, where applicable, human resources departments, which are expected to be given responsibility for the tracking and assessment of the KPIs, once in place.

The KPIs will be assessed on a consolidated basis.

Our people

Promoting diversity, inclusion, and mutual respect in the workforce

As set out in further detail in Section 15.1.2 "*Human resources policy*" of this Registration Document, the Group's human resources policy seeks to promote the core values of the Group, namely fairness, inclusion, agility and empowerment. See Section 15.1.2 "*Human resources policy*" of this Registration Document for more detail and in particular paragraph (a) therein in relation to the Group's development of a diversity and gender equality policy.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess the strength of its diversity and gender equality policy are:

– gender diversity and the pay gap between sexes;

– engagement survey results; and

– employee training hours.

Health and Safety

The Group is very attentive to employment-related issues, in particular health and safety in the workplace, security and the quality of the work environment. Details of the Group's HSE Policy can be found in paragraph (c) of Section 15.1.2 "*Human resources policy*" of this Registration Document.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess the strength of its HSE Policy are:

– reporting of HSE incidents; and

– the percentage of staff completing HSE training.

Commitments

The Group's commitments towards its employees include:

– assessing and minimizing health and safety risks that its employees may face;

– paying competitive salaries;

– engaging with its employees to understand how it can be a better employer;

– understanding and removing any inequalities from its human resources policy; and

– promoting the behaviors that support an open, friendly and inclusive work culture.

Business ethics, cyber and data security

Strong Compliance Culture

The Group has adopted strict and sophisticated compliance policies and continuously seeks to improve them. See paragraph (c) of Section 3.4.1 "*Overview of risk management policy*" of this Registration Document for information on the internal control and compliance monitoring system that the Group has put in place.

The Group takes a holistic approach to risk management, as described in Section 3.4.1 "*Overview of risk management policy*" of this Registration Document.

Under its top-down enforcement model, whereby the CEO and senior managers attend every audit committee meeting and responsibility for overseeing risk management actions is given to managers at a Group, regional or local level, the Group has put in place the following measures:

– commitment to business conduct guidelines;

– internal audits of the legal entities and branches within the Group;

– a yearly review of the Compliance Framework; and

– strong internal controls (risk mapping, fraud and ethics, policies and procedures).

The Group's internal control policies and procedures include but are not limited to:

– the internal control and compliance monitoring system referred to in paragraph (c) of Section 3.4.1 "*Overview of risk management policy*" of this Registration Document;

– review and approval of business partners, bids and offers;

– application of strict export compliance rules;

- a comprehensive and developed anti-corruption program; and
- a whistleblowing policy.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess the strength of its compliance policies are:

- the percentage of staff who completed ethics training;
- the number of internal audits completed in relation to business ethics; and
- the number of whistleblowing incidents.

Cyber and Data security

As a distributor of cybersecurity solutions, the Group recognizes that it is important that it maintains good practices of cyber and data security.

As set out its ethics and code of conduct policy, which is made available to the Group's employees, clients, vendors, agents, shareholders, business partners and third parties, the Group takes the following measures to ensure that there is no unauthorized disclosure of confidential data:

- all employees are required to safeguard the Group's intellectual property and confidential information (for example, trade secrets, financial results, plans, pricing, customer or supplier information or lists, sales figures, strategic information, surveys, processes, computer programs and any other information that is private to the Group);
- there is a requirement that information should only be displayed when there is a legitimate business need, after assessing the confidentiality level and with special attention when there is any transfer of personal data in any communication;
- if there is a need to provide specific confidential information in relation to the Group to business partners (for example, providing specific IT system accesses), non-disclosure agreements have to be signed by the relevant recipient;
- there is a requirement to respect the confidentiality of any information belonging to the Group's business partners (information that is in confidence and not publicly known or generally available) and the Group's employees have to comply with the Group's rules of engagement policy which further details the rules behind internal confidentiality related to vendor information; and
- in certain circumstances, independent teams are established internally to avoid cross-over between the Group's vendors that may have competitive technologies or products.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess the strength of its cyber and data security measures are:

- the number of security breaches avoided; and
- the percentage of cyber and data security training completed by employees.

Commitments

The Group's commitments towards ensuring that it operates to the highest standards of governance and integrity include:

– ensuring legal compliance as a minimum and exceeding this to help drive change where relevant;

– holding its agents, partners and resellers to high ethical standards by adherence to its third-party code of conduct;

– taking practical steps to ensure that high ethical standards are maintained at all times, through instilling proportionate controls including policies, systems, data, reporting, transparency, monitoring and review; and

– maintaining the highest levels of cyber and data security controls.

Environment

The Group is committed to minimizing its impact on the environment and managing the impact of climate change.

The Group has a relatively low level of environmental impact. The Group's greatest source of carbon emission is shipping and logistics and current initiatives undertaken by the Group to minimize its environmental impact even further include (i) consolidation of supplier orders, (ii) where possible, moving away from air freight to sea freight and (iii) consolidating regional inventories in order to reduce the need for freight movement.

With regards to the management of the end-of-life process of the products it distributes, the Group's GSO service helps businesses carry out their duty of care to operate in an ecologically responsible way. GSO's sustainability services simplify and manage the end-of-life process for technology solutions, enabling customers to reduce environmental impact while executing IT transformation. The services offered are:

– asset audits;

– decommissioning;

– reverse logistics;

– reuse and resale options;

– waste from electrical and electronic equipment (WEEE) (and equivalent) recycling; and

– Blancco-certificated wipe, shred and destruction.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess its efforts to reduce its environmental footprint are:

– measuring its greenhouse gases emission and carbon footprint; and

– waste avoided through reuse/recycling.

Commitments

The Group's environmental commitments include:

- supporting business partners (vendors, customers, end users) to meet their carbon reduction/net zero commitments, by sharing data on the Group's carbon footprint, and in certain cases, collaborating on carbon reduction initiatives such as the use of sea freight rather than air freight and reducing the number of shipments;

- working with vendors and customers to promote an increased rate of reuse, refurbishment and recycling throughout the value chain;

- acknowledging the importance of tackling climate change by establishing a net zero commitment for the year 2035; and

- assessing the risk to the Group's business from a changing climate and from 2022 or 2023, reporting this in line with the Taskforce for Climate-related Financial Disclosures (TCFD) framework.

Ethical procurement

Exclusive Networks expect that their suppliers maintain high standards of integrity and professionalism and seeks to avoid adverse environmental and social impacts.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPI that the Group proposes to follow in order to assess its efforts at ethical procurement is:

- the number of incidents reported in the value chain.

Commitments

The Group's ethical procurements commitments will include:

- undertaking pre-contracting ESG due diligence checks, covering anti-corruption procedures, cybersecurity, and data protection;

- requiring prospective suppliers to provide information to allow the Group to make a judgement on the risks they are exposed to and how they are managing these risks;

- monitoring issues associated with suppliers' performance and managing the Group's relationship with suppliers accordingly; and

- conducting regular/annual reviews of ESG-related supply chain risk.

Community engagement

The Group wishes to encourage engagement with local communities.

Several initiatives have taken place at the local level in all the countries in which the Group operates, with employees given time off work to help a charity of their choice or being able to select initiatives by charities that would be sponsored by the local Group entity. Such initiatives are put in place locally and are not coordinated at the Group level.

Going forward, community engagement will be better followed at the Group level, and Group-wide initiatives linked to the Group's core capabilities (such as cyber-awareness and partnering with vendors) will be implemented.

As from the expected listing of the Company's shares on Euronext Paris, from and including the year ended 31 December 2021, the KPIs that the Group proposes to follow in order to assess its engagement with stakeholders and communities are:

– employee volunteering hours;

– amounts raised for charities; and

– Group-wide initiatives and the impact thereof.

Commitments

The Group is committed to delivering social value through:

– supporting its employees with paid time off to volunteer, and by providing match-funding for funds raised by its employees; and

– providing in-kind support for charities and community organizations, including pro-bono /donated communication products and services.

5.13 **Investments**

5.13.1 ***Significant investments during the period covered by the historical financial information***

The Group's total investments in tangible and intangible assets (other than changes in scope) for the years ended 2018, 2019 and 2020 amounted to €1,933 thousand, €1,806 thousand and €1,249 thousand, for tangible assets, and €331 thousand, €1,545 thousand and €836 thousand, for intangible assets, respectively.

The Group's investments for the past three fiscal years covered mainly: licenses, computer equipment and office furniture.

Please see Sections 6.2.2 "*Recent acquisitions and disposals*" and 7.3.3 "*Acquisitions, divestitures and changes in consolidation*" regarding the Group's acquisitions and buyout of minority interests for the years ended 2018, 2019 and 2020.

The Group's acquisitions and buyout of minority interests were paid for in cash and funded by internal cash resources and debt as discussed in Chapter 8 "*Liquidity and Capital Resources*".

5.13.2 ***Significant investments in progress or firmly committed to by management bodies***

During the fiscal year ending 31 December 2021, investments are expected to remain in line with previous investments and the Group's strategy (see Section 5.3 "*Group Strategy*").

The Group is currently involved in discussions for various acquisitions in line with its acquisition strategy. See also Section 5.3.5 "*Selectively pursue M&A opportunities to accelerate the company's strategy*". The Group currently has no significant investments in progress and no investment is subject to a firm commitment from any of the Group's management bodies.

The Group plans to continue making appropriate investments for its business. As of the date of this Registration Document, the Group has no plans to make any investments that are different in kind or for a significant amount.

5.13.3 *Information on joint ventures and significant shareholdings*

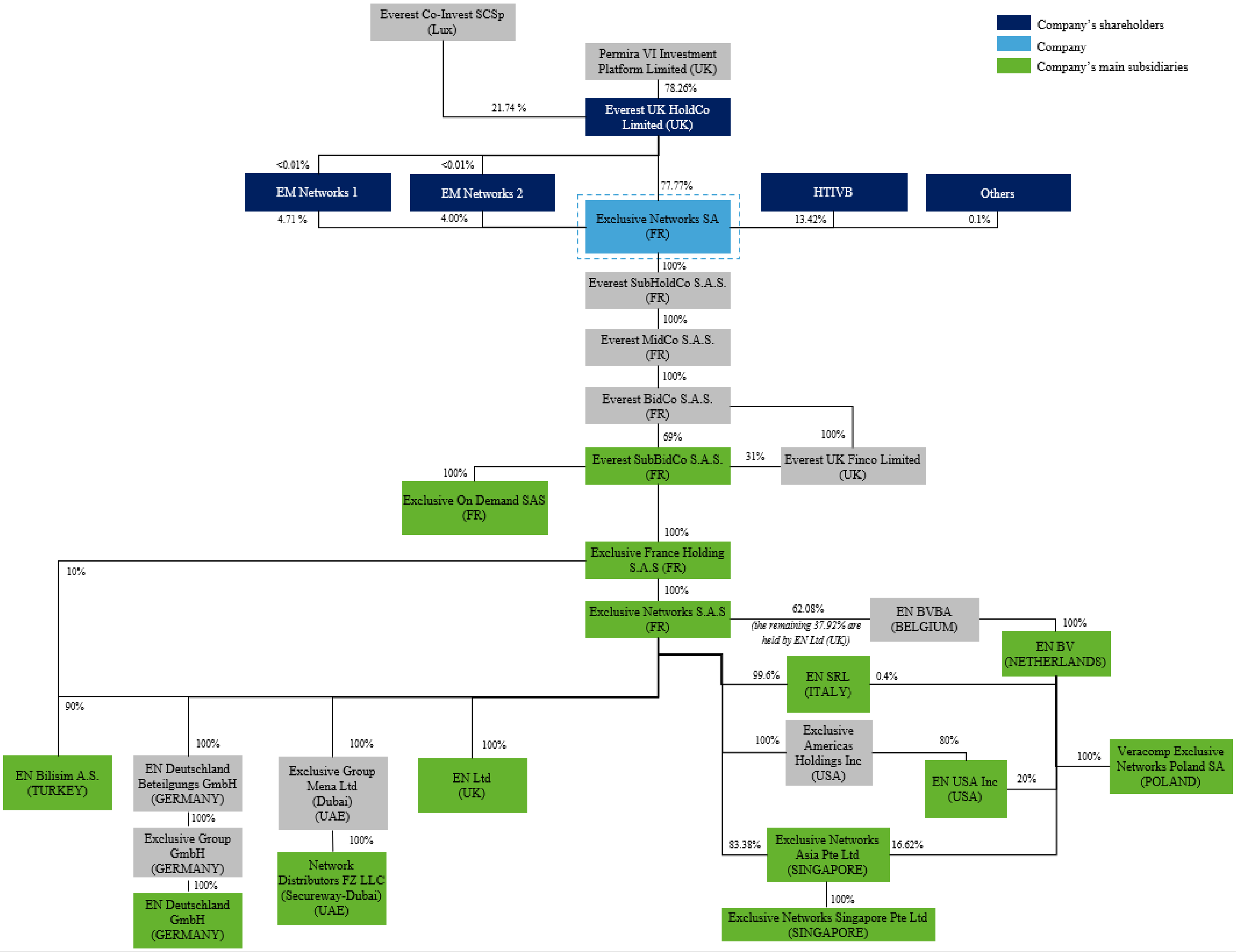
The Group is not involved in any joint venture and does not have any undertakings in which it holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses. Information on ownership interests is provided in Section 6.2 "*Subsidiaries and equity interests*" and in Note 3 to the 2020 Consolidated Financial Statements.

6. ORGANIZATIONAL STRUCTURE

6.1 Group legal organizational chart

6.1.1 *Simplified Group organizational chart on the date of this Registration Document*

The following simplified organizational chart presents the legal organization of the Group and its principal subsidiaries as of the date of this Registration Document, before taking into account the reorganization that will be implemented in the context of the proposed IPO of the Company as further described in Section 6.1.2 "*Description of the Reorganization*" of this Registration Document (the "**Reorganization**"). The percentages indicated below represent percentages of share capital and voting rights.



The primary role of the Company is to act as a holding company for the Group subsidiaries and to set the strategic direction of the Group and supervise the activities of the individual operating companies of the Group. For a chart illustrating the Group's corporate structure following the Reorganization and the Refinancing, see Section 6.1.3 "*Simplified Group organizational chart after completion of the Reorganization*" below.

6.1.2 *Description of the Reorganization*

The Group is planning to simplify its legal structure with changes to take effect on the date of settlement and delivery of the shares offered in the proposed IPO and to refinance certain of its outstanding indebtedness. Key steps of the Reorganization and Refinancing are summarized below:

– the merger into the Company of the two dedicated entities through which the senior officers and managers of the Group hold their stake in the Group (EM Networks 1 and EM Networks 2), which will be submitted for approval to the shareholders on the date of the pricing of the Company's shares in the context of the proposed IPO, with effect immediately before the settlement and delivery of the shares offered in the proposed IPO;

– the conversion of all the outstanding preferred shares of the Company into ordinary shares, with effect immediately before the settlement and delivery of the shares offered in the proposed IPO;

– the downstream distribution of a portion of the proposed IPO proceeds (by way of intra-group shareholder loan(s) to Everest SubBidCo). Everest SubBidCo will use such proceeds, as well as the proceeds of the New Term Loan Facilities to be entered into by Everest SubBidCo (see Section 8.4.4 "*The Group's new financial liabilities*" below), to (i) repay its intra-group debt (and repay the intra-group debt of certain Group subsidiaries on their behalf) to Everest BidCo, which in turn will repay its €500,000,000 debt under Facility B, its £105,000,000 debt under the Second Lien Facilities, its €90,000,000 debt under the Original RCF (each as defined in Section 8.4.3 "*The Group's existing financial liabilities*" below) and (ii) roll its €13 million debt under the Overdraft Facility (as defined in in Section 8.4.3 "*The Group's existing financial liabilities*" below, and together with Facility B, the Original RCF and the Second Lien Facilities, the "**Existing Facilities**"), on a cashless and secured basis into the new financing (together with the repayment of debt under (i) above, the "**Refinancing**");

– the successive mergers of certain intermediate vehicles of the Group (namely the merger of Everest BidCo into Everest MidCo, followed by the merger of Everest MidCo into Everest SubHoldCo, followed by the merger of Everest SubHoldCo into the Company) immediately after the settlement and delivery of the shares offered in the proposed IPO and completion of the Refinancing; and

– simultaneously with the Refinancing, the existing guarantee and security package under the Existing Facilities will be released. The guarantee and security package for the New Facilities shall be as described in Section 8.4.4 "*The Group's new financial liabilities*" below.

The main objectives of the Reorganization are as follows:

– to convert the Company into a *société anonyme* (while the Company is a *société par actions simplifiée* its shares cannot be listed under French law);

- to allow the senior officers and managers of the Group who hold their stake in the Group in dedicated management holding vehicles (EM Networks 1 and EM Netwoks 2) to become direct shareholders of the Company;

- to convert the current preferred shares issued by the Company into ordinary shares before the Company's shares are listed;

- to eliminate intermediate holding vehicles (Everest BidCo, Everest MidCo and Everest SubHoldCo) which will no longer be required within the Group structure following the listing of the Company's shares by merging them into the Company;

- to change the Company's corporate name to "Exclusive Networks SA".

(a) Sequence of main corporate steps and contemplated timetable of the Reorganization

a. **Preparatory Steps**:

   i. 6 May 2021: appointment of the merger auditor (*commissaire(s) à la fusion*;

   ii. 30 June 2021: supervisory board of the Company authorizing the Reorganization;

   iii. 30 June 2021: signature of the merger agreement for the mergers of EM Networks 1 and EM Networks 2 into the Company;

   iv. 30 June 2021: signature of the merger agreements for the mergers of Everest BidCo into Everest MidCo, Everest MidCo into Everest SubHoldCo and Everest SubHoldCo into the Company;

   v. 13 July 2021: filing with the commercial register of above merger agreements;

b. Before the Registration Date:

   i. Shareholder decisions in the Company to:

      1. 27 August 2021: convert the preferred shares issued by the Company into ordinary shares of the Company with effect on the Pricing Date, subject to Pricing;

      2. 1 September 2021: convert the Company into a French *société anonyme*;

      3. 1 September 2021: change the corporate name of the Company to "Exclusive Networks SA";

      4. 1 September 2021: approve post-IPO bylaws (to take effect on the Pricing Date) and of post IPO board nominations, financial delegations and authorizations (to take effect on settlement and delivery of the shares offered in the proposed IPO);

      5. 1 September 2021: approve competence to the board of the Company to resolve on the primary tranche share capital increase;

c. Pricing Date:

   i. The price of shares to be sold in the proposed IPO is determined;

   ii. The Company's post-IPO bylaws become effective;

   iii. The exchange ratio for the mergers of EM Networks 1 and EM Networks 2 into the Company is determined and the mergers are approved by the shareholders (to take effect on settlement and delivery of the shares offered in the proposed IPO);

iv. The exchange ratio for the conversion of the preferred shares issued by the Company into ordinary shares of the Company is determined (to take effect on settlement and delivery of the shares offered in the proposed IPO);

v. The terms of the primary tranche share capital increase are approved (to be finalized on settlement and delivery of the shares offered in the proposed IPO);

d. **Settlement and delivery of the shares offered in the proposed IPO**:

Immediately before settlement:

i. The mergers of EM Networks 1 and EM Networks 2 into the Company take effect;

ii. The conversion of the preferred shares issued by the Company into ordinary shares of the Company takes effect;

Immediately after settlement:

iii. Settlement and delivery of the IPO (primary tranche and secondary tranche);

iv. Post IPO financial delegations and nominations to the board of the Company take effect;

v. Refinancing of the Existing Facilities through the proceeds of the primary tranche and the New Facilities;

The mergers of Everest BidCo into Everest MidCo, Everest MidCo into Everest SubHoldCo and Everest SubHoldCo into the Company take effect (after settlement and refinancing).

(b) Mergers of the two management companies into the Company and conversion of all preferred shares issued by the Company into ordinary shares

As of the date of this Registration Document, EM Networks 1 and EM Networks 2, the two management companies controlled by certain executives and managers of the Group (see Section 16.1 "*Shareholders*" of this Registration Document), together hold 8.71% of the Company's share capital and voting rights (through ordinary shares and/or preferred shares). At the time of the proposed IPO, the Company intends to offer to the shareholders of these companies the opportunity to become direct shareholders of the Company. Therefore, EM Networks 1 and EM Networks 2 are expected to be merged into the Company with effect immediately before the settlement and delivery of the shares offered in the proposed IPO.

The merger exchange ratio will be determined on the basis of the fair market value of the Company and each of EM Networks 1 and EM Networks 2. This value will itself be determined by reference, on the one hand, to the price of the shares offered in the proposed IPO (the "**IPO Price**") and, on the other hand, to the financial rights attached to the securities and to the ranking of the relevant categories of securities (ordinary shares, class of preferred shares) as set out in the Company's bylaws. The exchange ratio will be subject to a report from the merger auditor in accordance with article L 236-10 of the French Commercial Code. In its report the merger auditor is required to indicate (i) the method(s) used to determine the proposed exchange ratio, (ii) whether or not the method(s) are appropriate for the mergers, (iii) the values which result from the method(s), (iv) its opinion on the relative importance given to each method in the determination of the value ultimately attributed to the mergers, and (v) any particular difficulties in determining the value. The corporate documentation relating to such mergers detailing the exchange ratio will be filed with the Commercial Court (*greffe*).

The value of the ordinary shares to be issued by the Company in the context of such mergers will be equal to the IPO Price.

As a result of these mergers, the current shareholders of EM Networks 1 and EM Networks 2 will become direct shareholders of the Company. The preferred shares and ordinary shares held in the Company by EM Networks 1 and EM Networks 2 prior to the mergers will be transferred to the Company as a result of the mergers. To avoid the Company holding its own shares, these shares will be cancelled.

Following the cancellation of the preferred shares in the Company held by EM Networks 1 and EM Networks 2, the remaining classes (1, 2, 3 and 4) of preferred shares held by the Company's other shareholders will be converted into ordinary shares of the Company with effect on the date of the settlement and delivery of the shares offered in the proposed IPO. The conversion ratio for each class of preferred shares will be determined on the basis of the fair market value of (i) such class of preferred shares, calculated by reference to the financial rights attached to such shares, and (ii) the ordinary shares in the Company, which will be the IPO Price. The conversion ratio will be the subject of a special report from the statutory auditors of the Company in accordance with article R 228-18 of the French Commercial Code. In their special report, the statutory auditors are required to give their opinion on the conversion and on its effects on the holders of securities in the Company, and to indicate whether the methods used to calculate the conversion ratio are accurate. The corporate documentation relating to such conversion detailing the conversion ratio will be filed with the Commercial Court (*greffe*).

(c) Mergers of the intermediate holding companies into the Company

As of the date of this Registration Document, the Company holds indirectly 100% of Everest SubBidCo through several wholly-owned holding companies (namely Everest SubHoldCo, Everest MidCo, Everest BidCo and Everest UK Finco; noting that Everest BidCo and Everest UK Finco, respectively hold 69% and 31% of Everest SubBidCo).

With effect immediately following the settlement and delivery of the shares offered in the proposed IPO and completion of the Refinancing, it is contemplated that (the "**HoldCo Mergers**"):

- Everest BidCo will be merged into its immediate parent company Everest MidCo;
- Everest MidCo will then be merged into its immediate parent company Everest SubHoldCo; and
- Everest SubHoldCo will then be merged into its immediate parent company, being the Company.

These transactions will occur as successive upstream mergers, in which the absorbing company in each merger will be the sole shareholder of the absorbed company, such that the merger exchange ratio will not need to be determined, nor will new shares of the absorbing companies (among which the Company) be issued. As a result of these successive mergers, the Company will hold indirectly 100% of Everest SubBidCo, through a 69% direct shareholding and a 31% indirect shareholding through Everest UK Finco, wholly-owned by the Company.

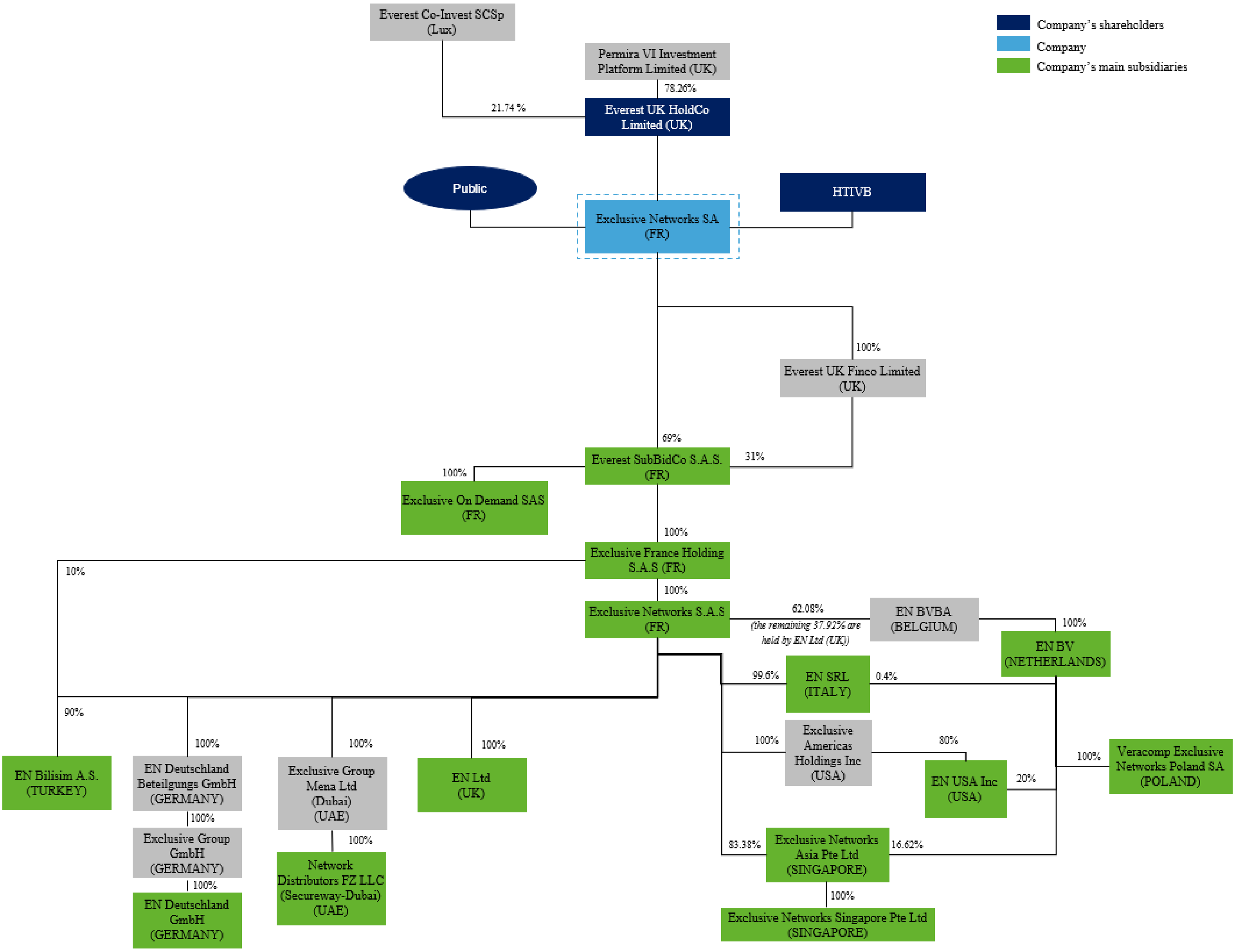
The successive mergers of Everest BidCo, Everest MidCo and Everest SubHoldCo will be carried out through the "*simplified merger*" regime, at net accounting values, in accordance with the provisions of CRC Regulation n°2017-01 of 5 May 2017 of the French Accounting Regulation Committee (*Comité de la Règlementation Comptable*).

It is expected that these mergers will take effect immediately after (i) the settlement and delivery of the shares offered in the proposed IPO and (ii) completion of the Refinancing.

(d) Refinancing

As part of the Refinancing, and effective on the date of settlement and delivery of the shares offered in the proposed IPO, the Group intends to refinance all amounts outstanding under the Existing Facilities with part of the IPO proceeds and the New Facilities (as defined in Section 8.4.4 "*The Group's new financial liabilities*" below) and discharge all liabilities under the Existing Intercreditor Agreement.

6.1.3 *Simplified Group organizational chart after completion of the Reorganization*



6.2 Subsidiaries and equity interests

6.2.1 *Principal subsidiaries*

The list of the main direct or indirect wholly-owned subsidiaries of the Company as of the date of this Registration Document is provided below:

Everest SubBidCo is a French *société par actions simplifiée*, with registered office located at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France and registered with the Nanterre Trade and Companies Register under number 839 198 140 (RCS Nanterre);

Exclusive France Holding is a French *société par actions simplifiée*, with registered office located at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France and registered with the Nanterre Trade and Companies Register under number 810 931 766;

Exclusive On Demand is a French *société par actions simplifiée*, with registered office located at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France and registered with the Nanterre Trade and Companies Register under number 882 544 380;

Exclusive Networks is a French *société par actions simplifiée*, with registered office located at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France and registered with the Nanterre Trade and Companies Register under number 401 196 464;

Exclusive Networks Asia Pte Ltd is a company incorporated in Singapore, with registered office located at 5 Pereira Road 02-03, Asiawide Industrial Building, Singapore 368025 and registered under number 200301516R;

Exclusive Networks Bilisim A.S. is a company incorporated under the laws of Turkey, with registered office located at Icerenköy Kayisdagi Cad. Karaman Ciftlik Yolu No.47 K.1, Atasehir/Istanbul, Turkey and registered under number 528926;

Exclusive Networks B.V. is a company incorporated under the laws of the Netherlands, with registered office located at Ekkersrijt 4601 ; 5692 DR Son, the Netherlands and registered under number 27374554;

Exclusive Networks Deutschland GmbH is a limited liability company incorporated under the laws of Germany, with registered office located at Hardenbergstraße 9a, 10623 Berlin, Germany and registered under number HRB 210494 (Amtsgericht Charlottenburg, Berlin);

Exclusive Networks Ltd is a company incorporated under the laws of England and Wales, with registered office located at Alresford House, Mill Lane, Alton, GU34 2QJ Hampshire, United Kingdom and registered under number 02900798;

Exclusive Networks Singapore Pte Ltd is a company incorporated in Singapore, with registered office located at 5 Pereira Road #05-02, Asiawide Industrial Building, Singapore 368025 and registered under number 200202320G;

Exclusive Networks SRL is a company incorporated under the laws of Italy, with registered office located at Via Umbria 27/A CAP, 10199 San Mauro Torinese (TO), Italy and registered with the Commercial court of Turin under number TO 1205970;

Exclusive Networks USA Inc. is a company incorporated under the laws of the State of California, with registered office located at 2075 Zanker Road, San Jose, California 95131, USA and registered under number C1912493;

Networks Distributors FZ is a limited liability company incorporated under the laws of Dubai (United Arab Emites) in the Dubai Technology and Media Free Zone, with registered office located at 35th Floor – office 3502 - Shatha Tower, Media City, Dubai – PO box 5006400 and registered under number 20229;

Veracomp Exclusive Networks Poland S.A. is a joint-stock company incorporated under the laws of Poland, with registered office located at ul. Zawiła 61 30-390 Krakow, Poland and registered with the National Court Register held by the District Court for Krakow under number 0000703564.

6.2.2 *Recent acquisitions and disposals*

(a) Acquisitions

See Section 7.3.2 "Acquisition of Exclusive France Holding SAS and its subsidiaries" and Section 7.3.3 "Acquisitions, divestitures and changes in consolidation".

(b) Buyout of minority interest

On 13 November 2019, Exclusive Networks SAS repurchased the minority interests in Exclusive Capital Holding SAS for €372 thousand.

On 29 May 2019, Exclusive Networks SAS repurchased the minority interests in ITEC Intelligent Services Limited for €2,264 thousand.

On 14 September 2018, Exclusive Networks Asia Pte Ltd repurchased the minority interests in Transition Systems Australia Pte Ltd for €100 thousand and in Exclusive Networks Malaysia Sdn Bhd for €300 thousand.

On 14 September 2018, Exclusive Networks SAS repurchased the minority interests of Exclusive Networks Asia Pte Ltd for €2,664 thousand and 12% of the minority equity interests of Exclusive Networks Norway AS for €76 thousand.

On 8 August 2018, Exclusive Networks Asia Pte Ltd repurchased the minority interests in Super Holding Exclusive (Thailand) Co., Ltd. for €5,211 thousand.

As part of the transaction dated 4 July 2018, Exclusive Networks BV repurchased the remaining minority equity interests in its subsidiaries for a total amount of €29,389 thousand (including acquisition costs for €345 thousand), detailed as follows:

- 16.62% of Exclusive Networks Asia Pte Ltd for €13,187 thousand;
- 20% of Trigem Enterprises Inc for €7,079 thousand;
- 30% of Exclusive Networks Finland Oy for €3,588 thousand;
- 14.51% of Exclusive Networks SL for €1,254 thousand;
- 0.40% of Exclusive Networks S.r.l. for €1,226 thousand;
- 11.25% of Exclusive Networks Sweden AB for €1,053 thousand;
- 16% of BridgingMinds Network Pte Ltd for €516 thousand;
- 12.5% of Exclusive Networks Denmark A/S for €283 thousand;

- 1% of Exclusive Networks Singapore Pte Ltd for €248 thousand;
- 4% of TSM Network Sdn Bhd for €167 thousand;
- 2% of Exclusive Networks Sales India Pte Ltd for €166 thousand;
- 3.38% of Exclusive Networks Malaysia Sdn Bhd for €156 thousand;
- 0.92 % of Transition Systems Australia Pte Ltd for €82 thousand;
- 1% of Exclusive Networks Norway AS for €38 thousand.

On 4 July 2018, Exclusive Networks BV repurchased its own remaining minority equity interests, representing 19.74% of the capital, for €5,715 thousand.

On 4 July 2018, Exclusive Networks SAS repurchased 13% of the shares in Exclusive Capital Holding SAS for €952 thousand.

(c) Disposals

Not applicable.

7. ANALYSIS OF THE GROUP'S FINANCIAL POSITION AND RESULTS

The Interim Condensed Consolidated Financial Statements and the 2020 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union. The 2019 Consolidated French GAAP Financial Statements and the 2018 EFH Consolidated French GAAP Financial Statements have been prepared in accordance with French generally accepted accounting principles ("**French GAAP**"). See "*General Comments—IFRS, French GAAP and Non-IFRS Financial Measures*" for further information.

The Deloitte & Associés and Mazars' review report of the Interim Condensed Consolidated Financial Statements can be found in Section 18.1.2 of this Registration Document. Deloitte & Associés and Mazars' audit report on the 2020 Consolidated Financial Statements can be found in Section 18.2.2 of this Registration Document. Deloitte & Associés and Mazars' audit report on the 2019 Consolidated French GAAP Financial Statements can be found in Section 18.3.2 of this Registration Document. Deloitte & Associés and Mr. Bruno Palasset's audit report on the 2018 EFH Consolidated French GAAP Financial Statements can be found in Section 18.4.2 of this Registration Document.

The following information on the Group's results should be read in conjunction with the Financial Statements, as set out in Sections 18.1.1, 18.2.1, 18.3.1 and 18.4.1 of this Registration Document, respectively.

7.1 Overview

7.1.1 *Introduction*

The Group is a leading global specialist in innovative cybersecurity technologies. The Group provides services to accelerate the sale of cybersecurity disruptive technologies on a global scale. The Group is positioned at the center of the cybersecurity ecosystem to help, on the one hand, cybersecurity vendors efficiently scale their businesses globally, and, on the other hand, provide its customers (i.e., VARs, SIs, Telcos and MSPs) with cybersecurity expertise, disruptive technologies and services to fit the needs of their corporate customers.

The Group buys and sells the cybersecurity solutions and adjacent products of its disruptive and established vendors. The Group offers the entire portfolio of cybersecurity solutions provided by its vendors except for those that fall outside the Group's cybersecurity segments. The Group's cybersecurity segments include Next Generation Firewall, Content Security, Endpoint Security, Security & Vulnerability Management, Identity & Access Management and Other Segments (Network Access Control, Intrusion Detection and Prevention, Virtual Private Network, Distributed Denial of Services, Domain Networks System, Network Detection and Response and Software Defined Networking). The Group provides its vendors and customers with standard services (e.g., shipping, billing, logistics, customs, invoicing, cash collection and foreign exchange) in addition to another layer of services only a specialist can provide (e.g., evangelization of new technology, specialized training and support, global expansion, channel management, marketing, demand generation and pre-sales technical advice). The Group also provides services such as training, support and installation. See Section 7.2.1(a) "*Profitability*" for further discussion.

The Group employs 2,200 employees (including Veracomp), including more than 500 technical engineers and 150 other cyber and certified tech salespeople, thus maintaining a ratio of approximately one technical engineer for every two salespeople. Approximately 25% of the Group's employees are part of the technical team and these technical engineers have an average of five technical certifications. Technical engineers provide services, such as technical support and professional services, after products are sold. Certified technical salespeople generally provide expertise and knowledge prior to the sale (i.e., pre-sales support). Additionally, the Group employs more than 130 accredited trainers. These trainers provide classroom and remote vendor-accredited training courses or courses created by the Group. This makes the Group a valuable, credible partner in the highly technical and ever-evolving cybersecurity market. Thanks to its strong technical staff and specialization, the Group has developed a proven ability to launch new cybersecurity solutions, from both disruptive and established vendors, in the geographic markets where the Group operates. This ability to promote disruptive technologies and solutions in local markets is at the center of the Group's value proposition, regardless of the solution's nature, enabling coverage of a range of products, including, for example, licenses, support services or subscriptions.

The Group excels by combining global scale with local execution. With offices in 40 countries and the ability to service customers across five continents and in over 150 countries, the Group, headquartered in France, offers a "global scale, local sale" model. This model enhances performance in local operations by providing both global support (such as global support centers, vendor onboarding, global deal desk and global delivery services) and local support (such as local and regional distribution, local team onboarding, delivery follow-up coordination and POD consolidation). This approach has enabled the Group to (i) develop one of the world's broadest portfolios of cybersecurity solutions from over 240 leading vendors and (ii) develop a worldwide customer base, consisting of over 18,000 VARs, SIs, Telcos and MSPs, indirectly serving more than 110,000 end-customers. During the 2018-2020 period, the Group conducted business in more than 124 countries.

The Group's approach enables vendors to adopt a simple and agile go-to-market model in relation to their cybersecurity solutions, while benefitting from the Group's local expertise and market knowledge in each jurisdiction where it operates. The Group's scale is equally important to its customers as their own end-users may be located in multiple regions of the world. In addition, the Group helps its customers through its expertise in vendor selection as cybersecurity solutions become ever more complicated and keep evolving in the face of increasing cybersecurity threats.

The Group offers technical expertise and a wide range of services to both vendors and customers. Services to resellers mainly include (i) (multi-)vendor professional and technical services, (ii) implementation and support, (iii) asset financing and leasing, (iv) project management and logistics and (v) accredited training. Several of these services are billable services. Services to vendors include channel development enablement and management, marketing and demand generation. This broad service offering helps the Group maintain and strengthen its relationship with vendors currently under contract, as well as develop new relationships with vendors offering innovative solutions. The Group has been the go-to-market expansion partner for some of the fastest growing vendor brands in the cybersecurity market, including Fortinet, Palo Alto Networks, F5 Networks, SentinelOne, Infoblox and Proofpoint, and has contributed to their journeys to become major players in international markets.

The Group's proven ability to secure contracts with disruptive vendors is an important strength as these disruptive vendors represent future growth opportunities for the Group and its customers. The Group's services offering also strengthens the development of its customer base, whether in relation to its larger or smaller resellers. In less mature markets, the Group's services are particularly valuable to smaller resellers, who benefit from the training, support, and technical expertise of a specialist such as the Group. For larger resellers that cover a broad range of IT services, but are not cybersecurity specialists, the Group's general expertise in cybersecurity helps them understand key market trends and identify the best technologies for their end-users.

7.2 Key factors impacting results

The Group's results have been and are expected to continue to be, affected by certain key factors as described in more detail below.

7.2.1 ***Pricing structure***

The Group's results of operations and profitability are significantly affected by the Group's sales of cybersecurity products and the provision of services.

(a) Profitability

The Group purchases cybersecurity solutions from its vendors and sells them to its resellers, along with certain services related to the products, keeping the difference between the purchase price agreed with the vendor and the sales price agreed with the reseller. For example, for cybersecurity solution license sales, the Group invoices resellers for the sales price (revenue) and records the Cost of Goods Sold (as is billed by the vendor). The Group's profitability also depends on its ability to sell its own services, such as training, support and installation. The more services the Group sells, the higher its profitability. The sales prices the Group is able to charge for its vendors' solutions, as well as the Group's ability to contain its costs of services affect its results. See Section 7.2.1(b) "*Sales prices and competitive pressures*" and Section 7.2.1(c) "*Costs of services purchased*", below.

(b) Sales prices and competitive pressures

The Group's Net Margin—and, in turn, its results of operations and profitability—are significantly affected by the sales prices the Group can charge for the cybersecurity products it distributes.

The price that the Group can charge for the products it distributes is dependent on a variety of factors, including the vendor distribution agreements between the Group and its vendors (see Section 7.2.2(b) "*Terms and conditions of vendor agreements*"), the size and profile of the customer, the size and complexity of the project, the maturity of the vendor, the relevant geography, any tariffs and other import or export requirements and any other competitive pressures exerted by its resellers, such as relationships with multiple distributors.

For example, where the vendor has a direct relationship with the reseller, this generally results in a smaller margin for the Group. More complex projects will generally lead to higher margins for the Group.

The Group's customers are not required to purchase any specific volume of products from the Group. Competitive pressures, such as when the Group's competitors offer the same or similar products or services at lower prices, affect the Group's prices. Reductions by the Group of its sales prices to maintain its competitive position impact its results of operations and profitability.

See also Section 3.1.3 "*The Group experiences significant competitive pressures for reseller customers and the Group's failure to maintain and expand its relationships with its existing resellers or attract new resellers could materially adversely affect its business.*".

(c) Costs of services purchased

The Group's results of operations are significantly affected by the Group's costs of services purchased. The Group generates revenue, and a portion of its profitability, through the sale of services to its customers. The majority of the Group's services, including classic distribution services and value-added services, are included in the costs of the cybersecurity products it distributes. However, the Group also provides services such as training, support and installation that are separately billable to its customers. Although these represent a small proportion of the Group's revenue, they generate a significantly larger proportion of its results.

The Group's profit is affected by its ability to estimate its costs of services and maintain its costs of services at estimated levels and ensure that its compensation for such services adequately reflect its costs. The Group's costs of services, in turn, are impacted by the prices that third-party service companies or sub-contractors charge for their services to the Group, as well as by the costs of logistics, import and export compliance, and other services. Should the Group incur unanticipated costs associated with these services, the Group's net margin would be adversely impacted.

7.2.2 *Vendors*

The Group's results of operations are significantly affected by the Group's ability to maintain and expand its relationships with its key vendors, the ability to attract and retain new vendors and by the terms and conditions the Group is able to negotiate with them.

(a) Relationships with key vendors and ability to attract new vendors

The Group derives revenue from the sale of cybersecurity solutions pursuant to distribution agreements with its vendors and the Group's results of operations are therefore significantly dependent on its relationships with its vendors, the loss of which could significantly impact the Group's revenues and Net Margin. More generally, entering into relationships with new vendors and expanding relationships with current vendors is essential to the Group's revenue growth. The Group invests up-front in sales and technical resources and training and certification in the technologies of the Group's new vendors and depends on the ability to grow sales over time to recoup this investment. The Group derived 66% of its revenue from its top five vendors and 82% of its revenue from its top 20 vendors for the year ended 31 December 2020. However, gross sales generated in any one country by any single vendor do not exceed 8% of the Group's global Gross Sales for 2020. The revenue derived from the Group's top five vendors was divided among more than 31 countries and the revenue derived from the Group's top ten vendors was divided among more than 40 countries in 2020. While the Group's relationship with a vendor typically only ceases with respect to distribution in a specific country or region (as opposed to with respect to all products and services), the Group has experienced a limited number of vendor terminations during the period under review. In 2020, the Group retained 99% of its vendors.

The Group selects these new vendors according to a selection process, involving approximately 50 vendors per year at the initial information gathering and screening phase and culminating in a small number of new vendors selected each year. See Section 5.7.2 (c) "*Vendor Selection Process*" for a further explanation of the vendor selection process.

(b) Terms and conditions of vendor agreements

The Group's Net Margin is driven by the terms of its distribution agreements with its vendors as they relate to deal origination (distributor vs. vendor), competitive intensity, size of deal, maturity of a product, share of billable services, alongside many others, which impact the Group's cost of goods sold.

The Group's results of operations and profitability are therefore significantly dependent on the terms and conditions of its distribution agreements with its vendors, which include, for example, minimum purchase requirements by the Group and clauses governing the effect of price and product changes. Unfavorable terms and conditions may limit the prices at which the Group may on-sell its vendors' products, limit or affect the Group's ability to distribute its vendors' products, limit the availability of cybersecurity products, limit the vendors' speed of delivery or limit the support provided by vendors, resulting in adverse changes to the Group's pricing structure.

The Group's ability to generate revenue and profit is therefore dependent on favorable terms and conditions in its vendor agreements.

7.2.3 *Cost efficiency*

The Group's profitability is driven by its ability to monitor and maintain its cost efficiency for personnel and selling, general and administrative ("**SG&A**") expenses. Stronger cost controls have been implemented in all regions, notably in the continuity of savings initiatives undertaken at the end of the third quarter of 2019. Recruitment costs are tightly monitored, replacements are not automatically renewed, and travel expenses are limited to necessary business trips.

The Group's SG&A expenses include salaries and indirect costs, such as IT maintenance, professional charges (consulting, tax, legal fees), marketing costs, rent, office supplies and year-end audit fees. For a further description of the Group's personnel costs for the periods under review, see Sections 7.6.4, 7.7.4 and 7.8.4 ("*Personnel costs*").

The Group focuses on strict budgeting exercising and monitoring of cost versus budget as well as other reorganization actions to respond to changes in the economy and to further enhance productivity and profitability. However, there may be unexpected expenses. These actions have included pre-approval requirements for recruitment and monthly reviews. The Group's SG&A expenses have increased at a slower rate than the rate of growth in the Group's Net Margin.

7.2.4 *Industry trends and growth*

The Group's ability to generate revenue is influenced by trends in the cybersecurity solutions market. Growth in the cybersecurity solutions market is driven by a number of factors, including the number of cyberattacks, the average cost of a cyberattack and evolving regulation. The increasing complexity of cyberattacks generates demand for new cybersecurity solutions from end-users. These trends drive vendors to develop new, improved and disruptive cybersecurity solutions, who then need specialists such as the Group to sell these solutions.

The Group monitors its current vendor portfolio for product performance and terminates vendor relationships where and when appropriate.

See also Section 3.1.10 "*If the Group is unable to capture technological changes by successfully distributing new and enhanced cybersecurity solutions, the Group's business, results of operations, financial position and cashflows could be adversely affected.*"

7.2.5 *Macroeconomic environment*

Generally, macroeconomic conditions can affect the level of demand for a vendor's products and the Group's results of operations may be affected by general macroeconomic conditions in its principal markets, particularly the EMEA, the Americas and the APAC regions. The cybersecurity industry has historically been relatively resilient to downturns in macroeconomic cycles, since cybersecurity is generally viewed as non-discretionary and essential spending. Although a prolonged slowdown in the global or regional economies of the Group's principal markets may reduce general economic activity and has done so to a limited extent in the past, the Group's business has been generally resilient in the face of negative macroeconomic conditions.

For example, the recent macroeconomic downturn as a result of the Covid-19 pandemic has not had a significant effect on the Group's results of operations as customers in numerous jurisdictions in which the Group operates deemed the provision of cybersecurity solutions as essential and the need for cybersecurity products continued to increase.

7.2.6 *Effectiveness of the Group's technical resources and salesforce*

The Group's results of operations are dependent on the effectiveness of its technical and sales staff in selling its vendors' offerings. As of 30 June 2021, cyber certified cloud technicians comprised one-third of the Group's salesforce, with one cyber certified cloud technician for every two salespeople. The Group's technical resources consisted of more than 500 technical engineers with local capabilities in 40 countries and the ability to serve customers in more than 100 countries by way of local sub-contractors. The Group's future success will further depend significantly on its ability to continue to hire, train, retain and effectively incentivize skilled technicians and engineers who have significant technical knowledge in cybersecurity products. See also Section 3.1.7 "*The Group's success depends upon its ability to attract, retain, motivate and develop key executives and employees with the requisite technical expertise, and the failure to do so could adversely affect the Group's results.*"

7.2.7 *Level of working capital and credit quality*

The Group's average working capital requirements amount to 4.5% of its quarterly sales. As the Group's sales grow, its working capital requirements also increase, especially as the Group expands into regions where cash collection takes longer. The Group's working capital requirements are dependent on the Group's payment terms with vendors, payment terms with resellers and their capacity to pay on time, as well as the inventory levels which the Group is required to purchase prior to receiving payment from its resellers. Since margins represent a small proportion of the sales price, the rate at which the Group collects cash significantly impacts the Group's overall liquidity.

The Group's resellers may fail to pay their obligations to the Group in a timely manner. The failure of any of the Group's resellers to pay their obligations to the Group could adversely affect the Group's business, results of operations and profitability.

The Group protects itself from cash collection risks with credit insurance and its selection of creditworthy resellers (including approval of credit limits). The Group also has responsive measures should resellers fail to make timely payments, such as escalating communications and eventually reseller blockage.

7.2.8 *Foreign exchange rate fluctuations*

Because the Group buys a significant portion of its products in U.S. Dollar, and sells its products in various currencies, including euro, pound sterling and U.S. Dollar, among other currencies, the Group is exposed to fluctuations in the foreign currency exchange rates. Due to the broad scope of the Group's international operations, a portion of its assets, liabilities, revenue and expenses are also denominated in various currencies. Additionally, a significant portion of the Group's outstanding debt is denominated in currencies other than the Group's reporting currency. For example, the Group's outstanding debt is denominated in pound sterling. Changes in the exchange rates between these currencies can therefore affect the Group's results of operations and financial position, as a result of both translational and transactional exchange rate effects. Generally, appreciation of the U.S. Dollar will have a negative impact on the results of the Group.

Translational effects of exchange rate fluctuations arise because the Group conducts business in currencies other than euro and then translates the results of operations into euros for presentation of the Group's financial results in the consolidated financial statements. For example, for the year ended 31 December 2020, of the Group's consolidated Gross Sales, 40% was denominated in euro, 18% in U.S. Dollar, 14% in pound sterling, 8% in Polish zloty and 3% in Australian dollar. As currency exchange rates fluctuate, the Group's financial results may change as a result of such translation even though no real change in its results of operations has occurred. The Group's primary translational currency exposure is to the euro and, to a lesser extent, to the U.S. Dollar.

Transactional effects of exchange rate fluctuations arise when the Group enters into projects or the sales or purchases of cybersecurity solutions in a currency other than the currency of the related expenses. The Group prices the products and services it provides to its customers various currencies, whereas the price lists issued by the Group's vendors are denominated in the vendor's local currency, generally U.S. Dollar, as the majority of the Group's vendors are US-based. This currency mismatch creates a trading risk between the Group and its vendors.

Further, as the Group expands its global reach, more of its operating expenses are expected to be incurred in currencies other than those in which the Group invoices its services. An increase or decrease in the value of the currencies in which the Group incurs costs compared to the currencies in which the Group records its revenue can increase or decrease costs for the delivery of services by increasing labor and other costs that are denominated in local currency, without any offsetting increase in amounts payable to the Group under contracts with its customers.

The Group generally hedges a substantial amount of its transactional foreign exchange rate exposure on the balance sheet and employs a combination of financial derivatives and natural hedges to do so. However, in certain countries, hedging is only allowed after invoicing for the products or services. See Section 3.2.1 "*Currency fluctuation may adversely affect the Group's revenues and costs.*"

7.2.9 *Impact of acquisitions/investments*

In order to expand into new geographic markets, support its growth and strengthen its service offering, the Group may acquire distributors, resellers or other companies in the cybersecurity solutions market. Through its acquisition strategy, the Group aims to fill gaps in its geographical coverage, to broaden the technologies it offers, and to strengthen its operations in existing geographies. The frequency of acquisitions varies and depends on the expansion opportunities offered to the Group and the development of its strategic decisions in light of market conditions. When acquiring companies, the Group generally acquires a majority stake, while the historical management retains a minority stake in order to align incentives. The Group then aims, depending on the specifics of the acquisition, to incorporate the acquired company into the Exclusive Networks brand anywhere from a few months to a few years after the acquisition.

Since 2013, the Group has completed 17 acquisitions, expanding its global presence. See Sections 7.3 "*Comparability of Results*" and 7.3.3 "*Acquisitions, divestitures and changes in consolidation*" for further detail.

As the Group continues to expand its business operations, the Group intends to make additional geographic and service-related acquisitions to ensure its competitive position in the market.

7.2.10 *Level of indebtedness*

The Group has had a significant level of debt, inherited from its LBO structure, during the periods under review. As of 31 December 2020, the Group's Financial Gross Debt amounted to €752.4 million and Net Debt amounted to €589.2 million. As of 31 December 2019, the Group's Financial Gross Debt amounted to €724.7 million and its Net Debt amounted to €607.4

million. As of 31 December 2018, the Group's Financial Gross Debt amounted to €382.9 million and its Net Debt amounted to €282.4 million. If utilizing the same definition as presented in the 2020 Consolidated Financial Statements, and including all holding companies, the Group's Financial Gross Debt and Net Debt as of 31 December 2018 would have amounted to €697.6 million and €594.5 million, respectively.

As of 30 June 2021, the Group's Financial Gross Debt amounted to €707.9 million and Net Debt amounted to €574.7 million. See Section 10.3 "*Leverage*" for the Group's targeted leverage ratios.

7.2.11 *Seasonality*

The Group's Gross Sales and Adjusted EBITA, as defined in Section 7.5 "*Key performance indicators*", are affected by the seasonal nature of the Group's business. Over the periods under review, for example, the Group's Gross Sales and Adjusted EBITA tended to be higher in the fourth quarter because, as is typical in the IT industry, both vendors and resellers tend to close their accounts during this quarter. As a result, the last quarter of the year contributes more than 30% to the Group's annual Gross Sales and Adjusted EBITA over the periods under review.

7.3 Comparability of Results

Certain key factors as well as past events and transactions have had, and may continue to have, an impact on the comparability of the Group's business and results as discussed below. The main factors affecting the comparability of the Group's results include (i) changes in accounting standards, (ii) the Acquisition of the Group by Permira VI in 2018 and (iii) other acquisitions, divestitures and changes in scope of consolidation.

7.3.1 *Change in accounting standards*

The Group transitioned to IFRS as of 1 January 2019 and consequently, the 2020 and 2019 financial information of the Group presented in accordance with IFRS are not comparable with the 2019 financial information of the Group presented under French GAAP and the 2018 financial information of EFH presented in accordance with French GAAP.

The main differences between French accounting standards and IFRS as they relate to the Group are summarized below:

IAS 19 – Employee Benefits

Under French GAAP, benefits related to defined benefit pension plans were recognized on the income statement as operating expenses when incurred.

Under IFRS, defined benefits plans are recognized on the balance sheet.

More specifically, the differences represent:

- the Group's obligations related to its defined benefit plans recognized as a provision; and
- the related pension cost recognized in operating expenses and the related actuarial gains and losses recorded in other comprehensive income (see Note 16 to the 2020 Consolidated Financial Statements).

IFRS 3 – Business Combinations

Under IFRS, the acquisition fees relating to business combinations incurred in 2019 and 2020 are recognized immediately as expenses on the income statement, while under French GAAP, they were capitalized as part of the goodwill.

IFRS 9 – Financial Instruments

The IFRS 9 approach differs in a number of ways from French GAAP and materially impacts the Group as follows (see Note 9 to the 2020 Consolidated Financial Statements):

- Interest expenses related to financial debts, which were recognized on a straight-line basis over the term of the corresponding liabilities under French GAAP, are recognized using the effective interest rate method under IFRS;

- Transferred receivables related to factoring arrangements, which were derecognized under French GAAP, are not derecognized under IFRS as substantially all risks and rewards are not transferred to the Factor;

- Exclusive Capital financing arrangements, which were disclosed as off-balance sheet commitments under French GAAP, result in the recognition of financial liabilities under IFRS.

IFRS 15 – Cut-off impacts

Under French GAAP, revenue recognition was triggered by the transfer of risk and title whereas it is based on transfer of control under IFRS 15, which creates cut-off impacts.

IFRS 15 – Agent versus Principal analysis

Under IFRS 15, the Group has determined it is an agent for the sale of vendor's maintenance and support services and recognizes as revenue only the Net Margin on these services, representing an equal reduction in both revenue and cost of sales in the statement of income compared to French GAAP. Net Margin represents Revenue less costs of purchased goods and services and Freight on sales (see Note 5.1 to the 2020 Consolidated Financial Statements).

IFRS 16 – Leases

Rental payments related to lease contracts were recognized as operating expenses in the statement of income under French GAAP.

Under IFRS 16:

- a right-of-use asset and a lease liability are recognized on the balance sheet; and

- depreciation and interest expenses are recognized in the statement of income, which replace the French GAAP rental expense over the term of the lease.

Right-of-use assets and lease liabilities recognized at 1 January 2019 are set out in Note 8.1 and Note 8.2 to the 2020 Consolidated Financial Statements, respectively.

The difference between the rental expense recognized under French GAAP and the depreciation expense recognized under IFRS represents the operating profit impact.

The difference between the total expense (depreciation and interest expenses) under IFRS 16 and the rental expense previously recognized under French GAAP represents the net profit impact.

Rental payments were presented within cash flows from operating activities under French GAAP. Under IFRS, they are required to be split between cash outflows relating to the interest expense on the lease liability and cash outflows relating to repayments of the lease liability. The Group presents the repayment of principal on the lease liability and the interest paid within cash flows from financing activities.

Non-controlling interest put options

Under French GAAP, an obligation to purchase non-controlling interests is disclosed as an off-balance sheet item in the notes to the financial statements.

Under IFRS, such obligation is required to be recognized as a financial liability.

The amounts recognized relate to the put options granted by the Group to non-controlling interests, giving the holders the right to sell part or all of their investment in these subsidiaries (see Note 9 and Note 14.2 to the 2020 Consolidated Financial Statements), as follows:

- a financial liability (obligation to purchase the investment to the non-controlling interests) amounting to the present value of the redemption amount; and

- the offsetting entry as: (i) a reduction in the carrying amount of the non-controlling interests and (ii) a reduction in the equity (for the difference between the liability and the carrying amount of the corresponding non-controlling interests).

IAS 12 – Income Taxes – Tax effect of the restatement

This item represents the tax effect of restatement differences made between French GAAP and IFRS.

IAS 12 – Income Taxes – Reclassification of income tax items

French tax CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) and other taxes were reclassified from "other operating costs" to "income tax" under IAS 12.

7.3.2 *Acquisition of Exclusive France Holding SAS and its subsidiaries*

In connection with the acquisition of the Group by Permira VI completed on 4 July 2018 (the "**Acquisition**"), the Company was incorporated on 19 April 2018 for the purposes of acquiring, through its indirect subsidiary Everest SubBidCo SAS, 100% of the shares of EFH.

EFH prepared its consolidated financial statements for the year ended 31 December 2018 in accordance with French GAAP while the Company prepared its first statutory consolidated financial statements in accordance with French GAAP for the 19-month period ended 31 December 2019 (from 1 June 2018 to 31 December 2019). For the purposes of this Registration Document, the Company prepared 12-month period reconstituted financial statements ended 31 December 2019, with a comparative 7-month period ended 31 December 2018, in accordance with French GAAP.

As a result of these changes in scope of consolidation and presentation, the financial statements for the financial years following 2018 are not comparable with those for the year ended 31 December 2018, and have been impacted by:

- **Financing -** The Acquisition was financed by shareholder equity, including reinvestment from Management, for a total amount of €740 million, as well as by debt under a bank facility. Upon Acquisition, pre-existing financing to the former majority shareholder was repaid for a total amount of €332 million. The Senior Credit Agreement entered into on 4 July 2018 (i.e. the Existing Facilities that will be refinanced by the New Facilities Agreement) included (i) senior debt for a principal amount of €500 million; (ii) subordinated bank debt with a principal amount of £105 million (equivalent to €119.2 million on the subscription date); and (iii) a secured Revolving Credit Facility line with a nominal amount of €90 million. Expenses incurred in connection with these financing transactions amounted to €18 million and are presented as exceptional expenses for the period. Interest paid related to this Senior Credit Agreement amounted to €32.7 million in 2019 and €28.9 million in 2020.

- **Acquisition of non-controlling interests -** As part of the change of control of EFH, the Group purchased non-controlling interests in several entities previously controlled by the Group for a total amount of €29 million (including acquisition costs for €0.3 million).

- **Goodwill recognition -** €264.5 million of goodwill was recognized as a result of the acquisition.

- **Intangible assets recognition -** €1,067 million was recognized for vendor relationships and €216.6 million was recognized for trademarks as a result of the acquisition of Exclusive France Holding SAS.

- **Related parties -** Related parties expenses relating to (i) Group level financing of €9.1 million, (ii) interest incurred on loans of €6.9 million and (iii) Management fees of €2.7 million were recognized.

7.3.3 *Acquisitions, divestitures and changes in consolidation*

During the period under review, the Group made the following acquisitions which are reflected in the Group's consolidated financial statements from the date on which control of such businesses was acquired (see also Note 3.2 to the 2020 Consolidated Financial Statements, and Section 1.3.2.1 to the 2019 Consolidated French GAAP Financial Statements and Section 1.3.2.1 to the 2018 EFH Consolidated French GAAP Financial Statements):

In 2020, the Group acquired three businesses:

- **Veracomp Acquisition -** On 30 December 2020, the Group acquired the Polish company Veracomp, specializing in the distribution of cybersecurity and infrastructure products, allowing it to expand in Central and Eastern Europe. Veracomp reported revenue of €296 million in 2019. The company has operations in 10 Eastern European countries: Poland, Czech Republic, Slovakia, Romania, Bulgaria, Croatia, Bosnia, Serbia, Slovenia and Hungary. This transaction was financed by the drawdown of €60 million under a revolving credit facility and €18 million in equity. The costs related to this transaction amount to €1 million and have been fully included in the acquisition costs. For an analysis of the impact of the acquisition of Veracomp as if it had been acquired on 1 January 2020, see Note 3 to the 2020 Consolidated Financial Statements.

- **Nuaware Acquisition -** On 20 November 2020, Exclusive Networks Ltd acquired 70% of the UK company Nuaware Co, Ltd, which specializes in the distribution of computer security products for total consideration of €5 million. In 2019, Nuaware Co Ltd reported revenue of €9.4 million and the average number of employees was eight.

- **JJNET Acquisition -** On 27 August 2020, the group acquired 80% of the shares of the Hong Kong company JJNET International Co Ltd., which specializes in computer security, storage, and infrastructure products, for total consideration of €3 million. In 2019, JJNET International Co Ltd. reported revenue of €14 million and employed 22 people.

In 2019, the Group acquired two businesses:

- **Fine Tec Distribution Acquisition -** On 7 February 2019, the Group acquired 100% of the shares of the Canadian company Fine Tec Distribution Inc. which operates in the Canadian market for IT security, storage, and infrastructure products, for total consideration of €8 million. In 2018, Fine Tec Distribution Inc. reported revenue of €32.2 million.

- **Securewave Acquisition** - On 14 February 2019, the Group acquired 70% of the share capital of the Israeli company Securewave Limited, which specializes in the distribution of IT security products, for total consideration of €4 million. In 2018, Securewave Limited reported revenue for €15.4 million and had an average workforce of 9 employees.

In 2018, the Group acquired the following business:

- **Felicipe Limited Ireland Acquisition** - On 3 July 2018, the Group acquired Irish company Felicipe Limited Ireland (renamed Exclusive Networks Ireland Ltd). Felicipe Limited Ireland operated under the brand name "Nextgen" and was an Irish cybersecurity distributor having several shared vendors with the Group. In the financial year ended 31 January 2017, Felicipe Limited Ireland reported revenue of €11.6 million.

There were no disposals during the periods under review.

7.4 Main items of the statement of consolidated income

7.4.1 *Main items of the statement of consolidated income in accordance with IFRS*

The main income statement line items used by the Group's management to analyze its consolidated financial results in accordance with IFRS are summarized below:

Revenue

Revenue is generated from the sale of third-party cybersecurity solutions and services through separate and/or bundled contracts. In addition to cybersecurity solutions, the Group sells related maintenance and support services. Revenues are recorded net of discounts, rebates, and returns, which historically have not been material.

For IFRS 15 purposes, the Group acts as a principal when selling cybersecurity solutions and professional services and as an agent when selling vendor's support and maintenance services. Revenue from the latter activity are recorded as Net Margin, with an equal reduction to both revenue and cost of purchased goods and services in the income statement. Net Margin represents Revenue less costs of purchased goods and services and Freight on sales.

Cost of purchased goods and services

Cost of purchased goods and services includes purchases of goods, change in inventories and net allocation to inventories depreciation.

Personnel costs

Personnel costs comprise wages, social security contributions, profit-sharing plans and pension costs. Pension costs include the allocation to provisions for retirement benefits for the year as well as the reversal of provisions as a result of benefits paid during the year.

Other operating costs

Other operating costs comprise rental expenses (under IFRS 16 only for immaterial and short-term leases), travel expenses, external fees, insurance cost, bank fees (including factoring), advertising expenses, taxes other than income tax and other expenses such as maintenance, repair and telecommunication costs. Other operating costs also include the allocation to provisions for doubtful accounts for the year as well as the reversal of provisions.

Depreciation and amortization

Depreciation and amortization represent the depreciation of property, plant and equipment and right-of-use following the application of IFRS 16. Amortization relates to intangible assets, which are mainly vendor relationships, excluding indefinite intangible assets such as goodwill and brands.

Non-recurring operating income and expenses

Non-recurring income and expenses include items which are defined as unusual, extraordinary and infrequent items of a particularly significant amount at Group level that are limited in number and presented separately to facilitate an understanding of the Group's underlying performance. Non-recurring operating income and expenses can include gains and losses on the disposal of fixed assets as well as costs related to major acquisitions.

Financial debt costs

Financial debt costs include interest on loans from unrelated parties payable by the Group.

Interest on lease liabilities

Interest on lease liabilities comprises solely interest charges related to the non-current lease liabilities following the application of IFRS 16.

Other financial income and expenses

Other financial income and expenses comprise discounting of borrowings and debt, expenses related to financial instruments, foreign exchange losses and other financial expenses.

Income tax

Income tax consists of current tax expense and changes in deferred taxes.

7.4.2 ***Main items of the statement of consolidated income in accordance with French GAAP***

Net Sales

Revenue is generated from the sale of third-party cybersecurity solutions and services through separate and/or bundled contracts. In addition to cybersecurity solutions, the Group sells related maintenance and support services. Revenues are recorded net of discounts, rebates, and returns, which historically have not been material.

Cost of goods sold

Cost of goods sold includes purchases of goods and change in inventories.

Distribution costs

Distribution costs comprise transport expenses and net allocation to inventories depreciation.

Personnel costs

Personnel costs comprise wages, social security contributions, profit-sharing plans and pension costs. Pension costs include the allocation to provisions for retirement benefits for the year as well as the reversal of provisions as a result of benefits paid during the year.

Other operating costs

Other operating costs comprise rental expenses, external fees, insurance cost, bank fees (including factoring), advertising expenses, taxes other than income tax, travel expenses and other expenses such as maintenance, repair and telecommunication costs. Other operating costs also include the allocation to provisions for doubtful accounts for the year as well as the reversal of provisions.

Other Income & expense

Other Income & expense comprise miscellaneous income and the allocation to provisions for operating risks for the year as well as the reversal of provisions.

Depreciation and amortization of fixed assets

Depreciation and amortization of fixed assets comprise the depreciation of property, plant and equipment. Amortization relates to intangible assets, excluding indefinite intangible assets such as goodwill and vendors relationships identified upon the acquisitions of companies.

Other operating income & expense

Other operating income and expenses comprise the amortization of vendor relationships with limited useful lives identified upon the acquisitions of companies, mainly the acquisition of the Group Exclusive France Holding by Everest Holdco SAS.

Financial income and expense, net

Financial income and expense include interest on external loans payable by the Group, discounting of borrowings and debt, expenses related to financial instruments, foreign exchange losses and other financial income and expenses.

Exceptional income and expense, net

Non-recurring income and expenses include items which are defined as unusual, abnormal and infrequent items of a particularly significant amount at Group level that are of limited number and that are presented separately in order not to distort the understanding of the Group's underlying performance. Non-recurring operating income and expenses can include gains and losses on the disposal of fixed assets and costs related to major acquisitions.

Income tax expense

Income tax consists of current tax expense and changes in deferred tax assets.

7.5 Key performance indicators

The Group presents several additional performance indicators, including Adjusted EBITA, Adjusted EBITA as a percentage of Net Margin, Adjusted EBITDA, Adjusted Net Income, Cash Conversion, Capex, Gross Sales, Net Debt and Operating FCF before Tax, defined as follows:

- Adjusted EBITA – Recurring operating profit before amortization of intangible assets, as adjusted for certain costs that do not impact the day-to-day operations (including implementation costs for finance and operation, group management systems, restructuring costs and one-time costs).
- Adjusted EBITA as a percentage of Net Margin – Adjusted EBITA over Net Margin.
- Adjusted EBITDA – Recurring operating profit less depreciation and amortisation, less other non-recurring items ("Other" in the IFRS consolidated financial accounts).
- Adjusted Net Income – Net income adjusted for amortization of intangible assets, other operating expenses/income (post tax at effective tax rate) and deferred tax.
- Cash Conversion – Operating FCF before tax divided by Adjusted EBITDA.
- Capex – Net Operating Capex plus Repayment of Lease Liabilities.
- Gross Sales – Represents revenue recognized by the Group on a gross basis for each revenue stream (i.e., Solutions and Support/Maintenance) and before intra- and inter-segment intercompany eliminations.
- Net Debt – Calculated by subtracting the Company's total cash and cash equivalents from its total bank borrowings, bank overdrafts, short-term loans and factoring liabilities.
- Operating FCF before Tax – Net income deducted from Net financial income/expense, Income Tax, Depreciation and amortization, Gains/losses on disposal of fixed assets, Change in Net Working Capital excluding the change in Exclusive Capital's financial assets and Net Operating Capex & Repayment of lease liabilities.

These performance measures are not defined by IFRS and do not have standard definitions. Consequently, the definitions used by the Group may not correspond to the definitions for these same terms used by other companies. These performance measures should not be used in isolation or instead of IFRS indicators.

	Six months ended 30 June	**Year ended 31 December**		
	2021	**2020**	**2019**	**2018**
Adjusted EBITA....................	€48m	€95m[2]	€81m	€84m
Adjusted EBITA growth %......	28.0%[1]	17.3%[3]	(2.5)%	-
Adjusted EBITA as a percentage of Net Margin........	32.8%	37.0%[4]	32.8%	35.7%
Adjusted Net Income.............	€32m	€40m	€31m	€49m
Cash Conversion....................	92%	108%	64%	74%
Gross Sales	€1,477m	€2,564m	€2,378m	€2,007m
Net Debt..............................	€574.7m	€589.2m	€607.4m	€282.4m
Operating FCF before Tax.......	€49m	€141m	€57m	€63m

1 The Group's Adjusted EBITA growth percentage would have been 17.6%, including Veracomp as if it had been acquired at 1 January 2020.

2 The Group's Adjusted EBITA would have been €108 million, including Veracomp as if it has been acquired at 1 January 2020.

3 The Group's Adjusted EBITA growth percentage would have been 33.6%, including Veracomp as if it had been acquired at 1 January 2020.

4 The Group's Adjusted EBITA as a percentage of Net Margin would have been 37%, including Veracomp as if it had been acquired at 1 January 2020.

7.5.1 ***Reconciliation of KPIs***

Reconciliation of Gross Sales to Revenue/Net Sales

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
Revenue (IFRS) / Net Sales (French GAAP)	**1,105.9**	**878.9**	**1,891.7**	**1,742.0**	**1,999.0**
Agent vs Principal (Mainly Vendors' Support) – IFRS 15	352.7	299.1	657.8	609.9	-
Timing of Revenue Recognition – IFRS 15	-3.5	-1.1	-10.7	-1.0	-
Intercompany Eliminations	22.4	12.5	25.0	27.4	8.4
Gross Sales	**1,477.4**	**1,189.3**	**2,563.9**	**2,375.2**	**2,007.4**

Reconciliation of Adjusted EBITDA to Adjusted EBITA and to Net Income

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
Adjusted EBITDA...	**53**	**42**	**104**	**90**	**85**
Depreciation..	-6	-5	-9	-8	-2
Adjusted EBITA	**48**	**37**	**95**	**81**	**83**
Non-recurring Operating Income and Expenses.	-5	-1	-6	-2	-9
Amortization of Intangible Assets..................	-28	-27	-54	-54	-20
Adjustments...	-4	-3	-6	-4	-
Operating Profit..	**11**	**7**	**30**	**22**	**56**
Net Financial Expense/income	-15	-18	-39	-36	-19
Profit (Loss) Before Income Tax.....................	**-4**	**-11**	**-9**	**-15**	**37**
Income Tax..	-15	6	12	-2	-7
Net Income	**-19**	**-5**	**3**	**-16**	**30**

Reconciliation of Net Income to Adjusted Net Income

	Six months ended 30 June		**Year ended 31 December**		
	2021	**2020**	**2020**	**2019**	**2018**
Net Income	**-19**	**-5**	**3**	**-16**	**30**
Amortization of Intangible Assets..................	28	27	54	54	20
Non-recurring Operating Income & Expenses and Adjustments (Post-Tax)...........................	6	3	9	4	7
Deferred Taxes	16	0	-26	-11	-6
Adjusted Net Income	**32**	**25**	**40**	**31**	**49**

Reconciliation of Financial Gross Debt to Net Debt

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Bank Borrowings	669.8	636.3	684	637.5	0
Other financial loans – Associates	0	0	0	0	340.0
Bank Overdraft	9.8	12.1	1	11.3	42.6
Short-term Loans	25	40.6	29.6	25.4	0
Factoring Liabilities	3.2	45	37.7	50.5	0
Other financial liabilities	0	0	0	0	0.2
Financial Gross Debt	**707.9**	**734**	**752.4**	**724.7**	**382.9**
Cash & Cash Equivalents	-133.2	-197.5	-163.2	-117.4	-100.5
Net Debt	**574.7**	**536.5**	**589.2**	**607.4**	**282.4**

Reconciliation of Net Income to Operating FCF

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Net Income	**-19**	**-5**	**3**	**-16**	**30**
Net Financial Income / Expense	15	18	39	36	19
Income Tax	15	-6	-12	2	7
Depreciation, Amortization, Impairment and Provisions	34	32	64	63	21
Gains/Losses on Disposal of Fixed Assets	0	0	-0.1	0.1	0
Change in NWC	6	50	48	-26	-12
Net Operating Capex & Repayment of Lease Liabilities	-8	-5	-9	-9	1
Change in Exclusive Capital Finance Assets	6	1	7	8	-
Operating FCF Before Tax	**49**	**85**	**141**	**57**	**63**
Adjusted EBITDA Conversion	91.8%	203.7%	134.9%	63.8%	74.0%
Current Tax Paid	-9	-5	-13	-14	-13
Operating FCF	**40**	**80**	**128**	**43**	**50**

1 Not applicable for 2018

Reconciliation of Operating FCF to Free Cash Flow

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Operating FCF	**40**	**80**	**128**	**43**	**50**
Impact of Changes in Scope of Consolidation	(4)	(0)	(69)	(10)	(45)
Change in Other Financial Assets	(1)	-	-	-	-
Free Cash Flow	**35**	**80**	**59**	**33**	**5**

Reconciliation of Net Operating Capex to Capex

	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
Net Operating Capex	3	1	2	3	1
Repayment of Lease Liabilities	4	4	7	6	n.a.
Capex	**8**	**5**	**9**	**9**	**1**

7.5.2 ***Analysis of Adjusted EBITA***

	Adjusted EBITA										
	by segment		*Growth*	*as a percentage of Gross Sales*		*by segment*			*as a percentage of Gross Sales*		
	Year ended 30 June		**%**	**Year ended 30 June**		**Year ended 31 December**			**Year ended 31 December**		
In € millions	**2021**	**2020**	**2021**	**2021**	**2020**	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
EMEA	49	40[1]	22.5%[2]	4.2%	4.5%[3]	95	79	80	4.9%	4.5%	5.5%
APAC	8	7	5.3%	4.0%	4.0%	17	17	17	4.6%	4.5%	4.9%
AMERICAS	3	1	151.2%	2.5%	1.1%	5	5	5	2.0%	2.0%	2.4%
Corporate	(12)	(11)				(22)	(20)	(17)			
Total Adjusted EBITA	**48**	**37**				**95**	**81**	**84**			

1 Including Veracomp as if it had been acquired at 1 January 2020, the Group's Adjusted EBITA generated in EMEA would have been €43 million.

2 Including Veracomp as if it had been acquired at 1 January 2020, the Group's Adjusted EBITA growth percentage in EMEA would have been by 13.1%.

3 Including Veracomp as if it had been acquired at 1 January 2020, the Group's Adjusted EBITA as a percentage of Gross Sales in EMEA would have been by 4.3%.

7.5.3 ***Analysis of Gross Sales***

Gross Sales annual growth

For the six-month period ended 30 June 2021, the Group's Gross Sales grew by 24.2% compared to the prior period. Including Veracomp as if it had been acquired at 1 January 2020, the Group would have generated Gross Sales of €1,316 million for the six-month period ended 30 June 2020, and the Group's Gross Sales would have grown at a rate of 12.3% compared to this prior period.

Sales of cybersecurity solutions, support and maintenance and services accounted for 65%, 30% and 5% of the Group's Gross Sales, respectively, for 2020. For the year ended 31 December 2020, the Group's Gross Sales grew by 7.9% (7.6% organic growth) compared to the prior year, the difference between organic growth and reported growth for this and the following periods being the consequence of perimeter effects. Including Veracomp as if it had been acquired at 1 January 2020, the Group's Gross Sales would have grown at a rate of 22% as compared to the prior year. For the year ended 31 December 2020, the Group generated Gross Sales of €2.6 billion, which represents a 13% CAGR since 2018. Including Veracomp as if it had been acquired at 1 January 2020, the Group would have generated Gross Sales of €2.9 billion, which would have represented a 20% CAGR since 2018.

For the year ended 31 December 2019, the Group's Gross Sales grew by 18.3% (15.7% organic growth) compared to the prior year.

Gross Sales by segments

In € thousands...............	Six months ended 30 June		Year ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018**
EMEA.........................	1,153,247	883,323[1]	1,931,495	1,745,957	1,454,050
APAC.........................	193,308	183,310	362,828	372,204	345,272
AMERICAS.................	130,866	122,699	269,542	257,070	208,104
Total Gross Sales.........	**1,477,421**	**1,189,332**	**2,563,865**	**2,375,231**	**2,007,426**

1 The Group's Gross Sales generated in EMEA would have been €1,010 million, including Veracomp as if it had been acquired at 1 January 2020.

From a regional perspective, the Gross Sales of the Group varied across the EMEA, APAC and Americas regions.

For the six-month period ended 30 June 2021, the EMEA, APAC and the Americas regions accounted for 78.1%, 13.1% and 8.9%, respectively, of the Group's Gross Sales. The Group's Gross Sales increased by 30.6%, 6.7% and 5.5% in the EMEA, Americas and APAC regions, respectively. Including Veracomp as if it had been acquired at 1 January 2020, the Group's Gross Sales in the EMEA region would have increased by 14.2%, as compared to the prior period.

For the year ended 31 December 2020, the EMEA, APAC and the Americas regions accounted for 75%, 14% and 11%, respectively, of the Group's Gross Sales. Including Veracomp as if it had been acquired at 1 January 2020, the EMEA, APAC and Americas regions accounted for 78%, 13% and 9%, respectively, of the Group's Gross Sales. No single country accounted for greater than 15% of the Group's revenue for this period. The Group's Gross Sales increased by 10.6% and 4.9% in the EMEA and Americas regions and decreased by 2.5% in the APAC region from FY19 to FY20.

For the year ended 31 December 2019, the EMEA, APAC and Americas regions accounted for 74%, 16% and 10% of the Group's Gross Sales, respectively. The Group's Gross Sales increased by 20.1%, 7.8% and 23.5% in the EMEA, APAC and Americas regions, respectively, from FY18 to FY19.

For the year ended 31 December 2018, the EMEA, APAC and Americas regions accounted for 72%, 17% and 10% of the Group's Gross Sales, respectively.

Gross Sales by Product Segments

The Group generated Gross Sales from the key sub-segments of the cybersecurity market. Of the Group's Gross Sales for the year ended 31 December 2020, calculated by mapping billings and the Group's key vendors to product segments, the Next Generation Firewall segment accounted for approximately 44%, the Content Security segment accounted for approximately 16%, the Endpoint Security segment accounted for approximately 9%, the Security & Vulnerability Management and Identity & Access Management segments accounted for approximately 7% and the Other Segments, including Network Access Control, Intrusion Detection and Prevention, Virtual Private Network, Distributed Denial of Services, Domain Network System, Network Detection and Response and Software Defined Networking, accounted for approximately 25% of the Gross Sales.

Gross Sales by Vendors

For the six-month period ended 30 June 2021, including Veracomp as if it had been acquired at 1 January 2020, approximately 75% of the Group's Gross Sales increase came from the Group's existing vendors and customers. Of the Group's total Gross Sales for this period, 75% was generated by existing vendors in existing geographies, 8% was generated by existing vendors in new countries, 8% was generated by new vendors and 8% was generated through M&A.

For the year ended 31 December 2020, approximately 80% of the Group's Gross Sales increase comes from the Group's existing vendors and customers. Of the Group's total Gross Sales for this period, 79% was generated by existing vendors in existing geographies, 11% was generated by existing vendors in new countries, 5% was generated by new vendors and 4% was generated through M&A.

For the year ended 31 December 2019, 83% of the Group's total Gross Sales was generated by existing vendors in existing geographies, 2% was generated by existing vendors in new countries, 1% was generated by new vendors and 14% was generated through M&A.

7.6 Analysis of results for the six-month periods ended 30 June 2021 and 2020

The table below presents the financial information for the interim condensed consolidated income statement (in thousands of euros) for each of the six-month periods ended 30 June 2021, based on the Group's Interim Condensed Consolidated Financial Statements prepared in accordance with IFRS.

	Six months ended 30 June	
	2021	**2020**
	(in € thousands)	
Revenue	1,105,855	878,859
Costs of purchased goods and services	(958,009)	(758,141)
Freight on sales	(2,472)	(1,686)
Net Margin	**145,374**	**119,031**
Personnel costs	(72,370)	(58,147)
Other operating costs	(23,463)	(21,864)
Depreciation and amortization	(33,783)	(31,814)
Recurring operating profit	**15,758**	**7,206**
Non-recurring operating income and expenses	(4,680)	(517)
Operating profit	**11,078**	**6,689**
Financial debt costs	(16,050)	(17,986)
Interest on lease liabilities	(279)	(311)
Other financial income and expenses	1,242	291
Net financial income/(expense)	**(15,086)**	**(18,005)**
Profit before income tax	**(4,009)**	**(11,316)**
Income tax	(14,928)	6,416
Profit for the period	**(18,937)**	**(4,900)**

7.6.1 ***Revenue***

The Group's revenue increased by €227.0 million, or 25.8%, to €1,105.9 million for the six-month period ended 30 June 2021, from €878.9 million for the six-month period ended 30 June 2020. The increase was mainly driven by the acquisition and consolidation of JJNet International Co Ltd. in Hong-Kong, Nuaware Ltd in the UK and Veracomp in September 2020, November 2020 and end of December 2020, respectively, and contributing €117.2 million to total revenue.

The Group also benefited from an organic double-digit growth supported by the vitality of the cybersecurity market and the superior performance of its vendor portfolio.

Revenue by segments

EMEA revenue increased by €206 million or 31.5%, fueled by a higher demand in all countries as well as the contribution by Veracomp in Central and Eastern Europe. Excluding Veracomp, the Group's EMEA revenue for the six-month period ended 30 June 2021 would have been €756 million, for a year-on-year growth of 15%.

APAC revenue grew by €14 million or 9.9%, of which €7.8 million related to JJNET. Organic growth was softer in this region, as business was still being impacted by the Covid-19 pandemic.

Americas revenue grew by €7 million or 8.2%, driven by the rebound of the services activities and the overall strong market demand.

	Six months ended 30 June			
	(in € thousands)			*(%)*
	2021	**2020**	**Variation**	**Variation**
EMEA	861	655	206	31.5%
APAC	150	137	14	9.9%
Americas	95	87	7	8.2%
Total revenue	1,106	879	227	25.8%

7.6.2 ***Cost of purchased goods and services***

The Group's cost of purchased goods and services increased by €199.9 million, or 26.4%, to €958.0 million for the six-month period ended 30 June 2021, from €758.1 million for the six-month period ended 30 June 2020. The increase was mainly driven by the acquisition of JJNET, Nuaware and Veracomp, adding a total of €100.5 million to the Group's cost of purchased goods and services, as well as strong growth in the business. In addition, the Group was able to capture large, multisite deals, which have a slightly different margin profile.

7.6.3 ***Net Margin***

The Group's Net Margin increased by €26.3 million, or 22.1%, to €145.4 million for the six-month period ended 30 June 2021, from €119.0 million for the six-month period ended 30 June 2020, primarily driven by acquisition of JJNET, Nuaware and Veracomp.

The Group's Net Margin represented 9.8% of the Group's Gross Sales for the six-month period ended 30 June 2021 and 10.0% of the Group's Gross Sales for the six-month period ended 30 June 2020.

7.6.4 ***Personnel costs***

The Group's personnel costs increased by €14.2 million, or 24.5%, to €72.4 million for the six-month period ended 30 June 2021, from €58.1 million for the six-month period ended 30 June 2020. The increase was mainly driven by (i) the change in perimeter with the acquisition of JJNET, Nuaware and Veracomp, contributing €8.3 million to the Group's personnel costs and (ii) the reinforcement of the Group's corporate functions, in particular HR, Finance and Vendor Management, which was undertaken primarily during the second half of 2020.

7.6.5 *Other operating costs*

The Group's other operating costs increased by €1.6 million, or 7.3%, to €23.5 million for the six-month period ended 30 June 2021, from €21.9 million for the six-month period ended 30 June 2020. The increase was mainly driven by (i) €4.7 million additional costs due to the integration of JJNET, Nuaware and Veracomp and (ii) higher external fees mainly related to the new recurring audit and consolidation fees for half-year closing, IFRS accounts, and dual audit firms. Travel and Marketing expenses remained limited in the six months ended 30 June 2021, still impacted by the Covid-19 pandemic.

7.6.6 *Depreciation and amortization*

The Group's depreciation and amortization increased by €2.0 million, or 6.2%, to €33.8 million for the six-month period ended 30 June 2021, from €31.8 million for the six-month period ended 30 June 2020. The increase was mainly driven by the integration of Veracomp, especially in Poland, with €1.7 million depreciation and amortization costs.

7.6.7 *Recurring operating profit*

The Group's recurring operating profit increased by €8.6 million, or 118.7%, to €15.8 million for the six-month period ended 30 June 2021, from €7.2 million for the six-month period ended 30 June 2020. The increase was mainly driven by the strong increase in Net Margin (+22%) as well as contained other costs, notably due to the Covid-19 pandemic, partially offset by higher personnel costs attributable to recently acquired companies.

7.6.8 *Non-recurring operating income & expenses*

The Group's other operating income & expenses increased by €4.2 million, to €4.7 million for the six-month period ended 30 June 2021, from €0.5 million for the six-month period ended 30 June 2020. The increase was mainly driven by non-recurring IPO costs and, to a lesser extent, transactions costs for acquisitions.

7.6.9 *Operating profit*

The Group's operating profit increased by €4.4 million, or 65.6%, to €11.1 million for the six-month period ended 30 June 2021, from €6.7 million for the six-month period ended 30 June 2020 as a result of the factors described above.

7.6.10 *Financial debt costs*

The Group's financial debt costs decreased by €1.9 million, or 10.8%, to €16.0 million for the six-month period ended 30 June 2021, from €18.0 million for the six-month period ended 30 June 2020. The difference was mainly driven by a decrease in the interest rates under Facility B and the Original RCF as a result of the deleveraging that began in the second half of 2020.

7.6.11 *Interest on lease liabilities*

The Group's interest on lease liabilities remains relatively stable at €0.3 million for both periods.

7.6.12 *Other financial income and expenses*

The Group's other financial income and expenses increased by €0.9 million (income), to €1.2 million for the six-month period ended 30 June 2021, from €0.3 million for the six-month period ended 30 June 2020. The increase was mainly driven by unrealized exchange losses at the end of the first half of 2020. The increase was mainly due to higher unrealized exchange losses for the first half of 2020 on a non-euro loan revaluation.

7.6.13 *Income tax*

The Group's income tax increased by €21.3 million, to €14.9 million (expense) for the six-month period ended 30 June 2021, from €6.4 million (income) for the six-month period ended 30 June 2020. The increase was mainly driven by a €16.2 million deferred tax expense in the UK due to the change in income tax rate from 19% to 25% starting April 1, 2023. This impact relates to the change in deferred tax liabilities associated with vendor relationship assets.

7.7 Analysis of the results for the years ended 31 December 2020 and 2019

The table below presents the Group's consolidated income statement (in thousands of euros) for each of the years ended 31 December 2020 and 2019, based on the 2020 Consolidated Financial Statements.

	Year ended 31 December	
	2020	**2019**
	(in € thousands)	
Revenue	1,891,746	1,741,955
Costs of purchased goods and services	(1,630,861)	(1,490,924)
Freight on sales	(3,546)	(3,690)
Net Margin	**257,339**	**247,341**
Personnel costs	(119,865)	(114,899)
Other operating costs	(39,081)	(46,503)
Depreciation and amortization	(63,056)	(62,363)
Recurring operating profit	**35,337**	23,576
Non-recurring operating income and expenses	(5,580)	(1,847)
Operating profit	**29,757**	**21,729**
Financial debt costs	(34,232)	(36,559)
Interest on lease liabilities	(673)	(561)
Other financial income and expenses	(3,791)	(860)
Net financial income/(expense)	**(38,695)**	**(36,261)**
Profit before income tax	**(8,937)**	**(14,532)**
Income tax	11,657	(1,853)
Profit for the period	**2,719**	**(16,385)**

7.7.1 *Revenue*

The Group's revenue increased by €149.8 million, or 8.6%, to €1,891.7 million for the year ended 31 December 2020, from €1,742 million for the year ended 31 December 2019, despite a challenging economic environment in 2020. The main reasons for this increase were the continuous positive trend of the cybersecurity sector, the performance of the vendors the Group represents and the Group's continued initiatives to reinforce its vendor portfolio and coverage and strengthen its partner base.

The Group acquired Veracomp on 30 December 2020. Including Veracomp as if it had been acquired at 1 January 2020, the Group's revenue for the year ended 31 December 2020 would have been €2,139.0 million, an increase of 22.8% over the prior year.

In addition to its acquisition of Veracomp, the Group acquired two additional new companies during 2020: (i) Nuaware Ltd in the UK and (ii) JJNet International Co Ltd. in APAC. Both acquisitions together contributed €7.9 million to revenue in 2020. For more information, see 7.3.3 "*Acquisitions, divestitures and changes in consolidation.*"

(a) *Revenue by segments*

	Year ended 31 December			
	(in € thousands)		*(%)*	
	2020	**2019**	**Variation**	**Variation**
EMEA	1,425	1,279	146	11.4%
APAC	268	273	-5	-1.8%
Americas	199	188	11	5.6%
Total revenue	1,892	1,740	152	8.7%

EMEA

EMEA revenue increased by €146 million, or 11.4%, to €1,425 million for the year ended 31 December 2020 from €1,279 million for the year ended 31 December 2019, primarily driven by the organic growth of the Group's existing vendors and the Group's continued initiatives to reinforce its vendor portfolio and coverage and strengthen its partner base. The Group signed new significant partnerships on the vendor side, and marked a strong acceleration with its major system integrators on the resellers side.

Including Veracomp as if it had been acquired at 1 January 2020, the Group's EMEA revenue for the year ended 31 December 2020 would have been €1,672.0 million.

APAC

APAC revenue decreased by €5 million, or 1.8%, to €268 million for the year ended 31 December 2020 from €273 million for the year ended 31 December 2019, primarily driven by the proactive rebalancing of the Group's value-added reseller portfolio as well as strict local lockdowns in the context of the Covid-19 pandemic, in particular in three countries in the region, where operations were suspended for three months. The Group also expanded its existing portfolio in this region, notably in Malaysia and India.

Americas

Americas revenue increased by €11 million or 5.6%, to €199 million for the year ended 31 December 2020 from €188 million for the year ended 31 December 2019, primarily driven by the growth of the Group's main vendors.

7.7.2 ***Cost of purchased goods and services***

The Group's cost of purchased goods and services increased by €139.9 million, or 9.4%, to €1,630.9 million for the year ended 31 December 2020, from €1,490.9 million for the year ended 31 December 2019. The increase was primarily driven by the increase of revenue and also by higher freight costs as a result of the impact of Covid-19, which caused limited freight capacity and higher prices for express shipments. In addition, the Group also continued to develop large deals and multisite deals over the countries in which it operates, which have a slightly different margin profile.

7.7.3 *Net Margin*

The Group's Net Margin increased by €10 million, or 4.0%, to €257.3 million for the year ended 31 December 2020, from €247.3 million for the year ended 31 December 2019, primarily resulting from the 8.6% growth in revenue, mainly driven by the double-digit growth in EMEA (11.4%).

The Group's Net Margin represented 10.0% of the Group's Gross Sales for the year ended 31 December 2020 and 10.4% of the Group's Gross Sales for the year ended 31 December 2019. This was mainly due to the higher proportion of large deals and a change in the geographic mix, with a smaller contribution from APAC and a larger contribution from the Americas, where the market is more homogenous and a higher proportion of sales in the market is done via direct distribution, which generally results in a lower Net Margin as a percentage of Gross Sales for the Group. In addition, the services business, which generates higher margin, slowed in the context of the Covid-19 pandemic.

7.7.4 *Personnel costs*

The Group's personnel costs increased by €5 million, or 4.3%, to €119.9 million for the year ended 31 December 2020, from €114.9 million for the year ended 31 December 2019. The increase was mainly driven by the strengthening of the headquarter structure and the reinforcement of Project CORE. See Section 5.9.2 "*On-going CORE implementation*" for a detailed description of Project CORE. Recruitment and replacements of the Group's employees remained limited in all regions in 2020, demonstrating the Group's ability to contain increases in personnel costs, while generating Net Margin growth.

Personnel costs represented 75% and 71% of the Group's total operating costs for the years ended 31 December 2020 and 31 December 2019, respectively.

7.7.5 *Other operating costs*

The Group's other operating costs decreased by €7.4 million, or 16%, to €39.1 million for the year ended 31 December 2020, from €46.5 million for the year ended 31 December 2019. The decrease was mainly driven by the Group's ability to contain increases in operating expenses while generating Net Margin growth and improvements in the operating process, and also by lower travel and marketing costs in the context of the Covid-19 pandemic. The Group also introduced new ways of working, such as remote working. Note that the Group was also granted €1.5 million in government subsidies in APAC, aimed at supporting companies during this crisis and resulting in lower operating costs for the Group.

Other operating costs represented 18% and 21% of the Group's total operating costs for the years ended 31 December 2020 and 31 December 2019, respectively.

7.7.6 *Recurring operating profit*

The Group's recurring operating profit increased by €11.8 million, or 49.9%, to €35.3 million for the year ended 31 December 2020, from €23.6 million for the year ended 31 December

2019. The increase was mainly driven by the increase in Net Margin, combined with contained personnel costs and lower other operating costs, as a result of lower travel and marketing costs in the context of the Covid-19 pandemic.

7.7.7 *Non-recurring operating income & expenses*

The Group's non-recurring operating income and expenses increased by €3.7 million to €5.6 million for the year ended 31 December 2020, from €1.8 million for the year ended 31 December 2019. Non-recurring operating expenses mainly included gains and losses on disposal of PPE fixed assets and acquisition and other costs for consolidated entities, mainly related to the acquisition of Veracomp (€4.3 million in 2020).

7.7.8 *Operating profit*

The Group's operating profit increased by €8 million, or 36.9%, to €29.8 million for the year ended 31 December 2020, from €21.7 million for the year ended 31 December 2019, as a result of the factors described above.

7.7.9 *Financial debt costs*

The Group's financial debt costs decreased by €2.3 million, or 6%, to €34.2 million for the year ended 31 December 2020, from €36.6 million for the year ended 31 December 2019. The decrease was primarily the result of lower interest rates on the First Lien Facilities and lower amounts outstanding under the Original RCF prior to the acquisition of Veracomp on 30 December 2020. These lower rates were driven by the improvement of the Net financial debt to EBITDA leverage.

7.7.10 *Interest on lease liabilities*

The Group's interest on lease liabilities increased by €0.1 million, or 20.0%, to €0.7 million for the year ended 31 December 2020, from €0.6 million for the year ended 31 December 2019.

7.7.11 *Other financial income and expenses*

The Group's other financial income and expenses decreased by €4.6 million to €3.8 million expenses for the year ended 31 December 2020, from €0.9 million income for the year ended 31 December 2019. This is mainly driven by unrealized exchange losses (€4.0 million net losses as at 31 December 2020 compared to €1.0 million net gains as at 31 December 2019).

7.7.12 *Income tax*

The Group's income tax decreased by €13.5 million to €11.7 million (income) for the year ended 31 December 2020, from €1.9 million (expenses) for the year ended 31 December 2019. The decrease was mainly driven by the variation of tax loss carryforwards as well as the variation of standard and deferred tax rate subsidies in APAC, aimed at supporting companies during the Covid-19 pandemic.

7.8 Analysis of the results for the years ended 31 December 2019 and 2018

The following discussion presents the financial information for the Group's consolidated income statement for the year ended 31 December 2019, based on the 2019 Consolidated French GAAP Financial Statements, and the Group's consolidated income statement for the year ended 31 December 2018, based on the 2018 EFH Consolidated French GAAP

Financial Statements, each prepared in accordance with French GAAP and using French GAAP metrics of Net Sales, Gross Margin and EBITDA[10].

The table below presents the Group's consolidated income statement for each of the years ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	**2018**
	(in € thousands)	
Net Sales	2,350,939	1,999,026
Cost of goods sold	(2,099,611)	(1,762,625)
Gross Margin	**251,328**	**236,400**
Distribution costs	(4,524)	(3,468)
Personnel costs	(112,567)	(98,965)
Other operating costs	(53,118)	(50,814)
Other income and expenses, net	27	2,001
EBITDA	**81,148**	**85,154**
Depreciation and amortization of fixed assets	(2,106)	(1,979)
Current EBIT	**79,042**	**83,174**
Other operating income & expenses, net	(53,449)	(18,738)
EBIT*(in € thousands)*	**25,593**	**(64,437)**
Financial income and expenses, net	(33,148)	(18,946)
Income (loss) before exceptional result and taxes	**(7,555)**	**45,490**
Exceptional income and expenses, net	(5,104)	(8,875)
Income tax expense	(1,928)	(6,866)
Net Income	**(14,586)**	**29,749**

7.8.1 *Net Sales*

The Group's net sales increased by €351.9 million, or 17.6%, to €2,350.9 million for the year ended 31 December 2019 from €1,999.0 million for the year ended 31 December 2018. The increase was mainly due to organic growth of existing vendors in all of the Group's regions, as a result of the Group's diversified geographical expansion and the addition of new innovative vendors to its portfolio. The increase was also partly attributable to the rapid scaling up of some of these newer portfolio additions, with several newer vendors entering the Group's top ten vendors (by sales) in 2019, as well as the signing of a significant contract with a reseller.

Segments

[10] The definition of EBITDA in 2018 corresponds to the definition of Adjusted EBITDA in 2019 and 2020. The notion of Adjustments comes from the change in accounting standards from French GAAP in 2018 to IFRS in 2019 and 2020. The IFRS definition of Non-Recurring Operating Income & Expenses is more restrictive than the Company's non-GAAP definition.

	Year ended 31 December			
	(in € thousands)			*(%)*
	2019	**2018**	**Variation**	**Variation**
EMEA	1,746,719	1,434,528	312,191	21.8%
APAC	368,568	342,997	25,571	7.5%
Americas	235,652	221,501	14,151	6.4%
Total Net Sales	**2,350,939**	**1,999,026**	**351,914**	**17.6%**

Geographical growth was particularly noteworthy in APAC and Northern Europe, driven by the geographical expansion of existing vendors.

EMEA

EMEA net sales increased by €312.2 million or 21.8%, to €1,756.7.5 million for the year ended 31 December 2019 from €1,434.5 million for the year ended 31 December 2018, of which €21.1 million was a result of the acquisition in February 2019 of Securewave Limited, with a significant footprint in Israel, combined with the full-year net sales impact in 2019 of the acquisition of Felicipe Limited Ireland, which was acquired in July 2018. Excluding these factors, the Group recorded 14.8% growth in EMEA, driven by the strong performance of its top 15 vendors, particularly in the Middle East and in Southern Europe, and with an increase in the number of deals valued at over €100 thousand.

APAC

APAC net sales increased by €25.6 million, or 7.5%, to €366.6 million for the year ended 31 December 2019 from €343.0 million for the year ended 31 December 2018, primarily driven by the strong performance in Australia of the Group's top five vendors, as well as the strong expansion of the Group's top three vendors in Singapore, Thailand and Vietnam.

Americas

Americas net sales increased by €14.1 million or 6.4%, to €235.7 million for the year ended 31 December 2019 from €221.5 million for the year ended 31 December 2018, of which €34.7 million was the result of the acquisition of Finetec Networks Canada, which was acquired in February 2019. Within the region, the net sales from the US grew by 6.9%, or €14 million, mainly driven by the strengthening of the Group's position with its main vendor on the US market.

7.8.2 *Cost of goods sold*

The Group's cost of goods sold increased by €337.0 million, or 19.1%, to €2,099.6 million for the year ended 31 December 2019 from €1,762.6 million for the year ended 31 December 2018, reflecting the Group's growth in revenue, in particular, the development of businesses in the Group's Americas segment and high deal volume with top vendors.

7.8.3 *Distribution costs*

The Group's distribution costs increased by €1.1 million, or 30.4%, to €4.5 million for the year ended 31 December 2019 from €3.5 million for the year ended 31 December 2018. The increase was mainly driven by an increase in transport costs and net provisions for inventories. In 2019, the Group's transport costs on purchases and sales increased by €0.4 million, or 11% as compared to 2018. In addition, in 2019 the Group's net provisions for inventories increased by

€0.7 million, or 487% as compared to 2018, mainly as a result of a significant net reversal in EMEA in June 2018 (of approximately €1 million) related to a provision booked in 2017 for unsold inventory that was later sold, resulting in a reversal of the accrual. Excluding this reversal, distribution costs in 2019 would have increased by 2% as compared to 2018.

7.8.4 *Personnel costs*

The Group's personnel costs increased by €13.6 million, or 13.7%, to €112.6 million for the year ended 31 December 2019 from €99.0 million for the year ended 31 December 2018. The increase was mainly driven by (i) investments in additional employees to support anticipated strong growth in EMEA and in the Americas, specifically in the US and (ii) the global ERP system implementation (Project CORE) and the structuring of the Group's headquarters, including hiring additional staff to strengthen both its global sales and global vendor management teams, finance team and strategy team. This increase was also the result of increased personnel costs from the Group's acquisitions of €1.9 million (Ireland, Canada and Israel), as well as the reclassification of €4.3 million in expenses that were previously recorded as "Other operating costs" on the Group's income statement line as "Personnel costs" in 2019. The reclassified expenses related to temporary, independent workers. Excluding this reclassification, personnel costs would have increased by €9.4 million or 9.4%.

Personnel costs represented 66% and 65% of the Group's total operating costs for the years ended 31 December 2019 and 31 December 2018, respectively.

7.8.5 *Other operating costs*

The Group's other operating costs increased by €2.3 million, or 4.5%, to €53.1 million for the year ended 31 December 2019 from €50.8 million for the year ended 31 December 2018. The increase was primarily driven by travel expenses, IT maintenance, professional charges (primarily comprising recruitment costs and consulting fees) and increased personnel costs of €1.2 million (corresponding to Canada, Ireland, and Israel). These investments were mainly aimed at structuring the Group's headquarters and supporting Project CORE. The increase was partially offset by the reclassification of €4.3 million from the "Other operating costs" income statement line item to the "Personnel costs" income statement line item in 2019, as compared to 2018.

Other operating costs represented 31% and 33% of the Group's total operating costs for the years ended 31 December 2019 and 31 December 2018, respectively.

7.8.6 *Other income and expense, net*

The Group's net other income decreased by €2.0 million, or 98.6%, to €0.0 million for the year ended 31 December 2019 from €2.0 million for the year ended 31 December 2018.

7.8.7 *Depreciation and amortization of fixed assets*

The Group's depreciation and amortization of fixed assets increased by €0.1 million, or 6.4%, to €2.1 million for the year ended 31 December 2019 from €2.0 million for the year ended 31 December 2018.

7.8.8 *Other operating income and expense, net*

The Group's net other operating expense increased by €34.7 million, or 185.2%, to €53.4 million for the year ended 31 December 2019 from €18.7 million for the year ended 31 December 2018. The increase was mainly driven by amortization of intangible assets of €53.2 million related to the portfolio of vendor relationships resulting from the purchase price allocation following the Acquisition. In 2018, other operating income and expense, net consisted of the amortization of the former vendor relationship value defined following the acquisition of Exclusive Group SAS by Cobepa.

7.8.9 *Financial income and expense, net*

The Group's net financial expense increased by €14.2 million, or 75.0%, to €33.1 million for the year ended 31 December 2019 from €18.9 million for the year ended 31 December 2018. The increase was mainly driven by higher financial interest resulting from the debt restructuring following the Acquisition.

7.8.10 *Exceptional income and expense, net*

The Group's net exceptional income and expense decreased by €3.8 million, or 42.5%, to €5.1 million for the year ended 31 December 2019 from €8.9 million for the year ended 31 December 2018. This decrease was mainly the result of the unusually high level of exceptional items in 2018. In 2019, the Group's exceptional income and expense items mainly comprised €2.5 million in non-recurring severance costs and €1.5 million in due diligence costs. In 2018, the Group's exceptional items comprised €9.1 million of debt issuance costs and €2.1 million of tax and custom audit fees in the Group's APAC segment.

7.8.11 *Income tax expense*

The Group's income tax expense decreased by €4.9 million, or 71.9%, to €1.9 million for the year ended 31 December 2019 from €6.9 million for the year ended 31 December 2018. Starting in 2019, the Group's deferred tax liabilities were reversed by €12.8 million, mirroring the amortization of vendor relationships (€53.2 million in 2019). Deferred tax liabilities are recognized on vendor relationships and reversed progressively to mirror the linear amortization of these intangible assets. Excluding this reversal, the Group's income tax expense in 2019 would have amounted to €14.7 million.

8. LIQUIDITY AND CAPITAL RESOURCES

8.1 Overview

The Group's principal financing needs include its working capital, its capital expenditure and interest payments.

The main sources of liquidity for the Group are the following:

- Revolving credit facilities;
- Overdraft facilities; and
- Factoring.

See Section 8.4.3 "*The Group's existing financial liabilities*" for further detail.

8.2 Description and analysis of the principal categories of the use of Group cash

8.2.1 *Financing working capital requirements*

(a) Net Working Capital as of 30 June 2021 and as of 31 December 2020 and 2019, as comparative, prepared in accordance with IFRS

Net Working Capital primarily corresponds to operating working capital (inventories, trade receivables and trade payables) as well as non-operating working capital. The Group's operating working capital comprises inventories, trade receivables and trade payables as well as other receivables and payables which primarily include tax and social payables.

The Group primarily finances its Net Working Capital requirements with cash flow from operating activities. The Group also utilizes various factoring arrangements for its receivables, including factored receivables under non-recourse programs of €30.2 million and €36 million as of 31 December 2020 and 2019, respectively, and under recourse programs of €7.6 million and €14.5 million as of 31 December 2020 and 2019, respectively. Both programs being consolidated under IFRS, the Group recognizes a financial liability of €37.7 million and €50.5 million as of 31 December 2020 and 2019, respectively, as a counterpart of the cash received from the factor.

The Change in Net Working Capital was €48.5 million as of 31 December 2020, €(25.9) million as of 31 December 2019, and €5.8 million as of 30 June 2021.

Net Working Capital was €141.8 million as of 31 December 2020, €149.5 million as of 31 December 2019, and €125.1 million as of 30 June 2021. This change between 2019 and 2020 was primarily due to progress in converting receivables into cash and extended payment terms from certain vendors. There was also an exceptional cash inflow in 2020 from the UK VAT scheme and extended payment terms with one vendor, both of which are expected to be reversed in 2021. Because Veracomp was acquired on 31 December 2020, the Group's €141.8 million Net Working Capital position as of 31 December 2020 also includes Veracomp for €47 million. However, the Group's consolidation of Veracomp did not have any impact on the change in Net Working Capital as presented in the cash flow statement.

The Change in Net Working Capital between 31 December 2020 and 30 June 2021 mainly resulted from the exceptional deferral of VAT payments in the UK due to the Covid-19 pandemic (an aggregate of €20 million relating to March, April and May 2020, of which €7 million was paid during the six months ended 30 June 2021), as well as the extension of payment terms from certain vendors (€8 million impact).

(b) *Net Working Capital as of 31 December 2019 and 2018 prepared in accordance with French GAAP*

The Change in Net Working Capital was €0.1 million for the year ended 31 December 2019. The Change in Net Working Capital was €11.9 million for the year ended 31 December 2018. The Change in Net Working Capital was primarily due to efforts to improve the cash collection process in the context of strong growth in the business.

Net Working Capital was €87.9 million as of 31 December 2019 and €87.4 million as of 31 December 2018.

8.2.2 *Acquisitions of companies or activities*

Expenditures related to acquisitions, net of cash acquired, amounted to €8.5 million in 2021, corresponding to the acquisition of one business, Ignition Technology, which the Group acquired in July 2021.

Expenditures related to acquisitions, net of cash acquired, amounted to €86.7 million in 2020, corresponding to the acquisition of three businesses.

- In 2020, the Group acquired Veracomp, which was financed by a drawdown under the Original RCF (as defined below) of €60 million and €18.1 million in equity. The costs related to this transaction amounted to €4.1 million and have been fully included in the acquisition costs. See Section 8.4.3 "*The Group's existing financial liabilities*" for a description of the Original RCF.

- In 2020, Exclusive Networks Ltd acquired 70% of the UK company Nuaware Co, Ltd, which was financed by cash, for a total price of €5.5 million.

- In 2020, the Group acquired 80% of the shares of the Hong Kong company JJNET International Co Ltd., which was financed by cash, for a total price of €3.1 million.

Expenditures related to acquisitions, net of cash acquired, amounted to €11.9 million in 2019, corresponding to the acquisition of two businesses.

- In 2019, the Group acquired 100% of the shares of the Canadian company Fine Tec Distribution Inc., which was financed by debt (drawdown on the Original RCF (as defined below)), for a total purchase price of €7.8 million.

- In 2019, the Group acquired 70% of the share capital of the Israeli company Securewave Limited, which was financed by debt (drawdown under the Original RCF (as defined below)), for a total purchase price of €4.1 million.

Expenditures related to acquisitions, net of cash acquired, amounted to €0.2 million in 2018, corresponding to the acquisition of one business.

- In 2018, the Group acquired a 66.5% stake in Irish company Felicipe Limited Ireland (renamed Exclusive Networks Ireland Ltd), for the token price of €1, plus acquisition costs of €0.2 million.

8.2.3 *Interest payments and repayment of financial debt*

A portion of the Group's cash flows is allocated to servicing and repayment of its debt (see Section *8.4* "*Financial liabilities*" of this Registration Document).

The Group recorded interest expenses of €16.1 million, €34.2 million and €36.6 million, respectively, for the six-month period ended 30 June 2021 and the years ended 31 December 2020 and 2019. The decrease in interest payments in 2020 resulted primarily from the Group's ability to maintain its First Lien Net Leverage Ratio below 3.5, enabling the Group to pay the minimum level of interest provided under the loan.

The Group recorded an interest expense of €33.1 million and €18.9 million, respectively, for the years ended 31 December 2019 and 2018. The increase in interest payments in 2019 compared to 2018 was due to the restructuring of the Group's long-term financial debt. The Group repaid its pre-existing financing and entered into a Senior Credit Agreement following the acquisition by Permira. See Section 8.4.3 "*The Group's existing financial liabilities*" for further details. Interest paid under this Senior Credit Agreement amounted to €32.7 million in 2019 and €28.9 million in 2020.

8.3 Group consolidated cash flows

8.3.1 *Group consolidated cash flows for the six-month periods ended 30 June 2021 and 2020*

The following table summarizes the Group's cash flows for the six-month periods ended 30 June 2021 and 2020, based on the Interim Condensed Consolidated Financial Statements, prepared in accordance with IFRS:

	Six months ended 30 June	
	2021	**2020**
	(in € thousands)	
Net cash flows provided by/(used in) operating activities	30,241	70,821
Net cash flows from/(used in) investing activities	(8,921)	(818)
Net cash flows provided by/(used in) financing activities	(60,720)	12,847
Change in cash and cash equivalents	**(38,834)**	**79,389**
Net effect of foreign exchange rates on net cash	566	(3,460)
Net cash at the beginning of the period	162,217	106,008
Net cash at the end of the period	**123,383**	**185,398**

As of 30 June 2021, Group cash and cash equivalents amounted to €123.4 million, compared to €185.4 million as of 30 June 2020.

(a) Net cash flows provided by/(used in) operating activities

The following table shows the Group's net cash flows from operating activities for the six-month periods ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	**2020**
	(in € thousands)	
Profit/(loss) for the year	(18,937)	(4,900)
Non-cash items	43,428	25,614
Change in	5,750	50,108
Net cash flows from operating activities	30,241	70,821

Group net cash flows from operating activities amounted to €30.2 million for the six-month period ended 30 June 2021, compared to €70.8 million for the six-month period ended 30 June 2020.

While profit after excluding non-cash items grew by 18% in the six-month period ended 30 June 2021 compared to the six-month period ended 30 June 2020, the €40.6 million decrease in net cash flows from the Group's operating activities resulted primarily from the exceptional deferral of outflows in prior year, due to the Covid-19 pandemic (namely, the postponement by one year of certain 2020 VAT payments in the UK (of which €7 million was paid during the six months ended 30 June 2021), and a 15-day payment term extension from certain vendors).

(b) Net cash flows provided by/(used in) investing activities

The following table shows the Group's net cash flows from investing activities for the six-month periods ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	**2020**
	(in € thousands)	
Additions to property, plant and equipment and intangible assets	(3,867)	(1,212)
Disposal of fixed assets	585	400
Changes in other financial assets	(1,406)	-
Impact of changes in scope of consolidation	(4,233)	(6)
Net cash flows provided by/(used in) investing activities	**(8,921)**	**(818)**

Group net cash flows provided by/(used in) investing activities amounted to €(8.9) million for the six-month period ended 30 June 2021, compared to €(0.8) million for the six-month period ended 30 June 2020.

The decrease in net cash flows from the Group's investing activities was primarily the result of the payment of a €4.3 million earn-out on the Nuaware acquisition in 2021, as well as the impact of the reclassification of demo stocks from inventories to fixed assets from 1 January 2021, with no impact on the Group's net cash flows.

(c) Net cash flows provided by/(used in) financing activities

The following table shows the Group's net cash flows from financing activities for the six-month periods ended 30 June 2021 and 2020:

	Six months ended 30 June	
	2021	**2020**
	(in € thousands)	
Dividends paid	-	(206)
Disposal (acquisition) of Treasury shares	(3,309)	-
Purchase of non-controlling interests	(180)	-
Proceeds from issuance of bank borrowings	-	6,027
Proceeds from issuance of other financial liabilities	16,197	7,794
Factoring liabilities	(34,495)	(5,535)
Short-term financing	(5,158)	15,112
Repayment of bank borrowings	(20,517)	(64)
Repayment of other financial liabilities	(8,929)	(6,492)
Repayment of lease liabilities	(4,329)	(3,789)

Net cash flows provided by/(used in) financing activities	**(60,720)**	**12,847**

Group net cash flows provided by/(used in) financing activities amounted to €(60.7) million for the six-month period ended 30 June 2021, compared to €12.8 million for the six-month period ended 30 June 2020.

The decrease in net cash flows from the Group's financing activities was primarily the result of the repayment of €20 million on the Original RCF, the lower use of factoring programs and the implementation of a new factoring arrangement in France. Under this new contract, the Group transfers the contractual rights to receive the cash flows of the receivables and substantially all the risks and rewards of ownership of these receivables. Consequently, transferred receivables have been derecognized.

8.3.2 *Group consolidated cash flows for the years ended 31 December 2020 and 2019*

The following table summarizes the Group's cash flows for the years ended 31 December 2020 and 2019, based on the 2020 Consolidated Financial Statements, prepared in accordance with IFRS:

	Year ended 31 December	
	2020	**2019**
	(in € thousands)	
Net cash flows provided by/(used in) operating activities	94,212	11,808
Net cash flows from/(used in) investing activities	(71,145)	(13,506)
Net cash flows provided by/(used in) financing activities	37,005	14,261
Change in cash and cash equivalent	56,208	13,411
Net effect of foreign exchange rates on net cash	(3,864)	889
Net cash at the beginning of the year	106,008	92,557
Net cash at the end of the year	**162,217**	**106,008**

As of 31 December 2020, Group cash and cash equivalents amounted to €162.2 million, compared to €106.0 million as of 31 December 2019.

(a) Net cash flows provided by/(used in) operating activities

The following table shows the Group's net cash flows from operating activities for the year ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	**2019**
	(in € thousands)	
Profit/(loss) for the year	2,719	(16,385)
Non-cash items	43,003	54,061
Change in Net Working Capital	48,489	(25,868)
Net cash flows from operating activities	**94,212**	**11,808**

Group net cash flows from operating activities amounted to €94.2 million for the year ended 31 December 2020, compared to €11.8 million for the year ended 31 December 2019.

The increase in net cash flows from the Group's operating activities was primarily the result of the Net Working Capital improvement from 2019 to 2020 (€48.4 million impact compared to €(25.9) million cash consumption in 2019). The positive Change in Net Working Capital in

2020 was mainly due to two exceptional items. These included: (i) the benefit of the Covid-19 support measure in the UK with the postponement of the March, April and May 2020 VAT payments by one year, for a total impact of €20 million and (ii) the support from one of the vendors extending payment terms by 15 days between March 2020 and March 2021, which resulted in an increase by €8 million in trade payables as of 31 December 2020 compared to the prior year. As both measures are temporary, €28 million will negatively impact the cash flow in 2021.

(b) Net cash flows provided by/(used in) investing activities

The following table shows the Group's net cash flows from investing activities for the year ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	**2019**
	(in € thousands)	
Additions to property, plant and equipment and intangible assets	(2,304)	(4,653)
Disposal of fixed assets	333	1,372
Impact of changes in scope of consolidation	(69,174)	(10,266)
Net cash flows provided by/(used in) investing activities	**(71,145)**	**(13,547)**

Group net cash flows provided by/(used in) investing activities amounted to €(71.1) million for the year ended 31 December 2020, compared to €(13.5) million for the year ended 31 December 2019.

The decrease in net cash flows from the Group's investing activities was primarily the result of the acquisitions of Veracomp, Nuaware and JJNET in 2020.

(c) Net cash flows provided by/(used in) financing activities

The following table shows the Group's net cash flows from financing activities for the year ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	**2019**
	(in € thousands)	
Dividends paid	(206)	(446)
Purchase of non-controlling interests	(893)	(2,636)
Proceeds from issuance of bank borrowings	50,695	3,110
Proceeds from issuance of other financial liabilities	20,451	12,245
Factoring liabilities	(12,767)	25,628
Short-term financing	(885)	(2,276)
Repayment of other financial liabilities	(12,135)	(15,045)
Repayment of lease liabilities	(7,255)	(6,320)
Net cash flows provided by/(used in) financing activities	**37,005**	**14,261**

Group net cash flows provided by/(used in) financing activities amounted to €37.0 million for the year ended 31 December 2020, compared to €14.3 million for the year ended 31 December 2019.

The increase in net cash flows from the Group's financing activities was primarily the result of increased borrowing, in particular the drawdown of €47 million under the Original RCF (€13 million had been repaid over the period and €60 million had been drawn down to finance the acquisition of Veracomp) as well as a loan of €3.8 million from BPI France, granted to Exclusive Networks SAS in July 2020 (of which €3.3 million was outstanding as of 30 June 2021).

8.3.3 *Group consolidated cash flows for the years ended 31 December 2019 and 2018*

The following discussion presents the Group's consolidated cash flows for the year ended 31 December 2019, based on the 2019 Consolidated French GAAP Financial Statements, and the Group's consolidated cash flows for the year ended 31 December 2018, based on the 2018 EFH Consolidated French GAAP Financial Statements.

The table below presents the Group's consolidated cash flow statement (in thousands of euros) for each of the years ended 31 December 2019 and 2018 in accordance with French GAAP:

	Year ended 31 December	
	2019	**2018**
	(in € thousands)	
Net cash flows provided by/(used in) operating activities	30,025	27,370
Net cash flows from/(used in) investing activities	(17,643)	(45,475)
Net cash flows provided by/(used in) financing activities	(52)	14,079
Change in cash and cash equivalent	13,411	(7,546)
Net effect of foreign exchange rates on net cash	1,080	(3,519)
Net cash at the beginning of the year	92,602	65,438
Net cash at the end of the year	**106,013**	**57,892**

As of 31 December 2019, Group cash and cash equivalents amounted to €106.0 million, compared to €57.9 million as of 31 December 2018.

(a) Net cash flows provided by/(used in) operating activities

The following table shows the Group's net cash flows from operating activities for the year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(in € thousands)	
Profit/(loss) for the year	(14,586)	29,749
Depreciation, amortization and provision	55,643	20,782
Change in deferred taxes	(10,542)	(6,085)
Gains on disposals (net)	105	14
Other non-cash items	(453)	(5,145)
Change in Working Capital	(143)	(11,944)
Net cash flows from operating activities	**30,025**	**27,370**

Group net cash flows from operating activities amounted to €30.0 million for the year ended 31 December 2019, compared to €27.4 million for the year ended 31 December 2018.

The increase in net cash flows from the Group's operating activities was primarily the result of a lower Change in Working Capital and the increase in the Group's profit in 2019 as compared to 2018.

(b) Cash flows provided by/(used in) investing activities

The following table shows the Group's net cash flows from investing activities for the year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(in € thousands)	
Disposal of fixed assets	69	830
Addition of fixed assets	(3,348)	(1,004)
Impact of changes in consolidated perimeter	(14,364)	(45,302)
Net cash flows provided by/(used in) investing activities	**(17,643)**	**(45,475)**

Group net cash flows provided by/(used in) investing activities amounted to €17.6 million for the year ended 31 December 2019, compared to €45.5 million for the year ended 31 December 2018.

The decrease in net cash flows from the Group's investing activities was primarily the result of the lower impact of changes in the consolidated perimeter. In 2018, the impact of changes in the consolidated perimeter mainly derived from the repurchase of minority shares as part of the Acquisition (see also Section 7.3.2 "*Acquisition of Exclusive France Holding SAS and its subsidiaries*") for a total consideration of €29.4 million, the repurchase of minority shares in five APAC subsidiaries for a total consideration of €8.3 million, as well as the acquisition of shares in Exclusive Networks BV for a total consideration of €5.7 million. In 2019, the impact of changes in the consolidated perimeter mainly arose from the acquisition of Fine Tec Distribution Inc in Canada and Securewave Limited in Israel for €11.9 million (net of cash acquired) as well as the repurchase of minority shares in Itec Intelligent Services Ltd for €2.3 million.

(c) Net cash flows provided by/(used in) financing activities

The following table shows the Group's net cash flows from financing activities for the year ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	**2018**
	(in € thousands)	
Capital increase in cash from minority shareholders of consolidated companies		41
Proceeds from issuance of long-term borrowings	10,781	347,073
Dividends paid to minority shareholders of integrated entities	(446)	(241)
Repayment of borrowings and convertible bonds	(10,387)	(332,794)
Net cash flows provided by/(used in) financing activities	**(52)**	**14,079**

Group net cash flows used in financing activities amounted to €0.05 million for the year ended 31 December 2019, compared to net cash inflows of €14.1 million for the year ended 31 December 2018.

The change in net cash flows from the Group's financing activities mainly results from the Acquisition in (see Section 7.3.2 "*Acquisition of Exclusive France Holding SAS and its subsidiaries*"), which generated cash as proceeds from issuance of long-term borrowings of

€14.3 million after repayment of borrowings and convertible bonds. The Group did not undertake any such transaction in 2019.

8.4 Financial liabilities

8.4.1 *Group financial liabilities for the six-month period ended 30 June 2021 and the years ended 31 December 2020 and 2019*

The Group's financial liabilities totaled €757.4 million, €801.0 million and €765.6 million as of 31 December 2019 and 2020 and as of 30 June 2021, respectively. The change in the Group's debt is detailed in Note 13.2.2 to the 2020 Consolidated Financial Statements and Note 13.2.2 to the Interim Condensed Consolidated Financial Statements.

The following table shows the distribution of the Group's debt at the dates indicated:

	Six months ended 30 June	**Year ended 31 December**	
	2021	**2020**	**2019**
		(in € thousands)	
Bank Borrowings	669,847	684,024	637,493
Total Long-term debt	**669,847**	**684,024**	**637,493**
Bank overdraft	9,799	1,014	11,346
Short-term loans	25,003	29,633	25,383
Factoring liabilities	3,233	37,729	50,495
Total short-term debt	**38,035**	**68,376**	**87,224**
Gross Debt	**707,882**	**752,400**	**724,717**
Cash and Cash equivalents	(133,182)	(163,232)	(117,355)
Net Debt	**574,700**	**589,169**	**607,363**

The Group's main borrowings relate to the refinancing of its debt on 4 July 2018 by entering into senior credit facilities agreements with a syndicate of international banks including Morgan Stanley, Société Générale, Deutsche Bank, Goldman Sachs and ING, providing for:

- a senior bank debt (First Lien Facilities), raised by Everest BidCo SAS, consisting of (i) a long-term loan of principal €500 million (Facility B) and (ii) a secured revolving credit facility of up to €90 million (Original RCF);

- a subordinated bank debt (Second Lien Facilities), raised by the Company Everest BidCo SAS, consisting of a long-term loan in the principal amount of £105 million (equivalent to €119.2 million at the subscription date).

  See Section 8.4.3 "*The Group's existing financial liabilities*" for further details.

Bank borrowings also include a loan of €3.8 million from BPI France, granted to Exclusive Networks SAS in July 2020.

8.4.2 *Group financial liabilities for the years ended 31 December 2019 and 2018*

The Group's financial liabilities totaled €703.5 million and €382.9 million as of 31 December 2019 and 2018, respectively. The change in the Group's debt is detailed in Note 3.2.7 to the 2019 Consolidated French GAAP Financial Statements and Note 3.2.7 to the 2018 EFH Consolidated French GAAP Financial Statements.

The following table shows the distribution of the Group's debt at the dates indicated:

	Year ended 31 December	
	2019	2018
	(in € thousands)	
Facility B	(500,000)	
Second Lien Facilities	(123,413)	
Original RCF	(28,000)	
Other long-term borrowings	(422)	
Long-term borrowings	(651,836)	(1)
Other financial loans – Associates		(340,030)
Other financial liabilities		(246)
Total Long-term debt	**(651,836)**	**(340,277)**
Short-term borrowings	(51,665)	(42,626)
Total short-term debt	**(51,665)**	**(42,626)**
Gross Debt	**(703,501)**	**(382,904)**
Marketable securities and ST deposits	4,947	1,090
Bank accounts	112,412	99,428
Cash and cash equivalents	**117,359**	**100,518**
Net Debt	**(586,142)**	**(282,386)**

8.4.3 ***The Group's existing financial liabilities***

As part of the Refinancing, the Group refinanced its existing long-term borrowings with new long-term borrowings on 16 July 2021. See Section 8.4.4 "*The Group's new financial liabilities*".

The main elements of the Group's financial liabilities are described below.

(a) Summary of the Group's long-term borrowings

On 4 July 2018 the Group entered into a Senior Credit Agreement with a syndicate of international banks that included:

- A senior debt, raised by Everest BidCo SAS, consisting of (i) a long-term loan (Term Loan Facility) for a principal amount of €500 million and bearing interest at 3-month EURIBOR (with a floor rate of 0%) and a 3.25% margin, as of 30 June 2021, with a maturity of 7 years ("**Facility B**"), and (ii) a secured revolving credit facility line with a nominal amount of €90 million and bearing interest at 3-month EURIBOR and a 2.25% margin (the "**Original RCF**" and together with the Facility B, the "**First Lien Facilities**"). As of 30 June 2021, the Group's net carrying amount of the First Lien facilities was €546.4 million; and

- A subordinated bank debt, raised by Everest BidCo SAS and consisting of a long-term loan with a principal amount of £105 million (the equivalent of €119.2 million on the subscription date), bearing interest at 3-month GBP LIBOR (with a floor rate of 1%) plus a 7.50% margin, as of 30 June 2021, with a maturity of eight years (the "**Second Lien Facilities**" together with the First Lien Facilities, the "**Facilities**"). As of 30 June 2021, the Group's net carrying amount of the Second Lien Facilities was £105 million (the equivalent of €119.2 million).

(b) First Lien Facilities

On 1 July 2018, in connection with the acquisition of all the issued share capital of Exclusive Management SAS (the "**Target Group**") by Everest BidCo SAS ("**Bidco**") (the

"**Acquisition**"), BidCo as Borrower, Morgan Stanley Bank, International Limited, Société Générale, London Branch, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., acting through its French Branch and Royal Bank of Canada as mandated lead arrangers (the "Mandated Lead Arrangers"), and financial institutions listed therein as underwriters, amongst others, entered into a commitment letter providing commitments for: (i) the Facility B, a term loan facility of €500 million; and (ii) the Original RCF, a €90 million revolving credit facility.

First Lien Facilities Agreement

On 1 July 2018, the Borrower, the Mandated Lead Arrangers, the financial institutions listed therein as original lenders (the "**Original Lenders**"), ING Bank N.V., London Branch as agent (the "**Agent**") and ING Bank N.V., London Branch as security agent (the "**Security Agent**") entered into an English law governed senior facilities agreement pursuant to which the Original Lenders will make the First Lien Facilities available to the Borrower (the "**First Lien Facilities Agreement**").

The termination date for Facility B will be 84 months from the date of first utilization of either of the First Lien Facilities (the "**Closing Date**") and that of the Original RCF will be 78 months after the Closing Date. The Facility B is repayable by a bullet repayment on the termination date. Commitments under the Original RCF will be available to take the form of cash loans, ancillary facilities and letters of credit.

Use of Funds

Pursuant to the First Lien Facilities Agreement, the Borrower shall apply the borrowings under the Facility B towards financing or refinancing: (i) the consideration payable in connection with the Acquisition (including any interest payments and/or purchase price adjustments (however structured) under the Acquisition Documents); (ii) the repayment or refinancing of existing indebtedness of the Target Group (including back-stopping or providing cash-cover in respect of any letters of credit, guarantees or ancillary, revolving, working capital or local facilities or arrangements) and payment of breakage costs, any redemption premium and any other costs related to such refinancing; (iii) financing any other payments contemplated by the transaction documents entered into in connection with the Acquisition; (iv) maintaining any cash over-funding and/or (v) the payment of fees, costs, expenses and/or other liabilities incurred or payable by the Borrower or any other member of the Group (including the Target Group) in connection with the Acquisition, the transaction documents entered into in connection with the Acquisition and/or the repayment and/or refinancing contemplated by (ii).

The Borrower shall apply any amounts drawn under the Original RCF in or towards (directly or indirectly) financing or refinancing the general corporate and working capital purposes of the Group including, without limitation, the payment of interest amounts in relation to the Term Facilities and the Second Lien Facility, for net working capital adjustments at Completion, bridging Target Group cash at the Closing Date, any other payments contemplated by the transaction documents entered into in connection with the Acquisition, restructuring and reorganization costs, capital expenditure and Permitted Acquisitions, investments and joint ventures, repayment or refinancing of existing indebtedness of the Group or any acquisition target (including back-stopping or providing cash-cover in respect of any letters of credit, guarantees or ancillary, revolving, working capital or local facilities or arrangements), the payment of any original issue discount, fees, costs, expenses and/or other liabilities incurred or payable by the Company or any other member of the Group (including the Target Group) in connection with the Acquisition, the transaction documents entered into in connection with the Acquisition, any Permitted

Acquisition (as defined therein) and/or any repayment and/or refinancing contemplated above.

Interest and fees

Loans under Facility B will bear interest at a rate per annum equal to EURIBOR for utilizations in euro, and LIBOR for all other transactions, plus a margin of 3.25% per annum, as of 30 June 2021. Loans under the Original RCF will bear interest at a rate per annum equal to EURIBOR for utilizations in euro, and LIBOR for all other transactions, plus a margin of 2.25% per annum, as of 30 June 2021. However, provided certain conditions are met, the applicable margin will be determined by the First Lien Net Leverage Ratio (calculated in accordance with the First Lien Facilities Agreement). In connection with the First Lien Facilities, the Borrower will be required to pay to the lenders and/or certain other finance parties an arrangement fee and certain other customary fees and expenses.

Voluntary prepayment

The Borrower may, upon not less than three business days' prior notice to the Agent (subject to certain exceptions), cancel and/or voluntarily prepay outstanding loans without penalty or premium (but including any break fees) under the First Lien Facilities Agreement.

Covenants and restrictive clauses

With respect to the First Lien Facilities, the Borrower will also be required under a financial covenant to maintain a net leverage ratio not in excess of 10.35:1, to be tested on each quarter date, with the first test date on the quarter date which is the last day of the third complete financial quarter commencing after the Closing Date), subject to equity cure provisions and a financial covenant acquisition adjustment.

Incremental Facilities

Subject to certain conditions, the First Lien Facilities Agreement will permit the Borrower (subject to the receipt of commitments) to increase the Facility B and/or the Original RCF and/or add one or more additional facilities (i.e., an incremental facility) under the First Lien Facilities Agreement at any time without the consent of any Finance Party (as such term is to be defined therein). Such additional facilities will be repaid, at the Borrower's election, by a bullet repayment or amortizing repayment.

Mandatory Prepayment—Exit Event

The First Lien Facilities Agreement shall provide for mandatory prepayment in the event of a change of control, sale or listing which results in a change of control (each an "**Exit Event**"). Other than an Exit Event or if it becomes unlawful for any lender to perform its obligations under the First Lien Facilities Agreement, there shall be no other circumstances that shall require a mandatory prepayment under the First Lien Facilities Agreement.

In the case of the occurrence of an Exit Event, the Borrower shall promptly notify the Agent of such occurrence of such an Exit Event, upon which each lender under the First Lien Facilities Agreement shall have 15 business days to exercise an individual right: (i) on five business days' notice to the Borrower, to cancel all its undrawn commitments; and (ii) on 60 days' notice to the Borrower, to require that all its outstanding participations in utilizations are repaid with accrued interest and any other amounts accrued to that lender under the Finance Documents (as such term is defined therein).

(c) Second Lien Facilities

On 1 July 2018, in connection with the Acquisition, BidCo as Borrower, Morgan Stanley Bank, International Limited, Société Générale, London Branch, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., acting through its French Branch and Royal Bank of Canada as mandated lead arrangers (the "**Mandated Lead Arrangers**") and financial institutions listed therein as underwriters, amongst others, entered into a commitment letter providing commitments for a term loan facility of £105 million (the "**Second Lien Facilities**").

Second Lien Facilities Agreement

On 1 July 2018, the Borrower, the Mandated Lead Arrangers, the financial institutions listed therein as original lenders (the "**Original Lenders**"), ING Bank N.V., London Branch as agent (the "**Agent**") and ING Bank N.V., London Branch as security agent (the "**Security Agent**") entered into an English law governed senior facilities agreement pursuant to which the Original Lenders will make the Second Lien Facilities available to the Borrower (the "**Second Lien Facilities Agreement**").

The termination date for the Second Lien Facilities will be 96 months from the date of first utilization of the Second Lien Facilities (the "**Closing Date**"). The Second Lien Facilities are repayable by a bullet repayment on the termination date.

Use of funds

Pursuant to the Second Lien Facilities Agreement, the Borrower has applied the borrowings under the Second Lien Facilities towards financing or refinancing: (i) the consideration payable in connection with the Acquisition (including any interest payments and/or purchase price adjustments (however structured) under the Acquisition Documents); (ii) the repayment or refinancing of existing indebtedness of the Target Group (including back-stopping or providing cash-cover in respect of any letters of credit, guarantees or ancillary, revolving, working capital or local facilities or arrangements) and to pay breakage costs, any redemption premium and any other costs related to such refinancing; (iii) financing any other payments contemplated by the transaction documents entered into in connection with the Acquisition; (iv) maintaining any cash over-funding; and/or (v) the payment of fees, costs, expenses and/or other liabilities incurred or payable by the Company or any other member of the Group (including the Target Group) in connection with the Acquisition, the transaction documents entered into in connection with the Acquisition and/or the repayment and/or refinancing contemplated by (ii).

Interest and fees

Loans under the Second Lien Facilities bear interest at a rate per annum equal to EURIBOR for utilizations in euro, and LIBOR for all other transactions, plus a margin of 7.50% per annum, as of 30 June 2021.

Voluntary prepayment

The Borrower may, upon not less than three business days' prior notice to the Agent (subject to certain exceptions), cancel and/or voluntarily prepay outstanding loans without penalty or premium (but including any break fees) under the Second Lien Facilities Agreement.

Incremental Facilities

Subject to certain conditions, the Second Lien Facilities Agreement permits the Borrower (subject to the receipt of commitments) to increase the Second Lien Facilities and/or add one or more additional facilities (i.e., an incremental facility) under the Second Lien Facilities Agreement at any time without the consent of any Finance Party (as such term is to be defined therein). Such additional facilities may be repaid, at the Borrower's election, by a bullet repayment or amortizing repayment.

Mandatory Prepayment—Exit Event

The Second Lien Facilities Agreement provides for mandatory prepayment in the event of a change of control, sale or listing which results in a change of control (each an "**Exit Event**"). Other than an Exit Event or if it becomes unlawful for any lender to perform its obligations under the Second Lien Facilities Agreement, there are no other circumstances that require a mandatory prepayment under the Second Lien Facilities Agreement.

In the case of the occurrence of an Exit Event the Borrower shall promptly notify the Agent of such occurrence of such an Exit Event, upon which each lender under the Second Lien Facilities Agreement shall have 15 business days to exercise an individual right: (i) on five business days' notice to the Borrower, to cancel all its undrawn commitments; and (ii) on 60 days' notice to the Borrower, to require that all its outstanding participations in utilizations are repaid with accrued interest and any other amounts accrued to that lender under the Finance Documents (as such term is defined therein).

(d) Existing Intercreditor Agreement

In order to establish the relative rights of the Borrower's creditors under the Facilities Agreement, the Borrower, MidCo and SubBidCo (together, the "**Debtors**"), among others, enter into an English law governed intercreditor agreement dated 1 July 2018 (the "**Existing Intercreditor Agreement**") with, among others, the Agent and the Security Agent. The Existing Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain indebtedness of the Debtors, when enforcement action can be taken in respect of that indebtedness and the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

(e) Security

The Facilities are secured by a security package established in favor of the Security Agent under the Existing Intercreditor Agreement, consisting of security interests customary for this type of transactions. The Debtors and the Security Agent entered a master security agreement dated 1 July 2018 (the "**Master Security Agreement**"), in satisfaction of their obligation under the Intercreditor Agent to provide a parallel debt undertaking whereby they grant security over amongst other things: (i) securities accounts; (ii) the credit balance of each Debtor's bank accounts; and (iii) receivables, in the case of MidCo an BidCo, under shareholder and intra-group loans, and in the case of SubBidCo, under the Acquisition Agreement. Certain other security interests are required to be granted by members of the Group pursuant to the terms of the First Lien Facilities Agreement and Second Lien Facilities Agreement, with security being limited to security over shares in borrowers or subsidiaries and security over certain material structural intragroup loan receivables. Security will only be required to be granted in security jurisdictions which include England and Wales, New York, France, the Netherlands and Germany.

(f) Overdraft facilities

On 21 December 2020, Everest SubBidCo SAS the Borrower, as the company, and BNP Paribas as original lender entered into an overdraft facility agreement (as amended and/or restated from time to time) (the "**Overdraft Facilities Agreement**", and together with the First Lien Facilities Agreement and the Second Lien Facilities Agreement, the "**Existing Facilities Agreements**") consisting of an overdraft facility in an aggregate principal amount of €13 million (the "**Overdraft Facility**").

8.4.4 *The Group's new financial liabilities*

(a) Credit lines

On 16 July 2021, Everest SubBidco SAS (the "**Original Borrower**"), Exclusive Networks SAS and Everest UK FinCo Limited (each "**RCF Borrowers**" and together with the Original Borrower, the "**Borrowers**"), BNP Paribas SA, Citibank, N.A., London Branch, Credit Agricole Corporate And Investment Bank, Intesa Sanpaolo S.P.A., Paris Branch, J.P. Morgan AG, Mizuho Bank, Ltd., Morgan Stanley Bank AG, Raiffeisen Bank International AG and Société Générale as mandated lead arrangers (the "**Mandated Lead Arrangers**"), the financial institutions listed therein as original lenders (the "**Original Lenders**"), Lucid Agency Services Limited as agent (the "**Agent**") and Lucid Trustee Services Limited as security agent (the "**Security Agent**") entered into an English law governed senior facilities agreement (the "**New Facilities Agreement**", together with the Existing Facilities Agreements, the "**Facilities Agreements**") consisting of: (i) a term loan facility B1 in an aggregate principal amount of EUR 315 million (the "**New Term Loan B1 Facility**"); (ii) a term loan facility B2 in an aggregate principal amount of EUR 135 million (to be redenominated from EUR to GBP on the Facility B2 Redenomination Date (as defined in the New Facilities Agreement)) (the "**New Term Loan B2 Facility**" and together with the New Term Loan B1 Facility, the "**New Term Loan Facilities**"); and (iii) a multicurrency revolving credit facility in an aggregate committed amount of EUR 120 million (the "**New RCF**" and together with the New Term Loan Facilities, the "**New Facilities**").

The termination date for New Term Loan Facilities and the New RCF will be five years from the date of first utilization of either of the New Facilities (the "**Closing Date**"). New Term Loan Facilities are repayable by a bullet repayment on the termination date. Commitments under the New RCF will be available to take the form of cash loans, ancillary facilities and letters of credit.

(b) Use of funds

Pursuant to the New Facilities Agreement, the Original Borrower shall be permitted to use the borrowings under the New Term Loan Facilities to finance directly or indirectly, including by way of on-lending to any of its subsidiaries (together with the Original Borrower, the "**Borrower Group**"): (a) the refinancing, redemption, discharge and/or acquisition of existing indebtedness of the Borrower Group (including under the Existing Facilities Agreements, shareholder loans and hedging) and to pay breakage costs, make-whole, prepayment premium and/or close-out costs and any other fees, costs and expenses related to such refinancing, redemption, discharge and/or acquisition finance; (b) making payments (directly or indirectly) to certain shareholders of the Original Borrower (including by way of dividend or other distribution or the payment of interest on, or the repayment of the principal of an intragroup loan or the making of any up-stream loan or reduction of capital (or any combination thereof)) as contemplated by the Structure Memorandum (as defined in the New Facilities Agreement); (c) any other payments, purposes or transactions contemplated by the Structure Memorandum, the Funds Flow Statement and/or the Finance

Documents (as each term is defined in the New Facilities Agreement); (d) the general corporate purposes and/or working capital requirements of the Borrower Group (including capital expenditure, restructuring costs, acquisitions, investments, joint ventures, operational restructuring and reorganization requirements of the Borrower Group) and any related fees, costs, expenses, liabilities, taxes (including stamp duty) and other amounts (including drawing the proceeds thereof onto the balance sheet to fund such items); (e) maintaining any cash over-funding; (f) the payment of fees, commissions, costs, expenses and stamp, registration and other taxes arising or incurred in connection with the Admission and any related transaction, operational restructuring or permitted re-organizations of the Borrower Group and certain of its holding companies (including the HoldCo Mergers) and working capital related adjustments (however structured) relating to or arising in connection with the Admission; (g) fees, costs and expenses arising or incurred in connection the negotiation, preparation, execution, notarization, syndication and registration of the Finance Documents (as such term is defined in the New Facilities Agreement (the "**Finance Documents**")); and (h) the fees, commissions, costs and expenses incurred in connection therewith.

The New Facilities Agreement will permit the Borrowers to use amounts borrowed under the New RCF towards (directly or indirectly, including by way of on-lending to any member of the Borrower Group) financing or refinancing the general corporate and/or working capital purposes of the Borrower Group including, without limitation: (a) for any acquisition, investment, joint venture, operational restructuring, reorganization, capital expenditure, payment of any stamp, registration and other taxes arising or incurred in connection with Admission, and/or payment of any fees, costs and expenses arising or incurred in connection with the negotiation, preparation, execution, notarization, syndication and registration of the Finance Documents; and (b) the rolling over, financing, refinancing or backstopping of any existing ancillary facilities, letters of credit or bank guarantees or providing cash collateral or other credit support for any existing ancillary facilities, letters of credit or bank guarantees and financing costs relating to such cash collateral, other credit support or the existing ancillary facilities, letters of credit or bank guarantees.

It is intended that (a) the Existing Facilities will be repaid in full and (b) the full amount of New Term Loan Facilities will be drawn on Admission.

(c) Interest and fees

The New Facilities will bear interest at a rate per annum equal to EURIBOR (in respect of EUR) or SONIA (in respect of GBP) or LIBOR, subject to a rate switch to SOFR in 2023 (in respect of USD), as applicable, plus a margin determined by reference to total net leverage (calculated in accordance with the terms of the New Facilities Agreement and shall vary, in respect of (i) the New Term Loan Facilities, between 3.00% per annum and 1.75% per annum and (ii) the New RCF, between 2.50% per annum and 1.25% per annum). In connection with the New Facilities, the Borrowers will be required to pay to the lenders and/or certain other finance parties an arrangement fee and certain other customary fees and expenses.

(d) Voluntary prepayment

The Borrowers may, upon not less than three business days' prior notice to the Agent (subject to certain exceptions), cancel and/or voluntarily prepay outstanding loans without penalty or premium (but including any break fees) under the New Facilities Agreement.

(e) Covenants and restrictive clauses

With respect to the New Facilities, the Original Borrower will also be required under a financial covenant to maintain a maximum total net leverage ratio not in excess of 4.75:1 (stepping down to 4.00:1 after 30 months have elapsed after the Closing Date), to be tested twice annually (at the end of each financial half-year period and at the end of each financial year, with the first test date on 31 December 2021), subject to equity cure provisions and a financial covenant acquisition adjustment. A financial covenant acquisition adjustment would permit the Original Borrower (subject to certain conditions and on no more than two occasions prior to the termination date in respect of the New Term Loan Facilities) to elect to increase by 0.25:1 the total net leverage level which would otherwise apply under the financial covenant.

The Group expects that, as on the date of settlement and delivery of the shares offered in the proposed IPO, its net leverage will be approximately 3:00:1, with a target of reaching 2.50:1 at the end of 2021.

(f) Incremental Facilities

Subject to certain conditions, the New Facilities Agreement will permit the Borrowers (subject to the receipt of commitments) to increase New Term Loan Facilities and/or the New RCF and/or add one or more additional facilities (i.e., an incremental facility) under the New Facilities Agreement at any time without the consent of any Finance Party (as such term is to be defined therein).

(g) Mandatory Prepayment—Change of Control

The New Facilities Agreement shall provide for mandatory prepayment in the event of a Change of Control (as such term is to be defined therein). Other than a Change of Control, or if it becomes unlawful for any lender to perform its obligations under the New Facilities Agreement, there shall be no other circumstances that shall require a mandatory prepayment under the New Facilities Agreement.

In the case of the occurrence of a Change of Control, the Original Borrower shall promptly notify the Agent of such occurrence of such an event, upon which each lender under the New Facilities Agreement shall have 15 business days to exercise an individual right: (i) on five business days' notice to the Original Borrower, to cancel all its undrawn commitments; and (ii) on 60 days' notice to the Original Borrower, to require that all its outstanding participations in utilizations are repaid with accrued interest and any other amounts accrued to that lender under the Finance Documents (as such term is to be defined therein).

(h) New Intercreditor Agreement

In order to establish the relative rights of the Borrowers' creditors under its financing arrangements, the Borrowers, together with any other entity which accedes as a debtor (together, the "**Debtors**") will, among others, enter into an English law governed intercreditor agreement dated 16 July 2021 (the "**New Intercreditor Agreement**") with, among others, the Agent and the Security Agent. The New Intercreditor Agreement will set out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain indebtedness of the Debtors, when enforcement action can be taken in respect of that indebtedness and the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

(i) Security

The New Facilities under the New Facilities Agreement are to be secured by a security package established in favor of the Security Agent under the New Intercreditor Agreement (as defined below), consisting of security interests customary for this type of transactions and to be limited to: Closing Date security of (i) a French law governed third party securities account pledge granted by Everest Bidco SAS (which shall be automatically assumed by the Company upon completion of the HoldCo Mergers) with respect to the shares it owns in the Original Borrower and a French law governed third party receivables pledge in relation to receivables owed to it by the Original Borrower, (ii) a French law governed third party securities account pledge granted by Everest UK FinCo Limited with respect to the shares it owns in the Original Borrower and a French law governed third party receivables pledge in relation to receivables owed to it by the Original Borrower and (iii) an English law governed third party limited recourse security agreement entered into by Everest BidCo SAS (which shall be automatically assumed by the Company upon completion of the HoldCo Mergers) over the shares its own in Everest UK FinCo Limited and the receivables owed to it by Everest UK FinCo Limited. Certain other security interests will be required to be granted by members of the Borrower Group pursuant to the terms of the New Facilities Agreement, with security being limited to security over shares in borrowers or Material Subsidiaries (as such term is to be defined therein) and security over certain material structural intragroup loan receivables (including, but not limited to, (i) upon the occurrence of the HoldCo Mergers, two intragroup loans of approximately made by the Company to Everest SubBidco and Everest UK FinCo Limited respectively which shall be set off immediately post completion against the Company's obligation to pay the subscription price for its subscribing to a share capital in Everest SubBidco and a share capital in Everest UK FinCo Limited and (ii) an intragroup loan made by Everest UK FinCo Limited to Everest SubBidco which shall be set off against Everest UK FinCo Limited's obligation to pay the subscription price for its subscribing to a share capital in Everest SubBidco). Security will only be required to be granted in security jurisdictions which include France, Germany, England, the United States of America, Belgium, the Netherlands and Luxembourg.

The share and receivables security provided by Everest BidCo (which will be automatically assumed by the Company once the HoldCo Mergers are effected) is the primary point of enforcement for the lenders under the New Facilities. If there were to be an event of default under any the New Facilities that is not cured or waived in accordance with the terms thereof, the lenders under the New Facilities Agreement could terminate commitments to lend and cause all amounts outstanding with respect to the loans granted under the New Facilities to become due and payable immediately. In such a situation, the lenders under the New Facilities Agreements could seek to enforce upon the security and collateral from which it benefits. In the context of the share and receivables security provided by Everest BidCo (which will be automatically assumed by the Company once the HoldCo Mergers are effected) lenders may be entitled to take control of the operating group (SubBidCo and its subsidiaries) by enforcing the share and receivables pledge to recover any outstanding sums (for more details, see Section 3.2.4 "*Failure to comply with the covenants or other obligations contained in any of the Group's Facilities Agreements could result in an event of default. Any failure to repay or refinance the outstanding debt under any of the Group's Facilities Agreements when due could have a material adverse effect on the Group's business*").

8.5 Contractual obligations and off-balance sheet commitments

The Group contracted certain off-balance sheet commitments corresponding to financial commitments for a total amount of €209.4 million as at 31 December 2020. These commitments mainly included guarantees given to business operations (€137.0 million), guarantees given to banks in consideration of short-term loans granted to subsidiaries (€72.4 million corresponding to the opening of lines of credit not used as at 31 December 2020). Under IFRS, financial assets such as forwards or hedging position are reflected in the balance sheet and presented in Note 13 to the 2020 Consolidated Financial Statements. In the same manner, commitments towards pensions, retirement and related commitments are included in the balance sheet and detailed in Note 16 to the 2020 Consolidated Financial Statements.

For additional information on the Group's contractual obligations and off-balance sheet commitments, see Note 4 to the 2019 Consolidated French GAAP Financial Statements and Note 4 to the 2018 EFH Consolidated French GAAP Financial Statements.

9. REGULATORY ENVIRONMENT

While the Company is not currently a regulated entity, its activities are subject to various regulatory requirements under European and applicable national laws of the countries in which it operates.

The regulatory requirements applicable to the Group's business activities are subject to change, as they are continuously modified at the national, European and international levels.

Within the EU, EU regulations apply directly in all EU member states and the Group's business is therefore subject to these rules in a consistent manner in all EU member states, while EU directives, although binding for all EU member states as to the results to be achieved, need to be implemented into each member states' national law. Hence, regarding the provisions of EU directives that are applicable to the Group's business, national implementing rules may differ slightly from one EU member state to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most EU member states and the member states of the EEA is similar.

The following provides a brief overview of selected regulations that are applicable to the Group's business operations. For further information on the Group's risk management policy, see Section 3.4.1 "*Overview of risk management policy*".

9.1 Customs

As a global distributor of cybersecurity solutions, the Group is subject to the customs and export control regimes of the various jurisdictions in which it operates.

The products which are distributed by the Group are each assigned a harmonized system code (the "**HTS Code**"), obtained from the relevant vendor(s) of such products, and these codes are used by customs authorities to monitor and control the import and export of such products through, for example, the imposition of tariffs. HTS Codes are updated and modified to reflect product innovation, emerging technology, and changed in response to government evaluation of new revenue sources and trade decisions with other countries.

The Group is subject to customs tariffs in certain jurisdictions in which it operates.

In the EU, the key customs regime is governed by Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013, which lays down the Union Customs Code, as amended and supplemented. The Union Customs Code sets out the general rules and procedures applicable to goods brought into or taken out of the customs territory of the EU and is adapted to modern trade models and communication tools. In particular, it sets out the rules governing the acceptance of an application for a customs decision, as well as the 'right to be heard' principle (under which the customs authorities have the obligation to communicate to the applicant the grounds on which they intend to base their decision, following receipt of which the applicant has a set amount of time to express its point of view) and the exceptions where such principle does not apply.

9.2 "Dual-use" products

Most of the products and solutions distributed by the Group incorporate cryptology and encryption technology that can be used for both civilian and military applications and are therefore classified as "dual-use" items. The Group is subject to the export control regime, in relation to the dual-use products it distributes, applicable in each of the countries in which the Group operates.

Dual-use products are issued by the Group's vendors with an ECCN (Export Control Classification Number) and appear on a controlled goods list under EU Regulation No 388/2012 of 19 April 2012 and under the Commerce Control List at Supplement No. 1 to Part 774 of the Export Administration Regulations.

EU Regulation

The EU controls the export, transit and brokering of dual-use items so that the EU can contribute to international peace and security and prevent the proliferation of Weapons of Mass Destruction (WMD). Regulation (EC) No 428/2009 of 5 May 2009, setting up a community regime for the control of exports, transfer, brokering and transit of dual-use items, as amended by Regulation (EU) No 1232/2011 of 16 November 2011 and further modified by Regulation (EU) 2019/496 of the European Parliament and of the Council of 25 March 2019 granting an EU general export authorization for the export of certain dual-use items from the EU to the UK, governs the EU's export control regime, which includes:

- common export control rules;
- common EU list of dual-use items;
- controls on brokering dual-use items and their transit through the EU;
- specific control measures to be introduced by exporters; and
- provisions setting up a network of competent authorities.

In certain cases, EU countries implement extra controls on non-listed dual-use items and in practice the Group has to obtain an export license from every country from which it distributes products.

The export of dual-use products outside of the EU is subject to control and such items may generally not leave the EU customs territory without an export authorization.

U.S. Regulation

Since some of the Group's vendors are located in the United States, the Group is also subject to the U.S. Export Administration Regulations (EAR, 15 C.F.R. 730 et seq) (the "**EAR**") administered by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**"). Under the EAR, the BIS can impose export licensing restrictions on all goods, technology and software (collectively, "items") subject to the EAR. Items subject to the EAR can be items that are physically located in the United States, are US-origin (wherever located), or contain a certain level of U.S.-origin material, or are the foreign-produced direct product of certain U.S.-controlled software or technology (collectively "**EAR Items**"). For EAR Items, a license may be required for export, re-export, or transfer depending on the destination country, receiving party, and end-user, or use, unless an exclusion or exemption applies. BIS primarily administers the general export licensing and enforcement functions of the US dual-use and commercial export control system.

The EAR generally applies to the export of goods, software, and technology from the United States to foreign countries, re-export from one foreign country to another, and transfer (in country) from one party to another. Further, the EAR regulates exports, re-exports and transfers of EAR Items everywhere in the world, even if the transaction is between non-U.S. persons and takes place outside the United States.

Operations in violation of the EAR may be sanctioned with a fine and, in severe cases, with criminal sanctions. Violations of the EAR may also result in civil proceedings, denial of export privileges, and reputational harm.

See also Section 3.3.2 "*The Group is subject to governmental, economic and trade sanctions laws and regulations and export and import controls that could subject the Group to liability in the event of non-compliance or impair the Group's ability to compete in international markets.*"

9.3 Data Protection

The Group collects and processes personal data in the context of its distribution activities, its marketing activities and the provision of its value-added services (in particular support services and subscription-based services). Hence, the Group is subject to local laws, such as the UK Data Protection Act 2018, and international laws, such as Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**") as well as Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "**e-Privacy Directive**").

The GDPR applies to organizations processing the personal data of individuals located in the EU, or offering goods or services to such people, regardless of their own location. It imposes a number of stringent requirements upon such organizations: data must be processed in a restricted number of instances, data must be lawfully processed, organizations may collect and process only as much data as absolutely necessary for the purposes specified, organizations may only store personal data for as long as necessary for the specified purpose, and processing must be done in such a way as to ensure appropriate security, integrity, and confidentiality. It also provides data subjects with certain rights and sets strict rules about what constitutes consent from a data subject.

Supervisory authorities have different options to sanction in case of non-compliance with the data protection rules such as warnings, reprimands, temporary or definitive bans on processing or administrative fines of up to €20 million or 4% of the business' total annual worldwide turnover, etc.

See also Section 3.3.5 "*Any real or perceived privacy breaches or improper use of, disclosure of, or access to such data could harm the Group's reputation as a trusted brand, as well as have a material and adverse effect on its business, financial condition, results of operations and prospects.*"

9.4 Anti-corruption, anti-money laundering and anti-bribery

See Section 3.3.3 "*The Group is subject to UK, European, U.S. and certain foreign anti-corruption laws, anti-bribery laws, and anti-money laundering laws and regulations. In the event of non-compliance, the Group can face serious consequences, which can harm its business.*"

10. TREND INFORMATION

10.1 Business trends

A detailed description of the Group's results for the year ended 31 December 2020 and the six-month period ended 30 June 2021 can be found in Chapter 7 "*Analysis of the Group's financial position and results*" of this Registration Document.

10.2 Near- and medium-term outlook

The near- and medium-term outlook described below has been compiled and prepared on a basis which is both (a) comparable with the historical financial information and (b) consistent with the Group's accounting policies.

The Group's outlook is based on data, assumptions, and estimates that the Group considers reasonable as of the date of this Registration Document in light of anticipated future economic conditions and the expected impact of the Group's successful implementation of its strategy. The data, assumptions and estimates on which the Group has based its objectives may change or be modified during the relevant period, in particular as a result of changes in the economic, financial, competitive, tax or regulatory environments, market changes or other factors of which the Group is not aware or that it may not have accurately anticipated as of the date of this Registration Document. In addition to such changes or inaccuracies, the occurrence of any of the risks described in Chapter 3 "*Risk Factors*" of this Registration Document could affect the Group's business, competitive position, financial condition, results or future prospects, and therefore its ability to achieve the objectives presented below.

The Group's assumptions include, in particular, (1) the continued general growth of the cybersecurity market, based on data from the past 5 years and the growth analysis set out in the Market Reports, and the growth of certain of the Group's vendors, (2) the Group's continued growth by the way of other levers, such as expansion into new territories by the Group's existing vendors and the signing of additional new vendors (some already mature with large volumes and some very early stage with superior margins), (3) the continuation of small to mid-size M&A, in line with historical trends, (4) that the Group's business model will continue to promote high renewal rates for both its vendors and clients, (5) that the currency exchange rates in effect would remain constant over 2021, that there would be no mid-term translation effects, and that there would be no inflation impacts given that, historically, the Group has been able to pass inflation effects onto its customers, and (6) that no material risks would materialize that would prevent the Group from operating in any of its current countries of operation.

The Group can give no assurances or provide any guarantee that the objectives set forth below will be met, and does not undertake to publish corrections or communicate updates to this information in the future.

The Group's targets for Gross Sales, Revenue, Net Margin and Adjusted EBITA as a percentage of Net Margin are expressed in relation to results for the year ended 31 December 2020, including Veracomp as if it had been acquired on 1 January 2020.

Gross Sales

The Group is targeting growth in Gross Sales (including mergers and acquisitions) as follows:

- For the year ending 31 December 2021, the Group is targeting a growth percentage in the low teens.

- Over the medium term, the Group is targeting low double-digit percentage growth, with a growth percentage in the mid-teens for the year ending 31 December 2022.

From a regional perspective, for both 2021 and the medium term, the Group is targeting Gross Sales growth in:

- EMEA in line with the targeted growth in Group Gross Sales;

- APAC at a level that is slightly below the targeted growth in Group Gross Sales; and

- the Americas at a level that is above the targeted growth in Group Gross Sales.

The Group expects mergers and acquisitions to make a limited contribution to the targeted growth set forth above for 2021, while, in the medium term, it expects M&A to contribute 1-2 percentage points, in line with historic contribution from its M&A activity.

Revenue

For the year ending 31 December 2021 and in the medium term, the Group is targeting organic Revenue growth that is similar to that growth targeted for Gross Sales.

Net Margin

The Group is targeting high single-digit percentage growth in its Net Margin for 2021. Over the medium term, the Group expects a small decline in Net Margin as a percentage of Gross Sales of approximately 1 point overall.

Adjusted EBITA as a percentage of Net Margin

The Group is targeting a stable Adjusted EBITA as a percentage of Net Margin for 2021. In the medium term, the Group is targeting a stable Adjusted EBITA as a percentage of Net Margin in 2022, with an expansion to slightly above 40% thereafter.

Depreciation and Amortization

The Group is targeting Depreciation and Amortization, excluding Amortization of Intangible Assets but including Leases, in the low double-digit millions for the year ending 31 December 2021. In the medium term, the Group is targeting a low- to mid-double digit million amount.

Effective tax rate as a percentage of Adjusted PBT

The Group expects a 2021 effective tax rate as a percentage of Adjusted PBT in the low twenties, as compared to an effective tax rate as a percentage of Adjusted PBT of 30.5% for 2020. The Group expects its Effective Tax Rate as a percentage of Adjusted PBT to increase to the mid-twenties over the medium term.

Net Working Capital

For 2021, the Group is targeting Net Working Capital as a percentage of Gross Sales of approximately 4.5% (after the reversal of 2020 exceptional effects). For the medium term, the Group is targeting its Net Working Capital as a percentage of Gross Sales to also be approximately 4.5%. Net Working Capital excludes EXN Capital Finance Asset, which relates to IT solution systems sold through Exclusive Capital financing arrangements.

Capex

In 2021, the Group is targeting Capex (Net Operating Capex plus Repayment of Lease Liabilities) of a low double-digit million amount. In the medium term, the Group is targeting Capex in the low- to mid-double-digit millions.

Transaction Costs

The Group expects one-time costs related to the proposed IPO of approximately €20-25 million. Following the proposed IPO, the Group expects the costs of being a listed company to be a mid-single digit million amount per year, with full effect from 2022.

10.3 Leverage

The Group is targeting a leverage ratio of Net Debt to Last-Twelve-Month EBITDA of 3.0x immediately following consummation of the proposed IPO, assuming application of a portion of the IPO proceeds to debt repayment, while it is targeting a leverage ratio of Net Debt to EBITDA of approximately 2.5x as of 31 December 2021. The expected decrease in the leverage ratio is derived, in particular, from (i) the expected approximately €10 million Adjusted EBITDA improvement in Q4 21 compared to Q4 20 combined with (ii) the expected positive effect of net working capital seasonality of approximately €30 million.

For the medium term, the Group is targeting steady de-leveraging, unless it engages in sizable M&A, which remains infrequent for the Group.

10.4 Dividend

The Group's objective is to distribute dividends to its shareholders of approximately 25% of its annual Adjusted Net Income, starting from and subject to shareholder approval at the annual shareholders' meeting convened in 2022 to approve the financial statements for the year ending 31 December 2021, assuming all objectives described in this Chapter 10 have been achieved.

11. PROFIT FORECASTS OR ESTIMATES

Not applicable.

12. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

As of the date of this Registration Document, the Company is incorporated in the form of a French *société anonyme*.

A brief description of the key provisions of the Company's Bylaws pertaining to the Board of Directors, and in particular its powers, as well as a brief description of the key provisions of the internal rules of the Board of Directors which have been adopted by the Board of Directors on 1 September 2021 subject to the settlement and delivery of the shares offered in the proposed IPO (the "**Internal Rules**") can be found in Chapter 14 "*Rules Applicable to Corporate Bodies and Management Committes*" and in Chapter 19 "*Additional Information*" of this Registration Document.

12.1 Composition of administrative, supervisory and management bodies

12.1.1 *Board of Directors*

The table below sets out the envisaged composition of the Board of Directors as from the settlement and delivery of the shares offered in the proposed IPO.

Full Name	**Nationality and business address**	**Term of office**	**Main position within the Company**	**Number of offices currently held in listed companies**	**Independent Director[11]**	**Number of Company's shares held**	**Committees**		**Main appointments and positions held outside the Company over the last five years**
							Audit Committee	**Nomination and Compensation Committee**	
Barbara Thoralfsson	**Nationality:** Norwegian, American **Business address**: 20 Quai du Point du Jour, 92100 Boulogne-Billancourt, France	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Chairperson	2	✓	None	✓		Essity* (Sweden) – Board Member & Chair, Audit Committee SCA* (Sweden), Non-Executive Director and Chair, Audit Committee Hilti Group (Liechtenstein), Non-Executive Director Fleming Industries (Norway) – Co-Founder and Owner EQT Partners (Norway) –

11 As defined by the AFEP-MEDEF Code.

Full Name	Nationality and business address	Term of office	Main position within the Company	Number of offices currently held in listed companies	Independent Director[11]	Number of Company's shares held	Committees		Main appointments and positions held outside the Company over the last five years
							Audit Committee	Nomination and Compensation Committee	
									Industrial Advisor G4S Plc* (UK), Non-Executive Director and member of the remuneration and nomination committees (July 2016-April 2021)
Jesper Trolle	**Nationality**:Danish **Business address**: 20 Quai du Point du Jour, 92100 Boulogne-Billancourt, France	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Chief Executive Officer and Director	None		None			ECS Arrow Electrics - various positions including President of the Americas
Olivier Breittmayer	**Nationality**: French **Business address**: Grand Route 2017, B-1428 Braine-l'Alleud, Belgium	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Director	None		98,182,558**			Colisée Group (board member) Exclusive Venture SA (*Administrateur délégué*) HTIVB (Chief Executive Officer and Owner) Omada Conseil SA (*Président*)
Nathalie Bühnemann	**Nationality**: French **Business address**: 21 rue Antonin Laborde,	General Shareholders' Meeting held to approve the financial statemen	Director	1	✓	None	✓ (Chair)	✓	Akka Technologies*: Director (2020-present) Group Chief Financial

Full Name	Nationality and business address	Term of office	Main position within the Company	Number of offices currently held in listed companies	Independent Director[11]	Number of Company's shares held	Committees		Main appointments and positions held outside the Company over the last five years
							Audit Committee	Nomination and Compensation Committee	
	69009 Lyon, France	ts for the year ending 31 December 2024							Officer (2018-present) Group Finance Director (2016-2019) Head Corporate Finance (2015-2016) Head Group Reporting, Consolidation and Integration (2014-2016)
Pierre Pozzo	**Nationality**: French **Business address**: 31 rue de la Baume, 75008 Paris, France	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Director	None		None	✓		Permira Advisers LLP – Member (appointed 01/01/2019) Teraco Data Environments – Director (appointed 07/05/2020) Nighthawk UK Holdco Limited – Director (appointed 22/02/2021) Artemilux Topco S.à.r.l. – Manager (appointed 23/03/2017) Kinailux S.à r.l. – Manager (appointed 23/09/2015) TigerLuxOne Topco S.àr.l. – Manager (appointed 27/03/2015, resigned 06/03/2020)

Full Name	Nationality and business address	Term of office	Main position within the Company	Number of offices currently held in listed companies	Independent Director[11]	Number of Company's shares held	Committees		Main appointments and positions held outside the Company over the last five years
							Audit Committee	Nomination and Compensation Committee	
									Springlux Topco S.àr.l. – Manager (appointed 27/03/2015) TigerLuxOne GP S.àr.l. – Manager (appointed 27/03/2015) TigerLuxOne S.àr.l. – Manager (appointed 27/03/2015) TigerLuxOne Midco S.àr.l. – Manager (appointed 28/04/2015) Springlux Midco S.àr.l. – Manager (appointed 28/04/2015)
Michail Zekkos	**Nationality**: British and Greek **Business address**: 80 Pall Mall, London, England, SW1Y 5ES	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Director	None		None		✓	Permira Advisers LLP – Member (appointed 15/03/2013) Teraco Data Environments – Director (appointed 01/02/2015, resigned 07/05/2020) CRC Purchaser Corporation – Director (appointed 15/10/2019) CRC Group Holdings MLP, Inc. – Director

Full Name	Nationality and business address	Term of office	Main position within the Company	Number of offices currently held in listed companies	Independent Director[11]	Number of Company's shares held	Committees		Main appointments and positions held outside the Company over the last five years
							Audit Committee	Nomination and Compensation Committee	
									(appointed 15/10/2019) CRC Group Holdings GP, Inc. – Director (appointed 15/10/2019) Curriculum Associates, LLC – Director (appointed 15/10/2019)
Marie-Pierre de Bailliencourt	**Nationality**: French **Business address**: 20 Quai du Point du Jour, 92100 Boulogne-Billancourt, France	General Shareholders' Meeting held to approve the financial statements for the year ending 31 December 2024	Director	None	✓	None		✓ (Chair)	COMGEST – Independent Director (appointed Jan 2021 - present) RUAG – Director (appointed May 2018 - resigned May 2021) Le Groupe La Poste – Director (appointed March 2016- present) DCNS Naval Group – Deputy Chief Executive Director (Jan 2015- Nov 2017) GTT – Independent Director (appointed Feb Dec 2014- resigned March 2016)

* Listed entity
** Indirectly through HTIVB

All members of the Board of Directors were appointed during the general meeting of the Company's shareholders held on 1 September 2021. Mr. Jesper Trolle, Mr. Olivier Breittmayer, Mr. Pierre Pozzo and Mr. Michail Zekkos were appointed with immediate effect while independent members of the Board of Directors were appointed subject to the settlement and delivery of the shares offered in the proposed IPO.

(a) Biographical information of the members of the Board of Directors

Barbara Thoralfsson, 62, holds a BA Psychology from Duke University (USA) and an MBA in Marketing and Finance from Columbia Business School (USA). She has extensive experience as a non-executive director with public and privately held multinational companies in a wide variety of industries. She has served on the boards of Tandberg, Electrolux, Telenor, Cable & Wireless Communications and Colart (where she was Non-Executive Chair), as well as the companies listed in the above table. An entrepreneur, Barbara has been CEO of Midelfart & Co AS, Norway's leading health and beauty care distributor for several multinational vendors, between 1995 and 2000 and CEO of NetCom ASA, a telecommunications company, between 2001 and 2005.

Jesper Trolle, 48, holds an Executive MBA in General Management from Henley Business School. Jesper is vastly experienced with the IT industry having worked for over 28 years in the sector both within the reseller community and distribution. In 2001, Jesper established Next Denmark A/S on the Danish market, which was later acquired by DNS, which in turn was acquired by Arrow in 2005. Following the acquisition, Jesper held a number of diverse positions in multiple locations within Arrow, seeing rapid success and progression, including stints in Germany running central and eastern Europe, and Paris, running north-west Europe and ANZ. He took up the role as Arrow's President Americas in 2017, based out of Denver, Colorado.

Olivier Breittmayer, 57, holds a graduate of the Ecole Supérieure de Gestion business school (France) and a degree in Economic Sciences from the Université Paris X (France). He has more than 34 years' experience of working with fast-growth technology companies across sales, marketing, product development and management roles. He served as Chief Executive Officer of Exclusive Networks from 2005 to 2020. Since 2021, he has been Chairman of the board of Colisée Group. He served also as (i) Chief Executive Officer of Cirel Systems from 1997 to 1999, (ii) Chief Executive Offer of Newlink from 1997 to 2000 and (iii) Managing Director of Alasso Southern Europe from 2000 to 2002.

Nathalie Bühnemann, 43, holds an Audit and Finance degree from ESCP European School of Management (France) and is certified as a public accountant in France (DEC). Since 2018, she has served as Group Chief Financial Officer of Akka Technologies and since 2020, she has been supervising the overhead structure of the AKKA group. Since 2020, she has also been a member of the board of directors of Akka Technologies. She has also served as Akka Technologies' (i) Group Finance Director from 2016 to 2019, (ii) Head of Corporate Finance from 2015 to 2016, (iii) Head of Group Reporting, Consolidation and Integration from 2014 to 2016 and (iv) Finance Controller from 2013 to 2014. Prior to joining Akka Technologies, she was a Financial Consultant at PwC from 2001 to 2013.

Michail Zekkos, 44, holds degrees in Political Sciences and Economics from Athens Law School (Greece), and the American College of Greece, respectively. He also holds a Master's in Economics and Finance from Warwick Business School (England) and an MBA from INSEAD (France). Michail joined Permira in 2007 and is a partner. At Permira, Michail focuses on investment opportunities in technology businesses and has extensive experience in the sector. Prior to joining Permira, Michail worked in technology investment banking at JPMorgan. Michail is a member of the board of directors of

Curriculum Associates and has experience as a member of the boards of several other companies including Teraco.

Pierre Pozzo, 32, holds a Law degree from the University of Versailles (France), a Master's in Management from HEC Paris (France), and a Master's in Economic and Social Sciences from Bocconi University (Italy). Pierre joined Permira in 2013 and is a principal. At Permira, Pierre focuses on investment opportunities in technology businesses and has extensive experience in the sector. Prior to joining Permira, Pierre worked for Credit Suisse and PAI Partners. He has served as a member of the board of directors of a number of companies including Teraco and Vacanselect.

Marie-Pierre de Bailliencourt, 51, holds a doctorate in Geopolitics from Paris-Sorbonne University and studied International Affairs at Johns Hopkins University. She worked at the United Nations as the Secretary General's Sherpa in the mid-1990s before joining the corporate world and negotiating numerous international mergers and acquisitions, mainly in the industrial sector. Subsequently, she has held senior management positions at several large, international companies in the high technology sector. She has notably served as DNCS Naval Group's Deputy Chief Executive Director from January 2015 to November 2017. She currently sits on the board of directors of several French and international companies including Comgest and Le Groupe La Poste and teaches at the *Institut de Sciences Politiques* in Paris.

(b) Independent members of the Board of Directors

According to the independence criteria set forth in the AFEP-MEDEF Code (which the Company intends to apply following its proposed IPO), three (3) members of the Board of Directors will be independent. The table below shows the evaluation of the independence pursuant to such criteria.

Name of the directors	**Not to be an employee or an executive officer of the Company (including over the past 5 years)**	**No cross-directorships (including over the past 5 years)**	**No business relationships**	**No family ties**	**Not to be an auditor of the Company (including over the past 5 years)**	**No to have been a director of the Company for more than twelve years**	**Not receive any variable compensation or compensation related to the Company's or the Group's performance**	**Not hold more than 10% of the shares or voting rights**	**Independent**
Barbara Thoralfsson	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jesper Trolle	**X**	**X**	✓	✓	✓	✓	**X**	✓	**X**
Olivier Breittmayer	**X**	✓	✓	✓	✓	✓	✓	✓ **	**X**
Nathalie Bühnemann	✓	✓	✓	✓	✓	✓	✓	✓	✓
Pierre Pozzo	✓	✓	✓	✓	✓	✓	✓	**X***	**X**
Michail Zekkos	✓	✓	✓	✓	✓	✓	✓	**X***	**X**
Marie-Pierre de Bailliencourt	✓	✓	✓	✓	✓	✓	✓	✓	✓

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*In this table, √ represents a satisfied independence criteria and **X** represents a non-satisfied independence criteria.*
** Mr. Pierre Pozzo and Mr. Michail Zekkos are connected to Everest UK HoldCo Limited which will hold more than 10% of the shares and voting rights of the Company following its proposed IPO.*
*** Mr. Olivier Breittmayer currently holds more than 10% of the shares and voting rights, indirectly through HTIVB. However, it will be no longer the case following the proposed IPO.*

The independence of the members of the Board of Directors will be assessed each year by the Board of Directors.

(c) Balance gender representation in the composition of the Board of Directors

Following the settlement of the Company's shares in connection with their admission to trading Euronext Paris, there will be three (3) women and four (4) men on the Board of Directors, providing a balanced representation of men and women, in proportions that comply with applicable legal requirements and the recommendations of the AFEP-MEDEF Code.

12.1.2 *Statutory Corporate Officers (Dirigeants Mandataires Sociaux)*

As of the date of this Registration Document, Mr. Michail Zekkos is the Chairman of the Board of Directors and Mr. Jesper Trolle is Chief Executive Officer of the Company.

The envisaged statutory corporate officers of the Company as from the settlement and delivery of the shares offered in the proposed IPO are Mrs. Barbara Thoralfsson as Chairperson of the Board of Directors (the "**Chairperson**") and Mr. Jesper Trolle is Chief Executive Officer of the Company (the "**CEO**", and together with the Chairperson, the "**Statutory Corporate Officers**").

12.2 Statements relating to administrative, supervisory and management bodies

As of the date of this Registration Document, to the Company's knowledge, there are no family relationships among the members of the Board of Directors and Statutory Corporate Officers.

To the Company's knowledge, over the past five years: (i) none of the above persons has been convicted of fraud, (ii) none of the above persons has been involved in bankruptcy, receivership, liquidation or companies put into administration, (iii) none of the above persons has been subject to any official public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies), and (iv) none of the above persons has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer.

12.3 Conflicts of interest

As of the date of this Registration Document and to the Company's knowledge, there are no potential conflicts of interest between the duties of the members of the Board of Directors (including the members of the Board of Directors whose term of office is subject to the settlement and delivery of the shares offered in the proposed IPO) and the Statutory Corporate Officers of the Company and their private interests.

13. COMPENSATION AND BENEFITS

13.1 Compensation policy for the Statutory Corporate Officers and the members of the Board of Directors

Pursuant to a general meeting of the Company's shareholders dated 1 September 2021, it was decided to set the compensation policy described below for the corporate officers subject to the admission to trading of the Company's shares on Euronext Paris (it being specified that this compensation policy will remain unchanged up until, and subject to, the approval of a new compensation policy by the Board of Directors and the annual shareholders' meeting which will be held in 2022).

The Company's compensation policy is defined to be in its best corporate interest and to attract, motivate and retain highly qualified profiles who have the potential to contribute to the Company's success and sustainability, which depends on the achievement of its strategic, commercial and financial objectives in both the medium and long term.

The Company's compensation policy for the corporate officers will be set each year by the Board of Directors based on the recommendations of the Nomination and Compensation Committee, which will assist in particular the Board of Directors in determining and evaluating the compensation and benefits of the corporate officers according to his or her level of responsibility and the time spent on his or her duties. As detailed in Section 14.4.2(a) "*Composition*", the majority of the members of the Nomination and Compensation Committee will be independent.

In accordance with Article L. 22-10-8 II of the French Commercial Code, the compensation policy will be subject to a shareholders' vote every year.

Any change in the compensation policy for the Statutory Corporate Officers will be based on performance and/or changes in the Company's strategy and market shares.

The Company's compensation policy will take into account the Company employees' compensation and employment conditions.

13.1.1 *Compensation policy for the CEO*

The compensation of the CEO will consist of the following elements:

(i) An annual fixed compensation of 450,000 euros (corresponding to 37% of the maximum total compensation) until 31 December 2021 (included), to be increased to 550,000 euros as from 1 January 2022 (corresponding to 42% of the maximum total compensation applicable at this time).

(ii) An annual variable compensation of a maximum total amount of 774,000 euros, (corresponding to a maximum of 63% of the maximum total compensation), based on the following performance criteria (it being specified that such variable compensation will remain unchanged until a new compensation policy is approved by the Board of Directors and the annual general meeting of the Company's shareholders that will be held in 2022):

   (a) Up to 88% of the maximum amount of the variable compensation (i.e. a maximum amount of 684,000 euros corresponding to up to 56% of the maximum total compensation), based on the following quantitative performance criteria:

- Up to 58% of such maximum amount (i.e. a maximum amount of 396,000 euros) based on the Adjusted EBITA. The variable compensation to be received based on this sole criterion for a fiscal year N will be determined based on the percentage of achievement of the Adjusted EBITA targeted in the budget for fiscal year N calculated based on the Non-IFRS Financial Measures for fiscal year N (the "**Adjusted EBITA Budget Achievement**"). The percentage of Adjusted EBITA Budget Achievement will be comprised between 80% and 130%, within which range each 5% threshold of the Adjusted EBITA Budget Achievement will allow the CEO to receive a variable compensation (the "**Adjusted EBITA Variable Compensation**") determined on a linear basis and comprised between 108,000 euros (if 80% of the Adjusted EBITA Budget Achievement is reached) and 396,000 euros (if 130% of the Adjusted EBITA Budget Achievement is reached), it being specified that in case the Adjusted EBITA Budget Achievement is lower than 80%, the CEO will not receive any Adjusted EBITA Variable Compensation. In case the Adjusted EBITA Budget Achievement is 100%, the CEO will be entitled to receive 180,000 euros as Adjusted EBITA Variable Compensation.

- Up to 42% of such maximum amount (i.e. a maximum amount of 288,000 euros) based on the Net Margin. The variable compensation to be received based on this sole criterion for a fiscal year N will be determined based on the percentage of achievement of the Net Margin targeted in the budget for fiscal year N calculated based on the Non-IFRS Financial Measures for fiscal year N (the "**Net Margin Budget Achievement**"). The percentage of Net Margin Budget Achievement will be comprised between 80% and 130%, within which range each 5% threshold of the Net Margin Budget Achievement will allow the CEO to receive a variable compensation (the "**Net Margin Variable Compensation**") determined on a linear basis and comprised between 108,000 euros (if 80% of the Net Margin Budget Achievement is reached) and 288,000 euros (if 130% of the Net Margin Budget Achievement is reached), it being specified that if the Net Margin Budget Achievement is lower than 80%, the CEO will not receive any Net Margin Variable Compensation. In case the Net Margin Budget Achievement is 100%, the CEO will be entitled to receive 180,000 euros as Net Margin Variable Compensation.

(b) Up to 12% of the maximum amount of the variable compensation based on the following qualitative criteria (i.e. a maximum amount of 90,000 euros corresponding to up to 7,4% of the maximum total compensation): recruitment of new vendors, geographical performance and implementation of strategic acquisitions.

The performance criteria used in order to determine the CEO's annual variable compensation reflect the Company's use of its compensation policy to promote the Company's success and sustainability.

According to the provisions of the French Commercial Code, the amount of the variable compensation for fiscal year 2021 will be determined by the Board of Directors according to the principles and criteria described above and will be submitted to the approval of the annual general meeting of the Company's shareholders that will be held in 2022 (it being specified that an amount of 180,000 euros of variable compensation for the period from 1 January 2021 and 30 June 2021 (included) has already been paid to the CEO in 2021 and will be deducted from the amount of the variable compensation to be paid in 2022 following the approval by the annual general meeting of the Company's shareholders).

(iii) Others

(a) Benefits in kind: car, children school tuition fees (up to 70,000 euros per school year), private healthcare insurance and GSC insurance policy.

(b) Severance indemnity: in the event of a termination of the office of Mr. Jesper Trolle in its capacity as CEO of the Company will be entitled to receive a severance indemnity equal to twelve (12) months of fixed compensation and variable compensation. For further information, see "*Table 11*" in Section 13.2.2 "*Compensation or benefits paid or granted to Statutory Corporate Officers*".

13.1.2 *Compensation policy for the Chairperson*

The annual compensation of the Chairperson will be of a fixed amount of 240,000 euros. The Chairperson will not receive any variable or exceptional compensation or any other benefits.

13.1.3 *Compensation policy for the members of the Board of Directors*

The maximum annual amount of compensation to be granted to the independent members of the Board of Directors will be 190,000 euros per year, which will continue to apply until a further decision by the Board of Directors and the shareholders' meeting of the Company on this topic (it being specified that non-independent members of the Board of Directors will not receive any compensation).

The distribution of this amount among the members of the Board of Directors will be based on the following principles:

(i) 22,000 euros per independent member of the Board of Directors and per fiscal year as fixed compensation (including for the Chairperson in addition her fixed compensation indicated above in Section 13.1.2 "*Compensation policy for the Chairperson*");

(ii) 7,000 euros per independent member of the Board of Directors (including the Chairperson of the Board of Directors) for his or her physical presence or for his or her participation by conference call or videoconference at a meeting of the Board of Directors within the limit of four (4) meetings per fiscal year (i.e. a maximum amount per fiscal year of 28,000 euros per independent member of the Board of Directors, it being specified that in case of additional meeting(s), such amount per meeting will be reduced accordingly in order not to exceed it the overall limit of 28,000 euros);

(iii) 5,000 euros per fiscal year for the Chairperson of each Board of Directors' committee (i.e. Audit Committee and Nomination and Compensation Committee);

(iv) 2,500 euros per independent member of the Audit Committee (including the Chairperson) for his or her physical presence or for his or her participation by conference call or videoconference to a meeting of the Audit Committee within the limit of four (4) meetings per fiscal year (i.e. a maximum amount per fiscal year of 10,000 euros per independent member of the Audit Committee, it being specified that in case of additional meeting(s), such amount per meeting will be reduced accordingly in order not to exceed it the overall limit of 10,000 euros); and

(v) 2,500 euros per independent member of the Nomination and Compensation Committee (including the Chairperson) for his or her physical presence or for his or her participation by conference call or videoconference to a meeting of the Nomination and Compensation Committee within the limit of two (2) meetings per fiscal year (i.e. a maximum amount per fiscal year of 5,000 euros per independent member of the Nomination and

Compensation Committee, it being specified that in case of additional meeting(s), such amount per meeting will be reduced accordingly in order not to exceed it the overall limit of 5,000 euros).

If the independent members of the Board of Directors attend all Board of Directors' and committees' meetings, the variable portion will thus structurally be higher than the fixed portion of their compensation.

The criteria used to determine the compensation of the members of the Board of Directors reflect the Company's use of its compensation policy to promote the Company's success and sustainability.

13.2 Compensation or benefits paid or granted to non-executive and executive corporate officers

13.2.1 *Compensation of members of the Board of Directors*

Table 3 (AMF nomenclature)

Table of attendance fees and other compensation received by members of the Board of Directors				
Members of the Board of Directors	**2019**		**2020**	
	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Mr. Jesper Trolle				
Attendance fees (fixed and variable compensation)	N/A	N/A	N/A	N/A
Other compensation	N/A	N/A	€340,604[1]	€228,604[2]
Mr. Olivier Breittmayer				
Attendance fees (fixed and variable compensation)	N/A	N/A	N/A	N/A
Other compensation[3]	€724,187[4]	€636,920[5]	€816,021[6]	€711,114[7]
Total	**€724,187**	**€636,920**	**€1,156,625**	**€939,718**

[1] Mr. Jesper Trolle is the legal representative of the Company since 1 December 2020 (successively as President of the Company under the SAS corporate form and then as CEO since 1 September 2021). This amount includes: (i) €97,500 as employee of the Company according to an employment agreement, (ii) a fixed compensation of € 3,750 as legal representative of the Company, (iii) a fixed compensation of €33,750 as legal representative of Everest SubBidCo, (iv) a variable compensation of €112,000 (of which €11,000 were paid by the Company and €101,000 were paid by Everest SubBidCo) and (iv) benefits in kind amounting to €93,604 (car, accommodation fees, children school tuition fees and private healthcare insurance).

[2] This amount corresponds to the amount granted less the variable compensation for fiscal year 2020 of €112,000 (which was paid in 2021).

[3] Compensation paid by the Company to HTIVB (as legal representative of the Company until 15 September 2020) which is a legal entity ultimately controlled by Mr. Olivier Breittmayer.

[4] This amount includes (i) €276,000 as fixed compensation and (ii) €448,187 as variable compensation (of which €87,267 was paid in 2020).

[5] Amount granted in 2019, excluding the €87,267 variable compensation paid in 2020.

[6] This amount includes (i) €500,003 as fixed compensation and (ii) €316,018 as variable compensation (of which €192,174 was paid in August 2021).

[7] Amount granted in 2020, including the €87,267 variable compensation for fiscal year 2019 and excluding the €192,174 variable compensation for fiscal year 2020 paid in 2021.

13.2.2 *Compensation or benefits paid or granted to Statutory Corporate Officers*

Table 1 (AMF nomenclature)

Summary of compensation or benefits, options and shares granted to each Statutory Corporate Officer		
	2019	**2020**
Mr. Jesper Trolle		
Compensation or benefits granted during the year (*see Table 2 below for further details*)	N/A	€340,604
Valuation of multi-year variable compensation granted in the course of the fiscal year	N/A	N/A
Valuation of options granted during the fiscal year (*see Table 4 below for further details*)	N/A	N/A
Valuation of performance shares granted during the fiscal year (*see Table 6 below for further details*)	N/A	N/A
Valuation of other long-term incentive plans	N/A	N/A
Total	**N/A**	**€340,604**

Table 2 (AMF nomenclature)

Summary of compensation or benefits granted to each Statutory Corporate Officer				
	2019		**2020**	
Mr. Jesper Trolle	Amounts granted	Amounts paid	Amounts granted	Amounts paid
Fixed compensation	N/A	N/A	€135,000[1]	€135,000[1]
Annual variable compensation	N/A	N/A	€112,000[2]	0
Multi-year variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors fees	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	€93,604[3]	€93,604[3]
Total	**N/A**	**N/A**	€340,604	€228,604

[1] This amount includes: (i) €97,500 as employee of the Company according to an employment agreement, (ii) a fixed compensation of €3,750 as legal representative of the Company, (iii) a fixed compensation of €33,750 as legal representative Everest SubBidCo.

[2] This amount includes €11,000 paid by the Company and €101,000 paid by Everest SubBidCo.

[3] Car, accommodation fees, children school tuition fees and private healthcare insurance.

Table 11 (AMF nomenclature)

Statutory Corporate Officer	Employment contract		Supplementary pension plan		Severance or other benefits due or likely to become due as a result of termination or change of office		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Jesper Trolle Chief Executive Officer 1 September 2021 Annual general meeting to be held in 2025		X[1]		X	X[2]			X

[1] Mr. Jesper Trolle had an employment contract with the Company from 15 September 2020 to 30 November 2020.

[2] In the event of a termination of the office of Mr. Jesper Trolle in its capacity as CEO of the Company (and except in the event of (i) gross misconduct (*faute grave*) or serious and willful misconduct (*faute lourde*) committed by the CEO within the Group as these terms are defined and interpretated by French case law, (ii) he leaves the Company on his own initiative for any new position outside the Group, (iii) his position within the Group changes or (iv) he retires), Mr. Jesper Trolle will be entitled to receive a severance indemnity equal to twelve (12) months of fixed compensation and variable compensation calculated based on the fixed compensation and variable compensation paid to the CEO over the last twelve (12) months preceding such termination.

Mr. Michail Zekkos (the Chairman of the Board of Directors as of the date of this Registration Document) and Mrs. Barbara Thoralfsson (the Chairperson of the Board of Directors as from the settlement and delivery of the shares offered in the proposed IPO) have not received any compensation from the Group for the 2019 and 2020 fiscal years.

13.2.3 ***Stock subscription, option plans and performance share grant plans allocated***

Table 4 (AMF nomenclature)

Stock subscription or purchase options granted during the year to each Statutory Corporate Officer by the Company or any Group company						
Statutory Corporate Officer	**Plan no. and date**	**Option type (purchase or subscription)**	**Valuation of the options according to the method used for the consolidated financial statements**	**Number of options granted during the fiscal year**	**Exercise price**	**Exercise period**
	N/A	N/A	N/A	N/A	N/A	N/A

Table 5 (AMF nomenclature)

Stock subscription or purchase options exercised during the year by each Statutory Corporate Officer			
Statutory Corporate Officer	**Plan no. and date**	**Number of stock options exercised**	**Exercise price**
N/A	N/A	N/A	N/A

Table 8 (AMF nomenclature)

Historical information about the attribution of stock subscription or purchase options				
	Plan no. 1	**Plan no. 2**	**Plan no. 3**	**Etc.**
Date of general shareholders' meeting				
Date of the Board of Directors' meeting				
Number of total subscription or purchase options, of which number are available for subscription or purchased by:				
Starting date for option exercise				
Expiry date				
Exercise price				
Exercise terms and conditions (if the plan comprises several tranches)	N/A			
Number of shares subscribed				
Cumulated number of stock subscription or purchase options cancelled or expired				
Number of stock subscription or purchase options outstanding at the end of the fiscal year				

Table 9 (AMF nomenclature)

Stock subscription or purchase options granted to the top ten non employees who are not corporate officers and stock subscription or purchase options exercised by them				
	Total number of options awarded granted/ shares subscribed or purchased	**Weighted average price**	**Plan no. 1**	**Plan no. 2**
Options granted during the year by the issuer and any company included in the stock option plan scope to the top ten employees of the issuer and any company included in this scope, whose number of options awarded is highest (aggregate figure)	N/A			
Options, held in respect of the issuer and in the above-mentioned companies, exercised during the year by the top ten employees of the issuer and such companies, whose number of purchased or subscribed options is highest (aggregate figure)				

13.2.4 *Performance shares*

The CEO has been granted ordinary shares under the free share plan which was implemented at the level of the Company in June 2021 (for more details, see Section 15.3 "*Profit-sharing agreements and incentive schemes*" of this Registration Document).

Table 6 (AMF nomenclature)

Free shares granted during the year to each corporate officer by the issuer or any Group company						
Corporate officers	**Plan no. and date**	**Number of shares granted during the fiscal year**	**Valuation of the shares according to the method used for the consolidated financial statements**	**Vesting date**	**Availability date**	**Performance conditions**
Mr. Jesper Trolle	30 June 2021	1,000,000	1.00 euro	30 June 2022	30 June 2023	N/A

Table 7 (AMF nomenclature)

Free shares that that became available during the fiscal year for each Statutory Corporate Officer			
Statutory Corporate Officers	**Plan no. and date**	**Number of shares that became available during the fiscal year**	**Vesting conditions**
N/A			

Table 10 (AMF nomenclature)

Record of free shares awarded Information on free shares				
	Plan no. 1	**Plan no. 2**	**Plan no. 3**	**Plan no. 4**
Date of general shareholders' meeting	30 June 2021			
Date of the President decision	30 June 2021			
Total number of shares granted	1,550,000			
Of which number of shares granted to:				
- Mr. Jesper Trolle	1,000,000			
Vesting date	30 June 2022			
Retention period end date	30 June 2023			
Performance conditions	N/A			
Number of shares granted as of the date of this Registration Document	1,550,000			
Total number of cancelled or lapsed shares	N/A			
Number of performance shares which may still be granted	5,450,000			

13.2.5 ***Long-term incentive plans***

Exclusive Networks intends to implement, initially, two long term incentive plans (the "**LTIPs**") to incentivize and retain its management team, align management's and shareholders' objectives and ensure a smooth transition from an LBO private company to a publicly-listed entity.

The LTIP has been designed to incentivize growth, aligning shareholder and management interests. The LTIP will apply to a select number of senior executives and employees, both at Group and local levels, and will include:

– Global C-suite executives

– Regional SVPs

– Regional VPs

– Select country Managers

– Other key employees

The metrics used for the LTIP will be initially based solely on the Group's financial performance, notably profitability and cash flow, to ensure a strong focus on value creation. Additionally, given the prominence of ESG matters in Exclusive Networks' values and strategy, the Company is carefully studying and intends to include performance of certain ESG metrics in future LTIPs.

The Company intends that, in the future, the LTIP will have a 3-year "cliff-vesting", which will provide management with long-term incentives that align with the Group's strategy. However, under the first LTIP, to be implemented in January 2022, rights in 100% of the shares granted will vest after 2 years and 4 months.

This first LTIP seeks to (i) act as a transition between the IPO and the full future LTIP payout and (ii) provide the right level of incentives to the Group's key employees following the IPO. Performance will be measured against profitability and cash flow.

The second LTIP will be implemented in 2023 and will have a vesting schedule of 50% in 2025, with the remaining 50% in 2026. Further ESG metrics are being contemplated to be included as part of the second and any subsequent LTIPs.

Future LTIPs are expected to follow similar structures based on metrics that will be aligned to the Company's values and strategy and the shareholders objectives.

13.3 Total amounts set aside or accrued by the Company or its subsidiaries to provide for pension, retirement or similar benefits to the benefit of corporate officers and senior executives

The Group has a provision in its 2020 Consolidated Financial Statements relating to its obligations for defined benefit pension schemes amounting to €2,245,0000 (of which €410,000 is the result of the Veracomp acquisition). The Group's pension liabilities are mainly related to France, Italy, Poland, Indonesia and Thailand. In France, pension liabilities result from sector-based collective bargaining agreements (*convention collective*) with a "final salary" based on the employee's salary and length of employment by the Group.

13.4 IPO bonuses

Exceptional bonuses for an aggregate amount of 2 million euros will be paid to certain corporate officers and employees of the Group in connection with the IPO (including an amount of 1 million euros to be paid to Mr. Jesper Trolle as CEO).

14. RULES APPLICABLE TO CORPORATE BODIES AND MANAGEMENT COMMITTEES

14.1 Term and duration of office of members of the administrative and management bodies

Information on the dates of expiration of the terms of office of members of the Board of Directors and management and information on the period during which each person has served in that office is set out in Section 12.1 "*Composition of administrative, supervisory and management bodies*".

14.2 Information on service contracts between members of the administrative, management or supervisory bodies and the Company or any of its subsidiaries

As of the date of this Registration Document and to the Company's knowledge, there are no service contracts between members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

14.3 Board of Directors' Powers

The Board of Directors shall deliberate on any issue falling within its legal or regulatory powers, in accordance in particular with French law provisions, the Company's Bylaws and the Internal Rules.

In particular, according to the Internal Rules, the Board of Directors shall examine and approve before their implementation, at a simple majority of the members present or represented, any decision listed below:

- approval or amendment to the business plan or to the budget (including investment budgets together with the relating financing plan) of the Company, including the consolidated annual budget of the Group;
- any distributions by the Company and by other Group companies, excluding distributions between wholly-owned subsidiaries;
- any operation that is not part of the Company's announced strategy or that could significantly affect or materially modify the financial structure of results of the Company;
- any acquisition, merger, spin-off, contribution in kind or divestiture insofar as the aggregate amount exceeds 10 million euros (or its equivalent in any other currency);
- any investment (except acquisition, merger, spin-off, contribution in kind or divestiture above mentioned) not approved in the business plan or the budget, for an amount exceeding 10 million euros (or its equivalent in any other currency);
- any decision to set up or to terminate a partnership or joint company where the contribution of the Company or the Group exceeds 10 million euros (or its equivalent in any other currency);
- financing operation which exceeds 100 million euros (or its equivalent in any other currency) for new medium or long term borrowing or 70 million euros (or its equivalent in any other currency) for short term commercial papers;
- any decision to grant guarantees or security interests to third parties (except guarantees granted to customs and tax authorities in the normal course of business) for an amount exceeding the annual aggregate amount to be determined each year by the Board of

Directors and subject to any further authorization granted by the Board of Directors with respect to guarantees or securities granted for the benefit of controlled companies within the Group or more generally to the Chief Executive Officer (*Directeur Général*);

- any decision to settle or initiate a dispute relating to a claim for an amount exceeding 5 million euros (or its equivalent in any other currency) or a claim having a material reputational impact on the Company;

- any issuance of shares or securities giving access, whether immediately or in the future, to the Company's share capital based on any available delegation of competence granted by the Company's shareholders meeting;

- any launch of a significant activity not within the usual scope of the companies of the Group or any decision to stop or reduce significantly the main businesses of the Group;

- any amendment to the Bylaws or to the bylaws or of any Material Subsidiaries (except for amendments of administrative nature); the term "**Material Subsidiaries**" means any subsidiary of the Company which consolidated revenue represents, for the previous financial year, more than 5% of the Company's consolidated annual revenue;

- any merger, demerger or winding up of a Material Subsidiary, excluding intra-Group reorganizations;

- the implementation of any insolvency procedure, dissolution or winding-up (or any similar procedure in each applicable jurisdiction), of the Company or any of its Material Subsidiaries;

- the appointment, renewal or dismissal of the statutory auditors of the Company;

- acquisition by the Company of its own shares; and

- the delisting of the Company or the listing of any Group company.

14.4 Board of Directors' Committees

As of the date of this Registration Document, the Company is incorporated in the form of a French *société anonyme* with a board of directors (*conseil d'administration*).

As part of the new governance, it is intended that two (2) Board of Directors' committees will be created: an audit, internal control and risk committee (the "**Audit Committee**") and a nomination and compensation committee (the "**Nomination and Compensation Committee**"). The composition of the committees (as set forth below) will follow the recommendations of the AFEP-MEDEF Code.

The main provisions of the Internal Rules applying to the Audit Committee and the Nomination and Compensation Committee are set out below.

14.4.1 *Audit Committee*

(a) Composition

The Audit Committee will be composed of at least three (3) members, two (2) of whom will be independent members of the Board of Directors, and none of whom hold management positions. The members of the Audit Committee must have appropriate accounting and financial skills.

The contemplated composition of the Audit Committee as of the listing of the Company's shares on Euronext Paris will be as follows: Mrs. Nathalie Bühnemann (Chair), Mr. Pierre Pozzo and Mrs. Barbara Thoralfsson.

The Audit Committee may hear, in addition to the directors, the statutory auditors as well as the executives in charge of internal control and risk management, and compliance.

The term of office of members of the Audit Committee is the same as their term of office on the Board of Directors.

(b) Duties

The Audit Committee, acting under the responsibility of the Board of Directors, will have notably the following duties:

- to review the financial statements prior to their submission to the Board of Directors and to ensure the relevance and consistency of the accounting principles and methods applied to establish corporate and consolidated accounts;
- to monitor the process for the preparation of the financial information, and in particular its quality and reliability, to make any proposal for its improvement and to ensure that any corrective action have been implemented in the event of malfunction in the process;
- to issue a recommendation regarding the statutory auditors to be appointed by the shareholders' general meeting; to issue recommendations to the Board of Directors for the reappointment of the statutory auditors, as well as for their fees;
- to review the working program of the Company's statutory auditors, and more generally, to supervise the legal audit of the statutory and consolidated financial statements by the Company's statutory auditors;
- to ensure compliance by the statutory auditors with the conditions of independence provided by the French Commercial Code, and in particular through the review of their fees granted by the Group as well as any network to which they may belong and by the prior approval of any duty which does not strictly fall within the statutory audit of the accounts;
- to monitor the effectiveness and consistency of the internal control and risk management systems, and if necessary, suggest complementary actions; and
- to report to the Board of Directors.

14.4.2 *Nomination and Compensation Committee*

(a) Composition

The Nomination and Compensation Committee will be composed of at least three (3) members, two (2) of whom will be independent members of the Board of Directors, and none of whom hold management positions.

The contemplated composition of the Nomination and Compensation Committee as of the listing of the Company's shares on Euronext Paris will be as follows: Mrs. Marie-Pierre de Bailliencourt (Chair), Mrs. Nathalie Bühnemann and Mr. Michail Zekkos.

The term of office of members of the Nomination and Compensation Committee is the same as their term of office on the Board of Directors.

(b) Duties

The Nomination and Compensation Committee is a specialized committee of the Board of Directors whose principal duty is to help the Board of Directors in the composition of the managing bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits of the executives of the Group (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context, the Nomination and Compensation Committee, acting under the responsibility of the Board of Directors, will have notably the following duties:

– to identify and to make proposals to the Board of Directors in relation to the appointment of members of the Board of Directors;

– to suggest nominations to the Board of Directors with a defined objective to ensure balanced representation of men and women within the Board of Directors, and to draft a policy for achieving that objective;

– to perform periodically an evaluation of the structure, size, and composition of the Board and the effectiveness of the Board's work; and

– to prepare the proposals and opinions on compensation and the compensation policy to be sent to the Board of Directors, and in particular, regarding the compensation granted to the executive directors and to perform an annual evaluation of the principles of the compensation and benefit policy.

14.5 Statement relating to corporate governance

As from the expected listing of the Company's shares on Euronext Paris, the Company intends to follow the recommendations of the AFEP-MEDEF Code.

The AFEP-MEDEF Code may be consulted on the Internet at the following address: www.afep.com

For the aspects of its corporate governance known as of the date of this Registration Document, the Company will comply with the recommendations of the AFEP-MEDEF Code.

14.6 Changes having an impact on the corporate governance

Not applicable.

14.7 Internal control

The internal control systems implemented within the Group are described in Section 3.4 "*Risk Management and Insurance*".

Since no Company securities are admitted to trading on a regulated market as of the date of this Registration Document, the Company is not required to (i) prepare a corporate governance report specifically detailing how the Board of Directors prepares and organizes its work and (ii) to include a description of the main characteristics of the internal control and risk management procedures implemented by the Group in the management report.

From the year ending 31 December 2021, assuming that the Company's shares are admitted to trading on Euronext Paris, (i) the Board of Directors of the Company will be required to prepare this report in accordance with the provisions of Articles L. 225-37, L. 22-10-8 to L. 22-10-11 of the French Commercial Code, and (ii) the management report of the Company's Board of Directors to the general shareholders' meeting will also include information on how the Company takes into account the social and environmental consequences of its business, as well as its social commitments to sustainability, diversity and anti-discrimination, in accordance with the provisions of Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code.

15. EMPLOYEES

15.1 Description of the workforce

As of 31 December 2020 and excluding Veracomp[12], which was acquired on 30 December 2020, the Group had approximately 1,733 employees within its scope of consolidation, with approximately 63% employed in Europe, Middle East and Africa (with France accounting for approximately 10% of the Group total), 33% in Asia-Pacific and 4% in Americas. As of 30 June 2021, the Group had approximately 2,219 employees within its scope of consolidation, with approximately 71% employed in Europe, Middle East and Africa (with France accounting for approximately 8% of the Group total), 26% in Asia-Pacific and 3% in Americas.

The Group's workforce is diverse, qualified and experienced. Of the Group's total employees as of 31 December 2020, 40% were female and 63% were under 40 years old. Within France, Germany, the UK and the US, 57% of the Group's employees have a first university degree and 38% have a professional IT background. Of the total number of Group employees, 16% are managers. In France, Germany, the UK and the US, 54% of the Group's employees have more than ten years of experience and 8% have prior experience at a vendor or reseller.

15.1.1 *Evolution and breakdown of the workforce*

The table below shows the evolution of the full-time equivalent workforce over the last three years per geographic area.

	Headcount* as of 30 June(1)	Headcount* as of 31 December(1)		
Geographic area	**2021**	**2020**	**2019**	**2018**
Europe, Middle East and Africa	1,579	1,086	1,055	1,037
Asia-Pacific...	569	578	592	593
Americas...	71	69	64	37
Total	**2,219**	**1,733**	**1,711**	**1,667**

** Headcount excluding independent workers.*

(1) The Group's employee figures as of the referenced dates correspond to the Group's monthly averages.

The table below shows the evolution of the number of employees over the last three years for each employees category:

	Headcount* as of 30 June(1)	Headcount* as of 31 December(1)		
Employees category	**2021**	**2020**	**2019**	**2018**
Country managers..	44	34	35	38
Sales manager / Key accounts............................	260	212	211	284
Sales manager / Small and medium accounts.........	100	81	74	57
Product manager / BDM	289	200	184	110
Inside sales / internal sales	346	299	314	276
Technical / System engineers.............................	455	384	431	452
Marketing..	105	78	70	81
Administration	599	433	382	340

[12] As of 31 December 2020 and including Veracomp, the Group had approximately 2,185 employees.

Apprentices and trainees	21	12	10	29
Total	**2,219**	**1,733**	**1,711**	**1,667**

** Headcount excluding independent workers.*

(1) The Group's employee figures as of the referenced dates correspond to the Group's monthly averages.

15.1.2 *Human resources policy*

The involvement and the development of the Group's employees is a key driver of its performance in the short, medium and long term as its employees are fully part of its intrinsic value. Profile of the Group's employees is in line with the Group's philosophy consisting of a unique human resources approach while maintaining a diversity of talents.

The human resources department is therefore an essential element of the Group's strategy which explains why the Group carefully monitors the integration and well-being of its employees, its ability to create an inclusive, cohesive and respectful working environment, to enhance the promotion and motivation of right people, and to maintain a positive dialog and relationships with its employees.

Fairness, inclusion, agility and empowerment are part of the core values of the Group that are pragmatically supported by a data driven approach. The analysis of certain human resources related data is intended to measure the application, the impact and the adequacy of the human resources policy and to adapt and anticipate the needs in terms of recruitment and internal promotion. The Group's human resources policy is therefore key to ensure a smooth succession plan maintaining business sustainability and continuity.

One of the key objectives of the Group's human resources policy is to implement, as far as possible, a coherent career path for each employee within the Group in order to actively participate in their personal development within the Group and to strengthen their sense of belonging and commitment, reflecting the Group's overall philosophy. This approach is expected to apply across all functions and operational countries and is part of the talent retention policy, particularly with respect to engineers having product and technical knowledge, who play a key role and whose recruitment is exposed to increased competition (for more details, see Section 3.1.7 "*The Group's success depends upon its ability to attract, retain, motivate and develop key executives and employees with the requisite technical expertise, and the failure to do so could adversely affect the Group's results*" of this Registration Document).

Hence, the Group is considering the implementation of an ambitious and innovative human resources policy to enable each employee to find the best fit in terms of job assignment, personal development and skills in response to the business needs and concerns.

(a) Diversity and gender equality policy

The Group is deeply engaged in the development of diversity and gender equality, which has evolved significantly and positively over the past years.

Going forward, the Group is therefore willing to strengthen its efforts in order to implement a policy supporting gender equality, as well as gender and generational diversity of its staff and the integration of people with disabilities, which are part of the Group's strategy as key drivers of its efficiency and success.

More generally, the Group has always seriously considered all discrimination behaviors towards its employees, which are in breach of its core values. The Group therefore aims at reinforcing its internal non-discrimination policy, at the occasion of internal and external hiring processes as well as along the career path of its employees.

The main focus of the Group's diversity and gender equality policy will include:

- ensuring that applications are received from, and that recruitment practices carefully consider on a non-discrimination basis, (i) all genders, and (ii) people with a broad scope of backgrounds, in particular in terms of studies, experiences, age and nationality;

- raising staff awareness about the need for gender balance;

- creating more employment opportunities for people with disabilities and changing employee biases and behaviors towards disability;

- ensuring equal gender chances and treatment in terms of promotion access; and

- balancing internal promotion (international and local) with external recruitment.

The results of the Group's policy will be assessed in light of various areas of actions, the main of which are as follows: hiring, training, career development, promotion, working conditions, effective remuneration, and balance between professional life and exercise of family responsibilities.

(b) Training

The Group is continuously investing in training to enable its employees to improve their capabilities and develop new skills in line with the Group's objectives and their foreseeable evolutions, and to maintain their abilities and employability throughout their career. The training policy aims at offering each employee the opportunity to realize their respective potential and to fulfil their ambition, and is also in line with the above-mentioned diversity and gender equality policy's objectives.

The Group's general training programs cover compliance, leadership and management, business/services-related training, soft skills, technical, tools and systems and health and safety issues. As part of the Group's human resources policy, training programs are reviewed on an annual basis and training needs are considered during annual appraisals.

(c) Health and safety

The Group is very attentive to employment-related issues, and in particular, to health and safety in the workplace, security and quality of the work environment.

In this context, the Group's human resources established a Health, Safety and Environment (HSE) Policy in February 2020 that is intended to apply uniformly to everyone working on any Group site or remotely and that aims at preventing workplace accidents and occupational illnesses by ensuring safe, secure and healthy working conditions.

The HSE Policy is articulated around the following focuses:

- compliance with applicable legal, regulatory, industry and corporate requirements;

- design of companies' facilities in a safe, secure, efficient and environmentally responsible manner;

- zero incident; and

- continuous improvement of HSE performance.

The health and safety strategy is primarily based on compliance, resources, training, equipment and awareness-raising.

(d) Compensation policy

The compensation policy, which applies to each entity within the Group, is based on global principles which are applied in each country, taking into account their economic, social and competitive characteristics, as well as the legal and regulatory requirements in effect, in particular with regards to minimum wages.

The Group has developed a compensation policy that seeks to reinforce the link and the adequacy between performance and remuneration.

The Group's compensation policy is intended to be in line with the highest standards of the markets in which the Group operates, in order to attract and retain talents and to create a fair and incentive working environment. Employees' compensation is reviewed on an annual basis, taking into account both their respective performance and the Group's performance. The compensation system includes a fixed compensation which rewards the ability to hold a position satisfactorily, to which is added, where appropriate, a variable compensation which is intended to acknowledge and reward the collective and individual performance, and which depends on the results obtained with regard to objectives, which are defined at the beginning of the year and evaluated on a quarterly basis.

(e) Employee relations

The Group's subsidiaries are subject to different legal and regulatory requirements regarding employee representation depending on the country in which they are located.

In France, Exclusive Networks and Everest SubBidCo have each set up an Economic and Social Committee (*Comité social et économique*). A collective agreement regarding working time (*reduction du temps de travail*) was entered into on 22 December 2014 within Exclusive Networks.

The Group considers that it has satisfactory relations with its employees and their representatives, including with works council opinions regularly favorable to the projects presented by the management.

15.2 Shareholdings and stock options

15.2.1 *Shareholdings*

As of the date of this Registration Document, certain senior officers and managers of the Group are indirect shareholders of the Company through the ownership of EM Networks 1 and EM Networks 2 (see Section 6.1.1 "*Simplified Group organizational chart on the date of this Registration Document"*).

Following the Reorganization, such senior officers and managers of the Group will become direct shareholders of the Company (see Section 6.1.2 "*Description of the Reorganization*").

For further detail regarding the shareholdings of each member of the Board of Directors (including the CEO and the Chairperson of the Board of Directors), see Section 12.1.1 "*Board of Directors*").

15.2.2 *Stock options*

Not applicable.

15.3 Profit-sharing agreements and incentive schemes

A free share plan has been implemented at the level of the Company on 30 June 2021 for a maximum number of 7,000,000 (of which 1,550,000 ordinary shares (representing 0.21% of the Company's share capital), of a nominal value of 0,01 euro per share, have already been granted on 30 June 2021, including 1,000,000 granted to Mr. Jesper Trolle) to be issued by the Company for the benefit of certain senior managers and corporate officers of the Group, including the CEO.

The grant of such free shares are subject to (i) a one-year vesting period, following which the shares will be issued by the Company subject in particular to the fact that the beneficiaries have still a position as employee or corporate officer within the Group and (ii) a subsequent one-year retention period following such vesting period.

For further details, see note 18 "*Share-Based Payment*" of the Interim Condensed Consolidated Financial Statements.

16. MAJOR SHAREHOLDERS

16.1 Shareholders

The table below shows the breakdown of the Company's major shareholders as of the date of this Registration Document:

Shareholder	Number of shares	% of share capital	Number of voting rights	% of voting rights	Share classes
Everest UK HoldCo Limited	569,050,890	77.77%	569,050,890	77.77%	▪ 341,430,574 PS2 preference shares; ▪ 227,620,316 PS3 preference shares
HTIVB	98,182,558	13.42%	98,182,558	13.42%	▪ 89,999,992 ordinary shares; ▪ 8,182,565 PS1 preference shares; ▪ 1 PS4 preference share
EM Networks 1	34,466,890	4.71%	34,466,890	4.71%	▪ 34,466,890 PS1 preference shares
EM Networks 2	29,262,606	4.00%	29,262,606	4.00%	▪ 29,262,606 ordinary shares

As part of the Reorganization described in Section 6.1.2 "*Description of the Reorganization*" of this Registration Document, the preference shares will be converted into ordinary shares of the Company with effect on the date of settlement and delivery of the shares offered in the proposed IPO.

16.1.1 *Everest UK HoldCo Limited / Permira*

Everest UK HoldCo Limited is a private limited company incorporated under the laws of England & Wales, with a share capital of 579,017,255 ordinary shares, split into one share worth GBP 1 and 579,017,254 shares worth €5,790,172.54 (all fully paid up), and having its registered office at C/O Permira VI Investment Platform Limited, 80 Pall Mall, London, United Kingdom, SW1Y 5ES, registered with the Companies House under number 11382959.

Everest UK Holdco Limited is majority owned by Permira VI Investment Platform Limited, which itself is indirectly controlled by entities that collectively comprise the Permira VI Fund ("**Permira VI**"). Permira VI is ultimately controlled by Permira VI GP Limited.

16.1.2 *EM Networks 1 and EM Networks 2*

The executives and principal managers of the Group are shareholders in the Company through the companies EM Networks 1 and EM Networks 2.

EM Networks 1 is a French *société par actions simplifiée* with a share capital of €41,632,606 and having its registered office at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France, registered on 31 May 2018 with the Nanterre Trade and Companies Registry under number 839 991 478.

EM Networks 2 is a French *société par actions simplifiée* with a share capital of €29,262,602 and having its registered office at 20 quai du Point du Jour, 92100 Boulogne-Billancourt, France, registered on 4 June 2018 with the Nanterre Trade and Companies Registry under number 840 232 698.

16.1.3 *Other Major Shareholder*

HTIVB is a Belgian *société anonyme* with a share capital of €239,700 and having its registered office at Grand Route 2017, B-1428 Braine-l'Alleud, Belgium, registered under number BE 0867.024.206. HTIVB is ultimately controlled by Mr. Olivier Breittmayer.

As part of the Reorganization described in Section 6.1.2 "*Description of the Reorganization*" of this Registration Document, the shareholder base will be modified primarily as a result of (i) the mergers of EM Networks 1 and EM Networks 2 into the Company, (ii) the cancellation of the ordinary and preferred shares to be received by the Company in connection with such mergers, and (iii) the conversion of the outstanding class 1, 2, 3 and 4 preferred shares of the Company into ordinary shares on the basis of their financial rights and the IPO Price

16.2 Statement relating to voting rights of the Company

According to the Company's Bylaws, each share of the Company entitles to one vote.

The double voting right provided for by article L. 225-113 of the French Commercial Code is expressly excluded by the Bylaws, as effective as of the admission of the Company's shares to trading on Euronext Paris.

16.3 Statement relating to control of the Company

As of the date of this Registration Document, the Company is controlled by Everest UK HoldCo Limited. It is planned that, upon the completion of the proposed IPO, the Company will remain controlled by Everest UK HoldCo Limited. Everest UK HoldCo Limited is majority owned by Permira VI Investment Platform Limited, which itself is indirectly controlled by Permira VI. Permira VI is ultimately controlled by Permira VI GP Limited.

As of the date of this Registration Document, Everest UK HoldCo Limited, HTIVB, EM Network 1, EM Network 2, and certain co-investors and Group's managers and executives were party to a shareholders' agreement signed on 4 July 2018. This shareholders' agreement will terminate on the date of admission of the Company's shares to trading on Euronext Paris. As of the date of this Registration Document, it is contemplated that a shareholders' agreement be entered into between Everest UK HoldCo Limited and HTIVB which would include certain provisions with respect to corporate governance and orderly transfer of shares. Everest UK HoldCo Limited and HTIVB would not be acting in concert.

Following the admission of the Company's shares to trading on Euronext Paris, and to ensure that Everest UK HoldCo Limited does not unfairly use its control of the Company, the Company intends to follow the recommendations of the AFEP-MEDEF Code applicable to controlled companies. In accordance with those recommendations, at least one-third of the members of the Board of Directors will be independent directors. Thus, following the AFEP-MEDEF recommendations on corporate governance, and in particular on the composition of the committees of the Board of Directors, the Company will protect the interests of minority shareholders.

16.4 Arrangements that could lead to a change of control

To the Company's knowledge, there is no agreement as of the date of this Registration Document the implementation of which might lead to a change of control.

17. RELATED PARTY TRANSACTIONS

17.1 Principal related-party transactions

Related-party transactions within the meaning of article L. 227-10 of the French Commercial Code for the financial years ended 31 December 2020 and 31 December 2019 are described in Section 17.2 "*Special reports of the auditors on related party transactions*" of this Registration Document.

The related party transactions within the meaning of IFRS are described in Note 17.4.2 to the Group's 2020 Consolidated Financial Statements which are included in Section 18.2.1 "*Group's 2020 Consolidated Financial Statements*" of this Registration Document.

The agreement referred into in Section 17.2.2 "*Special report of the auditors on related-party transactions (general shareholders' meeting dated 30 January 2020*" has been terminated in 2020. See Section 13.2.1 "*Compensation of members of the Board of Directors*" for further details on the amounts paid in 2019 and 2020 to HTIVB according to such agreement.

The related party transactions within the meaning of IFRS are described in Note 19.3.2 to the Group's Interim Condensed Consolidated Financial Statements which are included in Section 18.1.1 "*Group's Interim Condensed Consolidated Financial Statements*" of this Registration Document. These transactions relate mainly to settlements of consulting and management services.

As described in Note 19.3.2, Exclusive Networks Belux BV granted, on April 21, 2021, a €1.5 million 7-year non-mortgage term loan to Mr. Jesper Trolle. The loan was granted to Mr. Jesper Trolle so that he could finance the exercise of various share options in EM Networks 1.

17.2 Special reports of the auditors on related-party transactions

17.2.1 *Special report of the auditors on related-party transactions for the financial year ended 31 December 2020*

This is a free translation into English of a report issued in French and it is provided solely for convenience. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Bruno PALASSET	Deloitte & Associés
49, rue Carnot	6, place de la Pyramide
95250 Cormeilles-en-Parisis	92908 Paris-La Défense Cedex

EVEREST HOLDCO

Société par actions simplifiée

20, Quai du Point du Jour

92100 Boulogne-Billancourt

Statutory auditors' report on related party agreements

General Shareholders' Meeting to approve the financial statements for the financial year ended 31 December 2020

To the General Shareholders' Meeting of EVEREST HOLDCO,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions and the reasons for the company's interest of those agreements indicated to us, or that we may have identified in the performance of our engagement, without being required to comment as to whether they are beneficial or appropriate or to seek out the existence of any other such agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this type of engagement.

Agreements submitted for approval by the General Shareholders' Meeting

Agreements authorized during the financial year

We hereby inform you that we have not been advised of any agreements or commitment authorized in the course of the past financial year to be submitted to the General Shareholders' Meeting for approval in accordance with Article L. 227-10 of the French *Code de Commerce*.

Cormeilles-en-Parisis and Paris-La Défense, on 2 June 2021

French original signed by

The statutory auditors

Bruno PALASSET

Deloitte & Associés

Jean-Marie Le Guiner

17.2.2 ***Special report of the auditors on related-party transactions (general shareholders' meeting dated 30 January 2020***

This is a free translation into English of a report issued in French and it is provided solely for convenience. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Bruno PALASSET	Deloitte & Associés
49, rue Carnot	6, place de la Pyramide
95250 Cormeilles en Parisis	92908 Paris-La Défense Cedex

EVEREST HOLDCO

Société par actions simplifiée

20, Quai du Point du Jour

92100 Boulogne-Billancourt

Statutory auditors' report on related party agreements

General Shareholders' Meeting dated 30 January 2020

To the General Shareholders' Meeting of EVEREST HOLDCO,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the main terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, without being required to comment as to whether they are beneficial or appropriate or to seek out the existence of any other such agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this type of engagement.

Agreements submitted for approval by the General Shareholders' Meeting

Agreements authorized during the past year

We have been advised of the following agreement referred to in Article L. 227-10 of the French commercial code, which was previously authorized by your Supervisory Board.

Description of the agreement authorized during the year

<u>Amendment n°1 to the social mandate agreement between EVEREST HOLDCO (the "Company") and HTIVB</u>

Executive concerned: HTIVB, President of the company Everest HoldCo SAS and also shareholder of the company.

The Company and HTIVB entered into a social mandate agreement on 4 July 2018 governing the mission and compensation of HTIVB.

In accordance with the provisions of Article 5 of the agreement, on 30 January 2020, the supervisory board of the Company approved the draft amendment modifying the terms and conditions of HTIVB's compensation in respect of its corporate office as of 1 January 2020.

Amended financial terms and conditions:

- Fixed annual compensation of 500,000 euros;

- Variable compensation calculated as follows and paid annually on the basis of the management accounts of the Exclusive Networks Group and after approval of said accounts by the Company's supervisory board ruling in accordance with the majority and quorum rules provided for in the Company's bylaws and the Shareholders' Agreement:

  (i) 0.683% of the increase in Net Margin achieved by the Exclusive Networks Group during the relevant fiscal year compared to the Net Margin achieved during the previous fiscal year (i.e., 249,112,997 euros for the fiscal year ended 31 December 2019); and

  (ii) in case of EBITDA Growth and achievement of a Consolidated EBITDA below 95% of the Budgeted Consolidated EBITDA: 1.176% of the Growth EBITDA 1; and

  (iii) in case of EBITDA Growth and achievement of a Consolidated EBITDA greater than or equal to 95% of the Budgeted Consolidated EBITDA: 1.176% of the Growth EBITDA 1 and 2.352% of the growth EBITDA 2.

- An example of the calculation of variable compensation for fiscal year 2020 is provided in the Appendix of the draft amendment no. 1 to the agreement.

Cormeilles en Parisis and Paris-La Défense, on 30 January 2020

French original signed by

The statutory auditors

Bruno PALASSET	Deloitte & Associés
	Jean-Marie LE GUINER

17.2.3 *Special report of the auditors on related-party transactions for the 19-month period ended 31 December 2019*

This is a free translation into English of a report issued in French and it is provided solely for convenience. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Bruno PALASSET	Deloitte & Associés
49, rue Carnot	6, place de la Pyramide
95250 Cormeilles en Parisis	92908 Paris-La Défense Cedex

EVEREST HOLDCO

Société par actions simplifiée

20, Quai du Point du Jour

92100 Boulogne-Billancourt

Statutory auditors' report on related party agreements

General Shareholders' Meeting to approve the financial statements for the 19-month period ended 31 December 2019

To the General Shareholders' Meeting of EVEREST HOLDCO,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions and the reasons for the company's interest of those agreements indicated to us, or that we may have identified in the performance of our engagement, without being required to comment as to whether they are beneficial or appropriate or to seek out the existence of any other such agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed those procedures which we considered necessary to comply with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this type of engagement.

Agreements submitted for approval by the General Shareholders' Meeting

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Agreements authorized during the 19-month period

We hereby inform you that we have not been advised of any agreements or commitment authorized in the course of the 19-month period to be submitted to the General Shareholders' Meeting for approval in accordance with Article L. 227-10 of the French *Code de Commerce*.

Cormeilles en Parisis and Paris-La Défense, on 28 April 2020

French original signed by

The statutory auditors

Bruno PALASSET	Deloitte & Associés
	Jean-Marie LE GUINER

18. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, LIABILITIES, FINANCIAL POSITION, PROFITS AND LOSSES

18.1 **Group's Interim Condensed Consolidated Financial Statements for the six month interim period ended 30 June 2021 and Statutory Auditors' review report**

18.1.1 ***Group's Interim Condensed Consolidated Financial Statements***

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CONSOLIDATED STATEMENT OF INCOME

		For the six months ended	
(in € thousands)	**Notes**	**30 June 2021**	**30 June 2020**
Revenue	5.1	1,105,855	878,859
Costs of purchased goods and services	5.2	(958,009)	(758,141)
Freight on sales		(2,472)	(1,686)
Net Margin		**145,374**	**119,031**
Personnel costs	5.3	(72,370)	(58,147)
Other operating costs	5.4	(23,463)	(21,864)
Depreciation and amortization	5.5	(33,783)	(31,814)
Recurring operating profit		**15,758**	**7,206**
Non-recurring operating income and expenses	5.6	(4,680)	(517)
Operating profit		**11,078**	**6,689**
Finance debt costs	13.4	(16,050)	(17,986)
Interest on lease liabilities		(279)	(311)
Other financial income and expenses	13.4	1,242	291
Net financial income/(expense)		**(15,086)**	**(18,005)**
Profit/(loss) before income tax		**(4,009)**	**(11,316)**
Income/(expenses) tax	6	(14,928)	6,416
Profit/(loss) for the period		**(18,937)**	**(4,900)**
Profit/(loss) attributable to:			
- Owners of the parent company		(19,133)	(5,214)
- Non-controlling interests		197	314
Earnings per share attributable to parent company (in €):			
- Basic earnings per share	15.5	(0.07)	(0.04)
- Diluted earnings per share	15.5	(0.07)	(0.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
(in € thousands)	**Notes**	**30 June 2021**	**30 June 2020**
Profit/(loss) for the period		**(18,937)**	**(4,900)**
Exchange differences on translation of foreign operations net of income tax		10,962	(12,017)
Total items that may be reclassified to profit or loss		10,962	(12,017)
Remeasurements of post-employment benefit obligations	17	-	-
Income tax relating to these items		-	-
Total items that will not be reclassified to profit or loss		-	-
Other comprehensive income/(expense)		**10,962**	**(12,017)**
Total comprehensive income/(expense)		**(7,975)**	**(16,917)**
Comprehensive income/(expense) attributable to:			
- Owners of the parent company		(8,269)	(17,211)
- Non-controlling interests		294	294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € thousands)	Notes	30 June 2021	31 Dec. 2020
ASSETS			
Goodwill	7.1	289,481	288,639
Other intangible assets	7.2	1,162,585	1,166,885
Property, plant and equipment	7.3	7,522	5,875
Right-of-use assets	8.1	19,783	21,984
Non-current other financial assets	13.1	38,227	25,306
Deferred tax assets	6	24,235	12,685
TOTAL NON-CURRENT ASSETS		**1,541,833**	**1,521,375**
Trade receivables and other receivables	9	671,767	863,607
Inventories	10	100,750	113,478
Current other financial assets	13.1	7,447	13,707
Current derivative assets	13.3	2,885	-
Cash and cash equivalents	12	133,182	163,232
TOTAL CURRENT ASSETS		**916,031**	**1,154,024**
TOTAL ASSETS		**2,457,864**	**2,675,398**
EQUITY AND LIABILITIES			
Share capital and share premium	15.1	740,399	740,399
Retained earnings and other reserves		(57,183)	(33,916)
Foreign currency translation reserve		(9,352)	(20,216)
Equity attributable to the owners of the parent company		**673,864**	**686,267**
Non-controlling interests	15.4	1,437	1,293
TOTAL EQUITY	**15**	**675,301**	**687,561**
Non-current other financial liabilities	13.2	704,715	706,538
Non-current lease liabilities	8.2	13,363	15,238
Non-current provisions	16	4,647	3,261
Deferred tax liabilities	6	301,903	278,890
TOTAL NON-CURRENT LIABILITIES		**1,024,628**	**1,003,928**
Trade payables and other liabilities	11	681,291	869,689
Current other financial liabilities	13.2	60,850	94,476
Current lease liabilities	8.2	7,040	7,283
Current provisions	16	1,138	1,503
Current derivative liabilities	13.3	-	5,680
Current tax liabilities	6	7,616	5,279
TOTAL CURRENT LIABILITIES		**757,935**	**983,910**
TOTAL EQUITY AND LIABILITIES		**2,457,864**	**2,675,398**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Notes	For the six months ended 30 June 2021	30 June 2020
OPERATING ACTIVITIES			
Profit/(loss) for the period		**(18,937)**	**(4,900)**
Non-cash items			
- Depreciation, amortisation, impairment and change in provisions		33,856	31,753
- Changes in deferred taxes	6	7,552	(7,450)
- Gains and losses on disposal of fixed assets		(15)	(5)
- Other non-cash items		2,035	1,316
Cash flows from op. activities before change in working capital		**24,492**	**20,713**
Change in working capital	14	**5,750**	**50,108**
NET CASH FROM OPERATING ACTIVITIES		**30,241**	**70,821**
INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets		(3,867)	(1,212)
Disposals of fixed assets		585	400
Changes in other financial assets		(1,406)	-
Impact of changes in scope of consolidation	3.4	(4,233)	(6)
NET CASH FROM INVESTING ACTIVITIES		**(8,921)**	**(818)**
FINANCING ACTIVITIES			
Dividends paid		-	(206)
Disposal (acquisition) of Treasury shares		(3,309)	-
Purchase of non-controlling interests	13.2.2	(180)	-
Proceeds from issuance of bank borrowings	13.2.2	-	6,027
Proceeds from issuance of other financial liabilities	13.2.2	16,197	7,794
Factoring liabilities	13.2.2	(34,495)	(5,535)
Short-term financing	13.2.2	(5,158)	15,112
Repayment of bank borrowings	13.2.2	(20,517)	(64)
Repayment of other financial liabilities	13.2.2	(8,929)	(6,492)
Repayment of lease liabilities	8.2	(4,329)	(3,789)
NET CASH FROM FINANCING ACTIVITIES		**(60,720)**	**12,847**
Effects of exchange rate fluctuations on cash and cash equivalents		566	(3,460)
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS		**(38,834)**	**79,389**
Net cash and cash equivalents at the beginning of the period		162,217	106,008
Net cash and cash equivalents at the end of the period	12	123,383	185,398

Cash-flows included within the cash flows from operating activities before change in working capital:

- Income tax paid amounted to €8.6 million and €5.4 million for the six months ended 30 June 2021 and 2020 respectively.
- Interest paid on bank borrowing amounted to €15 million and €16.7 million for the six months ended 30 June 2021 and 2020 respectively.
- Interest paid on lease liabilities amounted to €0.3 million and €0.3 million for the six months ended 30 June 2021 and 2020 respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent company										
	Share capital and premiums		Total Share capital and premiums	Retained earnings and other reserves (excl. OCI)	Other comprehensive income (OCI)			Total OCI	Total attributable to owners	Non-controlling interests	Total equity
(in € thousands)	Share capital	Share premiums			Foreign currency translation adjustment	Employee benefit obligations	Related income tax				
Balance at 1 January 2020	**7,317**	**733,082**	**740,399**	**(30,661)**	**12,874**	**(103)**	**26**	**12,797**	**722,534**	**1,165**	**723,699**
Profit for the period				(5,214)					(5,214)	314	(4,900)
Other comprehensive income					(11,997)	-	-	(11,997)	(11,997)	(20)	(12,017)
Total comprehensive income				**(5,214)**	**(11,997)**	**-**	**-**	**(11,997)**	**(17,211)**	**294**	**(16,917)**
Changes in scope & other changes											
Dividends										(206)	(206)
Other				38					38		38
Balance at 30 June 2020	**7,317**	**733,082**	**740,399**	**(35,838)**	**877**	**(103)**	**26**	**800**	**705,361**	**1,252**	**706,613**
Balance at 1 January 2021	**7,317**	**733,082**	**740,399**	**(33,804)**	**(20,216)**	**(149)**	**37**	**(20,328)**	**686,267**	**1,293**	**687,561**
Profit for the period				(19,133)					(19,133)	197	(18,937)
Other comprehensive income					10,864	-	-	10,864	10,864	97	10,962
Total comprehensive income				**(19,133)**	**10,864**	**-**	**-**	**10,864**	**(8,269)**	**294**	**(7,975)**
Changes in scope & other changes				(1,900)					(1,900)		(1,900)
Dividends											
Share based payment				1,627					1,627		1,627
Net change in treasury shares				(3,961)					(3,961)		(3,961)
Other				100					100	(150)	(51)
Balance at 30 June 2021	**7,317**	**733,082**	**740,399**	**(57,071)**	**(9,352)**	**(149)**	**37**	**(9,464)**	**673,864**	**1,437**	**675,301**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

1.1 Presentation of the Group

Everest HoldCo SAS ("Exclusive Networks") was incorporated on 19 April 2018 for the purposes of acquiring, through its subsidiary Everest SubBidCo SAS, all outstanding shares in Exclusive France Holding SAS on 4 July 2018.

As a leading global specialist in innovative cybersecurity technologies, Exclusive Networks and its subsidiaries (the Group) buy and sell the cybersecurity solutions and adjacent products of its established vendors. It also provides services such as training, support and installation. With offices in over 40 countries across five continents, the Group is organised into three regions EMEA (Europe, Middle East, Africa), APAC (Asia-Pacific) and Americas (USA, Canada).

The Group is incorporated and domiciled in Boulogne-Billancourt, France. Its registered office is located at 20, Quai du Point du Jour, 92100 Boulogne-Billancourt.

1.2 Significant events of the period

Acquisition of Veracomp KFT (Hungary)

On 18 February 2021, as part of its external growth strategy, the Group acquired 90% of outstanding shares in the Hungarian entity Veracomp KFT for a purchase price of €575 thousand (*see note 3.1*).

United Kingdom income tax revision

In Q1 2021, the income tax in the United Kingdom has been revised from 19% to 25% effective 1 April 2023. This sole increase in income tax will result in an increase in deferred tax liabilities related to vendor relationships assets for an amount of €13,409 thousand and an increase in deferred tax liabilities related to trademark for an amount of €2,974 thousand.

New factoring arrangement

On 11 May 2021, the Group entered into a pan-European factoring program pursuant to which the Group will sell the receivables arising from the sales of cybersecurity solutions to debtors in several countries. As of 30 June 2021, the factoring program is only deployed in France through a local contract (*see note 9*).

Note 2. Accounting policies

2.1 Basis of preparation

These Interim Condensed Consolidated Financial Statements as of and for the six-month period ended 30 June 2021 have been prepared in the context of the proposed offer to the public and admission of the shares of the Company to trading on Euronext Paris. They were prepared specifically for the purposes of the prospectus subject to approval by the Autorité des marchés financiers (the "AMF").

These Interim Condensed Consolidated Financial Statements as of and for the six-month period ended 30 June 2021 have been prepared in accordance with Accounting Standard IAS 34 "Interim Financial Reporting" and were reviewed by the Supervisory Board and approved for issue by the Chairman on August 20, 2021.

These Interim Condensed Consolidated Financial Statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these Interim Condensed Consolidated Financial Statements are to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020..

The accounting policies applied for the preparation of the condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2021 of Exclusive Networks and its subsidiaries are in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standard Board (IASB) and adopted by the European Union (EU) as of 30 June 2021. They are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (*see note 6*) and the adoption of new and amended standards as set out below.
The Interim Condensed Consolidated Financial Statements are presented in euro currency. Unless otherwise stated, all amounts are stated in thousands of euros. Rounding differences on totals may occur between the different financial statements.

Seasonality

The activity of the Group is subject to seasonal fluctuations which over the last 3 years resulted in higher revenue and results from operations in the second half of the year with the anticipation of the end of the calendar year and budget period. Therefore, the financial performance of the first half of 2021 reported in these interim condensed consolidated financial statements is not necessarily indicative of the results of Exclusive Networks for the full year 2021. In the balance-sheet, main financial captions impacted by the activity's seasonality effects are the trade receivables (*note 9*) and trade payables (*note 11*).

Change in accounting policy – "Demo Stocks"

In January 2021, "demo stocks" (devices purchased for demonstration and commercial support purposes which are not held for sale in the ordinary course of business nor consumed in the rendering of services) previously classified as inventories and depreciated on a straight-line basis have been reclassified as tangible assets for a net book value of €1.9 million.
Should this reclassification be performed into the Consolidated Financial Statement opening balance on 1 January 2021, it would have been of similar value.
Going forward and as presented in this 6-month period ended 30 June 2021, "demo stocks" are recorded directly as tangible assets and are amortised on a straight-line basis over a 3-year period.

2.2 Accounting policies

IFRS Standards, amendments, and interpretations adopted by the European Union and effective from 1 January 2021

- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)
- Amendments to IFRS 4 Insurance Contracts -- deferral of IFRS19 (issued on 25 June 2020)

The application of these amendments had no material impact on the Group's Interim Condensed Consolidated Financial Statements.

IFRS Standards, amendments and interpretations not yet adopted by the European Union

- Amendments to IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements to IFRSs – 2018-2020 cycle
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021(issued on 31 March 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

The Group does not expect the application of the above standard and amendments to have a material impact on its consolidated financial statements.

2.3 Use of judgements and estimates

2.3.1 Estimates

While preparing these interim financial statements, management exercised its judgement and made estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual values may differ from estimated amounts.

The key estimates used in preparing these Group's consolidated financial statements and the main sources of estimation uncertainty are similar to those described in the last annual financial statements except for:
- measurement of share-based payment plans newly granted in the first half year 2021 (*see note 18*)
- basis of allocation of IPO related costs newly started to be incurred in the first half year 2021 between prepaid expenses and non-recurring expenses (*see note 5.6*).

and, in the context of interim financial reporting:
- weighted average effective annual income tax rate expected for the full financial year (*see note 6*)
- actuarial pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations and one-off events (*see note 17*)
- identification of IPO related costs (*see note 5.6*).

Notwithstanding the Covid-19 pandemic, the Group managed to maintain business continuity during the first half of 2021 and its estimates and judgements therefore remain valid.

2.3.2 Judgements

Group management also makes judgements in determining the appropriate accounting policies to apply to certain activities and transactions, particularly when the IFRS standards and IFRIC interpretations in force do not specifically deal with the related accounting issues.

The main judgements exercised in preparing these Group's consolidated financial are similar to those described in the last annual financial statements except for
- determining whether the new pan-European factoring agreements may result in derecognition or not (*see note 9*)

2.4 Going concern

Management considers the Group has sufficient resources to continue operating for at least 12-months and that there are no material uncertainties about the Group's ability to continue as a going concern.

Note 3. Scope of consolidation

The changes in the scope of consolidation result from business combinations as defined by IFRS 3R “Business Combination” and acquisitions of assets and groups of assets.

3.1 Acquisitions in the current reporting period

Acquisition of Veracomp KFT (Hungary)

On 18 February 2021, the Group acquired 90% of the share capital of the Veracomp KFT, a Hungarian distributor of cybersecurity solutions and infrastructure. This acquisition completes the acquisition of Veracomp in December 2020.

The determination of the goodwill above is provisional and may be adjusted during a 12-month measurement period after the acquisition date, specially to identify and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest as well as the consideration transferred.

3.2 Acquisitions in the comparative period

There were no acquisitions in the comparative period.

3.3 Non-controlling interest acquired

On 23 February 2021, the Group acquired 2.05% non-controlling interests in Exclusive Capital SAS for a total purchase price of €180 thousand.

3.4 Other

Nuaware Limited – Earn-out

As additional consideration contractually agreed in November 2020 for Nuaware Limited’s shares acquisition, the Group paid an earn-out of €4.3 million (£3.7 million) in May 2021.

Everest HoldCo S.A.S - Merger with EM Networks 1 and EM Networks 2

In the context of the proposed offer to the public and the admission of the shares of the Company to trading on Euronext Paris, the Supervisory Board approved on 30 June 2021 the reorganisation and the simplification of the Group's structure including a merger with EM Networks 1 and EM Networks 2 which are minority shareholders of Everest HoldCo SAS (*see note 19.3.1*). These mergers will be effective if and at the completion date of the IPO.
Considering that EM Networks 1 and EM Networks 2's statutory financial statements are only made-up of shares for Everest HoldCo S.A.S., cash at bank and unsignificant trade payables, the main impacts of these mergers on the Group's Consolidated Financial Statements are expected to be on equity (increase of share premium) and on cash (conversion of preferred shares into ordinary shares paid to ultimate owners of EM Networks 1 and EM Networks 2).
At this stage, quantitative impacts are unknown and would result from the final "pricing" (global equity value) and from proceeds resulting from the completion of the IPO.

Liquidation – change in scope of consolidation

Exclusive Capital Limited was liquidated on January 12, 2021.

Note 4. Segment information

For the six months ended 30 June 2020:

(in € thousands)	**EMEA**	**Americas**	**APAC**	**Corporate**	**Total**
Gross sales	883,323	122,699	183,310	-	**1,189,332**
Adjusted EBITA	39,948	1,302	7,323	(11,272)	**37,300**

For the six months ended 30 June 2021:

(in € thousands)	**EMEA**	**Americas**	**APAC**	**Corporate**	**Total**
Gross sales	1,153,247	130,866	193,308	-	**1,477,421**
Adjusted EBITA	48,920	3,271	7,712	(12,172)	**47,730**

Gross sales reconcile to IFRS Revenue as follows:

(in € thousands)	**30 June 2021**	**30 June 2020**
Revenue	**1,105,855**	**878,859**
Agent vs Principal (Mainly Vendors' Support) - IFRS 15	352,696	299,061
Timing of Revenue Recognition - IFRS 15	(3,481)	(1,054)
Intercompany Eliminations	22,351	12,467
Gross sales	**1,477,421**	**1,189,332**

Adjusted EBITA reconciles to operating profit as follows:

(in € thousands)	**30 June 2021**	**30 June 2020**
Operating profit	**11,078**	**6,689**
Non-recurring operating income & expenses	4,680	517
Amortization of intangible assets	28,191	27,272
Other [(1)]	3,781	2,822
Adjusted EBITA	**47,730**	**37,300**

[(1)] Other includes implementation costs for finance and operations group management systems, restructuring costs and key management one-time costs.

For revenue from external customers for each product and service and by geography, *see note 5.1*.

The Group has no revenue from transactions with a single external customer exceeding 10% of total revenues.

Geographical non-current assets are not monitored by the Management. They mainly represent intangible assets, of which goodwill and trademarks that are detailed by CGU/group of CGUs in *note 7.1.1* of the 2020 annual financial statements and vendor relationships that are monitored globally at the Group level.

Note 5. Operating income and expenses

5.1 Revenue

Revenue can be analysed by nature of products and services as follows:

(in € thousands)	**30 June 2021**	**30 June 2020**
Software and software associated to hardware	1,012,897	798,615
Other (1)	92,958	80,244
Revenue	**1,105,855**	**878,859**

(1) This includes vendor's support and maintenance, finance lease revenue and professional services performed by the Group (installation, training, …).

Revenue for the six months ended 30 June 2021 increased compared to the six months ended 30 June 2020, resulting mainly to the integration of Veracomp, Nuaware and JJNET for an amount of €117 million, following their acquisition in the second half of 2020.

Exclusive Capital activities contributed €13,813 thousand and €10,490 thousand for the six months ended 30 June 2021 and 2020 respectively. Also *see note 13*.

Revenue related to geographies representing more than 10% of total revenue can be analysed as follows:

(in € thousands)	**30 June 2021**	**30 June 2020**
Revenue by geography		
United Kingdom	158,025	135,772
France	128,420	95,552
Rest of the world (2)	819,410	647,535
Total revenue	**1,105,855**	**878,859**

(2) No other country represents more than 8% of consolidated revenue individually.

For each of the period presented, no single customer accounted for more than 5% of the Group's consolidated revenue.

5.2 Costs of purchased goods and services

(in € thousands)	**30 June 2021**	**30 June 2020**
Purchase of goods	(947,143)	(744,495)
Change in inventories	(10,246)	(12,336)
Net allowance for stock depreciation	(620)	(1,309)
Costs of purchased goods and services	**(958,009)**	**(758,141)**

Costs of purchased goods and services for the six months ended 30 June 2021 increased compared to the six months ended 30 June 2020, resulting mainly to the integration of Veracomp, Nuaware and JJNET for an amount of €101 million, following their acquisition in the second half of 2020.

5.3 Personnel costs

The average workforce for the period was 2,168 people, in comparison with an average workforce of 1,694 for the six months ended 30 June 2020.

(in € thousands)	**30 June 2021**	**30 June 2020**
Wages and salaries	(61,185)	(49,708)
Social security costs and other costs	(11,186)	(8,439)
Personnel costs	**(72,370)**	**(58,147)**

Personnel costs for the six months ended 30 June 2021 increased compared to the six months ended 30 June 2020, mainly as a result from (i) the personnel costs of Veracomp, Nuaware and JJNET's employees following their acquisition in the second half of 2020 and (ii) the expense for share based plans for € 1,627 thousand (*see note 18.3*).

5.4 Other operating costs

(in € thousands)	**30 June 2021**	**30 June 2020**
External fees	(11,382)	(7,995)
Other operating expenses (1)	(12,081)	(13,869)
Other operating costs	**(23,463)**	**(21,864)**

(1) made-up of numerous individual non-material items such as travel expenses, marketing and adverting cost, insurance, and bank fees.

"Other operating expenses" also include €1,282 thousand as at June 30, 2021 in comparison with €1,029 thousand as at June 2020 related to payments that are not included in the measurement of the lease liabilities and/or that relate to IFRS 16 exemptions (short-term leases and leases of low-value assets).

5.5 Depreciation and amortisation

(in € thousands)	**30 June 2021**	**30 June 2020**
Amortisation of intangible assets	(28,191)	(27,272)
Depreciation of tangible assets (1)	(1,645)	(901)
Depreciation of right-of-use assets	(3,947)	(3,641)
Depreciation and amortisation	**(33,783)**	**(31,814)**

(1) Increase related to the change in scope effect of Veracomp on PPE amounted to €2.2 million at 31 December 2020

Amortisation of intangible assets mainly related to amortisation of vendor relationship identified in the context of business combinations over a period reflecting the expecting pattern of consumption of the future economic benefits. This mainly refers to the acquisition of Exclusive France Holding Group by Everest HoldCo SAS on 4 July 2018.

5.6 Non-recurring operating income and expenses

(in € thousands)	**30 June 2021**	**30 June 2020**
- Gains and losses on disposals of PPE fixed assets	15	5
- Acquisition costs (1)	(1,213)	(517)
- IPO related costs	(3,477)	-
- Other	(4)	(5)
Non-recurring operating income and expenses	**(4,680)**	**(517)**

(1) "acquisition costs" include costs related to the operations detailed in *Subsequent Events*

According to IAS 32, IPO related costs (includes legal, consulting and auditing fees) attributable to both the capital increase necessary for the initial public offering of the shares of the Company and to the IPO process in general were allocated on the basis of the analysis of the expected proceeds of the transaction between:

- the primary proceeds (i.e., the issuance of new shares). These costs have been deferred on the balance sheet as "Prepaid expenses" until the IPO and related equity instrument is recognized (*see note 9*) and will be recorded as a deduction from equity once the equity instrument is recognised.
- the secondary proceeds (i.e., the sale of existing shares by the existing shareholders after restructuring of the share capital). These costs were recognised in non-recurring operating income and expenses as indicated above.

Note 6. Income tax

In accordance with IAS 34 "Interim Financial Reporting", income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The tax expense for the six-month period ended 30 June 2021 amounts to €14.9m mainly composed by a €16.2m deferred tax expense resulting from the change in income tax rate in the UK from 19% up to 25% starting April 1st, 2023. This impact relates to the change in deferred tax liabilities associated with vendor relationships assets. Before considering any tax event such as changes in tax rate or in deferred tax assets (de)recognition the Group used a 26% estimated average tax rate for the period ended 30 June 2021.

Exclusive Networks S.r.l. tax audit

Following a tax audit initiated in 2018 and related to financial years 2014 and 2015, the Italian entity of the Group received in June 2021 a tax reassessment notice, which amounts to €9.6 million including late interests and penalties. The analysis of domestic and international applicable laws and rulings led the Group's advisors to consider that the claim of the tax authorities is ungrounded. Based on the opinion of its tax advisers, the Group considers that it has solid arguments in its defence. This procedure was still ongoing when the Interim Condensed Consolidated Financial Statements were reviewed by the Supervisory Board and approved by the Chairman, and its outcome is not known at this stage. The Group has not set aside a related provision.

Note 7. Fixed assets

7.1 Goodwill

Goodwill results from previous business combinations.

(in € thousands)	**Gross**	**Accumulated impairment**	**Net carrying value**
At 1 January 2021	**288,639**	**-**	**288,639**
Acquisitions	695	-	695
Translation adjustments & other	147	-	147
At 30 June 2021	**289,481**	**-**	**289,481**

The increase relates to Veracomp's opening balance sheet adjustments (€439 thousand) and JJNET (€150 thousand) and to the goodwill of Veracomp KFT in Hungary (€106 thousand).

7.1.1 Impairment tests

In accordance with IAS 36, the Group assessed whether there is any indication that an asset may have been impaired based on both external and internal sources of information. Indicators considered include deterioration of performance/profitability and/or inability to meet budget.

As there was no triggering event identified during the period, this resulted into no CGUs nor group of CGUs being impaired as of 30 June 2021.

7.2 Intangible assets

Intangible assets are broken down as follows:

(in € thousands)	Trademark [1]	Vendor relationships [2]	Licenses	Other intangible assets	**Total intangible assets**
At 31 December 2020					
Gross	213,254	1,080,465	3,256	1,874	1,298,850
Accumulated amortisation	-	(129,637)	(1,898)	(430)	(131,965)
Net carrying value	**213,254**	**950,828**	**1,358**	**1,444**	**1,166,885**
At 30 June 2021					
Gross	217,157	1,102,296	3,861	2,196	1,325,510
Accumulated amortisation	-	(159,907)	(2,388)	(630)	(162,924)
Net carrying value	**217,157**	**942,389**	**1,473**	**1,566**	**1,162,585**

[1] The trademark corresponds to « Exclusive Networks » commercial brand.
[2] The value of the customer/resellers relationships portfolio is implicitly captured in the vendor relationships valuations since the termination of a partnership with a vendor would also break the relationship with the associated resellers.

Changes in the gross amount of intangible assets are broken down as follows:

(in € thousands)	Trademark	Vendor relationships	Licenses	Other intangible assets	**Total intangible assets**
At 31 December 2020	**213,254**	**1,080,465**	**3,256**	**1,874**	**1,298,850**
Acquisitions	-	-	599	288	886
Translation adjustments	3,902	21,831	6	34	25,773
At 30 June 2021	**217,157**	**1,102,296**	**3,861**	**2,196**	**1,325,510**

Changes in the accumulated amortisation of intangible assets are broken down as follows:

(in € thousands)	Trademark	Vendor relationships	Licenses	Other intangible assets	**Total intangible assets**
At 31 December 2020	**-**	**(129,637)**	**(1,898)**	**(430)**	**(131,965)**
Amortisations	-	(27,517)	(486)	(188)	(28,191)
Translation adjustments	-	(2,753)	(4)	(12)	(2,769)
At 30 June 2021	**-**	**(159,907)**	**(2,388)**	**(630)**	**(162,924)**

Changes in the net carrying value of intangible assets is broken down as follows:

(in € thousands)	Trademark	Vendor relationships	Licenses	Other intangible assets	**Total intangible assets**
At 31 December 2020	**213 254**	**950 828**	**1 358**	**1 444**	**1 166 885**
Acquisitions	-	-	599	288	886
Amortisations	-	(27,517)	(486)	(188)	(28,191)
Translation adjustments	3 902	19 079	2	22	23 004
At 30 June 2021	**217 157**	**942 389**	**1 473**	**1 566**	**1 162 585**

7.3 Property, plant and equipment

Property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport equipment	Other tangible assets	**Total property, plant and equipment**
At 31 December 2020						
Gross	2,021	3,533	7,017	1,280	1,815	15,666
Accumulated depreciation	(1,593)	(2,390)	(5,025)	(244)	(538)	(9,791)
Net carrying value	**428**	**1,142**	**1,992**	**1 036**	**1,277**	**5,875**
At 30 June 2021						
Gross	2,104	3,603	8,200	1,144	8,881	23,933
Accumulated depreciation	(1,751)	(2,586)	(6,205)	(313)	(5,556)	(16,411)
Net carrying value	**354**	**1,017**	**1,995**	**831**	**3,325**	**7,522**

Changes in the gross amount of property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport equipment	Other tangible assets	**Total Property, plant and equipment**
At 1 January 2021	**2,021**	**3,533**	**7,017**	**1,280**	**1,815**	**15,666**
Acquisitions	46	84	618	9	606	1,362
Disposals and retirements	(1)	(13)	(176)	(157)	(232)	(578)
Reclassification and other	(3)	(33)	624	-	6,625	7,212
Translation adjustments	42	33	117	12	67	271
At 30 June 2021	**2,104**	**3,603**	**8,200**	**1,144**	**8,881**	**23,933**

Changes in depreciation of property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport vehicles	Other tangible assets	**Total Property, plant and equipment**
At 1 January 2021	**(1,593)**	**(2,390)**	**(5,025)**	**(244)**	**(538)**	**(9,791)**
Depreciation expense	(132)	(203)	(613)	(217)	(480)	(1,645)
Disposals and retirements	-	10	116	125	211	462
Reclassification and other	11	21	(592)	26	(4,707)	(5,242)
Translation adjustments	(37)	(23)	(90)	(3)	(42)	(196)
At 30 June 2021	**(1,751)**	**(2,586)**	**(6,205)**	**(313)**	**(5,556)**	**(16,411)**

Changes in the net carrying value of property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport vehicles	Other tangible assets	**Total Property, plant and equipment**
At 1 January 2021	**428**	**1,142**	**1,992**	**1,036**	**1,277**	**5,875**
Acquisitions	46	84	618	9	606	1,362
Depreciation expense	(132)	(203)	(613)	(217)	(480)	(1,645)
Disposals and retirements	(1)	(3)	(60)	(32)	(20)	(116)
Reclassification and other	8	(12)	32	26	1,918	1,971
Translation adjustments	5	10	27	9	25	75
At 30 June 2021	**354**	**1,017**	**1,995**	**831**	**3,325**	**7,522**

"Reclassification and other" mainly correspond to the change in accounting policy on "Demo Stocks" from inventories to "other tangible assets", as detailed in *note 2.1*.

Note 8. Leases

8.1 Right-of-use assets

Right-of-use assets are broken down as follows:

(in € thousands)	Offices	Cars	Equipment & others	**Total right of Use**
At 31 December 2020				
Gross	28,171	5,533	661	34,364
Accumulated depreciation	(9,722)	(2,334)	(325)	(12,381)
Net carrying value	**18,449**	**3,199**	**336**	**21,984**
At 30 June 2021				
Gross	29,590	5,695	671	35,956
Accumulated depreciation	(12,644)	(3,096)	(433)	(16,173)
Net carrying value	**16,946**	**2,599**	**238**	**19,783**

Changes in gross amount of right-of-use assets are broken down as follows:

Gross *(in € thousands)*	Offices	Cars	Equipment & other	**Total right-of-use**
At 1 January 2021	**28,171**	**5,533**	**661**	**34,364**
Increase	1,882	185	-	2,067
Decrease	(412)	-	-	(412)
Translation adjustment	241	(23)	11	229
Leases termination	(292)	-	-	(292)
At 30 June 2021	**29,590**	**5,695**	**671**	**35,956**

Changes in depreciation of right-of-use assets are broken down as follows:

Depreciation *(in € thousands)*	Offices	Cars	Equipment & other	**Total right-of-use**
At 1 January 2021	**(9,722)**	**(2,334)**	**(325)**	**(12,381)**
Depreciation expense	(3,067)	(778)	(103)	(3,947)
Translation adjustment	(101)	16	(6)	(90)
Leases termination	245	-	-	245
At 30 June 2021	**(12,644)**	**(3,096)**	**(433)**	**(16,173)**

8.2 Lease liabilities

(in € thousands)	**30 June 2021**	**31 December 2020**
Current	7,040	7,283
Non-current	13,363	15,238
Total lease liabilities	**20,403**	**22,521**

(in € thousands)	**Total liabilities**
At 1 January 2021	**22,521**
Increase	2,089
Decrease in lease liabilities following rental payments	(4,329)
Translation adjustments	122
At 30 June 2021	**20,403**

The maturity analysis of lease liabilities is as follows:

(in € thousands)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Lease liabilities by maturity	7,040	11,362	1,344	657

Note 9. Trade receivables and other receivables

The receivables items are broken down as follows:

(in € thousands)	**30 June 2021**	**31 December 2020**
Trade receivables – gross	618,063	803,735
Provision for doubtful account	(8,457)	(8,286)
Total trade receivables - net amount	**609,606**	**795,449**

(in € thousands)	**30 June 2021**	**31 December 2020**
Advance payments	13,148	13,348
Prepaid expenses (1)	23,506	18,495
Tax and social security receivables	18,495	34,015
Income taxes receivables	6,222	1,089
Other receivables	790	1,212
Total other receivables	**62,161**	**68,158**
Total trade receivable and other receivables	**671,767**	**863,607**

(1) Include IPO related costs that have been deferred on the balance sheet until the equity instrument is recognised (*see note 5.6*).

The net present value of trade receivables is identical to their carrying value.

Impairment loss (expense) amounted to €551 thousand and €467 thousand for the six-month period ended 30 June 2021 and 2020 respectively and is recognised in "Other operating costs" (*note 5.4*).

Changes in gross amounts of trade receivables are as follows:

(in € thousands)	**Trade receivables**	**Provision for doubtful account**
At 1 January 2021	**803,735**	**(8,286)**
Increase (Decrease) (1)	(193,440)	(550)
Changes in scope (2)	307	-
Translation adjustments	7,324	(91)
Other changes	137	470
At 30 June 2021	**618,063**	**(8,457)**

(1) Decrease mainly due to the seasonality of the activity
(2) Change in scope mainly resulting from Veracomp Hungary acquisition

Factoring programs

The Group operates several receivables factoring programs. In accordance with IFRS 9, receivables sold under these programs are derecognised when the contractual rights to receive the cash flows of the receivables are transferred and when substantially all the risks and rewards of ownership of these receivables (i.e., default, late payment, dilution risks…) are transferred.

For the six months period ended 30 June 2021, all factoring agreements result in a total amount of receivables sold under the contract of €290.0 million of which €271.8 million were financed, resulting in factoring fees of €416 thousand and interests of €210 thousand.

Transferred receivables

The transferred receivables are trade receivables resulting from sales of products/solutions by two subsidiaries (Iberia and Netherlands) that were transferred to factors but that did not qualify for derecognition. These factoring agreements are annual contracts that have been tacitly renewed at least over the last 3 years and with a maximum amount of €11.2 million for the Spanish contracts and €16 million for the Netherlands one.

The factoring liability amounted to €3.2 million as at 30 June 2021 (*see note 13*).

New factoring arrangement

On 11 May 2021, the Group entered into a pan-European, factoring program pursuant to which it will sell the receivables arising from the sales of cybersecurity solutions in several countries. As of 30 June 2021, the program has only been deployed in France through a local contract and is expected to be deployed in Spain and Belgium in the second half of 2021. Deployments are also planned for the Netherlands, Germany & the United Kingdom in 2022. Derecognised receivables amounted €27.3 million as of 30 June 2021.

The main features of the French local contract include:

- a maximum funding level of €93 million from December to March and €50 million from April to November of each year. Any receivable that is transferred/financed under the program between December and March will not be de-financed in April once the maximum funding amount decreases;
- an indefinite contractual term;
- a termination clause of the contract at each party's discretion with a 3-month notice period and in case of stop purchase events or event of defaults.

Under this contract, the Group transfers the contractual rights to receive the cash flows of the receivables and substantially all the risks and rewards of ownership of these receivables. Consequently, transferred receivables have been derecognised.

Note 10. Inventories

Changes in value of inventories are analysed as follows:

(in € thousands)	Gross	Impairment	Net book value
At 1 January 2021	**133,023**	**(19,545)**	**113,478**
Increase / (decrease)	(10,246)	(621)	(10,866)
Reclassification	(9,540)	7,539	(2,001)
Other	(723)	(143)	(866)
Translation adjustments	1,187	(182)	1,006
At 30 June 2021	**113,702**	**(12,952)**	**100,750**

"Reclassification" mainly corresponds to the change in accounting policy on "Demo Stocks" from inventories to "other tangible assets", as detailed in *note 2.1*.

Note 11. Trade payables and other payables

(in € thousands)	30 June 2021	31 December 2020
Trade account payable	547,737	677,605
Advances and down payments received	1,977	3,029
Payable to customers	13,360	12,324
Social and other tax payables	78,987	133,867
Deferred income and accruals	30,521	29,639
Other liabilities (1)	8,711	13,224
Trade payables and other payables	**681,291**	**869,689**

(1) The Group paid an earn out in cash by 30 June 2021 which amounted to €4 million that has been recognised as a financial liability at 31 December 2020

As at 30 June 2021, trade payables and other payables mature in less than one year except for, accruals and charges on liabilities of €2,655 thousand mainly composed of €1,105 thousand, related to Exclusive Networks Singapore Pte Ltd., which mature within 1 to 5 years.

Trade payables decrease between 31 December 2020 and 30 June 2021 as a result of the Group seasonal activity.

Note 12. Cash and cash equivalents

(in € thousands)	30 June 2021	31 December 2020
Cash equivalents	363	1,522
Cash at bank	132,819	161,709
Total cash and cash equivalents	**133,182**	**163,232**
Bank overdrafts	(9,799)	(1,014)
Total Net cash and cash equivalents	**123,383**	**162,217**

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities. The cash equivalent is mainly related to short term deposits.

At 30 June 2021 and as at 31 December 2020, there was no restricted cash.

Note 13. Financial assets and liabilities, financial income and expenses

13.1 Financial assets (excl. derivatives)

The following table shows the breakdown of financial assets:

(in € thousands)	30 June 2021			31 December 2020		
	Non-current	Current	Total	Non-current	Current	Total
Fin. assets at amortised cost	**38,227**	**679,214**	**717,441**	**26,971**	**874,996**	**901,967**
Trade receivables and other receivables	-	671,767	671,767	1,665	861,942	863,607
Exclusive Capital Finance Asset (1)	34,040	7,438	41,478	22,666	12,937	35,603
Guarantee deposits (2)	2,687	-	2,687	2,484	-	2,484
Loans	1,500	-	1,500	156	-	156
Other	-	9	9	-	117	117
Fin. assets at fair value through P&L	**-**	**-**	**-**	**-**	**653**	**653**
Other financial securities (3)	-	-	-	-	653	653
Total financial assets	**38,227**	**679,214**	**717,441**	**26,971**	**875,649**	**902,620**
Including:						
Other financial assets	38,227	7,447	45,674	25,306	13,707	39,013
Trade receivables and other receivables *(Note 9)*	-	671,767	671,767	1,665	861,942	863,607

(1) Exclusive Capital Finance Asset relates to IT solution systems sold through Exclusive Capital financing arrangements.
(2) Guarantee deposits relate to lease agreements on offices.
(3) Other financial securities represent EM N1 securities hold by the Group (see note 18).

The Group's exposure to the various risks associated with financial instruments is discussed in *note 19.1*.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of financial assets mentioned above.

13.2 Financial liabilities (excl. derivatives and lease liabilities)

13.2.1 Debt by type

(in € thousands)	30 June 2021			31 December 2020		
	Non-current	Current	**Total**	Non-current	Current	**Total**
Bank borrowings	668,985	862	669,847	683,382	643	684,024
Bank overdrafts	-	9,799	9,799	-	1,014	1,014
Short-term loans	-	25,003	25,003	-	29,633	29,633
Factoring liabilities (1)	-	3,233	3,233	-	37,729	37,729
Other financial liabilities (2)	35,729	8,022	43,751	23,157	13,246	36,403
NCI put options (3)	-	13,932	13,932	-	12,212	12,212
Total financial liabilities	**704,715**	**60,850**	**765,565**	**706,538**	**94,476**	**801,015**

(1) Factoring agreements in the Netherland and Spain. Factoring liabilities decrease following the implementation of a new factoring agreement in France that qualifies for derecognition (*see note* 9)
(2) Other financial liabilities mainly relate to solutions specific third-party financing agreements
(3) Non-controlling interests

Details of the Group's exposure to risks arising from current and non-current borrowings (liquidity risk and interest rate risk) are set out in *note 19.1.1.*

The Group main borrowings relate to the refinancing of its debt on 4 July 2018 by entering into senior credit facilities agreements with a syndicate of international banks including Morgan Stanley, Société Générale, Deutsche Bank, Goldman Sachs, and ING, providing for:

- a senior bank debt (Lien 1), raised by the Company Everest BidCo SAS, consisting of i) a long-term loan of principal €500 million and ii) a secured revolving credit facility (RCF) which can be utilized up to €90 million.
- a subordinated bank debt (Lien 2), raised by the Company Everest BidCo SAS, consisting of a long-term loan of principal £105 million (equivalent to €119.2 million at the subscription date).

Bank borrowings' split between floating and fixed interest rates is detailed below:

(in € thousands)	**Currency**	**Interest rate 2021**	**Interest rate 2020**	**30 June 2021 (1)**	**31 December 2020(2)**
Bank Borrowings at floating rates				**666,171**	**679,788**
Senior debt - Term Loan Facility at 3-months Euribor	EUR	3.25%	3.25%	491,311	490,364
Subordinated debt - LT Loan 3-months Libor with a floor of 1%	GBP	8.50%	8.50%	119,817	114,169
Secured revolving credit facility	EUR	2.25%	2.25%	55,043	75,255
Bank Borrowings at fixed rates				**3,676**	**4,236**
BPI Loan	EUR	1.05%	1.05%	3,263	3,755
Other				413	481
Total Bank Borrowings				**669,847**	**684,024**

(1) Including set-up fees for senior debt and subordinated debt respectively of €8.7 million and €2.6 million in 2021.
(2) Including set-up fees for senior debt and subordinated debt respectively of €9.7 million and €2.7 million in 2020.

Financial liabilities that are hedged to rates of interest are disclosed on a post-hedge basis.

The carrying value of the financial liabilities at floating rates represent a reasonable approximation of their fair values, due to rate variability and the non-material impact of caps in the current low interest rate environment.

The €500,000 thousand long-term loan has been transferred to Everest SubBidCo SAS, Exclusive Networks SAS and Exclusive France Holding SAS, as intercompany loans, for principal amounts of respectively €197,858 thousand, €209,607 thousand and €92,535 thousand, which were used to repay the pre-existing bond debt described above.

The revolving credit facility for an initial amount of €90,000 thousand is intended to finance external growth transactions. As at 31 December 2020, an amount of € 75,255 thousand had been used. As at 30 June 2021, €55,000 thousand of this line of credit had been used.

To hedge against interest rate risk, the Group has entered two standard interest rate derivative (cap) contracts *see note 13.3.2.*

13.2.2 Change in debt

(in € thousands)	**1 Jan 2021**	**Cash**		**Non-cash**		**30 June 2021**
		Increase	**Decrease**	**Change in scope**	**Other**	
Bank Borrowings	684,024	-	(20,497)	-	6,319	669,847
Bank overdrafts	1,014	8,785	-	-	-	9,799
Short-term loans	29,633	-	(5,158)	-	528	25,003
Factoring liabilities	37,729	-	(34,496)	-	-	3,233
Other financial liabilities	36,403	16,197	(8,929)	-	80	43,751
NCI put options	12,212	-	(180)	1,900	-	13,932
Total financial liabilities	**801,015**	**24,982**	**(69,259)**	**1,900**	**6,927**	**765,565**

13.2.3 Debt by maturity date

(in € thousands)	**30 June 2021**	**31 December 2020**
Bank Borrowings Less than 1 year	862	643
Bank Overdrafts	9,799	1,014
Short-term loans	25,003	29,633
Factoring liabilities	3,233	37,729
Other financial liabilities	8,022	13,246
NCI put options	13,932	12,212
Less than 1 year	**60,850**	**94,476**
Bank Borrowings 1 to 5 years	547,055	567,041
Other financial liabilities	35,729	23,157
1 to 5 years	**582,785**	**590,198**
Bank Borrowings more than 5 years	121,930	116,340
More than 5 years	**121,930**	**116,340**
Total financial liabilities	**765,565**	**801,015**

13.2.4 Financial covenants

The Group met the financial covenants relating to its debt during the reporting period.

13.2.5 Net debt

Net Debt is a measurement not defined by IFRS and should not be considered as an alternative to financial liabilities determined in accordance with IFRS. Net Debt defined by management is calculated as follows:

(in € thousands)	**30 June 2021**	**31 December 2020**
Bank borrowings	669,847	684,024
Bank overdraft	9,799	1,014
Short-term loans	25,003	29,633
Factorings liabilities	3,233	37,729
Financial Gross Debt (A)	**707,882**	**752,400**
Cash and cash equivalents (B)	**(133,182)**	**(163,232)**
Net Debt (A) - (B)	**574,700**	**589,169**

13.3 Derivatives and hedge accounting

Refer to *note 19.1* for more details about the Group's risk management strategy.

13.3.1 Foreign exchange hedging instruments

To hedge against foreign exchange risk, (purchases denominated in US dollars made by most of the Group's subsidiaries), the Group holds forward currency purchase contracts that qualify as fair value hedge. As at 30 June 2021, the outstanding currency hedging position was as follows:

- Nominal value of forward purchase contracts: $255,613 thousand
- Nature of the hedged items: dollar-denominated purchases of goods and services
- Fair value of the contracts at the foreign exchange rate of 30 June 2021: unrealised gain of €2,885 thousand.
- Maturity of the contracts: mainly short-term (3-month maturity)

13.3.2 Interest rate hedging instruments

To hedge against interest rate risk, the Group entered into two standard interest rate derivative (cap) contracts that qualify as cash flow hedge. These interest rate derivatives are used to convert a part of the debt contracted at a variable rate to a fixed rate, when the Euribor and Libor variable rates exceed 1.25% and 1.75% respectively.

As at 30 June 2021, the outstanding interest rate hedging position related to two cap contracts was as follows:
- Nominal values of €250,000 thousand and £60,000 thousand (the equivalent of €70,522 thousand) respectively
- Nature of the hedged items: the Group's variable rate borrowings
- Fair value of the contracts at the variable interest rate as at 30 June 2021: the unrealised gain is nil.
- Maturity of the contracts in line with maturity of the hedged debt.

13.3.3 Fair value and nominal amounts

The fair value of financial instruments that are not quoted in an active market (level 2 of the fair value hierarchy defined in IFRS 13, *see note 13.5*), such as Exclusive Network's derivatives and financial liabilities, is determined by reference to commonly used valuation techniques such as the discounted cash flow method, based on observable market inputs.

	30 June 2021			**31 December 2020**		
(in € thousands)	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
Fair value hedges	**3,187**	**302**	**215,090**	**56**	**5,736**	**232,063**
Currency hedges	3,187	302	215,090	56	5,736	232,063
Cash flow hedges	**-**	**-**	**319,925**	**-**	**-**	**320,522**
Interest rate hedges	-	-	319,925	-	-	320,522
Total	**3,187**	**302**	**535,015**	**56**	**5,736**	**552,585**

13.4 Financial income and expenses

(in € thousands)	30 June 2021	30 June 2020
Financial debt costs (A)	**(16,050)**	**(17,986)**
Interest expense on lease liabilities (B)	**(279)**	**(311)**
Other Financial Income and expense (C)	**1,242**	**291**
Net interest expense on retirement benefit plans	(21)	(27)
Unrealised Foreign Exchange gains & loss	1,114	140
Other financial expenses	(233)	(67)
Other financial income	383	245
Net financial expense (A)+ (B)+ (C)	**(15,086)**	**(18,005)**

Financial expenses mainly include interest expense on borrowings, interest expense on lease labilities in the scope of IFRS 16 (*see note 8*) and other financial expenses (including amortisation of setup fees on the borrowings, financial expense related to retirement benefit plans, fair value changes on derivatives and unrealised and realised foreign exchange gains and losses).

Interest expense on borrowings and similar mainly corresponds to interest on:
- senior bank debt of € 500,000 thousand bearing interest at the 3-month Euribor plus a margin of 4% (with a floor of 0%), decreased to 3.25% since July 2020 due to favourable ratio ratchet mechanisms.
- subordinated rank bank debt of £105,000 thousand, bearing interest at the 3-month Libor (with a floor of 1%) plus a margin of 7.5%; and
- additional credit line for a total amount of € 55,000 thousand at 31 December 2019 bearing interest at the 3-month Euribor plus a margin of 3%, decreased to 2.25 % since July 2020.

Financial income is mainly comprised of interest earned on cash and cash equivalents.

13.5 Fair value of financial assets and liabilities

This table presents a breakdown of financial instruments recognised at fair value by measurement method. The different levels of fair value are defined as follows:

- Level 1: prices quoted on an active market (unadjusted). The types of assets carried at level 1 fair value are equity and debt securities listed in active markets
- Level 2: observable data other than prices quoted on an active market (financial data), derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models.
- Level 3: unobservable data derived from valuation techniques using inputs for the asset or liability that are not based on observable market data.

Depending on whether they qualify as hedges, derivatives are classified in accordance with IFRS 9.

		30 June 2021			31 December 2020		
(in € thousands)	Classification under IFRS 9	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value		-	-	-	-	**653**	-
Other financial securities*	FVPL (1)	-	-	-	-	653	-
Derivatives – Assets		-	**3,187**	-	-	**56**	-
Currency	FVPL (1)	-	3,187	-	-	56	-
Interest rate	FVOCI (2)	-	-	-	-	-	-
Derivatives – Liabilities		-	**302**	-	-	**5,736**	-
Currency	FVPL (1)	-	302	-	-	5,736	-

(1) "FVPL" stands for "fair value through profit or loss".
(2) "FVOCI" stands for "fair value through other comprehensive income".

The fair value of short-term financial assets and liabilities is considered as being the same as their carrying value due to their short maturities.

Note 14. Working capital

Analysis of the main changes between cash flows as of 30 June 2020 and cash flows as of 30 June 2021:

- In the cash flow statement, the change in working capital amount to €5,750 thousand as of 30 June 2021 and amounted to €50,108 thousand as of 30 June 2020.
- In order to get a "normalized" view of the change in working capital, it is important to note that the first half of 2020 benefited from a €28,000 thousand exceptional cash in-flow and the first half of 2021 endured an exceptional cash outflow for the same amount.
- The two exceptional items in the change in working capital totaling €28,000 thousand are:
    (i) the benefit of the Covid support measures in the UK with the postponement of the payment of March, April and May VAT 2020 by one year, for a total impact of €20,000 thousand and
    (ii) the support from one of the vendors extending payment terms by 15 days between March 2020 and March 2021 (that generated an €8,000 thousand higher payable at the end of Dec-20 compared to the prior year).
- The "normalized" picture of the change in working capital would be €33,750 in the first half of 2021 (€5,750 thousand plus 28,000 thousand) and €22,108 thousand in in the first half of 2020 (€50,108 thousand minus €28,000 thousand) and
- The increase in the change of the "normalized" working capital from €22,108 thousand to €33,750 thousand is due to the wider perimeter following the acquisitions of Veracomp, Nuaware and JJNET during the second half of 2020 and due to the organic growth of the activity partly offset by the de-recognition of some receivables in France following the signature of a new pan-European factoring contract.

Note 15. Equity and earning per share

15.1 Share capital

In connection with the change in control of the Exclusive France Holding (EFH) Group, which occurred in July 2018, Everest HoldCo SAS's share capital was increased by means of both contributions in cash and contributions in kind. These capital contributions resulted in the creation of 731,712,944 shares with a nominal value of one euro cent each, totalling €7,317 thousand of share capital, €733,082 of share premiums, for a total amount of €740,399 thousand.

Changes in the share capital in terms of number of shares, is broken down as follows:

(in number of shares)	**Ordinary shares (OS)**	**Preferred shares 1 (PS 1)**	**Preferred shares 2 (PS 2)**	**Preferred shares 3 (PS 3)**	**Preferred shares 4 (PS 4)**	**Total**
At 1 January 2020	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**
Variation of the year	-	-	-	-	-	-
At 31 December 2020	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**
Variation of the year	-	-	-	-	-	-
At 30 June 2021	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**

The share capital is fully paid-up.

15.2 Preference shares

Preferred shares 3 are shares with a cumulative annual fixed priority return of 10% of subscription price investment.

Ordinary shares as well as PS1, PS2 & PS4 are equity instruments that are equally subordinated to PS3.

In the event of an IPO, all the preference shares will be converted into ordinary shares.

15.3 Treasury shares

As at 30 June 2021, the Group owns 4,483,909 treasury shares (PS1 and Ordinary Shares) that it will use when and if the call options granted to managers are exercised (*see note 18*). According to IAS 32, the acquisition price of those shares has been deducted from equity for an amount of €3,961 thousand.

15.4 Non-controlling interests

On 23 February 2021, the Group acquired 2.05% non-controlling interests in Exclusive Capital SAS for a total purchase price of €180 thousand. This purchase leads to a decrease in the put options liabilities with no impact in equity.

As at 30 June 2021 and 31 December 2020, the non-controlling interests of €1,437 thousand and €1,293 thousand consist mainly in Thailand minority interests.

15.5 Earnings per share

The calculation of the earning per share and the dilution resulting from the exercise of stock options and the grant of free shares is based on the IAS 33 methodology.

Ordinary Shares, PS1, PS2 and PS4 have been assimilated to Ordinary shares for the Earning Per Share calculation (*see note 15.2*).

The weighted average number of shares for the earning per share calculation can be analysed as follows:

	30 June 2021	**30 June 2020**
Total number of shares	731,712,944	731,712,944
Numbers of PS 3 with fixed priority return	(227,920,316)	(227,920,316)
Number of shares excluding PS3	503,792,628	503,792,628
Weighted average number of treasury shares	(2,247,878)	-
Weighted average number of ordinary shares and similar	**501,544,750**	**503,792,628**

As the Group incurred a net loss on the respective periods, potential ordinary shares would have an antidilutive effect with a potential decrease in the loss per share. Consequently, no potential dilutive instruments have been taken into account for the diluted earnings per share calculation.

In accordance with IAS 33, the amount attributable to ordinary equity holders of the parent company has been adjusted for the after-tax amount of preference dividend of PS3.

	30 June 2021	**30 June 2020**
Profit (loss) for the period attributable to owners of the parent company *(in € thousands)*	(19,133)	(5,214)
After tax PS3 preference dividend *(in € thousands)*	(13,675)	(12,501)
Profit (loss) for the period attributable to owners of the parent company for earning per share calculation *(in € thousands)*	(32,809)	(17,715)
Weighted average number of ordinary shares and similar	501,544,750	503,792,628
Basic earnings per share (in €)	**(0.07)**	**(0.04)**
Profit (loss) for the period attributable to owners of the parent company for diluted earnings per share calculation *(in € thousands)*	(32,809)	(17,715)
Weighted average number of ordinary shares (diluted)		
Diluted earnings per share (in €)	**(0.07)**	**(0.04)**

Note 16. Provisions

16.1 Detail of provisions

(in € thousands)	**30 June 2021**	**31 December 2020**
Provisions for contingencies	1,138	1,503
Current provisions	**1,138**	**1,503**
Provisions for contingencies	715	836
Provisions for pensions and other employee benefits	3,932	2,425
Non-current provisions	**4,647**	**3,261**
Total provisions	**5,785**	**4,764**

See *note 17* for more details on defined benefit obligations.

16.2 Changes in provisions for contingencies

The change in provisions is broken down as follows:

(in € thousands)	**30 June 2021**
At the beginning of the period	**2,339**
Increases	132
Reversals	(657)
Changes in scope	(2)
Translation adjustments	40
At the end of the period	**1,853**

Provisions for contingencies amount to €1,853 thousand as at 30 June 2021, including €851 thousand *(£750 thousand)* that relates to tax and/or National Insurance Contributions liability assumed as part of Nuaware acquisition.

Note 17. Employee benefit obligation

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant one-off events, such as plan amendments, curtailments and settlements.

Group pensions and other employee benefit schemes mainly relate to France, Italy, Poland, Indonesia and Thailand.

The table below present the main assumptions:

At 30 June 2021	**France**	**Italy**	**Indonesia**	**Thailand**	**Poland**
Discount rate	0.79%	0.34%	7.25%	1.97%	2%
Salary increment rate	2%	2.10%	8%	5%	N/A
Normal retirement age	65	First requirement coming for the AGO retirement	55	60	N/A

At 31 December 2020	**France**	**Italy**	**Indonesia**	**Thailand**	**Poland**
Discount rate	1.45%	0.34%	7.25%	1.97%	2%
Salary increment rate	2%	2.10%	8%	5%	N/A
Normal retirement age	65	First requirement coming for the AGO retirement	55	60	N/A

The liability corresponding to the Group's defined benefit obligation in respect of its employees is recorded in the balance sheet as a non-current provision and employee benefit obligation for €3,932 thousand as at 30 June 2021 and €2,425 thousand as at 31 December 2020.

Note 18. Share-based payment

Accounting policy

IFRS 2 provides for operating expenses to be recognized for services acquired in exchange for equity instruments. These services are measured at fair value of the instruments granted.

All the share-based plans granted to some members of the Group personnel are in the form of instruments settled in shares (the company has no obligation to settle these plans in cash); the counterparty of the expense is then offset in shareholders' equity. Managers of the Group and its subsidiaries benefit from equity instruments relating to either directly to the capital of Everest HoldCo SAS or indirectly through the holding of shares of EM Networks 1 ("EM N1") and EM Networks 2 ("EM N2") that are shareholders of Everest HoldCo SAS and hold Preferred Shares 1 and Ordinary Shares respectively.

According to Securities Holders Agreement dated 4 July 2018, holders of Ordinary Shares and Preferred Shares are granted a tag-along right in case of change of control on Everest HoldCo and a right to convert their preferred shares into ordinary shares in case of an IPO. As stated in the basis of preparation, these financial statements are prepared with the assumption that an IPO is probable.

Free ordinary shares

Free ordinary shares granted in June 2021 are measured at the grant date fair value of the ordinary shares of Everest HoldCo SAS, using a Monte Carlo option model. The vesting period of these instruments ends as of 30 June 2022.

Call option plans

Call options on EM N1 and EM N2 shares granted in May 2021 are measured at fair value on the grant date on the basis of the valuation of the Preferred Shares 1 and Ordinary Shares of the Company, using a Monte Carlo option model. That model takes into account the features of the plan (exercise price, exercise period), the valuation of the Group at the time of the grant (risk-free rate, exit dates probabilities, equity value, volatility) and expected financial performance of the Group for assessing the ratchet effect relating to preferred shares 1.

Purchase of EM N1 and EM N2 shares

Some members of the Group personnel invested in April/May 2021 in Preferred Shares 1 and Ordinary shares through EM N1 and EM N2 shares.

18.1 Number of instruments granted during the period

The terms of the free share and call options plans outstanding as of 30 June 2021 are set out in the tables below:

(in thousands of shares)	Outstanding as of 1 January 2021	Rights issued	Rights exercised	Rights forfeited	Outstanding as of 30 June 2021
Free ordinary shares		1,550,000	-	-	1,550,000
Call options EM N1		2,098,223	-	-	2,098,223
Call options EM N2		2,742,177	-	-	2,742,177

18.2 Fair value measurement of instruments

Call options

A total of options for 2,098,223 for EM N1 shares at an exercise price of €1 per share and options for 2,742,177 for EM N2 shares at an exercise price of €0.83 per share has been granted in May 2021. These options can be exercised before the initial public offering of the shares of the Company (and until 7 years after the grant). No options have been exercised nor forfeited as of 30 June 2021. A premium of a total amount of €217.8 thousand was paid by the beneficiaries in exchange for call options.

With respect to the early exercise of the options, the model assumes rational expectations on the part of option holders, who may exercise their options at any time throughout the exercise period.

The features of the call options are set out in the table below:

Types of instruments	Grant date	Expected vesting date	Maximum vesting period	Number of options	Exercise Price	Value of underlying Share (in €)	Value of the instrument (in €)
EM N1 call options	May 11, 2021	Sept 15, 2021	7 years	2,098,223	1.00	1.06	0.23
EM N2 call options	May 11, 2021	Sept 15, 2021	7 years	2,742,177	0.83	1.18	0.41

The risk-free interest rate used to calculate the value of these plans is based on the yield on French Government Bonds (OAT) with the same maturity as the instruments granted (between -0.64% and +0.16%).

The implied volatility used in the calculation is estimated based on historical volatilities of a group of public peers (levered volatility between 31% and 38% depending on maturity).

In the Monte Carlo model, a probability of 80% was considered for an IPO completion date on 15 September 2021.

Free shares

The features of the free shares are set out in the table below:

Types of instruments	Grant date	Expected vesting date	Maximum vesting period	Number of options	Value of underlying Share (in €)	Value of the instrument (in €)
Free Ordinary shares	June 30, 2021	June 30, 2022	7 years	1,550,000	1.18	1.18

The vesting period for beneficiaries' free shares is one year from the date on which they are granted following the Shareholders meeting. On 30 June 2021, the shareholders approved a capital increase of up to 7,000,000 shares and the grant of 1,550,000 free shares to some members of the management.

The conditions for granting these free shares are set by the Shareholders.

Purchase of EM N1 & EM N2 shares

Managers and employees were proposed and invested in the following instruments.

Types of shares	Acquisition date	Acquisition price (in €)	Number of shares acquired	Estimated value under IFRS 2 (in €)
EM N1	April/May 2021	1.05	5,217,253	1.06
EM N2	April/May 2021	1.00	934,844	1.18

18.3 Impacts of IFRS 2 in the financial statements

An expense of €1,627 thousand for share-based plans was recognized as at 30 June 2021 in personnel costs (*see note* 5.3) and the counterpart was recorded in the equity.

Note 19. Other information

19.1 Financial risk management

The Group's activities expose it to a variety of financial risks, including liquidity, interest rate, foreign exchange, and credit risk.

19.1.1 Interest rate risk

As at 30 June 2021, the Group had €695 million of floating-rate gross debt outstanding and €13 million of fixed-rate gross debt outstanding. The largest portion of floating-rate debt relates to a Term Loan Facility of €500 million (Lien 1) bearing interest at the 3-months Euribor (with a floor of 0%) plus a 3.25% margin; the €75 million drawdown of a secured revolving credit facility bearing interest at Euribor plus a 2.25% margin and a long-term loan of £105m (Lien 2) bearing interest at the 3-months GBP Libor (with a floor of 1%) plus a 7.5% margin.

The Group manages the interest rate risk on the two term loans of €500 million and £105 million with two standard cap instruments which convert a part of the floating-rate debt into fixed-rate debt, when the Euribor and Libor rates respectively exceed 1.25% and 1.75%. These cap instruments represent a notional outstanding amount of respectively €250.0 million and £60.0 million (unchanged compared 31 December 2020). Their net fair value is nil as at 30 June 2021 and 31 December 2020. Their maturity date is 30 September 2021.

19.1.2 Foreign exchange risk

Currency transaction risk is the risk of an unfavourable change in exchange rates having an adverse effect on cash flows on operating transactions denominated in foreign currency.

The Group has significant exposure to foreign exchange transaction risk. A portion of its purchases is denominated in US dollars while its sales are mainly denominated in local currency. Therefore, the subsidiaries are exposed to fluctuations in the US dollar which can have negative effects on their operating margin.

According to the Group's policy, the subsidiaries must hedge all their US dollar exposures after review and approval by Group Treasury. The net notional amount of derivatives instruments hedging main currencies and the pertaining mark-to-market are further detailed hereafter:

(in € thousands)	**Nominal**		**Market value**	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**
USD/AUD	17,717	16,091	424	(773)
USD/EUR	146,468	168,054	2,011	(3,304)
USD/GBP	21,163	20,312	233	(561)
USD/NOK	3,092	5,480	20	(292)
USD/SEK	7,973	8,149	60	(367)
Other Currencies	18,676	13,976	137	(383)
Total	**215,090**	**232,063**	**2,885**	**(5,680)**

As at 31 December 2020 and as at 30 June 2021, 100% of the Group's foreign exchange risk exposure was hedged.

19.1.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due. The Group manages its liquidity risk by ensuring, to the extent possible, that it has sufficient liquid assets at all times to settle its liabilities when they fall due, whatever the conditions in the market.

The Group needs available liquidity to finance the growth of its business (working capital and day-to-day operations), specific projects like the deployment of an ERP, new activities like Exclusive on Demand and acquisitions. The Group can access to the liquidity mainly through the cash flow from operating activities; the factoring solutions contracted with financial institutions; other forms of asset-based financing, the short term and long-term bank overdrafts and credit facilities.

As of 30 June 2021, the Group available liquidity amounts to €323 million (€127 million cash equivalent and €196 million of undrawn credit lines to secure its liquidity). The financial gross debt amounts to € 708 million and includes confirmed financings for a total amount of € 677 million (Senior debt of €500 million, Subordinated debt of €122 million and Secured revolving credit facility of €55 million) and unconfirmed bilateral financing for a total amount of €30 million which can be terminated unilaterally by the credit institutions in delays which generally do not exceed 60 days.

With a high level of net indebtedness, the Group is exposed to a risk of liquidity in case of its financial resources are not sufficient to meet its contractual commitments. This risk of liquidity is mitigated by the regularity of the cash flows generated by the Group and is also reduced by the financing policy described in the annual financial statements.

19.2 Off-balance sheet commitments

As of 30 June 2021, the Group had not entered into any commitments likely to have a significant effect on its current or future financial position other than those mentioned in this note.

19.2.1 Off-balance sheet commitments related to operating activities

Guarantees granted in the course of business

Exclusive Networks SAS granted a corporate guarantee to certain vendors in connection with the balance/account payable related to purchases made by all Group entities in the first half of 2021. This guarantee amounted to €148,952 thousand at 30 June 2021.

19.2.2 Off-balance sheet commitments related to financing activities

19.2.2.1 Financing commitments given

Refers to guarantees given to banks in consideration or short-term loans granted to subsidiaries: opening of credit lines of €169,035 thousand (none of which had been used as of 30 June 2021). The increase of those guarantees is mainly due to new credit line.

19.2.2.2 Financing commitments received

Refers to commitments received on short term line of credits:

- Commitments received from banks for confirmation of lines of credit for €159,927 thousand (of which €41,384 thousand had not been used as of 30 June 2021).
- Commitments received from factoring companies for confirmation of factoring lines for €138,173 thousand maximum (of which €30,578 thousand had not been used as of 30 June 2021).

19.3 Related parties

19.3.1 Parent entities

As of 30 June 2021, the Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest as at 30 June 2021
Everest UK HoldCo Limited (UK)	Immediate parent entity	United Kingdom	77.77%*
HTIVB[(1)]	Parent entity and controlling party	France	13.42%
EM Networks 1 ("EM N1")	Parent entity and controlling party	France	4.71%
EM Networks 2 ("EM N2")	Parent entity and controlling party	France	4.00%
Other Co-investors	-	-	0.10%

* Everest UK HoldCo Limited (UK) holds 46.7% of the issued Preferred Shares 2 and 31.1% of the issued Preferred Shares 3 of Everest HoldCo, which is ultimately controlled by Permira Limited.
[(1)] HTIVB, of which the founder and former CEO, is a trustee and holds an interest in the preference shares of Everest HoldCo SAS.

The Group is backed by entities that collectively comprise the Permira Fund which is ultimately controlled by Permira Limited. Permira Limited is related to the Company due to common control.

19.3.2 Transactions with related parties

For the Group, related parties within the definition of IAS 24 are persons or entities who have control or a significant influence over the Group. Accordingly, the direct and indirect parent companies of Permira Fund and the members of the Management Board are considered as related parties. Moreover, all portfolio companies held by funds advised by Permira are considered related parties.

	For the six-month period ended								
	30 June 2021					30 June 2020			
(in € thousands)	Key Manager	HTIVB	EM N1	EM N2	**Total**	PERMIRA ADVISERS LTD (GBR)	HTIVB	EM N1	**Total**
Consolidated Statement of income									
Recharged expenses	-	-	-	-	-	15	-	-	**15**
Sales of asset	-	12	-	-	**12**	-	-	-	-
Management fees	-	-	-	-	-	-	461	-	**461**
Total	**-**	**12**	**-**	**-**	**12**	**15**	**461**	**-**	**476**

	As at 30 June 2021					As at 31 December 2020			
Consolidated Statement of financial position									
Treasury Shares [(1)]	-	-	1,837	2,124	**3,961**	-	-	653	**653**
Loan granted	1,500	-	-	-	**1,500**	-	-	-	-
Management fees	-	192	-	-	**192**	-	192		**192**
Total	**1,500**	**192**	**1,837**	**2,124**	**5,653**	**-**	**192**	**653**	**845**

[(1)] Acquisition of EM N1 and EM N2 shares from Everest UK HoldCo Limited (UK)

Transactions with related parties concerned settlements of consulting and management services. All transactions were entered into on an arm's length basis. Transactions with Permira Advisers LTD relate to consultancy services. The Group has traded with HTIVB, of which the founder and former CEO is a trustee and holds an interest in the preference shares of Everest HoldCo SAS.

Exclusive Networks Belux BV granted on April 21, 2021 a €1.5m 7-year non-mortgage term loan to Jesper Trolle, CEO.

19.3.3 Key management personnel compensation

Detailed compensation disclosures are provided in *note 5.3 Personnel costs*. The key management personnel are composed of the Chairman, the Chief Financial Officer and other members of the Executive Committee. For the half-year 2021, the total compensation was mainly impacted by the share-based payment granted to some Key Managers.

(in € thousands)	**30 June 2021**	**30 June 2020**
Short-term benefits excluding employer social security contributions	1,455	1,355
Short-term benefits: employer's social security contributions	353	288
Share-based payment benefits	965	-
Total key management compensation	**2,772**	**1,643**

19.4 Subsequent events

Acquisitions

Ignition Technology group

On July 2nd, 2021, Exclusive Networks signed and completed the acquisition of the Ignition Technology group. The group specializes in the distribution of disruptive cybersecurity vendors. The group's headquarters are located in the UK, but it also operates in the Nordics and Benelux regions. Its annual revenues are in the range of €50 million. The founders remain minority shareholders. The acquisition price has been paid on the date of acquisition and an earn-out could be paid based on performance at the end of October 2021 and December 2021.

Networks Unlimited

The Group has entered into an exclusive agreement with Networks Unlimited with the intention to pursue discussions around a potential acquisition. Networks Unlimited is a major regional value-added distributor focused predominantly on cybersecurity and infrastructure markets, with numerous key vendor relationships in common with Exclusive. Headquartered in South Africa with further operations in Kenya and Mauritius, its partner ecosystem gives it access to 38 national markets across the continent. The agreement would bolster Exclusive Networks' presence in the region, expanding its global footprint and creating additional opportunities for vendors and customers of both organisations.

18.1.2 *Statutory Auditors' review report on the Interim Condensed Consolidated Financial Statements*

To the Chairman,

In our capacity as statutory auditors of Everest HoldCo (the "**Company**") and in accordance with Commission Regulation (EU) n°2017/1129 supplemented by Commission Delegated Regulation (EU) n°2019/980 in the context of the contemplated offer to the public and admission of the shares of the Company to trading on the regulated market of Euronext Paris, we have reviewed the accompanying interim condensed consolidated financial statements prepared for the purpose of the prospectus for the period from 1 January 2021 to 30 June 2021 (thereafter the « **Interim Condensed Consolidated Financial Statements** »).

As the Company is preparing interim condensed consolidated financial statements for the first time as at 30 June 2021, the interim condensed consolidated financial information relating to the period from 1 January 2020 to 30 June 2020, presented as a comparative and restated in accordance with the same standards, has not been audited nor reviewed.

Due to the global crisis related to the Covid-19 pandemic, the Interim Condensed Consolidated Financial Statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of our review procedures.

These Interim Condensed Consolidated Financial Statements are the responsibility of the Chairman. Our role is to express a conclusion on these Interim Condensed Consolidated Financial Statements, based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to such engagement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34 – the standard of the IFRS as adopted by the European Union applicable to interim financial reporting.

This report shall be governed by, and construed in accordance with, French law and professional standards applicable in France. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Courbevoie and Paris-La Défense, 1 September 2021 at 3 pm

The Statutory Auditors

Mazars	Deloitte & Associés
Marc BIASIBETTI	Jean-Marie LE GUINER

18.2 **Group's 2020 Consolidated Financial Statements for the year ended 31 December 2020 and Statutory Auditors' report**

18.2.1 ***Group's 2020 Consolidated Financial Statements***

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CONSOLIDATED STATEMENT OF INCOME

(in € thousands)	Notes	31 Dec 2020	31 Dec 2019
Revenue	5.1	1,891,746	1,741,955
Costs of purchased goods and services	5.2	(1,630,861)	(1,490,924)
Freight on sales		(3,546)	(3,690)
Net Margin		**257,339**	**247,341**
Personnel costs	5.3	(119,865)	(114,899)
Other operating costs	5.4	(39,081)	(46,503)
Depreciation and amortization	5.5	(63,056)	(62,363)
Recurring operating profit		**35,337**	**23,576**
Non-recurring operating income and expenses	5.6	(5,580)	(1,847)
Operating profit		**29,757**	**21,729**
Finance debt costs	13.4	(34,232)	(36,559)
Interest on lease liabilities	8.3	(673)	(561)
Other financial income and expenses	13.4	(3,791)	860
Net financial income/(expense)		**(38,695)**	**(36,261)**
Profit/(loss) before income tax		**(8,937)**	**(14,532)**
Income tax	6.1	11,657	(1,853)
Profit/(loss) for the period		**2,719**	**(16,385)**
Profit/(loss) attributable to:			
- Owners of the parent company		2,169	(16,865)
- Non-controlling interests		550	480
Earnings per share attributable to parent company (in €):			
- Basic earnings per share	14.3	(0.05)	(0.08)
- Diluted earnings per share	14.3	(0.05)	(0.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € thousands)	**Notes**	**31 Dec 2020**	**31 Dec 2019**
Profit/(loss) for the period		**2,719**	**(16,385)**
Exchange differences on translation of foreign operations net of income tax		(33,200)	13,048
Total items that may be reclassified to profit or loss		(33,200)	13,048
Remeasurements of post-employment benefit obligations	16	(47)	(103)
Income tax relating to these items		12	26
Total items that will not be reclassified to profit or loss		(35)	(77)
Other comprehensive income/(expense)		**(33,325)**	**12,971**
Total comprehensive income/(expense)		**(30,515)**	**(3,414)**
Comprehensive income/(expense) attributable to:			
- Owners of the parent company		(30,956)	(4,068)
- Non-controlling interests		440	654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € thousands)	**Notes**	**31 Dec 2020**	**31 Dec 2019**	**1 Jan 2019**
ASSETS				
Goodwill	7.1	288,639	274,125	269,796
Other intangible assets	7.2	1,166,885	1,235,440	1,260,622
Property, plant and equipment	7.3	5,875	3,993	3,630
Right-of-use assets	8.1	21,984	19,018	20,294
Non-current other financial assets	13.1	25,306	22,173	16,384
Deferred tax assets	6.3	12,685	6,099	7,260
TOTAL NON-CURRENT ASSETS		**1,521,375**	**1,560,848**	**1,577,987**
Trade receivables and other receivables	9	863,607	705,292	602,424
Inventories	10	113,478	100,970	89,474
Current other financial assets	13.1	13,707	8,804	6,430
Cash and cash equivalents	12	163,232	117,355	103,056
TOTAL CURRENT ASSETS		**1,154,024**	**932,420**	**801,385**
TOTAL ASSETS		**2,675,398**	**2,493,268**	**2,379,372**
EQUITY AND LIABILITIES				
Share capital and share premium	14.1	740,399	740,399	740,399
Retained earnings and other reserves		(33,916)	(30,738)	(12,603)
Foreign currency translation reserve		(20,216)	12,874	-
Equity attributable to the owners of the parent company		**686,267**	**722,534**	**727,796**
Non-controlling interest	14.3	1,293	1,165	733
TOTAL EQUITY	14	**687,561**	**723,699**	**728,529**
Non-current other financial liabilities	13.2	706,538	656,499	649,565
Non-current lease liabilities	8.2	15,238	13,179	14,410
Non-current provisions	15	3,261	2,955	2,715
Deferred tax liabilities	6.3	278,890	301,312	307,761
TOTAL NON-CURRENT LIABILITIES		**1,003,928**	**973,944**	**974,450**
Trade payables and other liabilities	11	869,689	679,508	591,487
Current other financial liabilities	13.2	94,476	100,943	73,666
Current lease liabilities	8.2	7,283	5,922	5,632
Current provisions	15	1,503	251	171
Current derivative liabilities	13.3	5,680	3,658	736
Current tax liabilities		5,279	5,344	4,700
TOTAL CURRENT LIABILITIES		**983,910**	**795,625**	**676,391**
TOTAL EQUITY AND LIABILITIES		**2,675,398**	**2,493,268**	**2,379,372**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Notes	31 Dec 2020	31 Dec 2019
OPERATING ACTIVITIES			
Profit/(loss) for the period		**2,719**	**(16,385)**
Non-cash items			
- Depreciation, amortisation, impairment and change in provisions		63,562	62,577
- Changes in deferred taxes	6.1	(26,035)	(11,051)
- Gains and losses on disposal of fixed assets		(81)	105
- Other non-cash items		5,557	2,430
Cash flows from op. activities before change in working capital		**45,722**	**37,676**
Change in working capital		48,489	(25,868)
NET CASH FROM OPERATING ACTIVITIES		**94,212**	**11,808**
INVESTING ACTIVITIES			
Additions to property, plant and equipment and intangible assets		(2,304)	(4,653)
Disposals of fixed assets		333	1,372
Impact of changes in scope of consolidation	3.2.1.2	(69,174)	(10,266)
NET CASH FROM INVESTING ACTIVITIES		**(71,145)**	**(13,547)**
FINANCING ACTIVITIES			
Dividends paid		(206)	(446)
Purchase of non-controlling interests	13.2.2	(893)	(2,636)
Proceeds from issuance of bank borrowings	13.2.2	50,695	3,110
Proceeds from issuance of other financial liabilities	13.2.2	20,451	12,245
Factoring liabilities	13.2.2	(12,767)	25,628
Short-term financing	13.2.2	(885)	(2,276)
Repayment of other financial liabilities	13.2.2	(12,135)	(15,045)
Repayment of lease liabilities	8.2	(7,255)	(6,320)
NET CASH FROM FINANCING ACTIVITIES		**37,005**	**14,261**
Effects of exchange rate fluctuations on cash and cash equivalents		(3,864)	889
INCREASE IN NET CASH AND CASH EQUIVALENTS		**56,208**	**13,411**
Net cash and cash equivalents at the beginning of the period		106,008	92,597
Net cash and cash equivalents at the end of the period	12	162,217	106,008

Cash-flows included within the cash flows from op. activities before change in working capital:

- Income tax paid amounted to €12.9 million and €14.3 million for 2020 and 2019 respectively.

- Interest paid on bank borrowing amounted to €31.8 million and €34.6 million for 2020 and 2019 respectively.

- Interest paid on lease liabilities amounted to €0.7 million and €0.6 million for 2020 and 2019 respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to owners of the parent company										
		Share capital and premiums		**Total Share capital and premiums**	**Retained earnings and other reserves (excl. OCI)**	**Other comprehensive income (OCI)**			**Total OCI**	**Total attributable to owners**	**Non-controlling interests**	**Total equity**
(in € thousands)	**Note**	Share capital	Share premiums			Foreign currency translation adjustment	Employee benefit obligations	Related income tax				
Balance at 1 January 2019 before IFRS transition		**7,317**	**733,082**	**740,399**	**(21,913)**	**1,435**			**1,435**	**719,921**	**2,441**	**722,362**
IFRS Transition	**18.3**				9,310	(1,435)			(1,435)	7,875	(1,708)	6,167
Balance at 1 January 2019 after IFRS transition		**7,317**	**733,082**	**740,399**	**(12,603)**					**727,796**	**733**	**728,529**
Profit for the period					(16,865)					(16,865)	480	(16,385)
Other comprehensive income						12,874	(103)	26	12,797	12,797	174	12,971
Total comprehensive income					**(16,865)**	**12,874**	**(103)**	**26**	**12,797**	**(4,068)**	**654**	**(3,414)**
Changes in scope & other changes					(956)					(956)	234	(722)
Dividends											(449)	(449)
Other					(238)					(238)	(7)	(245)
Balance at 31 December 2019		**7,317**	**733,082**	**740,399**	**(30,661)**	**12,874**	**(103)**	**26**	**12,797**	**722,534**	**1,165**	**723,699**
Profit for the period					2,169					2,169	550	2,719
Other comprehensive income						(33,090)	(47)	12	(33,125)	(33,125)	(110)	(33,235)
Total comprehensive income					**2,169**	**(33,090)**	**(47)**	**12**	**(33,125)**	**(30,956)**	**440**	**(30,515)**
Changes in scope & other changes					(5,089)					(5,089)	(115)	(5,204)
Dividends											(206)	(206)
Other					(223)					(223)	9	(214)
Balance at 31 December 2020		**7,317**	**733,082**	**740,399**	**(33,804)**	**(20,216)**	**(149)**	**37**	**(20,328)**	**686,267**	**1,293**	**687,561**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

1.1 Presentation of the Group

Everest HoldCo SAS ("Exclusive Networks") was incorporated on 19 April 2018 for the purposes of acquiring, through its subsidiary Everest SubBidCo SAS, all outstanding shares in Exclusive France Holding SAS on 4 July 2018.

As a leading global specialist in innovative cybersecurity technologies, Exclusive Networks and its subsidiaries "the Group" buys and sells the cybersecurity solutions and adjacent products of its established vendors including hardware, software licence and support & maintenance. It also provides services such as training, support and installation. With offices in over 40 countries across five continents, the Group is organised into three regions EMEA (Europe, Middle East, Africa), APAC (Asia-Pacific) and Americas (USA, Canada).

The Group is incorporated and domiciled in Boulogne-Billancourt, France. Its registered office is located at 20, Quai du Point du Jour, 92100 Boulogne-Billancourt.

1.2 Significant events of the period

Appointment of Jesper Trolle as Chairman

On 15 September 2020, the Group appointed Jesper Trolle as Chairman. Jesper Trolle took over from Olivier Breittmayer who became a non-executive Board member of Exclusive Networks.

Acquisition of JJNET International Co, Ltd

On 27 August 2020, Exclusive Networks Asia Pte Ltd (Singapore) acquired 80% of the share capital of the Hong Kong based company JJNET International Co, Ltd, which is a distributor of IT security products.

Acquisition of Nuaware Limited

On 20 November 2020, Exclusive Networks Ltd (United Kingdom) acquired 70% of the share capital of the UK company Nuaware Co, Ltd, which is a distributor of security solutions specialized in DevSecOps and containerisation.

Acquisition of Veracomp

On 14 July 2020, Exclusive Networks B.V. (Netherlands) incorporated the Polish company Veracomp Exclusive Networks Poland SA and on 30 December 2020, Veracomp Exclusive Networks Poland SA then acquired 100% of the assets and liabilities of the Polish company Veracomp SA which allows the Group to reinforce its presence in the Central and Eastern Europe. Veracomp is a distributor of cybersecurity solutions and infrastructure products. Veracomp operates in several countries located in Eastern Europe (Poland, Czech Republic, Slovakia, Romania, Bulgaria, Slovenia, Croatia, Bosnia and Serbia).

See *note 3* for more information on these acquisitions.

1.3 Covid-19 pandemic crisis

The year 2020 was affected by lockdown measures in many countries where the Group operates. In most countries, the cybersecurity activity was recognised as essential, allowing the flow of goods to continue as normal. Only three countries in Asia had their warehouses closed, for a period limited to the spring of 2020 and none was closed for more than 30 days. Transport was disrupted and supply costs increased, but thanks to the work of the operations teams and the alternative solutions found, operations were not significantly disrupted, and cost increases were not significant on a Group-wide scale.

As a direct consequence, business growth has slowed slightly, with some projects being delayed and some customer decisions being postponed. But once again, given the strategic and critical nature of cybersecurity, the impact has been non-material.

With the spread of the Covid-19 virus, one of the Group's top priorities was to provide the utmost assistance and support to its teams and partners, wherever possible.

Credit risk is mainly covered by both global insurance policies and the strong focus of local finance and sales teams. The pandemic did not negatively impact customer payments in 2020, the number of extensions of payment terms requested by customers was very limited, with a temporary effect lasting just two to three months. During this period, the Group was able to benefit from the support of its main suppliers making adjustments to payment terms in order to offer additional time to the aforementioned customers or allow for temporary overstocking in order to avoid any risk of inventory shortages during the first few months of the pandemic.

Covid-19 related health measures have also been put in place across the Group without incurring significant additional costs.

In addition, during the period, the Group did not seek additional funding or government assistance related to the health crisis. The only measures from which the Group benefited were those that were mandatory in some very few geographical areas. As a result, the Covid-19 pandemic has not had a negative impact on the Group's liquidity position or lead to goodwill impairment and has had no material adverse impact on the Group's financial statements for the year ended 31 December 2020.

The Group considers that Covid-19 did not impact either its exposure to financial risks associated with operating and financing activities or the monitoring of those risks. During the period 2020, the Group has used its short-term uncommitted credit lines (overdrafts, loans and receivable financings) and has negotiated additional short-term uncommitted financings to sustain the growth of its activity and finance its working capital requirements. At year end, the uncommitted financing lines have been renewed. As of December 31, 2020, the Group available liquidity amounts to €232.2 million (€163.2 million of cash equivalents; €54.0 million of undrawn uncommitted bank debts and €15.0 million of undrawn committed bank debt).

Note 2. Accounting policies

2.1 Basis of preparation

These consolidated financial statements for the year ended 31 December 2020 have been prepared in the context of the proposed offer to the public and admission of the shares of the Company to trading on Euronext Paris. They were prepared specifically for the purposes of the prospectus subject to approval by the Autorité des marchés financiers (the "AMF").

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standard Board (IASB) and adopted by the European Union (EU) on 31 December 2020.

These consolidated financial statements for the year ended 31 December 2020, the Group's first set of consolidated financial statements prepared in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards, were reviewed by the Supervisory Board and approved by the Chairman on 2nd July 2021.

The consolidated financial statements are presented in euro currency. Unless otherwise stated, all amounts are stated in thousands of euros. Rounding differences on totals may occur between the different financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Measurement principles

The consolidated financial statements have been prepared using the historical cost convention, except for:

- certain financial assets and liabilities measured using the fair value model (*see note 13.5*),
- assets acquired and liabilities assumed in business combinations, measured using the fair value model (*see note 3.2.1*).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy defined in IFRS 13 – Fair Value Measurement is presented in *note 13.5*.

2.2 Accounting policies

IFRS Standards, amendments, and interpretations effective in 2020

The IFRS amendments whose application is mandatory as of 1 January 2020 include:
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1)
- Amendments to IFRS 3 – Definition of a Business
- Amendments to References to the Conceptual Framework in IFRS Standards.

An amendment to IFRS 16 – Leases: Covid-19-Related Rent Concessions, is effective from 1 June 2020.

The application of these amendments had no material impact on the Group's consolidated financial statements.

IFRS Standards, amendments, and interpretations adopted by the European Union and effective from 1 January 2021

- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

The Group is assessing the potential impact on these amendments on its consolidated financial statements.

IFRS Standards, amendments and interpretations not yet adopted by the European Union

- Amendments to IFRS 3 – Business Combinations, IAS 16 – Property, Plant and Equipment, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements to IFRSs – 2018-2020 cycle
- Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The Group does not expect the application of the above standard and amendments to have a material impact on its consolidated financial statements.

2.3 First-time application of IFRS

Refer to note 18 which sets out the IFRS approach, exemptions, and transition impacts on revenue, operating profit, net income/(loss), other comprehensive income and total comprehensive income for the years ended 31 December 2020 and 31 December 2019, as well as the impacts on equity at 1 January 2019 and 31 December 2019.

2.4 Consolidation method

2.4.1 Controlled entities

The consolidated financial statements include the financial statements of Everest Holdco SAS and its directly or indirectly entities. Under IFRS 10, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Companies over which the Group has control are fully consolidated.

At 31 December 2020, all subsidiaries owned by the Group have been consolidated using the full consolidation method. Furthermore, all consolidated entities have a 31 December year-end, with the exception of Exclusive Networks Sales India Pte Ltd (India), whose year ends on 31 March. Accounts were drawn up for the entity at 31 December 2020 for the purposes of preparing the Group's consolidated financial statements.

2.4.2 Intra-group transactions

All intercompany transactions and balances are eliminated for consolidation purpose.

2.4.3 Foreign currency transactions and translation

These consolidated financial statements are presented in euros, which is the Group's presentation currency. The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are converted into the functional currency using the rate prevailing on transaction date.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

The results and financial position of Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- assets and liabilities (including goodwill) are converted at the closing balance sheet rate,
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated on the transaction dates), and
- all resulting exchange differences are recognised as currency translation adjustments within Other Comprehensive Income.

2.5 Use of judgements and estimates

2.5.1 Estimates

The preparation of the consolidated financial statements requires Group management to make estimates and assumptions that affect the reported amounts of assets and liabilities at reporting date, income and expenses for the period and accompanying disclosures. Management also needs to exercise judgement in applying the Group's accounting policies. Actual results may differ from these estimates, due to changes in facts and circumstances.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and changes in assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The key estimates used in preparing the Group's consolidated financial statements relate mainly to:
- measurement of the recoverable amount of goodwill and intangible assets (*see note 7.1 and 7.2*);
- measurement of the fair value of assets acquired and liabilities assumed in a business combination (*see note 3.2*);
- allocation of total transaction price amongst the distinct performance obligations under IFRS 15 – Revenue from Contracts with Customers (*see note 5.1*);
- measurement of the recoverable value of deferred tax assets (*see note 6*);
- measurement of right-of-use assets and lease commitments in accordance with IFRS 16 – Leases (*see note 8*);
- measurement of liabilities related to put options granted to non-controlling interests *(see note 13*);
- compliance with financial ratios (*see note 13.2.4*);
- measurement of derivatives and other financial instruments at fair value (*see note 13.5*);
- measurement of provisions for credit risk on trade and other receivables (*see note 15*);
- measurement of employee benefits, mainly pensions (*see note 16*);
- and, in the context of Covid-19, factoring the uncertainty in measuring these recoverable amounts and their sensitivity to potential changes in key assumptions (*see note 1.3*).

2.5.2 Judgements

Group management also makes judgements in determining the appropriate accounting policies to apply to certain activities and transactions, particularly when the IFRS standards and IFRIC interpretations in force do not specifically deal with the related accounting issues.

In particular, the Group exercised its judgement in:
- identifying the distinct performance obligations of contracts with customers and assessing whether the Group acts as principal or agent (*see note 5*);
- determining whether certain financing arrangements (factoring agreements, Exclusive Capital financing solutions) may result in derecognition or not (*see note 13*).

2.6 Going concern

Management considers the Group has sufficient resources to continue operating for at least 12 months and that there are no material uncertainties about the Group's ability to continue as a going concern.

Note 3. Scope of consolidation

3.1 List of companies included in the scope of consolidation

Entity	Country	2020 Consolidation method	2020 % of interest	2019 Consolidation method	2019 % of interest
Everest HoldCo SAS	France	Parent company	100	Parent company	100
Everest SubHoldCo SAS	France	FC	100	FC	100
Everest MidCo SAS	France	FC	100	FC	100
Everest BidCo SAS	France	FC	100	FC	100
Everest SubBidCo SAS	France	FC	100	FC	100
Exclusive France Holding SAS	France	FC	100	FC	100
Exclusive Networks SAS	France	FC	100	FC	100
Exclusive Capital Holding SAS	France	FC	87.13	FC	87.13
Exclusive Capital SAS	France	FC	87.13	FC	87.13
Exclusive on Demand SAS	France	FC	100	-	-
Exclusive Networks SL	Spain	FC	100	FC	100
Exclusive Networks S. r. l.	Italy	FC	100	FC	100
Exclusive Networks Bilişim A. Ş.	Turkey	FC	100	FC	100
Securewave Limited	Israel	FC	70	FC	70
Exclusive Networks Ireland Ltd	Ireland	FC	88	FC	66.5
Exclusive Networks Ltd	United Kingdom	FC	100	FC	100
Exclusive Capital Ltd	United Kingdom	FC	100	FC	100
Everest UK FinCo Ltd	United Kingdom	FC	100	FC	100
Everest UK HedgeCo Ltd	United Kingdom	FC	100	FC	100
Nuaware Limited	United Kingdom	FC	70	-	-
Exclusive Group GmbH	Germany	FC	100	FC	100
Exclusive Networks Deutschland GmbH	Germany	FC	100	FC	100
Exclusive Networks Deutschland Beteiligungs GmbH	Germany	FC	100	FC	100
Exclusive Networks Austria GmbH	Austria	FC	100	FC	100
Exclusive Networks Switzerland AG	Switzerland	FC	100	FC	100
Exclusive Networks BVBA	Belgium	FC	100	FC	100
Exclusive Networks B. V.	Netherlands	FC	100	FC	100
Exclusive Networks Norway AS	Norway	FC	100	FC	100
Exclusive Networks Sweden AB	Sweden	FC	100	FC	100
Exclusive Networks Finland OY	Finland	FC	100	FC	100
Exclusive Networks Denmark A/ S	Denmark	FC	100	FC	100
Network Distributors FZ- LLC	United Arab Em.	FC	100	FC	100
Exclusive Group Mena Ltd	United Arab Em.	FC	100	FC	100
Exclusive Americas Holdings Inc.	United States	FC	100	FC	100
Trigem Enterprises Inc.	United States	FC	100	FC	100
Exclusive Networks Canada Inc	Canada	FC	100	FC	100
Itec Intelligent Services Ltd	United Kingdom	FC	100	FC	100
Itec Intelligent Services PTE Ltd	Singapore	FC	100	FC	100
Itec Intelligent Services Inc	United States	FC	100	FC	100
Exclusive Networks PTY Ltd	Australia	FC	100	FC	100
Exclusive Networks (NZ) PTY Ltd	New Zealand	FC	100	FC	100
Exclusive Networks Hong Kong Ltd	Hong Kong	FC	100	FC	100
Exclusive Networks JJNET Hong Kong Ltd	Hong Kong	FC	80	-	-
Exclusive Networks Sales India Pte Ltd	India	FC	100	FC	100
PT Exclusive Networks Indonesia	Indonesia	FC	100	FC	100
TSM Network Sdn Bhd	Malaysia	FC	100	FC	100
Exclusive Networks Malaysia Sdn Bhd	Malaysia	FC	100	FC	100
Exclusive Networks PH Inc	Philippines	FC	100	FC	100
Exclusive Networks Asia Pte Ltd	Singapore	FC	100	FC	100
Exclusive Networks Singapore Pte Ltd	Singapore	FC	100	FC	100
Bridgingminds Singapore Pte Ltd	Singapore	FC	100	FC	100
Exclusive Holding (Thailand) Co. Ltd	Thailand	FC	73.86	FC	73.86
Transition Systems and Networks (Thailand) Co. Ltd	Thailand	FC	86.67	FC	86.67
Pink Lake Systems (Thailand) Co. Ltd	Thailand	FC	86.42	FC	86.42
Agile Distribution (Thailand) Co. Ltd	Thailand	FC	92.2	FC	92.2
Super Holding Exclusive (Thailand) Co., Ltd.	Thailand	FC	49	FC	49
Exclusive Networks Vietnam Co. Ltd	Vietnam	FC	100	FC	100

List of companies included in the scope of consolidation (continued)

Entity	Country	2020 Consolidation method	2020 % of interest	2019 Consolidation method	2019 % of interest
Veracomp Exclusive Networks Poland SA	Poland	FC	100	-	-
Veracomp EOOD (Bulgaria)	Bulgaria	FC	100	-	-
Veracomp d.o.o (Croatia)	Serbia	FC	92.5	-	-
Veracomp IT d.o.o (Slovenia)	Slovenia	FC	92.5	-	-
Veracomp Beograd d.o.o (Serbia)	Serbia	FC	92.5	-	-
Veracomp Sarajevo d.o.o (Bosnia)	Bosnia	FC	92.5	-	-
Veracomp Europe s.r.l (Romania)	Romania	FC	93.5	-	-
Veracomp s.r.o (Czech Republic)	Czech Republic	FC	97.5	-	-
Veracomp Slovakia s.r.o	Slovakia	FC	97.5	-	-
Compendium CE sp.Z.o.o (Poland)	Poland	FC	100	-	-

3.2 Changes in the scope of consolidation

The changes in the scope of consolidation result from business combinations as defined by IFRS 3R and acquisitions of assets and groups of assets.

Accounting policy

The accounting treatment of acquisitions resulting in control being obtained is as follows in accordance with IFRS 3R:

- The acquisition costs are recorded as expenses in the income statement in non-recurring operating income and expenses and presented within investing activities in the statement of cash flows when incurred. The only exception is the treatment of costs to issue debt or equity, which are treated as reduction of the related instruments,
- The price adjustments are initially recognised at fair value, the subsequent changes are accounted in non-recurring operating income and expenses, and all payments relating to these adjustments are presented within investing activities in the cash flow statement,
- When control is obtained (or lost), the remeasurement at fair value of the previously held (or residual interest) is recognised in the income statement in non-recurring operating income and expenses,
- When control is obtained, non-controlling interests are recognised, either at their share of the fair value of the assets and liabilities of the acquired entity, or at their fair value. In the latter case, the goodwill is then increased by the portion relating to these non-controlling interests. The treatment adopted is selected on an individual basis for each acquisition.

Business combinations may be recognised on a provisional basis, as the amounts allocated to the identifiable assets acquired, liabilities assumed, and goodwill may be amended during a maximum period of one year from their acquisition date.

Changes in equity interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a gain or loss of control are accounted for as equity transactions. In other words, the difference between the fair value of any consideration paid and the carrying amount of the share of the subsidiary's net assets acquired or disposed of is recorded in equity.

3.2.1 *Acquisitions in the current reporting period*

3.2.1.1 Summary of material acquisitions

Acquisition of Veracomp

On 14 July 2020, Exclusive Networks B.V. (Netherland) acquired the Polish company Veracomp Exclusive Networks Poland SA and on 30 December 2020. Veracomp Exclusive Networks Poland SA then acquired all of the assets and liabilities of the Polish company Veracomp SA which allows the Group to reinforce its presence in Central and Eastern Europe. Veracomp, distributor of cybersecurity solutions and infrastructures products. Veracomp operates in several countries located in Eastern Europe (Poland, Czech Republic, Slovakia, Romania, Bulgaria, Slovenia, Croatia, Bosnia and Serbia). The workforce was 452 employees.

This operation was financed with the drawdown of a revolving credit facility (RCF) of €60,000 thousand, and €18,083 thousand in cash. The costs related to this transaction amounted to €4,138 thousand and have been fully expensed in non-recurring operating income and expenses.

The Group concluded that the acquisition meets the definition of a business under IFRS 3R, and thus the acquisition of the transferred assets and liabilities was subject to a Purchase Price Allocation exercise.

Revenue and profit contribution
The operations of the acquired business are not reflected in the Group' revenue and net profit for the period from 30 December 2020 to 31 December 2020.

Acquisition of JJNET International Co, Ltd.

On 27 August 2020, Exclusive Networks Asia Pte Ltd acquired 80% of the shares of the Hong Kong-based company JJNET International Co Ltd., a local distributor specialised in computer security, storage, and infrastructure products, for a total price of €3,118 thousand paid in cash.

In 2020, JJNET International Co Ltd. generated net sales of €10.9 million and a workforce of 22 employees.

Acquisition of Nuaware Ltd.

On 20 November 2020, Exclusive Networks Ltd acquired 70% of the UK company Nuaware Co, Ltd, distributor of computer security products for a transaction price of €5,495 thousand paid in cash plus an earn-out to be paid in 2021 (*see note 13*).

In 2020, Nuaware Co Ltd generated net sales of €15.5 million and an average workforce of 8 employees.

Summary of material acquisitions

In 2020, Exclusive Networks Group acquired several businesses, Veracomp being the main one. Nuaware and JJNET are considered as individually and collectively immaterial business combinations compared to all acquisitions of the year and to the Group's consolidated financial statements.

If the acquisition had occurred on 1 January 2020, the combined revenue and profit for the year ended 31 December 2020 would have been €2,139 million and €8 million respectively. These amounts have been estimated by adding to the balances reported in the Group's consolidated statement of income for the year ended 31 December 2020 the corresponding figures reported in the unaudited management accounts of the entities acquired, converted to IFRS and adjusted for:

- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments in relation to the purchase price allocation to property, plant and equipment and intangible assets had applied from 1 January 2020, together with the consequential tax effects.

- The additional financial interest that would have been charged over the year on the €60 million drawn from the RCF used to finance the acquisition, together with the consequential tax effects.

3.2.1.2 *Acquisition price and goodwill*

At acquisition date *(in € thousands)*	**Veracomp**	**JJNET**	**Nuaware**	**Total**
Acquisition price (A)	**73,945** (1)	**3,118**	**9,579** (3)	**86,642**
Proportionate share of the net assets remeasured at fair value (B)	**64,018**	**3,081**	**4,548**	**71,647**
Including (at 100%) (B):				
- Vendor relationships (2)	16,667	-	6,940	23,608
- Distribution agreement	-	1,953	-	1,953
- Net deferred tax	(3,070)	(354)	(1,319)	(4,743)
Provisional goodwill (A) - (B)	**9,927**	**37**	**5,031**	**14,995**
Impact in the cash flow statement (cash paid, net of cash acquired)	63,949	2,352	2,773	69,074
Including: **- Cash acquired**	(9,765)	(874)	(2,142)	(12,781)

(1) The acquisition price of Veracomp includes € 72.5 million related to Veracomp SA, and € 1.4 million related to the subsidiaries.
(2) As a part of the Veracomp acquisition, the Group recognised vendor relationships at their fair value based on the excess earnings method. The vendor relationships are amortised over 8 to 10 years depending on vendors.
(3) As additional consideration for Nuaware shares, the Group will pay the seller an earn-out of €4 million (£3.6 million) in cash by 30 June 2021. This amount is disclosed within trade and other payables (see note 11). A contingent liability of €0.8 million relates to tax and/or National Insurance Contributions liability

The acquisition costs related to the acquisition of JJNET, Nuaware and the assets of Veracomp, are respectively €366 thousand, €233 thousand and €4,138 thousand.

The determination of the goodwill above is provisional and may be adjusted during a 12-month measurement period after the acquisition date, specially to identify and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest as well as the consideration transferred.

3.2.2 Acquisitions in the comparative period

3.2.2.1 *Summary of main acquisitions*

In 2019, Exclusive Networks Group acquired two businesses:

Acquisition of Fine Tec Distribution Inc.

On 7 February 2019, the Group acquired all of the outstanding shares of the Canadian company Fine Tec Distribution Inc. which operates in the Canadian market for IT security, storage, and infrastructure products, for a total purchase price of €7,813 thousand. Subsequently to the acquisition, the company was renamed as Exclusive Network Canada Inc.

In 2018, Fine Tec Distribution Inc. generated net sales of €32,172 thousand and had an average workforce of 7 employees.

Acquisition of Securewave Ltd.

On 14 February 2019, the Group acquired 70% of the share capital of the Israeli company Securewave Ltd, which distributes IT security products, for a total purchase price of €4,118 thousand. In 2018, Securewave Ltd generated net sales of €15,371 thousand and had an average workforce of 9 employees.

3.2.2.2 *Acquisition price and goodwill*

In accordance with IFRS 3R – Business Combinations, the fair value measurement of the identifiable assets acquired, and liabilities assumed was finalised during 2019. The final allocation of the acquisition cost is as follows:

At acquisition date *(in € thousands)*	Fine Tec Distribution	Securewave	Total
Acquisition price (A)	7,813	4,118	11,931
Proportionate share of the net assets remeasured at fair value (B)	5,820	2,212	8,032
Including (at 100%) (B):			
- Vendor relationship [(1)]	3,462	1,717	5,179
- Net deferred tax	(865)	(464)	(1,329)
Goodwill (A) - (B)	**2,196**	**1,905**	**4,101**
Impact on the cash flow statement (cash paid, net of cash acquire	6,187	3,996	10,183
Including:			
- Cash acquired	(1,846)	(212)	(2,058)

[(1)] The fair value of the recognised vendor relationships was measured using the excess earnings. Vendor relationships are amortised over 20 years for Fine Tec Distribution and Securewave.

The acquisition costs related to the acquisition of Fine Tec and Securewave are respectively €203 thousand and €28 thousand.

3.2.3 Non-controlling interest acquired

3.2.3.1 Non-controlling interest acquired in the current reporting period

On 23 September and 16 October 2020, Exclusive Networks SAS acquired a 21.5% minority stake in Exclusive Networks Ireland Ltd for a total amount of €884 thousand, bringing its total stake to 88%. This had the effect of reducing liabilities by €884 thousand. (see *note 13).*

3.2.3.2 Non-controlling interests acquired in the comparative period

(in € thousands)	**31 Dec 2019**
ITEC Intelligent Services Limited	2,264
Capital Holding SAS	372
Impact of the repurchase on the scope of consolidation	**2,636**

On 29 May 2019, Exclusive Networks SAS acquired the non-controlling interests in ITEC Intelligent Services Limited for €2,264 thousand.

On 13 November 2019, Exclusive Networks SAS acquired the non-controlling interests in Exclusive Capital Holding SAS for €372 thousand.

This decreased the corresponding financial liability by €2,636 thousand (see *note 13).*

3.2.4 Creation and liquidation

3.2.4.1 Creation and liquidation in the current reporting period

Creation of Exclusive on Demand SAS

On 17 March 2020, the Group created Exclusive on Demand SAS, a wholly owned subsidiary of Everest SubBidCo SAS with a shared capital of €5 thousand. The company markets cutting-edge IT security, storage, and infrastructure subscription-based solutions.

Liquidation of VADition Ltd and Exclusive UK Holding Ltd (UK)

VADition Ltd and Exclusive UK Holding Ltd were subject to a liquidation request on 18 December 2019. Their liquidation took effect on 31 March 2020.

Merger of EC GmbH

EC GmbH has been merged with EN Deutschland with a retroactive effect as of 1 January 2020.

3.2.4.2 Creation and liquidation in the previous comparative period

Creation of Exclusive Networks Hong Kong Limited

On 20 February 2019, Exclusive Networks Hong Kong Limited was constituted with a share capital of HKD 1.00.

Liquidation of Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd (Malaysia)

A decision was made on 17 October 2018 to liquidate Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd. Their liquidation took effect on 17 January 2019.

Liquidation of Transition Systems Australia Limited (TSAU)

The assets of TSAU were transferred to Exclusive Networks PTY Ltd on 19 November 2019 and TSAU was liquidated on 11 December 2019.

Note 4. Segment information

Accounting policy

The Group operates as a distributor of innovative technology products and services to build global trusted digital infrastructure for its clients (*see note 5*).

For management and internal reporting purposes, the Group is organised by geographical regions that are supervised by Regional Senior Vice Presidents who are responsible for the local relationship with vendors and customers. The following geographical regions are the Group's operating segments: EMEA, Americas and APAC.

The Chairman is the Chief Operating Decision Maker of the Group and assesses each of the reported segments separately for the purposes of evaluating performance and allocating resources.

Gross Sales and Adjusted EBITA are the key performance indicators reviewed by the Chief Operating Decision Maker on a monthly basis and are defined as:

- Gross sales represent revenue recognized by the Group on a gross basis (before IFRS 15 adjustments) for each revenue stream from operations and before intra and inter segment intercompany eliminations.

- Adjusted EBITA represents recurring operating profit before amortization of intangible assets, as adjusted for certain costs that do not impact the day-to-day operations. These include implementation costs for finance and operations group management systems, restructuring costs and key management one-time costs.

"Corporate" represents Corporate Group functions such as CEO office, strategy, business development, global sales & marketing, vendor global alliances, finance, human resources, legal, operations, Information Technology.

For the year ended 31 December 2020:

(in € thousands)	**EMEA**	**Americas**	**APAC**	**Corporate**	**Total**
Gross sales	1,931,495	269,542	362,828	-	**2,563,865**
Adjusted EBITA	94,617	5,443	16,775	(21,658)	**95,176**

For the year ended 31 December 2019:

(in € thousands)	**EMEA**	**Americas**	**APAC**	**Corporate**	**Total**
Gross sales	1,745,957	257,070	372,204	-	**2,375,231**
Adjusted EBITA	79,389	5,154	16,844	(20,276)	**81,111**

Gross sales reconcile to IFRS Revenue as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Revenue	**1,891,746**	**1,741,955**
Agent vs Principal (Mainly Vendors' Support) - IFRS 15	657,794	609,937
Timing of Revenue Recognition - IFRS 15	(10,717)	(953)
Intercompany Eliminations	25,042	24,292
Gross sales	**2,563,865**	**2,375,231**

Adjusted EBITA reconciles to Operating profit as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Operating profit	**29,757**	**21,729**
Non-recurring operating income & expenses	5,580	1,847
Amortization of intangible assets	53,942	53,901
Other (1)	5,896	3,634
Adjusted EBITA	**95,176**	**81,111**

(1) Other includes implementation costs for finance and operations group management systems, restructuring costs and key management one-time costs.

For revenues from external customers for each product and service and by geography, *see Note 5.1*.

The Group has no revenues from transactions with a single external customer exceeding 10% of total revenues.

Note 5. Operating income and expenses

5.1 Revenue

Accounting policy

The Group's revenues primarily result from the sale of cybersecurity solutions and services. Hardware, software licences, vendor's support and maintenance, other services (installation, training and other professional services) have been identified as distinct performance obligations as they can be sold separately and are distinct within the context of the contract.

Revenue is recognised based on the completion of performance obligations at the transaction price allocated to each performance obligation. The transaction price - which reflects the consideration to which the Group expects to be entitled in exchange for those goods or services - is determined by the price specified in the underlying contract or order. Where contracts include multiple performance obligations and a single price, transaction prices will be allocated to each performance obligation based on stand-alone selling prices. All performance obligations are listed as individual items on the order and prices are allocated on this basis.

The Group acts as principal for the sale of hardware, software licences and professional services as it controls these products and services before they are transferred to customers. The Group also enters contracts with customers where the Group's performance obligation is to arrange for the products or services to be provided by another party. In these arrangements, the Group assumes an agency relationship in the transaction. Revenue is therefore recognised in the amount of the net fee associated with serving as an agent. These arrangements primarily relate to sales of vendor's maintenance and support/extended warranty services.

A performance obligation is satisfied when control of the promised good or service is transferred to the customer which may be either at a "point in time" or "over time":

- For hardware and software licences, control to customers is generally transferred at the point of shipment. Products sold by the Group are shipped from the Group's facilities, are drop shipped directly from the vendor, or are made available through electronic delivery of activation keys for software products.
- For installation, training and other services performed by the Group, control to customers is transferred overtime as the services are performed and revenue is recognised accordingly.

Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on a gross basis, or as agent, reporting revenue on a net basis. The Group evaluates each revenue stream against the following indicators when determining whether it controls the solutions and services before they are transferred to the customer and then whether it is acting as principal or agent in a transaction: (i) primary responsibility for fulfilling the promise to provide the specified goods or service, (ii) inventory risk supported by the Group before the specified good or service has been transferred to a customer and (iii) discretion in establishing the price of a specified good or service. Certain revenue streams present a more balanced judgement than others when assessed against the above criteria and the conclusion may be reliant on the weighting applied to the responses to these criteria.

Management concluded that the Group is the principal with respect to the sale of hardware and software licence as it assessed that (i) the Group controls these specified products before they are transferred to the customer, (ii) it is primarily responsible for fulfilling the promise to the customer as it ensures compatibility of products and customer requirements, (iii) it has some discretion in establishing the selling price for such products and bears inventory risk. In arrangements where the Group does not have control over the service and is not primary responsible to fulfil it such as vendor's support and maintenance, management concluded that the Group is qualified as an agent.

Revenues are recorded net of returns, which historically have not been material. Revenues are also recorded net of discounts and rebates and volume rebates and other discounts to certain customers that overall, have a limited materiality. A contract liability for customer rebates and other discounts is recorded as a deduction from revenue at the time of sale based on an evaluation of the contract terms and historical experience.

Accounting policy (continued)

Exclusive Capital

The Group - through its Exclusive Capital entities - sells products to its customers under financing arrangements. More specifically, Exclusive Capital entered into leasing-type agreements with its customers, generally over 36 months based on subscription contracts of similar duration. At the same time, Exclusive Capital entered into a refinancing agreement with a financial institution, sells the equipment's to the financing institution along with the leasing-type contract at a discounted price that remunerates it for the financing service, and also transferred the legal ownership to the financial institution during the period of the contract. Exclusive Capital contractually commits to repurchase the equipment's at the end of the lease contract to the financing institution at a residual price.

Revenue is recognised at the fair value, or, if lower, the present value of the lease payments accruing, discounted using a market rate of interest. As the dealer/lessor, the Group recognises the profit or loss on the sale of finance leases at commencement date.

See *note 13.2* for IFRS 9 analysis of these financing arrangements.

Revenue can be analysed by nature of products and services as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Software and software associated to hardware	1,724,797	1,599,829
Other (1)	166,949	142,126
Revenue	**1,891,746**	**1,741,955**

(1) This includes vendor's support and maintenance, finance lease revenue and professional services performed by the Group (installation, training, …).

Exclusive Capital activities contributed € 25,739 thousand in 2020 and €20,346 thousand in 2019. Also *see note 13.2*.

Revenue related to geographies representing more than 8% of total revenue can be analysed as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Revenue by geography		
United Kingdom	272,436	279,527
France	233,261	206,726
Rest of the world (2)	1,386,049	1,255,702
Total revenue	**1,891,746**	**1,741,955**

(2) No other country represents more than 8% of consolidated revenue individually.

For each of the fiscal years presented, no single customer accounted for more than 5% of the Group's consolidated revenue.

5.2 Costs of purchased goods and services

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Purchase of goods	(1,634,690)	(1,501,536)
Change in inventories	6,936	11,446
Net allowance for stock depreciation	(3,108)	(834)
Costs of purchased goods and services	**(1,630,861)**	**(1,490,924)**

5.3 Personnel costs

The average workforce for the period was 1,784 people.

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Wages and salaries	(102,129)	(97,750)
Social security costs and other costs	(17,736)	(17,149)
Personnel costs	**(119,865)**	**(114,899)**

5.4 Other operating costs

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
External fees	(13,632)	(12,792)
Other operating expenses [(1)]	(25,449)	(33,711)
Other operating costs	**(39,081)**	**(46,503)**

[(1)] made-up of numerous individual non-material items such as travel expenses, marketing and adverting cost, insurance, and bank fees.

5.5 Depreciation and amortisation

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Amortisation of intangible assets	(53,942)	(53,901)
Depreciation of tangible assets	(1,902)	(1,647)
Depreciation of right-of-use assets	(7,212)	(6,815)
Depreciation and amortisation	**(63,056)**	**(62,363)**

Amortisation of intangible assets mainly related to amortisation of vendor relationship identified in the context of business combinations over a period reflecting the expecting pattern of consumption of the future economic benefits. This mainly refers to the acquisition of Exclusive France Holding Group by Everest HoldCo SAS on 4 July 2018.

5.6 Non-recurring operating income and expenses

Non-recurring income and expenses represent an expense of €5,580 thousand as at 31 December 2020 and an expense of €1,847 thousand as at 31 December 2019, mainly driven by effects of acquisition and related costs for consolidated entities for €5,660 thousand in 2020 and €1,816 thousand in 2019. The increase in the acquisition costs for consolidated entities mainly results from the acquisition of Veracomp in 2020.

Non-recurring income and expenses include items which are defined as unusual, abnormal and infrequent items of a particularly significant amount at Group level that are of limited number and that are presented separately in order not to distort the understanding of the Group's underlying performance.

Note 6. Income tax

Accounting policy

"Income tax" caption includes current and deferred taxes.

Current taxes include the taxes due on profit. Deferred taxes are recognised on the temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the balance sheet, as well as on the tax losses carry forwards when it has been possible to define the timing of reversal of these temporary differences against profit.

Deferred taxes are determined using tax rates and laws that have been enacted or substantially enacted in accordance with IAS12 at the balance sheet date and expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised up to the amount of the deferred tax liabilities and, for any remainder, if taxable profits are expected, during their unwinding period.

Deferred taxes are included in "deferred tax assets" and "deferred tax liabilities" in the balance sheet.

Applying IFRIC 23, any uncertainties over income tax positions are considered by the Group to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

6.1 Detailed breakdown of income tax

The income tax is broken down as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Current tax	(14,378)	(12,904)
Deferred tax	26,035	11,051
Income tax	**11,657**	**(1,853)**

6.2 Analysis of the tax charge

The income tax charge may be analysed as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Profit/(loss) before taxes	**(8,937)**	**(14,532)**
Taxable income at the statutory tax rate	32.02%	34.43%
Theoretical tax expense (A)	**2,862**	**5,003**
Impact of permanent differences	(2,822)	(4,324)
Change in tax rate (1)	7,446	(246)
Recognition or utilization of tax income on previously unrecognized tax losses carry-forward (2)	10,378	2,806
Effect of unrecognized deferred tax assets on tax losses carry-forward and on other non-deductible temporary differences	(3,610)	(2,185)
Withholding tax	(747)	(127)
Other	(1,849)	(2,781)
Total tax effect (B)	**8,796**	**(6,857)**
Effective tax expenses/(income) (A+B)	**11,657**	**(1,854)**

(1) Including an impact of change in deferred taxes liabilities on intangibles for €7.6 million in 2020

(2) Including the recognition in 2020 of a deferred tax asset on losses carry-forward in France (€6.3 million)

6.3 Deferred taxes in the statement of financial position

Change in deferred tax assets and liabilities are as follows:

(in € thousands)	**Deferred tax assets**	**Deferred tax liabilities**
At 1 December 2019	**7,260**	**307,761**
Change in scope	51	1,329
Net impact in the income statement	(1,304)	(12,401)
Reclassification and others (*)	47	46
Translation adjustments	45	4,578
At 31 December 2019	**6,099**	**301,312**
Change in scope	742	7,279
Net impact in the income statement	6,718	(19,317)
Reclassification and others (*)	(753)	(793)
Translation adjustments	(122)	(9,591)
At 31 December 2020	**12,685**	**278,890**

(*) Including tax effect on actuarial gain and losses recognised in equity

Deferred tax assets and liabilities recorded in the statement of financial position are broken down as follows:

(in € thousands)	**31 Dec 2020**		**31 Dec 2019**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
On temporary differences	6,393	6,048	5,746	2,389
On losses carry-forward	6,292	-	-	-
On valuation differences	-	272,842	353	298,923
Total	12,685	278,890	6,099	301,312

Deferred tax assets on losses carry forward

As of 31 December 2020, the tax losses carry-forward amounted to €23,749 thousand, of which €23,268 thousand in France. In 2020, the Group performed a tax planning showing the entire losses would be used by 2024. As a result, a deferred tax asset has been accounted for on the French losses carry-forward for €6,292 thousand as of 31 December 2020.

As of 31 December 2019, the tax losses carry forward amounted to €34,604 thousand, of which €33,537 thousand in France. No deferred tax assets were recognised since the recognition criteria were not met.

Deferred tax on valuation difference

Deferred tax liabilities on valuation differences result from temporary taxable differences arising from the recognition at fair value of intangible assets (vendor relationships and trade name) in accordance with IAS 12. These deferred tax liabilities are reversed in the income statement over the depreciation period, where applicable, of the assets to which they relate, and will cover the tax consequences of possible capital gains in the event of a separate disposal of the intangible asset.

6.4 Income tax inspections

Some subsidiaries are subject to inspections by the tax authorities at the end of the reporting period, as part of periodic routine procedures. These inspections were still ongoing as of the date the consolidated financial statements were approved by the Board, and their outcome is not known at this stage.

These tax inspections are taken into account when measuring the income tax liability under IFRIC 23. After a comprehensive review of the tax risks with tax experts, no liability under IFRIC 23 has been accounted for as at 31 December 2020.

Note 7. Fixed assets

7.1 Goodwill

Accounting policy

Upon a business combination in accordance with the revised IFRS3, goodwill is measured as the difference between:

- the consideration transferred,
- the amount of non-controlling interests in the acquiree,
- in a business achieved in stages, the fair value of any pre-existing equity interest in the acquired company; less
- the net fair value of the identifiable assets acquired, and liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the 12-month measurement period.

When the difference is negative, a bargain purchase is recognised immediately in profit or loss.

For each business combination on a less than 100% basis, the acquisition date components of non-controlling interests in the acquiree (i.e., interests that entitle their holders to a proportionate share of the acquiree's net assets) are measured at either:

- fair value, so that a portion of the goodwill recognised at the time of the business combination is allocated to non-controlling interests ("full goodwill" method); or
- the proportionate share of the acquiree's identifiable net assets, so that only the goodwill attributable to the Group is recognised ("partial goodwill" method).

The method used is determined on a transaction-by-transaction basis.

Acquisition-related costs are recorded as expenses when incurred in "Non-recurring operating income and expenses" in the consolidated statement of income.

Goodwill results from operations described in note 3.2.

(in € thousands)	**Gross**	**Accumulated impairment**	**Net carrying value**
At 1 January 2019	**269,796**	**-**	**269,796**
Acquisitions	3,898	-	3,898
Translation adjustments & other	430	-	430
At 31 December 2019	**274,125**	**-**	**274,125**
Acquisitions	14,995	-	14,995
Translation adjustments & other	(482)	-	(482)
At 31 December 2020	**288,639**	**-**	**288,639**

7.1.1 *Impairment tests*

Accounting policy

In accordance with IAS 36, the carrying amounts of goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that they may be impaired. The objective of testing is to ensure that the net carrying value does not exceed the recoverable amount.

Goodwill and intangible assets with indefinite useful lives are assigned to the cash-generating unit (CGU) or group of CGUs liable to benefit from the synergies of business combinations and representing the lowest operating level at which the Group monitors the rate of return in investment of this goodwill.

A CGU is defined as the smallest identifiable group of assets generating cash inflows largely independent of the cash inflows generated by other assets or group of assets. CGUs identified by the Group are geographical areas based on location of the Group's customers and impairment tests are performed at CGU/group of CGU levels (see table below).

The recoverable amount of an asset or a group of assets is defined as the higher of its fair value net of exit costs to sell and its value in use.

The value in use of a CGU is determined by reference to the value of the discounted future cash flows expected from these assets, taking into account assumptions, judgements and estimates such as discount rates, perpetual growth rates, and expected cash flows. All of them were determined based on an assessment of the economic and financial environment related to geographical areas where the CGU/group of CGU operates, in particular the differing markets maturity levels. Corporate overheads are allocated to each CGUs/Group of CGUs for impairment testing purposes based on respective levels of gross sales. In particular:

- Cash flows used are derived from five-year business plans of each CGU/Group of CGUs prepared by the management,
- Discount rates are determined based on weighted average cost of capital (WACC), which, in turn, are based on financial return and industry-specific risk metrics for the market in which the Group operates,
- The terminal values are calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and perpetual growth rates.

The recoverable amount of the assets of the CGU as determined above is then compared with their carrying amount in the consolidated balance sheet An impairment loss is recorded when the recoverable amount less costs to sell is less than the carrying value of the CGU. Impairment losses are recorded in “non-recurring operating expenses”.

As at 31 December 2020 and 2019, the recoverable amount of each CGU/group of CGUs was determined on the basis of value in use. No goodwill impairment was recognised in 2020 or in 2019.

In 2020, impairment tests were carried out based on revised future discounted cash flows reflecting the Group’s current best estimate of the impact expected from the public health crisis and the economic conditions expected to prevail post crisis. Such impairment tests did not indicate any evidence that the different goodwill had become impaired.

Allocation of goodwill and trademark and main assumptions by CGU/Group of CGUs

(in € thousands)		31 Dec 2020				31 Dec 2019			
Segments	CGUs / group of CGUs	Goodwill	Trademark	Discount rate	Perpetual growth rate	Goodwill	Trademark	Discount rate	Perpetual growth rate
EMEA	France (incl. Africa)	40,442	22,200	8.82%	1.50%	40,442	22,200	9.21%	1.50%
	UK and Ireland	64,879	47,307	8.92%	1.50%	59,877	49,989	9.28%	1.50%
	DACH [(a)]	25,507	39,900	8.31%	1.50%	25,507	39,900	9.29%	1.50%
	Northern Europe	16,264	36,500	8.39%	1.50%	16,264	36,500	8.79%	1.50%
	Southern Europe [(b)]	14,230	13,200	11.80%	1.50%	14,401	13,200	12.00%	1.50%
	Middle East	1,123	7,790	8.49%	1.50%	1,123	8,509	8.97%	1.50%
	Central & Eastern Europe [(c)]	9,927	-	-	-	-	-	-	-
	Other services [(d)]	63,525	3,700	8.70%	2–3.5%	63,527	3,700	9.09%	2–3.5%
APAC	APAC	31,257	17,006	9.35%	1.50-2%	31,513	18,576	9.73%	1.50-2%
Americas	Americas	21,485	25,651	8.22%	1.50-1.80%	21,471	28,019	8.64%	1.50-1.80%
Total		**288,639**	**213,254**			**274,125**	**220,593**		

[(a)]Germany, Austria and Switzerland.
[(b)]Spain, Italy, Turkey and Israel.
[(c)]Acquisition of Veracomp in 2020 – provisional goodwill and purchase price allocation.
[(d)]Includes Itec and Exclusive Capital.

Net assets acquired as at 31 December 2020 by Veracomp Exclusive Networks Poland S.A. (*see note 3.2.1*) constitute a new CGU Central & Eastern Europe, including Poland, Czech Republic, Slovakia, Romania, Bulgaria, Croatia, Bosnia, Serbia et Slovenia. This CGU has not been tested for impairment as at 31 December 2020 given that the date of the transaction (30 December 2020).

Sensitivity analysis

The Group analysed the sensitivity of its impairment tests to the main assumptions used to determine the recoverable amount of each CGU/ Group of CGUs to which the goodwill is allocated, namely the discount rate and the long-term growth rate used to determine the terminal value and the terminal year cash flows as they represent a significant portion of the recoverable amount.

Sensibility analysis: break event point (Net carrying value equal the recoverable amounts)				**31 December 2020 - Actual rates**	
Segments	CGUs / group of CGUs	Discount rate	Growth rate	Discount rate	Growth rate
EMEA	France (incl. Africa)	14.97%	-7.58%	8.82%	1.50%
	UK and Ireland	9.31%	0.99%	8.92%	1.50%
	DACH	9.07%	0.68%	8.31%	1.50%
	Northern Europe	14.88%	-9.51%	8.39%	1.50%
	Southern Europe	14.25%	-5.75%	11.80%	1.50%
	Middle East	10.73%	-19.91%	8.49%	1.50%
	Other services	8.90%	1.75% to 3.25%	8.70%	2.00% to 3.50%
APAC	APAC	13.35%	-6.52% to -6.02%	9.35%	1.50% to 2.00%
Americas	Americas	8.65%	0.96% to 1.31%	8.22%	1.50% to 1.85%

For 2020, in the event of a 50-basis point increase in discount rates with no change in growth rates, impairment losses would be recorded for the CGUs UK & Ireland, Americas and Other services for respectively €4.3 million euros, €1.6 million euros and 3.2 million euros. The Group estimates that an increase of 50 basis point in discount rates used would represent the maximum scenario considering the market environment as of 31 December 2020 and recent historical changes in Group structure.

7.2 Intangible assets

Accounting policy

Intangible assets mainly comprise the "Exclusive Networks" trademark and the portfolio of vendor relationships which concerns relationships with suppliers.

Vendor relationships have finite useful lives. They are subject to amortisation on a straight-line basis over a period reflecting the expected pattern of consumption of the future economic benefits. The remaining useful life is estimated based on the time needed to generate more than 90% of the related economic benefits.

The Group uses the following average useful lives for the amortisation of vendor relationships:

- Fortinet: 20 years
- Palo Alto: 22 years
- Other: 10 to 20 years

Vendor relationships are tested for impairment when a trigger event for impairment is identified. They are tested for impairment at each CGU/group for CGU level (similar to goodwill and trademark). Exclusive Networks' historical partners (Fortinet and Palo Alto) generate separate projections of cash flows, the related relationships are tested separately. The other vendor relationships are tested on an aggregated basis for materiality reasons (*see note 7.1.1.)*.

The brand name is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the Exclusive Networks Trademark is expected to generate net cash inflows for each CGU. It is not subject to amortisation. Impairment is recorded in the event of confirmed indications. (*see note 7.1.1.)*

The other intangible assets are predominantly composed of licenses and are amortised using the straight-line method over their estimated useful life (1 to 3 years).

Intangible assets are broken down as follows:

(in € thousands)	Trademark [1]	Vendor relationships [2]	Licenses	Other intangible assets	**Total intangible assets**
At 1 January 2019					
Gross	217,111	1,069,221	1,226	613	1,288,172
Accumulated amortisation	-	(26,333)	(805)	(412)	(27,550)
Net carrying value	**217,111**	**1,042,888**	**421**	**201**	**1,260,622**
At 31 December 2019					
Gross	220,593	1,093,763	2,754	489	1,317,599
Accumulated amortisation	-	(80,559)	(1,171)	(428)	(82,159)
Net carrying value	**220,593**	**1,013,204**	**1,583**	**61**	**1,235,440**
At 31 December 2020					
Gross	213,254	1,080,465	3,256	1,874	1,298,850
Accumulated amortisation	-	(129,637)	(1,898)	(430)	(131,965)
Net carrying value	**213,254**	**950,828**	**1,358**	**1,444**	**1,166,885**

(1) The trademark corresponds to « Exclusive Networks » commercial brand.
(2) The value of the customer/resellers relationships portfolio is implicitly captured in the vendor relationships valuations since the termination of a partnership with a vendor would also break the relationship with the associated resellers.

Changes in the gross amount of intangible assets are broken down as follows:

(in € thousands)	Trademark	Vendor relationships	Licenses	Other intangible assets	**Total intangible assets**
At 1 January 2019	**217,111**	**1,069,221**	**1,226**	**613**	**1,288,172**
Acquisitions	-	-	1,545	-	1,545
Change in scope	-	5,178	(19)	(123)	5,036
Translation adjustments	3,482	19,363	2	(1)	22,846
At 31 December 2019	**220,593**	**1,093,763**	**2,754**	**489**	**1,317,599**
Acquisitions	-	-	520	316	836
Change in scope [(1)]	-	25,560	3	1,073	26,636
Translation adjustments	(7,338)	(38,858)	(20)	(3)	(46,220)
At 31 December 2020	**213,254**	**1,080,465**	**3,256**	**1,874**	**1,298,850**

[(1)] Change in scope relate to vendors relationships (relationships with suppliers of IT security, storage and infrastructure solutions that were identified as part of Veracomp, Nuaware, et JJNET acquisitions).

Changes in the accumulated amortisation of intangible assets are broken down as follows:

(in € thousands)	Trademark	Vendor relationships	Licenses	Other intangible assets	**Total intangible assets**
At 1 January 2019	**-**	**(26,333)**	**(805)**	**(412)**	**(27,550)**
Amortisation	-	(53,449)	(435)	(17)	(53,901)
Translation adjustments	-	(777)	(1)	1	(777)
Other movements	-	-	70	-	70
At 31 December 2019	**-**	**(80,559)**	**(1,171)**	**(428)**	**(82,159)**
Amortisation	-	(53,196)	(741)	(5)	(53,942)
Translation adjustments	-	4,118	14	3	4,136
At 31 December 2020	**-**	**(129,637)**	**(1,898)**	**(430)**	**(131,965)**

7.3 Property, plant and equipment

Accounting policy

Property, plant and equipment are recorded on the balance sheet at their purchase price (including directly attributable costs) or production cost excluding financial costs.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amount of the assets, over their estimated useful lives as follows:

Leasehold improvements	5 to 10 years
Transport equipment	3 to 5 years
Office equipment and furniture	3 to 10 years

Property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport equipment	Other tangible assets	**Total property, plant and equipment**
At 1 January 2019						
Gross	2,018	2,848	6,039	588	671	12,164
Accumulated depreciation	(1,148)	(1,891)	(4,414)	(543)	(538)	(8,534)
Net carrying value	**870**	**958**	**1,625**	**44**	**133**	**3,630**
At 31 December 2019						
Gross	2,002	3,232	6,524	538	799	13,095
Accumulated depreciation	(1,346)	(1,963)	(4,818)	(503)	(474)	(9,102)
Net carrying value	**656**	**1,269**	**1,707**	**35**	**325**	**3,993**
At 31 December 2020						
Gross	2,021	3,533	7,017	1,280	1,815	15,666
Accumulated depreciation	(1,593)	(2,390)	(5,025)	(244)	(538)	(9,791)
Net carrying value	**428**	**1,142**	**1,992**	**1,036**	**1,277**	**5,875**

Changes in the gross amount of property, plant and equipment are broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport equipment	Other tangible assets	**Total Property, plant and equipment**
At 1 January 2019	**2,018**	**2,848**	**6,039**	**588**	**671**	**12,164**
Acquisitions	213	671	812	-	110	1,806
Disposals & retirements	(316)	(219)	(325)	(96)	(12)	(968)
Changes in scope	4	36	9	29	2	80
Reclassification and other	46	(145)	(109)	-	6	(203)
Translation adjustments	37	41	100	18	21	217
At 31 December 2019	**2,002**	**3,232**	**6,524**	**538**	**799**	**13,095**
Acquisitions	65	297	875	-	12	1,249
Disposals & retirements	(18)	(50)	(604)	(247)	(43)	(963)
Changes in scope [1]	43	67	499	1,015	618	2,243
Reclassification and other	-	98	(60)	-	493	531
Translation adjustments	(70)	(111)	(217)	(25)	(64)	(488)
At 31 December 2020	**2,021**	**3,533**	**7,017**	**1,280**	**1,815**	**15,666**

[1] Change in scope mainly relate to Property, plant and equipment that were acquired as part of Veracomp acquisition.

Changes in depreciation of property, plant and equipment is broken down as follows:

(in € thousands)	Leasehold improvements	Office furniture	Computer equipment	Transport vehicles	Other tangible assets	**Total Property, plant and equipment**
At 1 January 2019	**(1,148)**	**(1,891)**	**(4,414)**	**(543)**	**(538)**	**(8,534)**
Depreciation expense	(355)	(361)	(940)	(28)	69	(1,615)
Disposals & retirement	211	177	381	85	11	865
Reclassification and other	(24)	143	226	-	-	346
Translation adjustments	(29)	(31)	(71)	(16)	(17)	(164)
At 31 December 2019	**(1,346)**	**(1,963)**	**(4,818)**	**(503)**	**(474)**	**(9,102)**
Depreciation expense	(306)	(470)	(1,012)	(7)	(105)	(1,901)
Disposals & retirements	15	16	584	241	32	888
Reclassification and other	-	(45)	65	-	(29)	(10)
Translation adjustments	44	71	156	24	38	334
At 31 December 2020	**(1,593)**	**(2,390)**	**(5,025)**	**(244)**	**(538)**	**(9,791)**

Note 8. Leases

Accounting policy

Lessee accounting

When entering into a lease, a lease liability is recognised in the balance sheet, measured at the discounted present value of the lease payments that are not paid at the commencement date of the lease (excluding variable payments that do not depend on an index or a rate), and offset against a right-of-use asset depreciated over the lease term. The amount of the lease liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate.

The lease term generally used to calculate the liability is the initial contractual lease term, excluding any early termination options, except in special circumstances. When leases contain extension options, the term used for the calculation of the liability may include these periods, mainly when the anticipated period of use of the fixed assets, whether under a new or existing lease, is greater than the initial contractual lease term.

According to the December 2019 IFRS IC decision, the Group also considers:

- the economics of a lease (rather than just the legal form) to determine the enforceable period of a lease,
- the relationship between the lease term under IFRS 16 and the useful life of non-removable leasehold improvements.

The discount rate is determined for each lease contract using the incremental borrowing rate of the subsidiary entering into the lease. Rates take into account a base rate that considers the Group's credit risk, risk free rates for each country, and depending on the contracts' durations in order to reflect the specific economics of the contract.

The lease liability is subsequently increased by the interest expense and reduced by the amount of rent paid. It is remeasured in the event of an amendment to future lease payments resulting from a change in an index or rate used to determine those payments, a new estimate of the amounts expected to be paid under a residual value guarantee or, where applicable, a remeasurement on the exercise of an option to purchase the underlying asset or extend the lease term or on the non-exercise of a termination option (which thus become reasonably certain).

The cash flows related to leases are presented as follows in the statement of cash flows:

- cash payments for the principal portion of the lease liabilities as cash flows from financing activities
- cash payments for the interest portion is presented as cash flows from financing activities, consistent with the presentation of interest payments chosen by the Group, and
- short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

The Group leases offices, cars, IT and office equipment, and machinery.

The Group applied the practical expedient introduced by the IFRS 16 amendment for Covid-19 related to rent concessions received (mainly in Asia) in profit and loss for the period.

Lessor accounting

Exclusive Capital sell products to its customers under financing arrangements. See *note 5.1* for revenue recognition and *note 13.2* for IFRS 9 analysis of these financing arrangements.

8.1 Right-of-use assets

The right-of-use assets are broken down as follows:

(in € thousands)	Offices	Cars	Equipment & others	**Total Right of Use**
At 1 January 2019				
Gross	17,150	2,791	354	20,294
Accumulated depreciation	-	-	-	-
Net carrying value	**17,150**	**2,791**	**354**	**20,294**
At 31 December 2019				
Gross	20,587	4,379	454	25,420
Accumulated depreciation	(4,780)	(1,444)	(177)	(6,402)
Net carrying value	**15,806**	**2,935**	**276**	**19,018**
At 31 December 2020				
Gross	28,171	5,533	661	34,364
Accumulated depreciation	(9,722)	(2,334)	(325)	(12,381)
Net carrying value	**18,449**	**3,199**	**336**	**21,984**

Change in gross amount of right-of-use assets is broken down as follows:

Gross *(in € thousands)*	Offices	Cars	Equipment & other	**Total right-of-use**
At 1 January 2019	**17,150**	**2,791**	**354**	**20,294**
Increase	3,706	1,661	104	5,470
Decrease	-	-	-	-
Translation adjustment	68	(7)	3	64
Leases termination	(337)	(114)	(7)	(458)
Other movements	-	49	-	49
At 31 December 2019	**20,587**	**4,379**	**454**	**25,420**
Increase	5,911	1,667	272	7,850
Decrease	(357)	-	(0)	(357)
Change in scope (1)	3,048	232	20	3,300
Translation adjustment	(648)	(67)	(15)	(729)
Leases termination	(284)	(679)	(70)	(1,033)
Other movements	(85)	-	-	(85)
At 31 December 2020	**28,171**	**5,533**	**661**	**34,364**

(1) Change in scope mainly resulting from Veracomp acquisition

Change in depreciation of right-of-use assets is broken down as follows:

Depreciation *(in € thousands)*	Offices	Cars	Equipment & other	**Total right-of-use**
At 1 January 2019	-	-	-	-
Depreciation expenses	(5,103)	(1,513)	(183)	(6,799)
Translation adjustment	(14)	3	(1)	(12)
Leases termination	337	114	7	458
Other movements	-	(49)	-	(49)
At 31 December 2019	**(4,780)**	**(1,444)**	**(177)**	**(6,402)**
Depreciation expenses	(5,399)	(1,590)	(224)	(7,212)
Change in scope (1)	(152)	(11)	(2)	(164)
Translation adjustment	234	31	8	274
Leases termination	284	679	70	1,033
Other movements	91	-	-	91
At 31 December 2020	**(9,722)**	**(2,334)**	**(325)**	**(12,381)**

(1) Change in scope mainly resulting from Veracomp acquisition

8.2 Lease liabilities

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Current	7,283	5,922
Non-current	15,238	13,179
Total lease liabilities	**22,521**	**19,100**

(in € thousands)	**Total liabilities**
At 1 January 2019	**20,041**
Increase	5,292
Decrease in lease liabilities following rental payments	(6,320)
Translation adjustments	87
At 31 December 2019	**19,100**
Increase	7,822
Decrease in lease liabilities following rental payments	(7,255)
Change in scope [1]	3,119
Translation adjustments	(376)
Other movements	111
At 31 December 2020	**22,521**

[1] Change in scope mainly resulting from Veracomp acquisition

The maturity analysis of lease liabilities is as follows:

(in € thousands)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Lease liabilities by maturity	7 283	12,407	1,847	983

Undiscounted cash flows of lease liabilities:

(in € thousands)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 and beyond**
Undiscounted lease liabilities	**7,462**	7,909	6,169	4,660	2,666	1,488	1,464

8.3 Amounts recognised in the statement of income

The statement of income shows the following amounts relating to leases:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Depreciation of right-of-use assets	**(7,212)**	**(6,799)**
Interest on lease liabilities (included in Net financial expense)	**(673)**	**(561)**
Rental expenses (included in "other operating costs", *note 5.4*)	**(2,023)**	**(2,553)**
Expense relating to leases of low-value assets [1]	(76)	(76)
Expense relating to short-term leases [1]	(193)	(285)
Expense relating to services payments not included in lease liabilities [1]	(1,060)	(1,045)
Expense relating to taxes payments not included in lease liabilities [1]	(177)	(178)
Other expenses not included in lease liabilities [1]	(516)	(968)

[1] Related to payments that are not included in the measurement of the lease liabilities and/or that relate to IFRS 16 exemptions (short-term leases and leases of low-value assets).

The total cash outflows for leases was €9,527 thousand and €9,605 thousand in 2020 and 2019 respectively.

Note 9. Trade receivables and other receivables

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are all classified as current.

Trade receivables are classified as financial assets measured at amortised cost (*see note 13*). Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Impairment of trade receivables

Trade receivables are impaired based on the total lifetime expected losses resulting from a payment default (Expected Credit Loss/ECL method), pursuant to the simplified approach allowed under IFRS 9. Impairment is calculated using a provision matrix, which is applied to receivables past due and not yet past due. The expected credit loss rates are based on the payment profiles of sales over a period of 60 months before the end of the period and the corresponding historical credit losses experienced within this period. As mentioned in note 1.3, the Covid pandemic has no negative impact on client payments, the number of extensions of payment terms requested by clients was limited.

Transferred receivables

The carrying value of the trade receivables include receivables which are subject to a factoring arrangement. Under this type of arrangement, the Group has transferred the relevant receivables to a factor in exchange for cash and is prevented from selling or pledging the receivables. However, as the Group has not transferred substantially all risks and rewards, it continues to recognise fully the transferred assets in its balance sheet. Amounts repayable under the factoring agreement are presented as financial liabilities (*see note 13*). The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

The receivables items are broken down as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Trade receivables – gross	803,735	656,246
Provision for doubtful account	(8,286)	(6,286)
Total trade receivables - net amount	**795,449**	**649,959**

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Advance payments	13,348	7,595
Prepaid expenses	18,495	13,911
Tax and social security receivables	34,015	29,840
Income taxes receivables	1,089	3,928
Other receivables	1,212	58
Total other receivables	**68,158**	**55,332**

Total trade receivable and other receivables	**863,607**	**705,292**

As of 31 December 2020, all trade receivables, net of impairment, other receivables and prepaid expenses mature in less than one year except for €1,665 thousand with regard to Exclusive Networks Ltd (UK), which matures within 1 to 5 years (deferred revenue support services performed by Exclusive Networks Ltd (UK).

The breakdown of the nominal amount of trade receivable by age is as follows:

For the year ended 31 December 2020:

(in € thousands)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 + days**	**Total**
Total	683,349	76,926	18,124	25,335	803,735

For the year ended 31 December 2019:

(in € thousands)	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 + days**	**Total**
Total	531,925	82,952	17,531	23,837	656,246

The present value of trade receivables is identical to their carrying amount.

Bad debt expense amounted to €454 thousand and €1,664 thousand for 2020 and 2019 respectively and is recognised in "Other operating expenses" (*note 5.4*).

Changes in gross amounts of trade receivables are as follows:

(in € thousands)	**Trade receivables**	**Trade receivables write-offs**
At 31 December 2019	**656,246**	**(6,286)**
Increase (Decrease) [(1)]	54,640	(2,000)
Changes in scope [(2)]	94,447	-
Translation adjustments	(2,151)	-
At 31 December 2020	**803,735**	**(8,286)**

[(1)] Increase of trade receivables reflected increase of sales over the fourth quarter of 2020
[(2)] Change in scope mainly resulting from Veracomp acquisition

Transferred receivables

The transferred receivables are trade receivables resulting from sales of products/solutions by three subsidiaries (France, Iberia and Italy) that were transferred to factors. Cash received amounted to €37,729 thousand as at 31 December 2020 and €50,495 thousand as at 31 December 2019 and is recognised as factoring liability (*see note 13*).

Note 10. Inventories

Accounting policy

Materials and goods are valued at their purchase price, using the First In, First Out (FIFO) method, including directly attributable costs.

In accordance with IAS 2, an allowance is accounted for when the purchase price of materials and goods exceed their net realisable value. The net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The change in value of inventories is analysed as follows:

(in € thousands)	**Gross**	**Impairment**	**Net book value**
At 1 January 2019	**104,081**	**(14,608)**	**89,474**
Increase	11,149	(901)	10,249
Reclassification	89	(294)	(205)
Changes in scope	771	(165)	606
Translation adjustments	1,253	(407)	846
At 31 December 2019	**117,345**	**(16,375)**	**100,970**
Increase	6,998	(3,100)	3,898
Reclassification	(1,974)	766	(1,207)
Changes in scope (1)	16,149	(1,754)	14,395
Translation adjustments	(5,494)	918	(4,577)
At 31 December 2020	**133,023**	**(19,545)**	**113,478**

(1) Change in scope mainly relates to inventories that were acquired as part of Veracomp acquisition.

Note 11. Trade payables and other payables

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Trade account payable	677,605	558,768
Advances and down payments received	3,029	1,352
Payable to customers	12,324	10,447
Social and other tax payables	133,867	87,758
Deferred income and accruals	29,639	20,724
Other liabilities (1)	13,224	459
Trade payables and other payables	**869,689**	**679,508**

(1) As mentioned in note 3.2.1.2, as part of 2020 acquisitions, the Group will pay an earn out in cash by 30 June 2021 which will amount to €4 million that has been recognised as a financial liability at 31 December 2020

As at 31 December 2020, trade payables and other payables mature in less than one year except for, accruals and charges on liabilities of €2,232 thousand (Exclusive Networks United Kingdom) and €629 thousand (Exclusive Networks Deutschland) which mature within 1 to 5 years.

The increase of trade payables between 2019 and 2020 is mainly due to the change in scope (Veracomp, Nuaware and JJNET).

The two one-off items in the variations of working capital are: (i) the benefit of the Covid-19 support measure in the UK with the postponement of the payment of March, April and May VAT 2020 by one year, for a total impact of €20m and (ii) the support from one of the vendors extending payment terms by 15 days between March 2020 and March 2021. That generated an €8m higher payable at the end of Dec-20 compared to the prior year.
As both measures are temporary, €28m will negatively impact the cash flow in 2021.

Note 12. Cash and cash equivalents

Accounting policy

Cash and cash equivalents include immediately available liquid assets (cash at bank and in hand) and highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value (cash equivalents with an initial term of less than three months). Bank overdrafts are shown within borrowings in current liabilities in the balance sheet *see note 13*.

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Cash equivalents	1,522	4,947
Cash at bank	161,709	112,408
Total cash and cash equivalents	**163,232**	**117,355**
Bank overdrafts	(1,014)	(11,346)
Total Net cash and cash equivalents	**162,217**	**106,008**

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities. The cash equivalent is mainly related to short term deposits.

At 31 December 2020 and as at 31 December 2019, there were no restricted cash.

Note 13. Financial assets and liabilities, financial income and expenses

13.1 Financial assets (excl. derivatives)

Accounting policy

Financial assets consist of trade and other receivables (*see note 9)*, guarantee deposits and loans granted to non-consolidated companies and other financial securities (*note 13.1*).

In accordance with IFRS 9, guarantee deposits, and loans are initially measured at fair value plus transaction costs that are incremental and directly attributable to the acquisition of the financial asset and subsequently at amortized cost based on the contractual cash flow test (SPPI or Solely Payments of Principal and Interest) and a business model assessment. At each reporting date, the Group measures the loss allowance for its financial instruments at an amount equal to the expected credit losses.

Other financial securities are designated as at fair value through profit or loss and are therefore measured initially and subsequently at fair value, with transaction costs expensed in profit or loss.

The Group has no financial asset measured at fair value through other comprehensive income.

The following table shows the breakdown of financial assets:

(in € thousands)	31 Dec 2020			31 Dec 2019		
	Non-current	Current	Total	Non-current	Current	Total
Fin. assets at amortised cost	**26,971**	**874,996**	**901,967**	**25,109**	**711,160**	**736,269**
Trade receivables and other receivables	1,665	861,942	863,607	2,936	702,356	705,292
Exclusive Capital Finance Asset (1)	22,666	12,937	35,603	19,453	8,765	28,218
Guarantee deposits (2)	2,484	-	2,484	2,720	-	2,720
Loans	156	-	156	-	-	-
Other	-	117	117	-	39	39
Fin. assets at fair value through P&L	**-**	**653**	**653**	**-**	**-**	**-**
Other financial securities (3)	-	653	653	-	-	-
Total financial assets	**26,971**	**875,649**	**902,620**	**25,109**	**711,160**	**736,269**
Including:						
Other financial assets	25,306	13,707	39,013	22,173	8,804	30,977
Trade receivables and other receivables *(Note 9)*	1,665	861,942	863,607	2,936	702,356	705,292

(1) Exclusive Capital Finance Asset relates to IT solution systems sold through Exclusive Capital financing arrangements.
(2) Guarantee deposits relate to lease agreements on offices.
(3) Other financial securities represent EM Networks 1 SAS securities hold by the Group (see note 13.4).

The Group's exposure to the various risks associated with financial instruments is discussed in note 17.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

13.2 Financial liabilities (excl. derivatives and lease liabilities)

Accounting policy

Bank borrowings

Bank loans acquired are recognised initially at fair value (i.e. the cash received), net of transaction costs incurred (broker, advisors…). Subsequently, bank loans and bonds are recognised at amortised cost, using the effective interest method, with any difference between cash received (net of transaction costs) and the redemption value being recognised in the statement of income based on the expected term of the borrowings.

Financial liabilities that are due within 12 months after the end of the reporting period are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Factoring arrangements and liabilities

The Group entered into factoring agreements to transfer receivables to the factor in exchange for cash. In these contracts, as substantially all the risks and rewards of the receivables are not fully transferred to the bank, the receivables remain in the consolidated balance-sheet. Cash received from the factor is recorded as a financial asset in the balance-sheet and the amount repayable under the factoring agreement is recorded as a financial liability (secured borrowing for the same amount). These financial liabilities will decrease progressively together with the payment of the transferred receivables (and the related decrease of the trade receivables).

Cash inflows and outflows related to factoring agreements for which the Group does not derecognise receivables are presented on a net basis as cash flows related to financing activities. (For more information, see *note 9.)*

The Group is currently negotiating new factoring contracts that should allow full transfer to the bank and then derecognition of receivables.

Other financial liabilities, Exclusive Capital

The Group provides financing solutions to its customers through its Exclusive Capital entities. The solutions consist of finance lease agreements (usually over a three-year period) that are sold by Exclusive Capital to financial institutions together with the assets. The Group analysed sales of lease contracts to financial institutions under IFRS 9 criteria for derecognition and concluded that not all risks and rewards were transferred to the financial institutions. Therefore, the net discounted investments in the finance lease and the related financing from financial institutions are recognized in the balance sheet. Any proceeds received from the financial institutions are recognised in other financial liabilities.

Liabilities related to put options granted to non-controlling interests and earn-outs.

The Group granted put options to certain non-controlling interests, giving the holders the right to sell part or all of their investment in these subsidiaries. These put options will be paid in cash and are recorded as financial liabilities at present value of the redemption amount. Subsequent changes are recognized in equity.

These put options granted to non-controlling interests are recognized for €12,212 thousand and €4,480 thousand as at 31 December 2020 and 2019 respectively based on 2021 performance indicators.

13.2.1 Debt by type

(in € thousands)	31 Dec 2020			31 Dec 2019		
	Non-current	Current	**Total**	Non-current	Current	**Total**
Bank borrowings	683,382	643	684,024	637,020	474	637,493
Bank overdrafts	-	1,014	1,014	-	11,346	11,346
Short-term loans	-	29,633	29,633	-	25,383	25,383
Factoring liabilities (1)	-	37,729	37,729	-	50,495	50,495
Other financial liabilities (2)	23,157	13,246	36,403	19,480	8,765	28,244
NCI put options (3)	-	12,212	12,212	-	4,480	4,480
Total financial liabilities	**706,538**	**94,476**	**801,015**	**656,499**	**100,942**	**757,442**

(1) Factoring agreement mainly in France, in Netherland and Spain.
(2) As at 31 December 2020, this mainly relates to solutions specific third-party financing agreements
(3) Non-controlling interests

Details of the Group's exposure to risks arising from current and non-current borrowings (liquidity risk and interest rate risk) are set out in note 17.1.1.

The Group main borrowings relate to the refinancing of its debt on 4 July 2018 by entering into senior credit facilities agreements with a syndicate of international banks including Morgan Stanley, Société Générale, Deutsche Bank, Goldman Sachs, and ING, providing for:
- a senior bank debt (Lien 1), raised by the Company Everest BidCo SAS, consisting of i) a long-term loan of principal €500 million and ii) a secured revolving credit facility (RCF) which can be utilized up to €90 million;
- a subordinated bank debt (Lien 2), raised by the Company Everest BidCo SAS, consisting of a long-term loan of principal £105 million (equivalent to €119.2 million at the subscription date).

Credit facilities agreements maturity dates and interest rates are detailed below:

Credit Facilities	Maturity date	Interest rates
Senior Term Loan - €500 million (Lien 1)	4 July 2025 (7 years)	Euribor 3 months (subject to a 0% floor) + a certain margin initially set at 4% and at 3.25% on 31 Dec 2020
Secured Revolving Credit Facility - €90 million (Lien 1)	4 January 2025 (7 years)	Euribor 3 months (subject to a 0% floor) + a certain margin initially set at 3.25% and at 2.25% on 31 Dec 2020
Subordinated Term Loan - £105 million (Lien 2)	4 July 2026 (8 years)	Libor 3 months (subject to a 1% floor) + plus a 7.5% margin

Bank borrowings' split between floating and fixed interest rates is detailed below:

(in € thousands)	Currency	Interest rate 2020	Interest rate 2019	31 Dec 2020 (1)	31 Dec 2019(2)
Bank Borrowings at floating rates				**679,788**	**636,822**
Senior debt - Term Loan Facility at 3-months Euribor	EUR	3.25%	4.00%	490,364	488,489
Subordinated debt - LT Loan 3-months Libor with a floor of 1%	GBP	8.50%	8.50%	114,169	120,223
Secured revolving credit facility	EUR	2.25%	3.00%	75,255	28,111
Bank Borrowings at fixed rates				**4,236**	**671**
BPI Loan	EUR	1.05%		3,755	-
Other				481	671
Total Bank Borrowings				**684,024**	**637,493**

(1) Including set-up fees for senior debt and subordinated debt respectively of €9.7 million and €2.7 million in 2020.
(2) Including set-up fees for senior debt and subordinated debt respectively of €11.6 million and €3.2 million in 2019.

Financial liabilities that are hedged to rates of interest are disclosed on a post-hedge basis.

The carrying amounts of the financial liabilities at floating rates represent a reasonable approximation of their fair values, due to rate variability and the non-material impact of caps in the current low interest rate environment.

The €500,000 thousand long-term loan has been transferred to Everest SubBidCo SAS, Exclusive Networks SAS and Exclusive France Holding SAS, as intercompany loans, for principal amounts of respectively €197,858 thousand, €209,607 thousand and €92,535 thousand, which were used to repay the pre-existing bond debt described above.

The revolving credit facility for an initial amount of €90,000 thousand is intended to finance external growth transactions. As of 31 December 2019, €28,111 thousand of this line of credit had been used (€41,500 thousand drawn down in 2018 of which €13,500 thousand repaid during the period). At 31 December 2020, an amount of €75,255 thousand had been used (€13 million had been repaid over the period and €60 million had been drawn down to finance the acquisition of Veracomp).

To hedge against interest rate risk, the Group has entered two standard interest rate derivative (cap) contracts see note *13.3.2*.

13.2.2 Change in debt

(in € thousands)	**31 Dec 2019**	**Cash**		**Non-cash**		**31 Dec 2020**
		Increase	**Decrease**	**Change in scope**	**Other**	
Bank Borrowings	637,493	50,695	-	42	(4,206)	684,024
Bank overdrafts	11,346	-	(10,332)	-	-	1,014
Short-term loans	25,383	270	(247)	5,105	(878)	29,632
Factoring liabilities	50,495	-	(12,767)	-	-	37,729
Other financial liabilities	28,244	20,181	(11,888)	-	(134)	36,403
NCI put options	4,480	-	(893)	8,624	-	12,212
Total financial liabilities	**757,442**	**71,146**	**(36,127)**	**13,771**	**(5,218)**	**801,015**

(in € thousands)	**1 Jan 2019**	**Cash**		**Non-cash**		**31 Dec 2019**
		Increase	**Decrease**	**Change in scope**	**Other**	
Bank Borrowings	635,999	3,110	-	582	(2,199)	637,493
Bank overdrafts	10,459	887	-	-	-	11,346
Short-term loans	26,239	44	(2,839)	1,454	485	25, 383
Factoring liabilities	24,877	25,628	-	-	(9)	50,495
Other financial liabilities	20,048	12,201	(4,095)	-	90	28, 244
NCI put options	5,609	-	(2,636)	1,508	(1)	4,480
Total financial liabilities	**723,231**	**41,870**	**(9,569)**	**3,544**	**(1,634)**	**757,442**

13.2.3 Debt by maturity date

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Bank Borrowings Less than 1 year	643	474
Bank Overdrafts	1,014	11,346
Short-term loans	29,633	25,383
Factoring liabilities	37,729	50,495
Other financial liabilities	13,246	8,765
NCI put options	12,212	4,480
Less than 1 year	**94,476**	**100,942**
Bank Borrowings 1 to 5 years	567,041	14,148
Other financial liabilities	23,157	19,480
1 to 5 years	**590,198**	**33,627**
Bank Borrowings more than 5 years	116,340	622,872
More than 5 years	**116,340**	**622,872**
Total financial liabilities	**801,015**	**757,442**

13.2.4 Financial covenants

The Group has made a commitment to maintain financial ratios that, if not met, would modify the borrowing terms and conditions at the end of the financial year. The banks concerned are informed of changes in the covenant criteria on a quarterly basis via the compliance certificate.

More specifically, the First Lien Facilities Agreement, dated 4 July 2018, contains a financial covenant for the benefit of the lenders of the revolving credit facility which is part of the Lien 1. To comply with this financial covenant, the Group must do a test at each quarter. This test determines whether the aggregate outstanding amount of all loans under the original revolving facility and any springing covenant revolving facility or ancillary facilities less the aggregate amount of cash and cash equivalents investments held by members of the Group exceeds 40% of the aggregate of (a) the total original revolving facility Commitments (€90 million) and (b) the aggregate of all Additional Revolving Facility Commitments.

If the test condition is met, First Lien Net Leverage Ratio (Consolidated first lien net debt / consolidated pro forma EBITDA) for the period of four consecutive financial quarters ending on the test date should not exceed 10.35:1 (the Financial Covenant).

If the financial covenant is breached, a new shareholder injection is required, or the Group repays or prepays any revolving facility loans and/or any loans under any springing covenant revolving facility in an amount necessary to meet the Test Condition.

Since the execution of the First Lien Facilities Agreement, the test conditions have never been met.

13.2.5 Net debt

Net Debt is a measurement not defined by IFRS and should not be considered as an alternative to financial liabilities determined in accordance with IFRS. Net Debt defined by management is calculated as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Bank borrowings	684,024	637,493
Bank overdraft	1,014	11,346
Short-term loans	29,633	25,383
Factorings liabilities	37,729	50,495
Financial Gross Debt (A)	**752,400**	**724,717**
Cash and cash equivalents (B)	**(163,232)**	**(117,355)**
Net Debt (A) - (B)	**589,169**	**607,363**

13.3 Derivatives and hedge accounting

Accounting policy

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to risks arising in the course of business, mainly interest rate and currency risks. The Group's derivatives are initially recognised at fair value. They are subsequently measured at fair value with the resulting unrealised gains and losses recorded in the profit and loss statement or in Other Comprehensive Income.

Derivatives designated as hedging instruments

Hedge accounting is applied if, and only if, the following conditions are met:

- the hedging instrument and hedged item forming the hedging relationship are eligible for hedge accounting
- at the inception of the hedge, there is a clearly identified and formally documented hedging relationship and the effectiveness of the hedge can be demonstrated (qualitative and prospective tests)
- there is formal designation and structured documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

The derivatives used by the Group qualify as fair value hedge or cash flow hedge. The Group does not currently hedge its net investment in foreign operations.

The Group has no derivatives that hare not designated as hedging instruments.

Changes in fair value are presented in the statement of income in operating income for the hedging of foreign currency on purchases and in Other Comprehensive Income for the hedging of interest rates on financial debt.

Items hedged in a fair value hedge relationship are revalued according to the hedged risks (interest rate or foreign exchange) through the income statement to offset the change in value of the hedging derivatives.

Refer to note 17.1 for more details about the Group's risk management strategy.

13.3.1 Foreign exchange hedging instruments

To hedge against foreign exchange risk, (purchases denominated in US dollar made by most of the Group's subsidiaries), the Group holds forward currency purchase contracts that qualify as fair value hedge. At 31 December 2020, the outstanding currency hedging position was as follows:

- Nominal value of forward purchase contracts: $284,780 thousand
- Nature of the hedged items: dollar-denominated purchases of goods and services
- Fair value of the contracts at the foreign exchange rate of 31 December 2020: unrealised loss of €5,680 thousand (net position).
- Maturity of the contracts staggered between January and April 2021

13.3.2 Interest rate hedging instruments

To hedge against interest rate risk, the Group entered into two standard interest rate derivative (cap) contracts that qualify as cash flow hedge. These interest rate derivatives are used to convert a part of the debt contracted at a variable rate to a fixed rate, when the Euribor and Libor variable rates exceed 1.25% and 1.75% respectively.

At 31 December 2020, the outstanding interest rate hedging position related to two cap contracts was as follows:
- Nominal values of €250,000 thousand and £60,000 thousand (the equivalent of €70,522 thousand) respectively
- Nature of the hedged items: the Group's variable rate borrowings
- Fair value of the contracts at the variable interest rate of 31 December 2020: the unrealised gain is nil.
- Maturity of the contracts in line with maturity of the hedged debt.

13.3.3 Fair value and nominal amounts

The fair value of financial instruments that are not quoted in an active market (level 2 of the fair value hierarchy defined in IFRS 13, *see note 13.5*), such as Exclusive Network's derivatives and financial liabilities, is determined by reference to commonly used valuation techniques such as the discounted cash flow method, based on observable market inputs.

	31 Dec 2020			31 Dec 2019		
(in € thousands)	Fair value assets	Fair value liabilities	Nominal amount	Fair value assets	Fair value liabilities	Nominal amount
Fair value hedges	**56**	**5,736**	**232,063**	**150**	**3,812**	**260,693**
Currency hedges	56	5,736	232,063	150	3,812	260,693
Cash flow hedges	**-**	**-**	**320,522**	**4**	**-**	**320,522**
Interest rate hedges	-	-	320,522	4	-	320,522
Total	**56**	**5,736**	**552,585**	**154**	**3,812**	**581,215**

13.4 Financial income and expenses

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Financial debt costs (A)	**(34,232)**	**(36,559)**
Interest expense on lease liabilities (B)	**(673)**	**(561)**
Other Financial Income and expense (C)	**(3,791)**	**860**
Net interest expense on retirement benefit plans	(52)	(37)
Unrealised Foreign Exchange gains & loss	(4,043)	989
Other financial expenses	(100)	(272)
Other financial income	401	179
Net financial expense (A)+ (B)+ (C)	**(38,695)**	**(36,261)**

Financial expenses mainly include interest expense on borrowings, interest expense on lease labilities in the scope of IFRS 16 (*see note 8*) and other financial expenses (including financial expense related to retirement benefit plans, fair value changes on derivatives and unrealised and realised foreign exchange gains and losses).

Interest expense on borrowings and similar mainly corresponds to interest on:
- senior bank debt of €500,000 thousand bearing interest at the 3-month Euribor plus a margin of 4% (with a floor of 0%), decreased to 3.25% since July 2020 due to favourable ratio ratchet mechanisms.
- subordinated rank bank debt of £105,000 thousand, bearing interest at the 3-month Libor (with a floor of 1%) plus a margin of 7.5%; and
- interest associated with the drawdown of the additional credit line for a total amount of €75,255 thousand at 31 December 2020 bearing interest at the 3-month Euribor plus a margin of 3%, decreased to 2.25 % since July 2020.

Financial income is mainly comprised of interest earned on cash and cash equivalents.

13.5 Fair value of financial assets and liabilities

This table presents a breakdown of financial instruments recognised at fair value by measurement method. The different levels of fair value are defined as follows:

- Level 1: prices quoted on an active market (unadjusted). The types of assets carried at level 1 fair value are equity and debt securities listed in active markets
- Level 2: observable data other than prices quoted on an active market (financial data), derived from valuation techniques using inputs for the asset or liability that are observable market data, either directly or indirectly. Such valuation techniques include the discounted cash flow method and option pricing models.
- Level 3: unobservable data derived from valuation techniques using inputs for the asset or liability that are not based on observable market data.

Depending on whether they qualify as hedges, derivatives are classified in accordance with IFRS 9.

		31 Dec 2020			31 Dec 2019		
(in € thousands)	Classification under IFRS 9	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value		**-**	**653**	-	-	-	-
Other financial securities*	FVPL (1)	-	653	-	-	-	-
Derivatives – Assets		**-**	**56**	-	-	**154**	-
Currency	FVPL (1)	-	56	-	-	150	-
Interest rate	FVOCI(2)	-	-	-	-	4	-
Derivatives – Liabilities		**-**	**5,736**	-	-	**3,812**	-
Currency	FVPL (1)	-	5,736	-	-	3,812	-

(1) "FVPL" stands for "fair value through profit or loss".
(2) "FVOCI" stands for "fair value through other comprehensive income".

The fair value of short-term financial assets and liabilities is considered as being the same as their carrying amount due to their short maturities.

Note 14.

Equity and earning per share

14.1 Share capital

In connection with the change in control of the Exclusive France Holding (EFH) Group, which occurred in July 2018, Everest HoldCo SAS's share capital was increased by means of both contributions in cash and contributions in kind. These capital contributions resulted in the creation of 731,712,944 shares with a nominal value of one euro cent each, totalling €7,317 thousand of share capital, €733,082 of share premiums, for a total amount of €740,399 thousand.

Changes in the share capital in terms of number of shares, is broken down as follows:

(in number of shares)	**Ordinary shares (OS)**	**Preferred shares 1 (PS 1)**	**Preferred shares 2 (PS 2)**	**Preferred shares 3 (PS 3)**	**Preferred shares 4 (PS 4)**	**Total**
At 1 January 2019	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**
Variation of the year	-	-	-	-	-	-
At 31 December 2019	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**
Variation of the year	-	-	-	-	-	-
At 31 December 2020	**119,262,598**	**42,649,455**	**341,880,574**	**227,920,316**	**1**	**731,712,944**

The share capital is fully paid-up.

Some of the Group's managers have invested through management entities EM Networks 1 in Preferred shares 1 (34 466 809 shares) and through EM Networks 2 in ordinary shares (29 262 606 shares) issued by Everest HoldCo SAS. The shares have been acquired by managers at fair value. As no benefits have been granted to the managers, no charge has been accounted for in the consolidated statement of income for the years ended 31 December 2019 and 2020.

14.2 Preference shares

Preferred shares 3 are shares with a cumulative annual fixed priority return of 10% of subscription price investment.

Ordinary shares as well as PS1, PS2 & PS4 are equity instruments that are equally subordinated to PS3.

In the event of an IPO, all the preference shares will be converted into ordinary shares.

14.3 Non-controlling interests

As mentioned in *note 13*, the Group granted certain put options to non-controlling interests, giving the holders the right to sell part or all of their investment in these subsidiaries. These put options will be paid in cash.

In accordance with IAS 32 Financial Instruments when non-controlling interests hold put options enabling them to sell their investment to the Group, a financial liability is recognised in an amount corresponding to the present value of the redemption amount, and the liability arising from these obligations is offset by:

- a reduction in the carrying value of the non-controlling interests;
- a reduction in the equity that equals the liability that exceeds the carrying value of the corresponding non-controlling interests. This item is adjusted through equity at the end of each reporting period to reflect changes in the value of the options and the carrying value of non-controlling interests.

The Group also acquired non-controlling interests as part of these put options which had the effect of decreasing the put option liabilities.

As mentioned in *note 3.2*, transactions with non-controlling interests that do not result in a gain or loss of control and not subject to a put option are accounted for as equity transactions. In other words, the difference between the fair value of any consideration paid and the carrying amount of the share of the subsidiary's net assets acquired or disposed of is recorded in equity.

As at 31 December 2020 and 2019, the non-controlling interests of € 1,293 thousand and € 1,165 thousand consist mainly in Thailand minority interests.

14.4 Earnings per share

Accounting policy

Basic earnings per share is calculated by dividing attributable profit for the period by the weighted average number of ordinary shares outstanding during the year. The average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year.

For the diluted earnings per share calculation, the weighted average number of shares and basic earnings per share are adjusted to take into account the impact of the conversion or exercise of any potentially dilutive equity instruments (options, warrants and convertible bonds, etc.).

The dilution resulting from the exercise of stock options and performance shares is based on the IAS 33 methodology.

No dilutive instruments have been identified that could have an impact on the diluted earnings per share.

Only Ordinary Shares, PS1, PS2 and PS4 have been assimilated to Ordinary shares for the Earning Per Share calculation (cf. note 14.2 analysis).

In accordance with IAS 33, the amount attributable to ordinary equity holders of the parent company has to be adjusted for the after-tax amount of preference dividend of PS3.

	31 Dec 2020	**31 Dec 2019**
Profit (loss) for the period attributable to owners of the parent company *(in € thousands)*	2,169	(16,865)
After tax PS3 preference dividend *(in € thousands)*	(26,307)	(23,916)
Profit (loss) for the period attributable to owners of the parent company for earning per share calculation *(in € thousands)*	(24,139)	(40,781)
Weighted average number of ordinary shares and similar	503,792,628	503,792,628
Basic earnings per share (in €)	(0.05)	(0.08)
Profit (loss) for the period attributable to owners of the parent company for diluted earnings per share calculation *(in € thousands)*	(24,139)	(40,781)
Weighted average number of ordinary shares (diluted) (1)	503,792,628	503,792,628
Diluted earnings per share (in €)	(0.05)	(0.08)

(1) The Group doesn't hold any dilutive shares.

Note 15. Provisions

Accounting policy

Provisions are intended to cover probable outflows of resources whose maturity or amount is not precisely set. They mainly relate to litigation, personnel costs and post-employment benefit arrangement.

The estimation of the provision is based on the most likely assumptions or by using statistical methods, depending on the nature of the risks.

Provisions are recorded either as non-current or current provisions, depending on their timing of settlement. Provisions for liabilities or disputes which will be extinguished within 12 months of the closing date, and those linked to the normal operating cycle, are recorded as current liabilities. Other provisions for contingencies are recorded as non-current provisions.

15.1 Detail of provisions

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Provisions for contingencies	1,503	251
Current provisions	**1,503**	**251**
Provisions for contingencies	836	928
Provisions for pensions and other employee benefits	2,425	2,026
Non-current provisions	**3,261**	**2,955**
Total provisions	**4,764**	**3,206**

See *note 16* for more details on defined benefit obligations.

15.2 Changes in provisions for contingencies

The change in provisions are broken down as follows:

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
At the beginning of the period	**1,179**	**1,055**
Increases	1,089	305
Reversals	(663)	(170)
Changes in scope	823	(53)
Translation adjustments	(89)	42
At the end of the period	**2,339**	**1,179**

Provisions for contingencies amount to €2,339 thousand as at 31 December 2020, including €839 thousand *(£750 thousand)* that relates to tax and/or National Insurance Contributions liability assumed as part of Nuaware acquisition.

Reversals of provisions in 2020 amount to €663 thousand and mainly include amounts used (€108 thousand for the French entity and €456 thousand for the Italian entity).
Reversals of provisions in 2019 amount to €170 thousand and mainly include unused amounts (€137 thousand for the French entity).

Note 16. Employee benefit obligation

Accounting policy

The Group operates pension and other employee benefit schemes depending on local legislation and regulations. The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country.

For defined contribution schemes, the Group recognises in the income statement contributions payable when they are due. The Group's legal or constructive obligation for these plans is limited to the amount of the contributions.

For defined benefit schemes, the Group's obligations are recognised in the balance sheet and measured using the projected unit credit method. The main assumptions are presented below.

The expense recorded in the income statement includes:

- the additional rights acquired by employees during the reporting period (the "service cost");
- the impact of any change to existing schemes on previous years or of any new schemes (the "past service cost");
- the net interest component of the pension costs (the "interest cost")

The two first items are presented in personnel costs (*see note 5.4*), the third is presented within Net financial result (*see note 13.4*).

Actuarial gains and losses for experience, demographic and financial assumptions are recorded in other comprehensive income.

Group pensions and other employee benefit schemes mainly relate to France, Italy, Poland, Indonesia and Thailand.

The main assumptions in 2019 are as follows:

31 Dec 2019	France	Italy	Indonesia	Thailand	Poland
Discount rate	1.45%	0.77%	8%	2.01%	N/A
Salary increment rate	2%	2.40%	8%	5%	N/A
Normal retirement age	65	First requirement coming for the AGO [(1)] retirement	55	60	N/A

[(1)] *Assicurazione Generale Obbligatoria* "General Compulsory Insurance Scheme"

The main assumptions in 2020 are as follows:

31 Dec 2020	France	Italy	Indonesia	Thailand	Poland
Discount rate	1.45%	0.34%	7.25%	1.97%	2%
Salary increment rate	2%	2.10%	8%	5%	N/A
Normal retirement age	65	First requirement coming for the AGO [(1)] retirement	55	60	N/A

[(1)] *Assicurazione Generale Obbligatoria* "General Compulsory Insurance Scheme"

Fluctuations of the period are as follows:

(in € thousands)	**Net book value**
Defined benefit obligation at January 1, 2019	**1,795**
Service cost	370
Interest cost	37
Benefit paid	(281)
Actuarial (gains)/losses for experience adjustments	(52)
Actuarial (gains)/losses for demographics assumptions	18
Actuarial (gains)/losses for financial assumptions	8
Translation adjustments	131
Defined benefit obligation at 31 December 2019	**2,026**
Service cost	142
Interest cost	52
Benefit paid	(256)
Actuarial (gains)/losses for experience adjustments	5
Actuarial (gains)/losses for demographics assumptions	2
Actuarial (gains)/losses for financial assumptions	38
Translation adjustments	(4)
Change in scope	419
Defined benefit obligation at 31 December 2020	**2,425**

The liability corresponding to the Group's defined benefit obligation in respect of its employees is recorded in the balance sheet as a non-current provision and employee benefit obligation for €2,425 thousand in 2020 (of which €419 thousand related to the acquisition of Veracomp) and €2,026 thousand in 2019.

Note 17. Other information

17.1 Financial risk management

The Group's activities expose it to a variety of financial risks, including liquidity, interest rate, foreign exchange, and credit risk.

The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Group's the financial performance .

The Group's risk management system is predominantly supervised by a central treasury department (Group Treasury) which identifies, evaluates and hedges financial risks in close co-operation with the Group's entities. Financial risk management within the Group is governed by policies approved by key management personnel. It provides principles for overall risk management as well as policies covering specific areas such as interest rate risk, foreign exchange risk, credit risk, the use of derivative financial instruments and the investment of cash.

Where all relevant criteria are met, hedge accounting is applied to limit the accounting mismatch between the hedging instrument and the hedged item. This effectively involves recognising interest expense at a fixed interest rate for the hedged floating rate financings and purchases at the hedged foreign currency rate.

The Group does not enter into derivative or other financial transactions which are unrelated to its business needs or for speculative purposes.

17.1.1 Interest rate risk

Interest rate risk mainly includes the risk of fluctuations in cash flows relating to floating- rate debt, which is partly linked to Euribor and Libor indices and which can impact financial net results.

The interest rate risk management policy is centralised. The Group Treasury is informed of any new financing and gives an approval to the subsidiaries before they contract any new financing facilities.

As at 31 December 2020, the Group had €747.3 million of floating-rate gross debt outstanding and €17.8 million of fixed-rate gross debt outstanding. The largest portion of floating-rate debt concerns a Term Loan Facility of €500 million (Lien 1) bearing interest at the 3-months Euribor (with a floor of 0%) plus a 3.25% margin; the €75 million drawdown of a secured revolving credit facility bearing interest at Euribor plus a 2.25% margin and a long-term loan of £105m (Lien 2) bearing interest at the 3-months GBP Libor (with a floor of 1%) plus a 7.5% margin.

The Group manages the interest rate risk on the two term loans of €500 million and £105 million with two standard cap instruments which convert a part of the floating-rate debt into fixed-rate debt, when the Euribor and Libor rates respectively exceed 1.25% and 1.75%. These cap instruments represent a notional outstanding amount of respectively €250.0 million and £60.0 million (unchanged compared 31 December 2019). Their net fair value is nil at 31 December 2020, compared to a non-significant gain of €5 thousand on 31 December 2019. Their maturity date is 30 September 2021.

There is a hedging relationship between the hedging instruments (the caps) and the hedged items (the term loans) taking account of reference interest rates, the frequency of coupons, the currency and the nominal amount. These caps may be classified as cash flow hedges.

In order to estimate the sensitivity to the interest rate risk supported by the Group on the derivative instruments in the portfolio, an analysis calculates the impact of a variation in interest rates on the mark-to-market value of the two caps in the portfolio at 31 December 2020. A change of +/- 25 basis point leads to a mark-to-market variation of less than €50 thousand, Thus, it appears that the sensitivity of the Group to the change in the interest rate is not material.

17.1.2 Foreign exchange risk

Currency transaction risk is the risk of an unfavourable change in exchange rates having an adverse effect on cash flows on operating transactions denominated in foreign currency.

The Group has significant exposure to foreign exchange transaction risk. A portion of its purchases is denominated in US dollar while its sales are mainly denominated in local currency. Therefore, the subsidiaries are exposed to fluctuations in the US dollar which can have negative effects on their operating margin.

According to the Group's policy, the subsidiaries must hedge all their US dollar exposures after review and approval by Group Treasury. The subsidiaries aggregate all the US dollar exposures on confirmed transactions (receivables and payables) and report them to the Group Treasury at least twice per month. Group Treasury validates the nominal and the time horizon of the exposures and gives its approval for hedging solutions. The subsidiaries only trade forward contracts whose maturities rarely exceed three months. They trade only with top-ranking banking institutions. They do not use derivative instruments for speculative purposes (*see note 13.3*).

The Group is also exposed to translation risk which concerns all the subsidiaries outside the eurozone (such as the United States of America, United Kingdom, Sweden, Denmark, Turkey, United Arab Emirates) whose functional currency is different from the consolidated Group's functional currency, which is the euro. In the consolidated financial statements, the contribution of these foreign subsidiaries to net assets and to the profit, translated into euros, may be significantly reduced due currency fluctuations. So far, the Group has not implemented hedging solutions to mitigate its currency translation risk, except for debt of £105 million, to partly offset the fluctuation of the net assets denominated in pounds sterling.

Most forward contracts have short maturities of around three months as the Group does not hedge highly probable operating transactions but only firm commitments. These hedging transactions qualify for fair value hedge accounting.

The net notional amount of derivatives instruments hedging main currencies and the pertaining mark-to-market are further detailed hereafter:

(in € thousands)	**Nominal**		**Market value**	
	31 Dec 2020	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
USD/AUD	16,091	18,780	(773)	(442)
USD/EUR	168,054	186,665	(3,304)	(2,141)
USD/GBP	20,312	30,443	(561)	(504)
USD/NOK	5,480	2,546	(292)	(110)
USD/SEK	8,149	7,967	(367)	(226)
Other Currencies	13,976	14,293	(383)	(236)
Total	**232,063**	**260,693**	**(5,680)**	**(3,658)**

At 31 December 2020 and 2019, 100% of the Group's foreign exchange risk exposure was hedged.

The Group has estimated the following impacts of a decrease or increase of 10% in the exchange rates against the US dollars on the mark-to-market value of the forward currency contracts:

Currency of exposure (in € million equivalent)	**31 Dec 2020**		**31 Dec 2019**	
	Decrease of 10%	**Increase of 10%**	**Decrease of 10%**	**Increase of 10%**
EUR	(20)	16	(18)	15
GBP	(3)	3	(2)	2
AUD	(2)	2	(2)	1
Other Currencies	(3)	2	(3)	3
Total P&L impact	**(28)**	**23**	**(26)**	**21**

These forward currency contracts and the hedged items typically have maturities of around three months. As these instruments are hedging account payables denominated in US dollar, the same decrease and increase fluctuation would have an opposite impact on the underlying producing zero impact on the net profit.

17.1.3 Credit risk

Credit risk with respect to financial activities

The Group works with several financial institutions to manage its cash surpluses and to trade derivatives for hedging interest rate and foreign exchange risks. The Group is exposed to the credit risk, especially with banking counterparties. The failure of these counterparties to comply with one or more of their commitments could adversely affect the Group's financial situation.

To limit the counterparty risk with financial institutions, the Group's policy aims at reducing the number of banks and bank accounts. When it is possible, the Group stops the relationship with ancillary banks and focuses on the centralization of the financial risks with a limited number of core banks which have credit ratings at least in the BBB+ category; which have a strong international presence and which can provide financing either at Group level or at the subsidiaries' level.

Credit risk on cash & cash equivalents: due to historically low and significantly negative interest rates on Euro investments, the Group's policy is to minimize its cash position in order to reduce its debt and optimize its financial expenses. The cash excess remains on bank accounts of the counterparties that finance the Group. It is not invested in short-term money market funds except in Turkey where cash deposits in US dollar does not exceed 30 days.

Exposure related to cash & cash equivalent

Counterparty rating (Standard & Poor's) **(as percentage of the total cash and cash equivalent as of 31 December)**	**31 Dec 2020**	**31 Dec 2019**
[AAA - A-]	85.50%	93.20%
[BBB+ - BBB-]	9.70%	1.60%
[BB+ - B-]	3.60%	5.20%
Unrated	1.20%	-

Credit risk on derivatives: as part of its Interest Rate and Currency Risk Management Policies, the Group enters into hedging contracts with leading financial institutions and the Group's financing banks. Credit risk on derivative instruments is considered immaterial due to the short maturity of the instruments as of 31 December 2020. This risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive. As of 31 December 2020, the fair value of the financial instruments is negative (€ -5,680 thousand net position) (*see note 13.3.3*).

Credit risk with respect to operating activities

The Group is exposed to the risk of default by its customers to which it sells IT products/solutions. *See note 13*

Credit risk in the Covid context

See note 1.3

17.1.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due.
The Group manages its liquidity risk by ensuring, to the extent possible, that it has sufficient liquid assets at all times to settle its liabilities when they fall due, whatever the conditions in the market.

The Group needs available liquidity to finance: the growth of its business (working capital and day-to-day operations), specific projects like a new Group ERP, new activities like Exclusive On Demand and acquisitions.

The Group can access to the liquidity mainly through the cash flow from operating activities; the factoring solutions contracted with financial institutions; the short term and long-term bank overdrafts and credit facilities.

As of 31 December 2020, the Group available liquidity amounts to €232 million (€163.2 million of cash equivalents; €54.0 million of undrawn uncommitted bank debts and €15.0 million of undrawn committed bank debt).
The financial gross debt amounts to €805.2 million and includes confirmed financings for a total amount of €691.7 million (Senior debt of €500 million, Subordinated debt of €116.8 million and Secured revolving credit facility of €75 million) and unconfirmed bilateral financing for a total amount of €113.4 million which can be terminated unilaterally by the credit institutions in delays which generally do not exceed 60 days.

With a high level of net indebtedness, the Group is exposed to a risk of liquidity in case of its financial resources are not sufficient to meet its contractual commitments. This risk of liquidity is mitigated by the regularity of the cash flows generated by the Group and is also reduced by a financing policy based on the following principles:

Cash centralization

The Group manages its available cash balances prudently and has set up cash management agreements in 25 countries in which it operates and where local regulations allow it to do so. These agreements are designed to optimize and facilitate the daily physical transfer of cash to the central treasury entity, Everest SubBidCo SAS. The Group has also been implementing automatic cash pooling (ZBA) solutions with the subsidiaries of the following countries: France, Germany, Belgium, Spain and keep on going to implement this solution in the year 2021 in Austria, in the USA and in some Eastern European countries.

Diversification of the financing solutions

The Group manages liquidity risk by constant monitoring the duration of its financing arrangements, the permanence of its available credit facilities, and the diversification of its creditors and of its financing solutions (overdrafts, loans, factoring, receivable financing).

Maintaining undrawn credit lines

The Group keeps a permanent and significant buffer of undrawn credit lines to secure its liquidity. As of 31 December 2020, the undrawn credit lines amount to €66.2 million.

Weekly liquidity monitoring

In the context of the crisis stemming from Covid-19 epidemic, the Group immediately made liquidity monitoring a priority. This resulted in the follow-up of weekly cash and debt positions, by the regular review of the functioning of the Finance back office of the subsidiaries (invoicing, collections, payments, suppliers) and by a weekly update on the situation of the financial markets at the Group level.

Improving the credit ratings

This financing policy also aims at deleveraging the Group and improving its credit profile compatible. As at 31 December 2020, the Group is rated by Standard & Poor's (B-) and Moody's (B3-Stable) and its leverage ratio (net debt/ EBITA) is less than 5 times EBITDA according to the calculation of the credit facilities agreements.

17.2 Off-balance sheet commitments

As of 31 December 2020, the Group had not entered into any commitments likely to have a significant effect on its current or future financial position other than those mentioned in this note.

17.2.1 Off-balance sheet commitments related to operating activities

17.2.1.1 Guarantees granted in the course of business

Exclusive Networks SAS grants a corporate guarantee to certain vendors in connection with the balance/account payable related to purchases made by all Group entities at the end of the reporting period. This guarantee amounted to €136,997 thousand at 31 December 2020.

17.2.2 Off-balance sheet commitments related to the scope of consolidation

17.2.2.1 Asset and liability commitments received in connection with acquisitions

Liabilities guarantees are received from sellers as part of acquisitions and amounted to €56,394 thousand at 31 December 2020.

17.2.3 Off-balance sheet commitments related to financing activities

17.2.3.1 Securities granted on assets

As part of the transaction of 4 July 2018, the following securities were given by Exclusive France Holding SAS and its subsidiaries:

- Pledge of shares under German law, by Exclusive Group GmbH on shares in Exclusive Networks Deutschland GmbH on 14 November 2018;
- Bond under English law, taken out by Exclusive Networks SAS and Exclusive Networks Limited on 14 November 2018, through which the following securities were established:
    - Pledge of shares by Exclusive Networks SAS on shares in Exclusive Networks Ltd (United Kingdom);
    - Floating charge established by Exclusive Networks Ltd (United Kingdom);
- Pledge of shares under Dutch law, by Exclusive Networks BVBA (Belgium) on shares in Exclusive Networks B.V. (Netherlands) on 14 November 2018;
- Pledge of shares under US law, by Exclusive Americas Holdings Inc on shares in Trigem Enterprises, Inc., on 14 November 2018;
- Pledge of shares under French law, by Exclusive France Holding SAS on shares in Exclusive Networks SAS, on 14 November 2018;
- Pledge of shares under French law, by Everest MidCo SAS on shares in Everest BidCo SAS, on 1 July 2018;
- Pledge of receivables under French law, by Everest MidCo SAS on certain intra-group receivables, on 1 July 2018;
- Pledge of bank accounts under French law, by Everest BidCo SAS on its main bank accounts, on 1 July 2018;
- Pledge of receivables under French law, by Everest BidCo SAS on certain intra-group receivables, on 1 July 2018;
- Pledge of receivables under French law, by Everest SubBidCo SAS on certain intra-group receivables, on 1 July 2018.

17.2.3.2 Financing commitments given

Refers to guarantees given to banks in consideration or short-term loans granted to subsidiaries: opening of credit lines of €72,371 thousand (none of which had been used as of 31 December 2020).

17.2.3.3 Financing commitments received

Refers to commitments received on short term line of credits:

- Commitments received from banks for confirmation of lines of credit for €129,672 thousand (of which €36,301 thousand had not been used as of 31 December 2020)
- Commitments received from factoring companies for confirmation of factoring lines for €80,881 thousand maximum (of which €37,738 thousand had not been used as of 31 December 2020).

17.3 Statutory Auditors' fees

The following table shows the amount of fees of the Statutory Auditors of the parent company and their partner firms in respect of the fully consolidated subsidiaries.

(in € thousands)	**Deloitte**				**B. Palasset**				**Others**				**Total**	
	Amounts		**%**		**Amounts**		**%**		**Amounts**		**%**			
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Statutory audit fees, certification, auditing of the accounts	752	818	100%	100%	11	11	100%	100%	436	536	97%	99%	1,199	1,365
o/w issuer	215	282	29%	34%	11	11	100%	100%	-	-	0%	0%	226	293
Other services rendered by auditors' networks	-	4	0%	0%	-	-	0%	0%	14	4	3%	1%	14	8
Total	752	822	100%	100%	11	11	100%	100%	450	540	100%	100%	1,213	1,373

Other services include €4 thousand for tax services from RSM Ireland and €1.5 thousand from BDO Copenhagen as of end 2020.

17.4 Related parties

17.4.1 Parent entities

As of 31 December 2020, the Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest in 2020
Everest UK HoldCo Limited (UK)	Immediate parent entity	United Kingdom	77.77%*
HTIVB [(1)]	Parent entity and controlling party	France	13.42%
EM Networks 1 ("EM N1")	Parent entity and controlling party	France	4.71%
EM Networks 2 ("EM N2")	Parent entity and controlling party	France	4.00%
Other Co-investors	-	-	0.10%

* Everest UK HoldCo Limited (UK) holds 46.7% of the issued Preferred Shares 2 and 31.1% of the issued Preferred Shares 3 of Everest Holdco, which is ultimately controlled by Permira Limited.

[(1)] HTIVB, of which the founder and former CEO, is a trustee and holds an interest in the preference shares of Everest HoldCo SAS.

The Group is backed by entities that collectively comprise the Permira Fund which is ultimately controlled by Permira Limited. Permira Limited is related to the Company due to common control, Parent party (the Group's ultimate parent and controlling party) is controlled by Permira which itself is controlled by Permira Limited.

17.4.2 Transactions with related parties

For the Group, related parties within the definition of IAS 24 are persons or entities who have control or a significant influence over the Group. Accordingly, the direct and indirect parent companies of Permira Fund and the members of the Management Board are considered as related parties. Moreover, all portfolio companies held by funds advised by Permira are considered related parties.

	31 Dec 2020				31 Dec 2019		
(in € thousands)	PERMIRA ADVISERS LTD (GBR)	HTIVB	EM N1	**Total**	PERMIRA ADVISERS LTD (GBR)	HTIVB	**Total**
Consolidated Statement of income							
Recharged expenses	26	-		**26**	11	-	**11**
Management fees	-	816		**816**	-	724	**724**
Total	**26**	**816**		**842**	**11**	**724**	**735**
Consolidated Statement of financial position	-	-		-	-	-	-
Financial securities EM N1			652	**652**			
Provision for Management fees	-	192		**192**	-	87	**87**
Total	**-**	**192**		**744**	**-**	**87**	**87**

Transactions with related parties concerned settlements of consulting and management services. All transactions were entered into on an arm's length basis. Transactions with Permira Advisers LTD relate to consultancy services provided by a Key Group Manager. The Group has traded with HTIVB, of which the founder and former CEO is a trustee and holds an interest in the preference shares of Everest HoldCo SAS.

17.4.3 Key management personnel compensation

Detailed compensation disclosures are provided in the remuneration report in note 5.3 Personnel costs. The key management personnel are composed of the Chairman, the Chief Financial Officer and other members of the Executive Committee. In 2020, the compensation was mainly impacted by a transition period for both the Chief Executive Officer and the Chief Financial Officer and the appointment of a Vice President Human Resources.

(in € thousands)	**31 Dec 2020**	**31 Dec 2019**
Short-term benefits excluding employer's social security contributions	3,358	2,417
Short-term benefits: employer's social security contributions	629	468
Total key management compensation	**3,987**	**2,886**

17.5 Subsequent events

Potential subsequent events related to Covid-19 pandemic crisis context

From 31 December 2020 until the date the financial statements were approved, there has been no significant adverse impact of the pandemic crisis on the financial situation and performance of the Group, including no impact on its new order intakes, supply and delivery chains, cash collection and position.

Whereas the impact of the Covid-19 pandemic crisis on the Group's financial position and performance for 2021 is difficult to predict, the Group believe it has strong assets: its business resilience and its strong cash position and will be able to respond to the challenges and opportunities when the sanitary situation will improve in the different geographical areas where it operates.

Acquisitions

On 18 February 2021, as part of its external growth strategy, the Group acquired 90% of outstanding shares in the Hungarian entity Veracomp KFT for a purchase price of €575 thousand.

On 23 February 2021, the Group acquired 2.05% non-controlling interests in Exclusive Capital SAS for a total purchase price of €180 thousand.

United Kingdom income tax revision

The income tax in the United Kingdom has been revised in Q1 2021 from 19% to 25% effective starting 1 April 2023. This increase will result in an increase in deferred tax liabilities amounted €13,409 thousand.

Note 18. First-time application of the IFRS (IFRS 1)

18.1 Transition approach

These financial statements are the first to have been prepared by the Group under IFRS as applicable at 31 December 2020. IFRS 1 – First-time Adoption of International Financial Reporting Standards has been applied to all periods presented with effect from the transition date, i.e., 1 January 2019.

Accordingly, these financial statements comply with the IFRS applicable at 31 December 2020. The accounting policies described in note 2, and in each of the notes to the consolidated financial statements, were applied when preparing the financial statements for the year ended 31 December 2020, the comparative 12-month periods ended 31 December 2019, and the consolidated opening statement of financial position at 1 January 2019.

For reporting periods up to 31 December 2020, the Group prepared its consolidated financial statements in accordance with the applicable laws and regulations in France, in particular CRC Regulation no. 99-02 issued by the French Accounting Standards Committee (*Comité de réglementation comptable* – CRC) on 29 April 1999, along with its successive amendments.

18.1.1 Mandatory exceptions applied

Under IFRS 1, first-time adopters are to retrospectively apply exceptions from certain IFRS requirements. The Group applied the following mandatory exceptions:

- Classification and measurement of financial instruments.
- Impairment of financial assets.

The other mandatory exceptions are not applicable to the Group.

18.1.2 Optional exemptions applied

The Group applied the following optional exemptions:

IFRS 3 – Business Combinations

IFRS 3 – Business Combinations was not applied to acquisitions of subsidiaries deemed to be a business within the meaning of IFRS, or to acquisitions of shares in associates and joint ventures carried out before the IFRS transition date, i.e., 1 January 2019.

As a result, the previous accounting for business combinations in accordance with French GAAP remains unchanged, although certain adjustments may be necessary. Assets and liabilities not meeting the conditions for recognition as an asset or liability under IFRS are excluded from the opening statement of financial position under IFRS.

IFRS 16 – Leases

The Group identified all of its existing lease contracts at January 1, 2019 in order to determine whether they met the definition of a lease within the meaning of IFRS 16.

In accordance with the lessee requirements for first-time adopters, the Group applied the following approach to all of its leases at the transition date:

- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date, i.e., 1 January 2019.
- Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before January 1, 2019.

The Group also used the following practical expedients and exemptions at the transition date:

- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Not to account for lease liabilities and right-of-use assets for lease contracts with a residual term of less than 12 months at the transition date and for which the underlying asset is of low value.
- To exclude initial direct costs from the measurement of right-of-use assets at the transition date.
- To use hindsight to determine the lease term if the contract contains options to extend or terminate the lease.

IAS 21 – The Effects of Changes in Foreign Exchange Rates

The Group uses the following exemption at the transition date: cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

Consequently, gains or losses on a subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS and include later translation differences.

18.2 Reconciliation of comprehensive income

		2019						
(in € thousands)	**Note**	**Revenue**	**Operating profit**	**Net Financial expense**	**Income tax expense**	**Profit (loss) for the period**	**OCI**	**Total comprehensive income***
FRENCH GAAP		**2,350,939**	**25,448**	**(33,148)**	**(1,928)**	**(14,586)**	**-**	**(14,586)**
IAS 1 – Presentation of Financial Statements: reclassification of exceptional items within operating items			(4,959)					-
IAS 19 – Employee Benefits	18.5.1		197	(37)		161	(103)	58
IFRS 3 – Business Combinations	18.5.2		(208)			(208)		(208)
IFRS 9 – Financial Instruments	18.5.3			(1,969)		(1,969)		(1,969)
IFRS 15 – Revenue from Contracts with Customers								
- Cut-off	18.5.4	953	1			1		1
- Agent vs. Principal	18.5.5	(609,937)				-		-
IFRS 16 – Leases	18.5.6		244	(572)		(328)		(328)
IAS 12 – Income Taxes								
- Tax effect of the restatements	18.5.8				546	546		546
- Reclassification of income tax items	18.5.9		471		(471)		26	26
Other			536	(536)				
Exchange differences on translation of foreign operations							13,048	13,048
IFRS		**1,741,955**	**21,730**	**(36,262)**	**(1,853)**	**(16,385)**	**12 971**	**(3,414)**

*Other comprehensive income' and 'Total comprehensive income' do not exist under French GAAP.

18.3 Reconciliation of equity

		Equity attributable to the owners of the parent company						
(in € thousands)	**Note**	Share capital and share premium	Retained earnings and other reserve	Foreign currency translation adjustment (FCTA)	Other comprehensive income (excl. FCTA)	**Total attributable to owners**	**Non-controlling interests**	**TOTAL EQUITY**
EQUITY AT JANUARY 1, 2019 UNDER FRENCH GAAP		**740,399**	**(21,913)**	**1,435**		**719,921**	**2,441**	**722,362**
IAS 19 – Employee Benefits	18.5.1		(1,314)			**(1,314)**		**(1,314)**
Non-controlling Interest put options	18.5.7		(3,901)			**(3,901)**	(1,708)	**(5,609)**
IFRS 3 – Business Combinations	18.5.2					-		
IFRS 9 – Financial Instruments	18.5.3		16,785			**16,785**		**16,785**
IFRS 15 – Revenue from Contracts with Customers – Cut-off	18.5.4		(1,101)			**(1,101)**		**(1,101)**
IFRS 16 – Leases	18.5.6					-		-
IAS 12 – Income Taxes - Tax effect of the restatements	18.5.7		(2,594)			**(2,594)**		**(2,594)**
IAS 21 – FCTA	18.1.2		1,435	(1,435)		-		-
Total IFRS adjustments			9,310	(1,435)		**7,875**	(1,708)	**6,167**
EQUITY AT JANUARY 1, 2019 UNDER IFRS		**740,399**	**(12,603)**	**-**	**-**	**727,796**	**733**	**728,529**

		Equity attributable to the owners of the parent company						
(in € thousands)	**Note**	Share capital and share premium	Retained earnings and other reserve	Foreign currency translation adjustment (FCTA)	Other comprehensive income (excl. FCTA)	**Total attributable to owners**	**Non-controlling interest**	**TOTAL EQUITY**
EQUITY AT DECEMBER 31, 2019 UNDER FRENCH GAAP		**740,399**	**(37,001)**	**14,346**		**717,743**	**2,963**	**720,706**
IAS 19 – Employee Benefits	18.5.1		(1,158)		(103)	**(1,261)**		**(1,261)**
Non-controlling Interest put options	18.5.7		(4,857)			**(4,857)**	**(1,829)**	**(6,686)**
IFRS 3 – Business Combinations	18.5.2		(212)			**(212)**		**(212)**
IFRS 9 – Financial Instruments	18.5.3		14,816			**14,816**		**14,816**
IFRS 15 – Revenue from Contracts with Customers – Cut-off	18.5.4		(1,092)			**(1,092)**		**(1,092)**
IFRS 16 – Leases	18.5.6		(328)			**(328)**		**(328)**
IAS 12 – Income Taxes - Tax effect of the restatements	18.5.7		(2,049)		26	**(2,023)**		**(2,023)**
IAS 21 – FCTA	18.1.2		1,435	(1,435)		-		-
Other			(214)	(37)		**(250)**	31	(219)
Total IFRS adjustments			6,340	(1,472)	(77)	**4,791**	(1,798)	2,994
EQUITY AT DECEMBER 31, 2019 UNDER IFRS		**740,399**	**(30,661)**	**12,874**	**(77)**	**722,534**	**1,165**	**723,699**

18.4 Reconciliation of cash flow statement

(in € thousands)	Note	Cash flows from op. activities before change in working capital (A)	Change in working capital (B)	Net cash from operating activities (A)+(B)	Net cash from investing activities	Net cash from financing activities	Increase in net cash and cash equivalents
CASH FLOWS STATEMENT AT DECEMBER 31, 2019 UNDER FRENCH GAAP		**30,167**	**(143)**	**30,025**	**(17,643)**	**(52)**	**13,411**
IFRS 9 - EX Capital	13.2	-	(8,106)	(8,106)	-	8,106	-
IFRS 9 - Factoring IFRS	13.2	-	(17,142)	(17,142)	-	17,142	-
IFRS 3 - NCI	13.2	-	-	-	2,636	(2,636)	-
IFRS 16 – Leases	8	6,480	(160)	6,320	-	(6,320)	-
Reclassification short-term financing	13.2	-	-	-	1,454	(1,454)	-
Others		1,030	(317)	712	5	(526)	-
CASH FLOWS STATEMENT AT DECEMBER 31, 2019 UNDER IFRS		**37,676**	**(25,868)**	**11,808**	**(13,548)**	**14,261**	**13,411**

18.5 Description of the main impacts of the IFRS transition

18.5.1 IAS 19 – Employee Benefits

Under French GAAP, benefits related to defined benefit pension plans were recognized as operating expenses when incurred in the statement of income.

Under IFRS, defined benefits plans are recognised at the balance sheet.

More specifically, the amounts detailed in the table above primarily represent:

- the Group's obligation related to its defined benefit plans recognised as a provision,
- the related pension cost recognised in operating expenses and the related actuarial gains and losses recorded in other comprehensive income (*See note 16).*

18.5.2 IFRS 3 – Business Combinations

The amounts detailed on this line reflect the acquisition costs relating to business combinations incurred in 2019 and 2020 (*see note 3)*. Those costs are recognized directly in the statement of income under IFRS 3 while they were recorded as part of the acquisition price under French GAAP.

18.5.3 IFRS 9 – Financial Instruments

IFRS 9 approach differs in many ways from French GAAP and materially impact the Group as follows (see note 9):

- Interest expenses related to financial debts - that were recognised on a straight-line basis over the term of the corresponding liabilities under French GAAP – are recognized using the effective interest rate method under IFRS;
- Transferred receivables related to factoring arrangements – that were derecognised under French GAAP - are not derecognised under IFRS as substantially all risks and rewards are not transferred to the factor;

Exclusive Capital financing arrangements – that were disclosed as off-balance sheet commitments under French GAAP – result in the recognition of financial liabilities under IFRS.

18.5.4 IFRS 15 – Cut-off impacts

Under French GAAP, revenue recognition was triggered by the transfer of risk and title whereas it is based on transfer of control under IFRS 15. This difference in the timing of revenue recognition resulted in cut-off impacts that are recorded in this line.

18.5.5 IFRS 15 – Agent versus Principal analysis

For IFRS 15 purposes, The Group has determined to be an agent for the sale of vendor's support and maintenance and recognizes as revenue in the amount of the net fee associated with serving as an agent, representing an equal reduction in both revenue and cost of sales in the statement of income compared to French GAAP. Net Margin represents Revenue less costs of purchased goods and services and Freight on sales (See note 5.1).

18.5.6 IFRS 16 – Leases

Rental payments related to lease contracts were recognized as operating expenses in the statement of incomeunder French GAAP.

Under IFRS 16:

- A right-of-use asset and a lease liability are recognised at the balance sheet
- depreciation and interest expenses are recognised in the statement of income, which replace the French GAAP rental expense over the term of the lease.

Right-of-use assets and lease liabilities recognised at 1 January 2019 are set out in note 8.1, and note 8.2, respectively.

The difference between the rental expense recognised under French GAAP and the depreciation expense recognised under IFRS represents the operating profit impact.

The difference between the total expense (depreciation and interest expenses) under IFRS 16 and the rental expense previously recognised under French GAAP represents the net profit impact.

Rental payments were presented within cash flows from operating activities under French GAAP. Under IFRS, they should be split between cash outflows relating to the interest expense on the lease liability and cash outflows relating to repayments of the lease liability. The Group presents the repayment of principal on the lease liability and the interest paid within cash flows from financing activities.

18.5.7 Non-controlling Interest put options

Under French GAAP, an obligation to purchase non-controlling interests is disclosed as an off-balance sheet item in the notes to the financial statements.

Under IFRS, such obligation should be recognised as a financial liability.

The amounts shown on this line relate to the put options granted by the Group to non-controlling interests, giving the holders the right to sell part or all of their investment in these subsidiaries (see note 9 or 14.2), as follows:

- a financial liability (obligation to purchase the investment to the non-controlling interests) amounting to the present value of the redemption amount,
- and the offsetting entry as: (i) a reduction in the carrying amount of the non-controlling interests and (ii) a reduction in the equity (for the difference between the liability and the carrying amount of the corresponding non-controlling interests).

18.5.8 IAS 12 – Income Taxes – Tax effect of the restatement

The amounts detailed on these lines reflect the tax effect of restatements made between French GAAP and IFRS which are included in net income and equity.

18.5.9 IAS 12 – Income Taxes – Reclassification of income tax items

The CVAE (*Cotisation sur la valeur ajoutée des entreprises* or CVAE, companies' added value contribution) is considered and recognised as an income tax under IAS 12, whereas it was recognized as operating expense under French GAAP.

18.2.2 *Statutory Auditors' report on the 2020 Consolidated Financial Statements*

To the Chairman,

In our capacity as statutory auditors of Everest HoldCo (the "**Company**") and in accordance with Commission Regulation (EU) n°2017/1129 supplemented by Commission Delegated Regulation (EU) n°2019/980 in the context of the contemplated offer to the public and admission of the shares of the Company to trading on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements prepared for the purpose of the prospectus under International Financial Reporting Standards ("**IFRS**") as adopted by the European Union for the year ended 31 December 2020 (thereafter the « **Consolidated Financial Statements** »).

As the Company is preparing consolidated financial statements for the first time in accordance with IFRS at 31 December 2020, the consolidated financial information relating to the period from 1 January 2019 to 31 December 2019, presented as a comparative and restated in accordance with the same standards, has not been audited.

Due to the global crisis related to the Covid-19 pandemic, the Consolidated Financial Statements have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

These Consolidated Financial Statements have been prepared under the responsibility of the Chairman. Our role is to express an opinion on these Consolidated Financial Statements based on our audit.

We have conducted our audit in accordance with professional standards applicable in France and the professional guidance issued by the French Institute of statutory auditors (*Compagnie Nationale des Commissaires aux Comptes*) applicable to such engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall Consolidated Financial Statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Consolidated Financial Statements prepared for the purpose of the prospectus, present fairly, in all material respects, the assets and liabilities and the financial position of the Group as at 31 December 2020 and of the results of its operations for the year then ended in accordance with

IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 18 “First-time application of the IFRS (IFRS 1)” to the Consolidated Financial Statements relating to the transition approach and main impacts of the first-time adoption of IFRS, as at 1 January 2019 and 31 December 2019.

This report shall be governed by, and construed in accordance with, French law and professional standards applicable in France. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Courbevoie and Paris-La Défense, 1 September 2021 at 3 pm

The Statutory Auditors

Mazars	Deloitte & Associés
Marc BIASIBETTI	Jean-Marie LE GUINER

18.3 Group’s 2019 Consolidated French GAAP Financial Statements for the year ended 31 December 2019 and Statutory Auditors’ report

18.3.1 *Group’s 2019 Consolidated French GAAP Financial Statements*

CONSOLIDATED BALANCE-SHEET

Amounts in € thousands	*Notes*	**31 December 2019**	**31 December 2018**
ASSETS			
Goodwill	*3.2.1.1*	276,472	269,796
Intangible Assets, net	*3.2.1.3*	1,235,440	1,260,622
Tangible Assets, net	*3.2.1.4*	3,993	3,630
Financial Assets	*3.2.1.5*	2,759	2,704
TOTAL FIXED ASSETS		**1,518,665**	**1,536,752**
Inventories	*3.2.2*	87,418	75,164
Trade Accounts Receivables, net	*3.2.3*	579,311	509,668
Other Current Assets	*3.2.3*	96,442	84,784
Short-term deposits	*3.2.4*	4,947	1,090
Cash and Cash Equivalents	*3.2.4*	112,412	101,966
Prepaid Expenses	*3.2.3*	14,160	11,745
TOTAL CURRENT ASSETS		**894,690**	**784,417**
Total Assets		**2,413,355**	**2,321,169**
LIABILITIES			
Share Capital		7,317	7,317
Share Premiums		733,082	733,082
Consolidated Reserves		-21,913	0
Net result Group Share		-15,088	-21,913
Foreign Currency Translation Reserve		14,338	1,435
Equity - Group Share	*3.2.5*	717,736	719,921
Minority Interests	*3.2.6*	2,954	2,441
TOTAL EQUITY		**720,691**	**722,362**
Long-Term Borrowings	*3.2.7*	692,154	685,006
Provision for Risks and Losses	*3.2.8*	1,179	1,055
Deferred Tax Liabilities	*3.2.9*	298,908	304,912
Short-Term Borrowings	*3.2.4*	11,346	10,454
Trade Accounts Payables	*3.2.10*	558,950	485,077
Tax and Employee-related Liabilities	*3.2.10*	93,614	82,839
Other Current Liabilities	*3.2.10*	12,261	10,558
Financial Instruments	*3.2.10*	3,658	736
Accruals and Deferred Income	*3.2.10*	20,594	18,170
TOTAL LIABILITIES		**1,692,664**	**1,598,807**
TOTAL EQUITY AND LIABILITIES		**2,413,355**	**2,321,168**

CONSOLIDATED INCOME STATEMENT

Amounts in € thousands	*Notes*	**31 December 2019 (12 months)**	**31 December 2018 (7 months)**
Net Sales	*3.1.1*	2,350,939	1,095,893
Cost of goods sold	*3.1.2*	-2,099,611	-973,026
GROSS MARGIN		**251,328**	**122,868**
Distribution costs	*3.1.3*	-4,524	-1,670
Personnel costs	*3.1.4*	-112,567	-51,009
Other operating costs	*3.1.5*	-53,118	-26,374
Other income & expense	*3.1.6*	27	990
EBITDA		**81,148**	**44,805**
Depreciation and amortization of fixed assets	*3.1.7*	-2,106	-939
Current EBIT		**79,042**	**43,866**
Other operating income & expense	*3.1.8*	-53,449	-26,409
EBIT		**25,593**	**17,457**
Financial income and expense	*3.1.9*	-33,148	-15,500
INCOME (LOSS) BEFORE EXCEPTIONNAL RESULT AND TAXES		**-7,555**	**1,957**
Exceptional income and expense	*3.1.10*	-5,104	-22,235
Income tax expense	*3.1.11*	-1,928	-1,281
NET RESULT BEFORE AMORTISATION OF GOODWILL		**-14,586**	**-21,558**
NET INCOME		**-14,586**	**-21,558**
Of which:			
Group share		-15,088	-21,913
Minority Interests		501	-355
Basic earnings per share (in euros)	*3.1.12*	-0.02	-0.03
Diluted earnings per share (in euros)	*3.1.12*	-0.02	-0.03
Weighted average number of shares outstanding - basic		731,712,944	731,712,944

CONSOLIDATED CASH FLOW STATEMENT

Amounts in € thousands	*Notes*	**31 December 2019 (12 months)**	**31 December 2018 (7 months)**
OPERATIONS D'EXPLOITATION			
Net income		-14,586	-21,558
- Depreciation, amortization and provision		55,643	28,125
- Change in deferred taxes		-10,542	-6,411
- Gains and losses on disposal of assets		105	7
- Other non-cash items		-453	
Cash Flow provided by operating activities before Change in Working Capital		**30,167**	**162**
Change in Working Capital		**-143**	**18,805**
CASH FLOW PROVIDED BY OPERATING ACTIVITIES		**30,025**	**18,967**
Disposals of fixed assets		69	758
Addition to intangible assets		-1,545	-616
Addition to tangible assets		-1,795	-1,547
Net change in financial investments		-8	1,348
Impact of changes in consolidation scope	*1.3.2.3*	-14,364	-853,099
CASH FLOW USED IN INVESTING ACTIVITIES		**-17,643**	**-853,157**
Cash capital increase			573,999
Dividends paid to minority shareholders of integrated entities		-446	-32
Proceeds from issuance of borrowings	*3.2.7*	3,110	659,507
Other Variation of Financial Debt	*3.2.7*	7,671	32,172
Repayment of borrowings and convertible bonds	*3.2.7*	-10,387	-338,030
CASH FLOW USED IN FINANCING ACTIVITIES		**-52**	**927,616**
NET EFFECT OF FOREIGN CURRENCY TRANSLATION ON NET CASH		**1,080**	**-824**
INCREASE IN NET CASH		**13,411**	**92,602**
Net cash at beginning of period		92,602	
Net cash at end of period	*3.2.4*	106,013	92,602

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PRESENTATION OF THE GROUP

Everest HoldCo SAS was incorporated on 19 April 2018 with share capital of €1.0 for the purposes of acquiring, through its subsidiary Everest SubBidCo SAS, 100% of the shares of Exclusive France Holding SAS on 4 July 2018.

Everest HoldCo SAS and its subsidiaries in France and abroad ("the Group"), provide value-added distribution services for IT security, storage, and infrastructure solutions.

At the date of the takeover of Exclusive France Holding SAS, the Group composed of Everest HoldCo SAS and its subsidiaries operates in 29 countries in the EMEA (Europe, Middle East, Africa), APAC (Asia and Pacific) and Americas (United States, Canada) regions.

The Group is incorporated and domiciled in Boulogne-Billancourt, France. Its registered office is located at 20, Quai du Point du Jour, 92100 Boulogne-Billancourt.

SIGNIFICANT EVENTS OF THE YEARS 2019 (12 months) and 2018 (7 months)

2019 events (12 months)

Acquisition of Fine Tec Distribution Inc.

On 7 February 2019, the Group acquired 100% of the shares of the Canadian company Fine Tec Distribution Inc., which operates in the Canadian market for IT security, storage and infrastructure products.

Acquisition of Securewave Limited

On 14 February 2019, the Group acquired 70% of the share capital of the Israeli company Securewave Limited, which specialises in the distribution of IT security products.

2018 events (7 months)

Shareholding

On 4 July 2018, control of the group consisting of Exclusive France Holding SAS and its subsidiaries was transferred from Compagnie Belge de Participation (Cobepa) to the pan-European fund Permira (UK). Prior to this date, new entities were set up in order to structure this operation, including Everest SubBidCo SAS, which holds all the shares in Exclusive France Holding SAS, and Everest HoldCo SAS which holds indirectly 100% of the shares in Everest SubBidCo SAS and is the consolidating parent company of the new Group.

The acquisition was financed by shareholder equity, including reinvesting from Management, for a total amount of €740,399 thousand (see detail in note 3.2.5), as well as the subscription of a new bank facility (see below).

New Financing

The bond debt pre-existing at Exclusive France Holding SAS and its subsidiaries was fully repaid on 4 July 2018 to the financial institution ICG Plc for a total amount of €327,580 thousand. In addition, on the same date, the current account credit granted by Cobepa (the former majority shareholder) to Exclusive France Holding SAS was also repaid in the amount of €4,779 thousand.

To finance these transactions, a Senior Credit Agreement with a syndicate of international banks including Morgan Stanley, Société Générale, Deutsche Bank, Goldman Sachs, ING has been established on 4 July 2018, raised by the company Everest BidCo SAS (Everest SubBidCo SAS parent company). This agreement includes (i) a Senior debt for a principal amount of €500,000 thousand; (ii) a subordinated bank debt with a principal amount of £105,000 thousand (equivalent of €119,225 thousand on the subscription date); and (iii) a secured Revolving Credit Facility line with a nominal amount of €90,000 thousand (see details in note 3.2.7.1).

Expenses incurred in connection with these financing transactions amounted to €17,747 thousand and are presented as exceptional expense for the period.

Acquisition of minority interests

As part of the change of control of Exclusive France Holding SAS, the Group purchased minority interests in several previously controlled entities (see details in note 1.3.2.1).

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the 12-months period ended December 31, 2019 (January 1, 2019 to December 31, 2019, hereinafter referred to as the "12-months consolidated financial statements as of December 31, 2019") and the 7-months comparative period ended December 31, 2018 (from June 1, 2018 to December 31, 2018) have been prepared in the context of the proposed offer to the public and admission of the shares of the Company to trading on Euronext Paris. They were prepared specifically for the purposes of the prospectus subject to approval by the Autorité des marchés financiers (the "AMF").

The 12-months consolidated financial statements as of December 31, 2019 have been established on the basis of the consolidated financial statements for the 19-months period ended December 31, 2019 (from June 1, 2018 to December 31, 2019, hereinafter referred to as the "statutory historical consolidated financial statements").

They are not a substitute for the statutory historical consolidated financial statements approved by the Chairman on April 15, 2020 and approved by the shareholders on April 30, 2020.

In addition, events which occurred after the approval by the Chairman of the statutory historical consolidated financial statements are not reflected in the 12-months consolidated financial statements as of December 31, 2019 which have been prepared for the purpose of the purposes of the prospectus subject to approval by the Autorité des marchés financiers (the "AMF").

The 12-months consolidated financial statements as of December 31, 2019 were reviewed by the Supervisory Board in order to authorize the Chairman authorized to approve the accounts on July 2nd, 2021.

Given the low materiality of events that occurred between the opening financial year (June 1, 2018) and the control date of Exclusive France Holding SAS (July 4, 2018), the consolidated financial statements for the 7-months period ended December 31, 2018 reflect 6 months of the Group's operating activities, from July 1, 2018 to December 31, 2018.

1 ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with the provisions of CRC Regulation 99-02, amended by CRC Regulation 2005-10, and according to the rules and principles of the 2014 general chart of accounts approved by the Ministerial Decree of 8 September 2014.

General accounting conventions have been applied in accordance with the following underlying assumptions:

- Going concern;
- Consistency of accounting methods from one financial year to the next;
- Independence of financial years.

All figures are presented in thousand euros unless stated otherwise. Some total rounding differences may occur.

The assets and liabilities and income and expenses included in the consolidated financial statements are evaluated using the same methods.

The main accounting principles applied by the Group are described below.

Restatement of presentation - Short-Term Borrowings

The « Short-Term Borrowings » line presented in the liabilities as of December 2019 in statutory historical consolidated financial statements, is not comparable to the 12-months consolidated financial statements as of December 31, 2019 due to the fact that the balance as of December 2019 (19 months) for a total of €51 376 thousand included €39,830 thousand of short-term financial liabilities.

1.1 Consolidation method

1.1.1 Controlled entities

The consolidated financial statements include the financial statements of Everest Holdco SAS and its subsidiaries controlled directly or indirectly. Control is understood as the power to govern the financial and operating policies of a company to obtain benefits from its activities.

As of 31 December 2019, all subsidiaries owned by the Group are consolidated using the full consolidation method. Furthermore, all consolidated entities have their annual closing date on 31 December 2019, except for Exclusive Networks Sales India Pte Ltd (India), which closes its year on 31 March. A situation as of 31 December 2019 is established for the purposes of preparing the Group's consolidated financial statements.

1.1.2 Group internal transactions

All intercompany transactions and balances are eliminated.

1.1.3 Foreign currency adjustments

The balance sheets of consolidated companies whose functional currency is different from the Group's reporting currency (the euro) are translated into euros at the closing exchange rate, and their income statements and cash flows at the average exchange rate for the period corresponding to the year ended December 31, 2019 (12 months) and December 31, 2018 (7 months). The resulting translation adjustments are recorded as "Foreign currency translation reserves" under shareholders' equity.

Goodwill and fair value adjustments arising from the acquisition of an entity are considered as assets and liabilities of the entity. They are therefore expressed in the functional currency of this entity and are converted into euros at the closing exchange rate.

1.2 Accounting policies

1.2.1 Changes in accounting policies

None

1.2.2 Goodwill

Goodwill on the acquisition of an equity interest is the difference between the purchase price and the acquiring company's share of the value of the identifiable assets and liabilities acquired, measured at fair value. This goodwill is booked under "Goodwill" in the balance sheet, under assets when positive and liabilities when negative, except when the latter corresponds to an acquisition under favourable terms. In such case, goodwill is immediately included in the exceptional result. Negative goodwill not related to acquisitions under favourable terms, are released to the income statement over time.

The Group has decided to apply the changes introduced by the Accounting Standards Authority Regulation no. 2015-07 on 23 November 2015, amending the annex of Regulation no. 99-02 of 29 April 1999 of the modified accounting regulation committee relating to the consolidated accounts of commercial and public companies, applicable for the Group on 1 January 2017. It has been assessed that there is no foreseeable period of use of goodwill (indefinite useful live). Goodwill are therefore not depreciated but tested for impairment at least once a year.

Goodwill is allocated to "Cash Generating Units" (CGUs) or groups of CGUs that are likely to benefit from the synergies of business combinations. Goodwill relating to foreign subsidiaries is recorded in the functional currency of the acquired entity and converted at the rates prevailing on the balance sheet date.

Impairment tests on goodwill are carried out at the level of the CGU or groups of CGUs according to the expected level of return on investment. The cash flows used as a base for calculating the values in use come from the business plans of the CGU or groups of CGUs covering a five-year period. They are then extrapolated by applying a perpetual growth rate specific to each CGU or group of CGUs. Cash flow is discounted using a weighted average cost of capital determined according to the countries in which the CGU or group of CGUs operates.

Details on goodwill are included in Note 3.2.1.1 Goodwill.

1.2.3 Intangible assets

Intangible assets are mainly comprised of the brand name "Exclusive Networks" and the portfolio of vendor relationships.

Vendor relationships have finite useful life. They are subject to amortisation on a straight-line basis over a period reflecting the expected pattern of consumption of the future economic benefits.

The brand name is deemed to have an indefinite useful life and is not subject to amortisation. Impairment is recorded in the event of confirmed indications, as part of the impairment tests carried out by CGU.

The other intangible assets are predominantly composed of licenses and are amortised using the straight-line method over their estimated useful life (1 to 3 years).

A breakdown of the intangible assets is presented in Note 3.2.1.3 Intangible assets.

1.2.4 Tangible assets

Tangible assets are recorded on the balance sheet at their purchase price (including incidental costs) or production cost excluding financial costs.

The depreciation of tangible assets is calculated over their estimated duration of use, using the straight-line method. The main durations of use are as follows:

Buildings	10 to 30 years
Leasesehold improvements	5 to 10 years
Transport equipment	3 to 5 years
Office equipment and furniture	3 to 10 years

1.2.5 Financial assets

Loans and other financial assets are recognised at their nominal value and are subject to allowances if their recoverability is uncertain.

1.2.6 Inventories

Materials and goods are valued at their purchase price, using the FIFO (First In, First Out) method, inclusive of incidental costs.

An allowance for depreciation is booked when the probable realisation value of the stock is less than its purchase price or production cost.

1.2.7 Receivables and payables

Receivables and payables are recorded at nominal value.

Receivables, where appropriate, are subject to an allowance for doubtful account, to reflect the Group's best estimate of probable loss in the receivable balance. This risk is assessed on a case-by-case basis, the Group does not use any statistical method.

1.2.8 Translation of transactions and balances denominated in foreign currencies

By application of the ANC Regulation 2015-05, the accounting methods for foreign currency payables and receivables are described below:

- Operating payables and receivables, as well as financial transactions (trade payables and trade receivables) denominated in foreign currency at the end of the fiscal year, are converted to their equivalent in euros, based on the official closing rate on that date;

- Unrealised or realised foreign exchange gains and losses on payables and receivables denominated in foreign currencies are recognised as profit or loss for the period in the EBITDA;

- Unrealised or realised foreign exchange gains and losses on the financing granted to subsidiaries denominated in foreign currencies are recognised as gains or losses in the financial income.

1.2.9 Financial instruments

By application of Accounting Standards Authority Regulation 2015-05, exchange rate and interest rate hedges are documented and accounted for under the following principles:

- The result on the hedging instrument is recognised:

  - On a symmetrical basis with the accounting method for income and expenses relating to the hedged item, i.e. in the same item or at least in the same section of the profit and loss statement (operating, financial, exceptional);

  - In the period when the hedged item affects profit or loss.

- Changes in the value of hedging instruments are not recognised in the balance sheet, unless the recognition, in part or in full, of these variations ensures symmetrical treatment in the profit and loss statement with the hedged item.

As of December 31, 2019 :

- The fair value of the foreign currency hedges backed by purchases of goods in foreign currencies is partly recorded in the balance sheet, with the counterpart in operating income, in order to ensure the principle of symmetry with the revaluation of the hedged item in the balance sheet in counterpart of the operating income;

- The fair value of interest rate hedges backed by variable rate external debt is not recorded on the balance sheet.

Derivative financial instruments and hedging strategies

The Group uses non-complex financial derivatives to manage its exposure to foreign exchange fluctuations (purchase and forward sales contracts) and interest rate fluctuations (option such as interest rate cap and simple interest rate swap).

In managing its foreign currency exchange risk related to commercial and financial transactions, the Group uses a hedging strategy employing non-complex forward foreign exchange contracts such as firm forward purchase and sale of foreign currency. The Group documents the hedging relationship between the hedging instruments and hedged items. The gains and losses associated with the hedging instrument including the offset/deferred effects are recorded in the income statement, under the same heading and concurrently with the gains and losses generated by the hedged item.

On 31 December 2019, the outstanding hedges on commercial transactions in foreign currencies relate to forward purchase contracts which total nominal amounted to $292,667 thousand and which fair value reassessed at the closing rate is an unrealized loss of €3,144 thousand.

Outstanding hedges on foreign currency financing granted to subsidiaries (forward sales contracts) was closed in June 2019.

The fair value of the foreign currency hedges represents the difference between the value of the hedges at the exchange rate prevailing at the balance sheet date and the value of the hedges at the contractual forward exchange rate.

As part of the interest rate risk management, the Group practices a hedging strategy that consists of freezing part of the cost of floating rate financial debts by resorting to standard derivatives such as CAP and Swap. The Group documents the hedging relationship between the hedging instruments and hedged items.

The gains and losses associated with the hedging instrument including the effects of the premiums are recorded in the income statement under financial income, under the same heading and concurrently with the gains and losses generated by the hedged item.

Premiums and compensations are amortised over the term of the hedges and recognized in net financial income for the year.

As of 31 December 2019, the outstanding interest rate hedging instruments consisted of CAP contracts as follows:

- CAP SG: nominal amount of €250,000 thousand
- CAP RBC: nominal amount of £60,000 thousand (€70,522 thousand)
- fair value of these two CAP contracts is an unrealized gain of €4.0 thousand.

As of 31 December 2019, the Group does not hold any derivative instruments that does not qualify as hedge (no isolated open position).

Foreign exchange and interest rate hedging instruments are subject to an off-balance sheet monitoring and disclosure in Note 4.1.2 and 4.1.3.

1.2.10 Provisions for risk and losses

A provision is established when there is an obligation (legal or implicit) towards a third party resulting from past events, the measurement of which can be reliably assessed, and is intended

to cover probable outflows of resources.

Each known dispute in which the Group is involved has been reviewed by management at the

closing date of the financial statements. Following the advice of external counsel, where appropriate, any provisions deemed necessary have been set aside to cover the estimated risks.

The amount recognized as provision corresponds to the best estimate by Group management of the expenditure required to settle the present obligation at the balance sheet date.

1.2.10.1 Commitments relating to employee retirement benefits

Contributions to defined contribution plans are expensed as incurred.

The Group's commitments in respect of defined benefit pension plans are determined using the projected unit credit method which stipulates that each service period gives rise to the recognition of one unit of benefit entitlement and values each of these units separately in order to calculate the final obligation. These calculations include assumptions as to mortality, staff turnover and expected future salaries.

The preferential method has not been applied to these commitments: there is no provision for these in the financial statements and they are recognised as off-balance sheet commitments. The Group's main commitments are in France, Thailand, and the Philippines. At 31 December 2019, retirement commitments amount to €1,046 thousand.

1.2.11 Income taxes

Income taxes include current and deferred taxes.

Current taxes include the taxes due on profits. Deferred taxes are recognized on the temporary differences arising between the tax bases of the assets and liabilities and their carrying amounts in the balance sheet, as well as on the tax losses carry forwards when it has been possible to define the timing of reversal of these temporary differences against profits.

Deferred taxes are determined using tax rates and laws that have been enacted at the balance sheet date and expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred taxes consider adjustments made to subsidiaries financial statements pursuant to the preparation of consolidated financial statements.

Deferred tax assets are recognised up to the amount of the deferred tax liabilities and, for any remainder, if taxable profits are expected, during their unwinding period.

Deferred taxes are included in "Other current assets" and "Deferred tax liabilities" in the balance sheet.

1.2.12 Revenue recognition

Sales of IT system security, storage and infrastructure solutions are recognised upon dispatch (boxes) and provision to the user (software and maintenance). Sales of installation and training services are recognised upon completion of the services and technical support services are recognised over the term of the contract.

1.2.13 Borrowing issuance costs

The Group recognises loan issuance costs in full as exceptional expenses in the year in which they are incurred. The preferential method, which consists in amortising these costs over the term of the loans, has therefore not been applied.

The use of the preferential method would have led to the recognition of an expense of €2,471 thousand as of December 31, 2019 (12 months) and an expense of €1,236 thousand as of December 31, 2018 (7 months) instead of an expense of €17,747 thousand recognized fully in 2018 (7 months).

1.2.14 Other operating income and expenses

Other operating income and expenses correspond to transactions related to the ongoing business activity of the Group, but which are few in number, clearly identified and of a significant amount.

They mostly include the amortisation of intangible assets with a finite useful life, identified when companies are acquired.

1.2.15 Exceptional income and expenses

Exceptional income and expense are related to transactions that are unusual and separate from the current business and those which, due to their nature or amount, are not expected to occur frequently or regularly.

1.2.16 Earnings per share

Basic earnings per share are calculated by dividing the group share of consolidated net profit by the average number of shares in circulation during the financial year. The average number of shares in circulation during the period is presented exclusive of treasury shares.

Diluted earnings per share are calculated by dividing the group share of consolidated net profit by the total number of shares issued or to be issued at the end of the financial year. This number is determined so as to calculate the maximum possible dilution by using all diluted instruments issued, regardless of their term, and excluding anti-dilutive instruments and treasury shares. The Group does not hold any such shares as of December 31, 2019 and December 31, 2018.

1.2.17 Cash flow statement

The cash flow statement is prepared using the indirect method which highlights the transfer of net income to net cash generated by operating activities.

The impact of exchange rate fluctuations corresponds to the changes in exchange rates between closing and opening and the impact thereof on the value of cash at opening.

Net cash includes cash and cash equivalents, short-term deposit, and bank overdrafts.

1.3 Scope of consolidation

1.3.1 List of companies included in the scope of consolidation

The list of entities included in the scope of consolidation is detailed below:

		31 December 2019		31 December 2018	
Entity	**Country**	**Consolidation method**	**% of interest**	**Consolidation method**	**% of interest**
Everest HoldCo SAS	France	Mother company	100.00	Mother company	100.00
Everest SubHoldCo SAS	France	FC	100.00	FC	100.00
Everest MidCo SAS	France	FC	100.00	FC	100.00
Everest BidCo SAS	France	FC	100.00	FC	100.00
Everest SubBidCo SAS	France	FC	100.00	FC	100.00
Exclusive France Holding SAS	France	FC	100.00	FC	100.00
Exclusive Group SAS	France	-	-	FC	100.00
Exclusive Networks SAS	France	FC	100.00	FC	100.00
Exclusive Capital Holding SAS	France	FC	87.13	FC	83.04
Exclusive Capital SAS	France	FC	87.13	FC	83.04
Fibail Global Venture SAS	France	-	-	FC	83.04
Exclusive Networks SL	Spain	FC	100.00	FC	100.00
Exclusive Networks S.r.l.	Italy	FC	100.00	FC	100.00
Exclusive Networks Bilişim A.Ş.	Turkey	FC	100.00	FC	100.00
Securewave Limited	Israel	FC	70.00	-	-
Exclusive Networks Ireland Ltd	Ireland	FC	66.50	FC	66.50
Exclusive Networks Ltd	United Kingdom	FC	100.00	FC	100.00
Exclusive Capital Ltd	United Kingdom	FC	100.00	FC	100.00
VADition Ltd	United Kingdom	-	-	FC	100.00
Exclusive UK Holding Ltd	United Kingdom	-	-	FC	100.00
Everest UK FinCo Ltd	United Kingdom	FC	100.00	FC	100.00
Everest UK HedgeCo Ltd	United Kingdom	FC	100.00	FC	100.00
Exclusive Group GmbH	Germany	FC	100.00	FC	100.00
Exclusive Capital GmbH	Germany	FC	70.00	FC	70.00
Exclusive Networks Deutschland GmbH	Germany	FC	100.00	FC	100.00
Exclusive Networks Deutschland Beteiligungs GmbH	Germany	FC	100.00	FC	100.00
Exclusive Networks Austria GmbH	Austria	FC	100.00	FC	100.00
Exclusive Networks Switzerland AG	Switzerland	FC	100.00	FC	100.00
Exclusive Networks BVBA	Belgium	FC	100.00	FC	100.00
Exclusive Networks B.V.	Netherlands	FC	100.00	FC	100.00
Exclusive Networks Norway AS	Norway	FC	100.00	FC	100.00
Exclusive Networks Sweden AB	Sweden	FC	100.00	FC	100.00
Exclusive Networks Finland OY	Finland	FC	100.00	FC	100.00
Exclusive Networks Denmark A/S	Danemark	FC	100.00	FC	100.00
Network Distributors FZ-LLC	United Arab Emirates	FC	100.00	FC	100.00
Exclusive Group Mena Ltd	United Arab Emirates	FC	100.00	FC	100.00
Exclusive Americas Holdings Inc.	USA	FC	100.00	FC	100.00
Trigem Enterprises Inc.	USA	FC	100.00	FC	100.00
Fine Tec Distribution Inc	Canada	FC	100.00	-	-
Itec Intelligent Services Ltd	United Kingdom	FC	100.00	FC	80.00
Itec Intelligent Services PTE Ltd	Singapore	FC	100.00	FC	80.00
Itec Intelligent Services Inc	USA	FC	100.00	FC	80.00
Exclusive Networks PTY Ltd	Australia	FC	100.00	FC	100.00
Exclusive Networks (NZ) PTY Ltd	New Zealand	FC	100.00	FC	100.00
Exclusive Networks Hong Kong Ltd	Hong Kong	FC	100.00	-	-
Exclusive Networks Sales India Pte Ltd	India	FC	100.00	FC	100.00
PT Exclusive Networks Indonesia	Indonesia	FC	100.00	FC	100.00
Transition Systems Australia	Australia	-	-	FC	100.00

		31 December 2019		31 December 2018	
Entity	**Country**	**Consolidation method**	**% of interest**	**Consolidation method**	**% of interest**
Infinite Data (Northern) Sdn Bhd	Malaysia	-	-	FC	90.00
Infinite Data (Southern) Sdn Bhd	Malaysia	-	-	FC	90.00
TSM Network Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Exclusive Networks Malaysia Sdn Bhd	Malaysia	FC	100.00	FC	100.00
Exclusive Networks PH Inc	Philippines	FC	100.00	FC	100.00
Exclusive Networks Asia Pte Ltd	Singapore	FC	100.00	FC	100.00
Exclusive Networks Singapore Pte Ltd	Singapore	FC	100.00	FC	100.00
BridgingMinds Networks Pte Ltd	Singapore	FC	100.00	FC	100.00
Exclusive Holding (Thailand) Co. Ltd	Thailand	FC	73.86	FC	73.86
Transition Systems and Networks (Thailand) Co. Ltd	Thailand	FC	86.67	FC	86.67
Pink Lake Systems (Thailand) Co. Ltd	Thailand	FC	86.42	FC	86.42
Agile Distribution (Thailand) Co. Ltd	Thailand	FC	92.20	FC	92.20
Super Holding Exclusive (Thailand) Co., Ltd.	Thailand	FC	49.00	FC	49.00
Exclusive Networks Vietnam Co. Ltd	Vietnam	FC	100.00	FC	100.00

1.3.2 Changes in the scope of consolidation over the period

The consolidated profit and loss statement and cash flow statement include the profit and loss statements and cash flows of companies acquired and/or created in the financial year from the date on which they were acquired and/or created.

1.3.2.1 Creation and acquisition of companies

Creations and acquisitions in 2019 (12 months)

Acquisition of Fine Tec Distribution Inc.

On 7 February 2019, the Group acquired 100% of the shares of the Canadian company Fine Tec Distribution Inc. which operates in the Canadian market for IT security, storage and infrastructure products, for a total purchase price of €7,823 thousand.

In 2018, Fine Tec Distribution Inc. generated net sales of €32,172 thousand and had an average workforce of 7 employees.

Acquisition of Securewave Limited

On 14 February 2019, the Group acquired 70% of the share capital of the Israeli company Securewave Limited, which specialises in the distribution of IT security products, for a total purchase price of €4,118 thousand.

In 2018, Securewave Limited generated net sales for €15,371 thousand and had an average workforce of 9 employees.

Creation of Exclusive Networks Hong Kong Limited

On 20 February 2019, Exclusive Networks Hong Kong Limited was constituted with a share capital of one (1) Hong Kong dollar.

Group's financial information considering the acquisitions carried out at the beginning of the financial year

This information has been omitted as the impact of these acquisitions is not material to the combined group and the acquisition dates are close to the start of the financial year.

Creations and acquisitions in 2018 (7 months)

Acquisition of Exclusive France Holding

On 4 July 2018, Everest HoldCo SAS acquired, through its subsidiary Everest SubBidCo SAS, 100% of the shares of Exclusive France Holding SAS for a total consideration of €1,040,797 thousand (of which €11,491 thousand for acquisition costs). The acquisition was financed by equity contributions (both in cash and in kind) and by a bank facility (see detailed information in notes 3.2.5 "Consolidated shareholders' equity" and 3.2.7 "Long-term borrowings").

Acquisition of Felicipe Limited

On 3 July 2018, the Group finalised the purchase of the Irish company Felicipe Limited Ireland (renamed Exclusive Networks Ireland Ltd) for the token price of €1. Following this transaction, Exclusive Networks SAS holds 66.5% of the shares in Felicipe Limited Ireland.

Creation of Super Holding Exclusive Thailand Co, Ltd.

On 2 August 2018, the Group set up Super Holding Exclusive Thailand Co. Ltd, with a share capital of THB 3,000 thousand, in which it holds 49%.

Buyout of minority interest

As part of the transaction dated 4 July 2018, Exclusive Networks BV repurchased the remaining minority equity interests in its subsidiaries for a total amount of €29,389 thousand (including acquisition costs for €345 thousand), detailed as follows:

- 16.62% of Exclusive Networks Asia Pte Ltd for €13,187 thousand;
- 20% of Trigem Enterprises Inc for €7,079 thousand;
- 30% of Exclusive Networks Finland Oy for €3,588 thousand;
- 14.51% of Exclusive Networks SL for €1,254 thousand;
- 0.40% of Exclusive Networks S.r.l. for €1,226 thousand;
- 11.25% of Exclusive Networks Sweden AB for €1,053 thousand;
- 16% of BridgingMinds Network Pte Ltd for €516 thousand;
- 12.5% of Exclusive Networks Denmark A/S for €283 thousand;
- 1% of Exclusive Networks Singapore Pte Ltd for €248 thousand;
- 2% of Exclusive Networks Sales India Pte Ltd for €166 thousand;
- 4% of TSM Network Sdn Bhd for €167 thousand;
- 3.38% of Exclusive Networks Malaysia Sdn Bhd for €156 thousand;
- 0.92 % of Transition Systems Australia Pte Ltd for €82 thousand;
- 1% of Exclusive Networks Norway AS for €38 thousand.

At the same date, Exclusive Networks BV repurchased its own remaining minority equity interests, representing 19.74% of the capital, for €5,715 thousand.

On 4 July 2018, Exclusive Networks SAS repurchased 13% of the shares in Exclusive Capital Holding SAS for €952 thousand.

On 8 August 2018, Exclusive Networks Asia Pte Ltd repurchased the minority interests in Super Holding Exclusive (Thailand) Co., Ltd. for €5,211 thousand.

On 14 September 2018, Exclusive Networks SAS repurchased the minority interests of Exclusive Networks Asia Pte Ltd for €2,664 thousand, and 12% of the minority equity interests of Exclusive Networks Norway AS for €76 thousand.

On 14 September 2018, Exclusive Networks Asia Pte Ltd repurchased the minority interests in Transition Systems Australia Pte Ltd for €100 thousand, and in Exclusive Networks Malaysia Sdn Bhd for €300 thousand.

On 29 May 2019, Exclusive Networks SAS repurchased the minority interests in ITEC Intelligent Services Limited for €2,264 thousand.

On 13 November 2019, Exclusive Networks SAS repurchased the minority interests in Exclusive Capital Holding SAS for €372 thousand.

1.3.2.2 Liquidation of companies

2019 liquidations (12 months)

Liquidation of Transition Systems Australia Limited ("TSAU")

The assets of TSAU were transferred to Exclusive Networks PTY Ltd on 19 November 2019 and TSAU was liquidated on 11 December 2019.

Liquidation of VADition Ltd and Exclusive UK Holding Ltd (UK)

VADition Ltd and Exclusive UK Holding Ltd were subject to a liquidation request on 18 December 2019. These liquidations are effective since 31 March 2020.

2018 liquidations (7 months)

Liquidation of Global Technical Provider Inc.

Global Tech Provider Inc. was dissolved on 27 December 2018. This entity was an ad hoc entity with no significant activity and was fully owned by the Group.

Liquidation of Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd (Malaysia)

A decision was made on 17 October 2018 to liquidate Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd. These liquidations have been effective since 17 January 2019.

1.3.2.3 Impact of changes in scope on the cash flow statement

Amounts in € thousands	**31 December 2019 (12 months)**
Acquisition of Fine Tec Distribution Inc (Canada), net of cash acquired	-6,187
Acquisition of Securewave (Israel), net of cash acquired	-5,450
Minority shares repurchases of Itec Intelligent Services Ltd	-2,264
Acquisition of minority interests in EC Holding	-372
Other	-90
Impact of changes in consolidation scope	**-14,364**

Amounts in € thousands	**31 December 2018 (7 months)**
Acquisition of EFH shares by Everest HoldCo SAS, net of cash acquired	-808,279
Minority shares repurchases as part of July 4th 2018 operations	-29,389
Minority shares repurchases of Exclusive Networks B.V	-5,715
Minority shares repurchases of Super Holding Exclusive (Thailand) Co., Ltd.	-5,211
Minority shares repurchases of Transition Systems Asia Pte Ltd	-2,670
Minority shares repurchases of Exclusive Capital Holding SAS	-982
Minority shares repurchases of Infinite Data Sdn Bhd	-302
Acquisition of Exclusive Networks Ireland Ltd shares	-200
Cash acquired from Exclusive Networks Ireland Ltd	-159
Minority shares repurchases of Transition Systems Australia Limited	-101
Acquisition of Super Holding Exclusive Thailande shares	-37
Other	-53
Impact of changes in consolidation scope	**-853,099**

2 SEGMENT INFORMATION

2.1 Net Sales

The contribution to consolidated net sales is presented below by geographic region of the customer's implementation, for the financial period ended 31 December 2019.

Amounts in € thousands	**31 December 2019 (12 months)**	
	Amount	%
NORTHERN EUROPE	368,472	15.7%
UNITED KINGDOM & IRELAND	402,966	17.1%
FRANCE	298,017	12.7%
SOUTHERN EUROPE	266,258	11.3%
DACH*	239,287	10.2%
DUBAI	148,247	6.3%
APAC	370,336	15.8%
AMERICAS	257,355	10.9%
TOTAL	**2,350,939**	**100.0%**

* Germany, Switzerland, and Austria

2.2 Current EBIT

Current EBIT is presented below by geographic region:

Amounts in € thousands	**31 December 2019 (12 months)**	
	Amount	%
NORTHERN EUROPE	3,611	14.1%
UNITED KINGDOM & IRELAND	2,575	10.1%
FRANCE	9,097	35.5%
SOUTHERN EUROPE	6,002	23.5%
DACH	-1,443	-5.6%
DUBAI	2,055	8.0%
APAC	5,962	23.3%
AMERICAS	-2,266	-8.9%
TOTAL	**25,593**	**100.0%**

2.3 Fixed assets

Fixed assets are presented as follows by geographic region:

Amounts in € thousands	**31 December 2019 (12 months)**	
	Amount	%
NORTHERN EUROPE	233,754	15.4%
UNITED KINGDOM & IRELAND	372,290	24.5%
FRANCE	233,941	15.4%
SOUTHERN EUROPE	123,873	8.2%
DACH	192,721	12.7%
DUBAI	19,617	1.3%
APAC	153,958	10.1%
AMERICAS	188,510	12.4%
TOTAL	**1,518,665**	**100.0%**

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 Notes to the income statement

3.1.1 Net sales

Amounts in € thousands	31 december 2019 (12 mois)			
	EMEA	**NORTH AMERICA**	**APAC**	**Total**
Sale of products	1,509,668	234,591	296,535	**2,040,794**
Sale of services (1)	236,266	881	73,159	**310,307**
Sale of financial services	4,016	0	0	**4,016**
Others (including customer discounts)	-3,232	180	-1,126	**-4,178**
Net sales	**1,746,719**	**235,652**	**368,568**	**2,350,939**

(1) : Installation, training, support.

3.1.2 Cost of goods sold

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Purchase of goods	2,099,972	986,800
Change in inventories	-12,398	-20,222
Incidental purchase costs	12,037	6,447
Cost of goods sold	**2,099,611**	**973,026**

3.1.3 Distribution costs

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Freight on sales	3,690	5,563
Inventories obsolescence, net	834	-222
Distribution costs	**4,524**	**1,670**

3.1.4 Personnel costs

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Wages and salaries	96,073	43,258
Social security costs	16,494	7,752
Personnel costs	**112,567**	**51,009**

Average workforce in 2019 (12 months) is 1,693 and in 2018 (7 months) is 1,626.

3.1.5 Other operating costs

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Rent and rental expenses	9,605	2,899
Travel expenses	10,202	10,160
Consulting fees	12,792	3,314
Insurance premium	1,871	879
Bank and factoring costs	2,086	1,109
Marketing and advertising costs, net of chargebacks	6,340	3,885
Taxes and duties	1,603	879
Net allowance on receivables	1,664	193
Other external costs	6,954	3,056
Other operating costs	**53,118**	**26,374**

Other external costs include mainly rental costs, external fees, travel expenses and other external expenses.

Net impairment allowance on receivables include €700 thousand relating to a customer of the US subsidiary Exclusive Networks USA which, since February 2019, has been subject to a restructuring plan under Chapter 11 of the U.S. Bankruptcy Code. 77% of the receivable has been recovered following the conclusion of a settlement agreement in September 2019, and a provision covering the residual exposure was recorded in the amount of €700 thousand.

3.1.6 Other income and expenses

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Miscalleneous income	119	875
Net provisions for risks and losses	-92	115
Other income and expenses	**27**	**990**

Other income and expenses result from multiple transactions of insignificant individual amounts.

3.1.7 Depreciation, amortization and provisions

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Amortization of intangible assets	464	428
Depreciation of tangible fixed assets	1,642	511
Depreciation and amortization	**2,106**	**939**

Amortization of intangible assets with a limited useful life corresponds to the amortization expense of the assets identified upon the acquisitions of companies, mainly the acquisition of the Group Exclusive France Holding by Everest Holdco SAS.

3.1.8 Other operating income and expenses

Other operating income and expenses amounting to €53,449 thousand on December 31, 2019 and €26,409 thousand on December 31, 2018 include the amortization of intangible assets with limited useful lives, identified upon the acquisitions of companies, mainly the acquisition of the Group Exclusive France Holding by Everest Holdco SAS.

3.1.9 Financial income and expenses, net

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Net interest expense	-34,584	-16,737
Income from equity interests	183	311
Produits nets s/cessions VMP		
Unrealized gains and losses	1,536	1,045
Other financial income	-267	159
Other financial expenses	-16	-278
Financial income and expenses	**-33,148**	**-15,500**

Interest expense is mainly composed of interests on (i) the senior bank debt of €500,000 thousand, bearing interest at Euribor 3 months plus a margin of 4% ; (ii) the subordinated bank debt of £105,000 thousand, bearing interest at Libor 3 months (with a floor rate of 1%) plus a 7.5% margin ; and (iii) interests related to the drawdown of the additional revolving credit facility line for a total amount of €28,000 thousand at 31 December 2019 (€35,200 thousand were drawn at 31 December 2018).

Other net financial income and expenses mainly include foreign exchange gains, net.

3.1.10 Exceptional income and expenses, net

Amounts in € thousands	**31 December 2019 (12 months)**	**31 december 2018 (7 months)**
Gain from sale of assets	21	38
Other exceptional income	547	43
Net book value of disposal assets	-126	-65
Other exceptional expenses	-5,546	-22,250
Exceptional income and expenses	**-5,104**	**-22,235**

Other exceptional expenses for the 7-months period ended December 31, 2018 mainly include the recognition of the bank facility issuance costs for a total amount of €17,700 thousand, the impact of tax audits on certain Group companies for €2,042 thousand, and the reorganization costs for €877 thousand.

Other exceptional expenses for the 12-months period ended December 31, 2019 mainly include the reorganization costs for €2,502 thousand and due diligence costs of €1,496 thousand.

3.1.11 Income taxes

3.1.11.1 Breakdown of current and deferred income taxes

Income tax expense is detailed as follows:

Amounts in € thousands	**31 December 2019**	**31 December 2018**
Current taxes	-12,433	-7,741
Deferred taxes	10,505	6,460
Total income tax expense	**-1,928**	**-1,281**
Profit (loss) before taxes	-12,659	-20,278
Group income tax expense	-1,928	-1,281
Group effective tax rate	**-15%**	**6%**

Differences between the effective tax rate and the theoretical tax rate is presented in Note 3.1.11.2 below.

3.1.11.2 Reconciliation between effective tax expense and theoretical tax expense

Amounts in € thousands	31 December 2019	31 December 2018
Profit (loss) before exceptional result and taxes	-7,555	1,956
Exceptional income and expenses, net	-5,104	-22,234
Profit (loss) before taxes	**-12,659**	**-20,278**
Taxable income at the statutory tax rate	32.02%	34.43%
Expected tax expense (A)	**4,053**	**6,982**
Permanence items (1)	-4,323	-2,820
Non-capitalised tax items	2,806	-4,773
Share of costs and charges on dividends	-127	-336
Impairment of tax assets related to tax loss carryforwards		
Change in tax losses carried forward not recognized	-2,186	531
Other	-290	628
Total tax effect (B)	**-4,120**	**-6,770**
Opening adjustments (2)	-1,557	-823
Adjustment for tax rate differences (current/deffered tax rate or foreign jurisdictions)	849	482
Tax credit	-1,153	-768
Withholding tax		-384
Other tax effects (C)	**-1,861**	**-1,493**
Actual tax expense (A+B+C)	**-1,928**	**-1,281**
Income tax expense recognized	**-1,928**	**-1,281**

(1) Mainly include the reintegration of financial interests for €3,765 thousand in 2019 and €2,561 thousand in 2018 in France and UK.
(2) Mainly withholding taxes recognized as a loss in France

3.1.11.3 Breakdown of deferred tax assets and liabilities by category

Deferred taxes can be analyzed as follows:

Net amount by category (in € thousands)	**31 December 2019 (12 months)**	
	Net DTA	Net DTL
On temporary differences	5,746	2,403
On valuation difference		296,505
Total	**5,746**	**298,908**

Deferred tax liabilities on valuation differences are resulting from temporary taxable differences arising from the recognition at fair value of intangible assets (vendor relationships and trade name) upon entering of Exclusive France Holding SAS in the consolidation scope. These deferred tax liabilities, recognised in accordance with CRC Regulation 99-02, are reversed on the income statement over the depreciation period, where applicable, of the assets to which they relate, and will cover the tax consequences of possible capital gains in the event of a separate disposal of the intangible asset. The Group doesn't apply the option of CRC Regulation 99-02 which allows to not recognize deferred tax liabilities in connection with fair value adjustments on intangible assets with infinite useful life.

Deferred taxes on assets not recognised

The amount of tax losses not giving rise to the recognition of deferred tax assets, since the conditions for recognition were not met at the end of the fiscal year, and the repayment schedule could not be anticipated with enough precision, amounted to €34,604 thousand, of which €33,537 thousand in France.

Tax audits

Some subsidiaries are subject to audits by the tax authorities at the end of the financial period, as part of periodic routine procedures. These audits are still ongoing as of the date of establishing the consolidated accounts by the Board, and their outcome is not known at this stage. No provision has been booked for these audits in the financial statements for the period ended 31 December 2019.

3.1.12 Earnings per share

3.1.12.1 Calculation of basic earnings

The net earnings per share is calculated by dividing the group share of net earnings (when the Group makes a profit over the reference period), by the average number of ordinary shares for the period, i.e. 731,712,944.

3.1.12.2 Calculation of diluted earnings

As net earnings per share is negative, the diluted earnings per share is equal to the net earnings per share.

3.2 Notes to the balance sheet

3.2.1 Fixed assets

3.2.1.1 Goodwill

Goodwill result from operations described in Note 1.3.2. 1.

The company Everest HoldCo SAS took control of the group Exclusive France Holding on 4 July 2018. The resulting goodwill was measured based on the fair value of the identifiable assets and liabilities at the date of acquisition.

Amounts in € thousands	**31 December 2019**
Aquisition of EFH by Everest HoldCo	264,518
Aquisition of Securewave Limited (Israel)	2,016
Aquisition of Fine Tec Distribution Inc (Canada)	2,196
Goodwill from various minority shareholders :	
Transition Systems Asia Pte Ltd	1,213
Exclusive Holding (Thailand) Co., Ltd and its subsidiaries	3,531
Exclusive Networks Ireland	787
Itec Intelligent Services Ltd	2,006
Other	204
Total Goodwill	**276,472**

3.2.1.2 Monitoring the value of goodwill

The Group has reviewed the value of goodwill on 31 December 2019 comparing of the net book value of goodwill as of December 31, 2019 with the recoverable amount, which corresponds to the higher of the value in use and the market value.

As indicated in Note 1.2.2 the recoverable amount of the CGU or groups of CGUs is determined based on value in use, estimated generally on the basis of projected cash flow discounted for the CGU or group of CGUs.

	31 December 2019
Amounts in € thousands	Book value of the Goodwill
CGU UK	59,877
CGU DACH	25,507
CGU France	40,442
CGU Southern Europe	14,401
CGU Middle East	1,123
CGU Northern Europe	16,264
CGU APAC	31,513
CGU America	21,683
CGU Other Services	65,662
Total Group	**276,472**

If the value in use is determined based on discounted cash flow, the long-term growth rate and the discount rate used vary depending on the geographical area in which the CGU or the tested group of CGUs operates, and in particular according to the more or less maturity of the markets.

As of 31 December 2019, all the CGUs have a recoverable amount that exceeds their book value.

Allocation of Goodwill and Trade name and main assumptions by CGU

		2019			
Segments	CGUs / group of CGUs	Goodwill	Trademark	Discount rate	Perpetual growth rate
EMEA	France (incl. Africa)	40,442	22,200	9.21%	1.50%
	UK and Ireland	59,877	49,989	9.28%	1.50%
	DACH (a)	25,507	39,900	9.29%	1.50%
	Northern Europe (b)	16,264	36,500	8.79%	1.50%
	Southern Europe (c)	14,401	13,200	11.64%	1.50%
	Middle East	1,123	8,509	8.97%	1.50%
	Other services (d)	65,662	3,700	9.09%	2.04%–3.5%
APAC	APAC	31,513	18,576	9.73%	1.50%-2.00%
Americas	Americas	21,683	28,019	8.64%	1.50%-1.85%
Total		**276,472**	**220,593**		

(a) Germany, Austria, Switzerland.

(b) Scandinavian countries, Finland, Belgium and the Netherlands

(c) Spain, Italy, Turkey, Israel.

(d) Includes Itec, Exclusive Capital and Exclusive On Demand

Sensitivity analysis

The Group analyzed the sensitivity of its impairment tests to the main assumptions used to determine the recoverable amount of each CGU/ Group of CGUs to which the goodwill is allocated, namely the discount rate and the long-term growth rate used to determine the terminal value and the terminal year cash flows as they represent a significant portion of the recoverable amount.

Sensibility analysis: break event point (Net carrying value equal the recoverable amounts)				**31 December 2019 - Acutal rates**	
Segments	CGUs / group of CGUs	Discount rate	Growth rate	Discount rate	Growth rate
EMEA	France (incl. Africa)	11.67%	-2.28%	9.21%	1.50%
	UK and Ireland	9.47%	1.25%	9.28%	1.50%
	DACH	9.49%	1.26%	9.29%	1.50%
	Northern Europe	12.29%	-3.52%	8.79%	1.50%
	Southern Europe	12.16%	0.31%	11.64%	1.50%
	Middle East	15.48%	< -10.00%	8.97%	1.50%

	Other services	9.11%	2.02% to 3.45%	9.09%	2.04% to 3.50%
APAC	APAC	13.35%	-5.97% to -5.47%	9.73%	1.50% to 2.00%
Americas	Americas	8.75%	1.37% to 1.72%	8.64%	1.50% to 1.85%

For 2019, in the event of a 50-basis point increase in discount rates with no change in growth rates, impairment losses would be recorded for the CGUs UK & Ireland, DACH, Americas and Other services for respectively €11.9 million euros, €4.9 million euros, 8.2 million euros and 4.7 million euros.

In the event of a 50-basis point in terminal growth rate with no change in discount rates, impairment losses would be recorded for the same CGU for respectively €7.5 million euros, €3.7 million euros, 6.1 million euros and 3.8 million euros.

The Group estimates that an increase of 50 basis point in discount rates and terminal growth rate used would represent the maximum scenario considering the market environment as of 31 December 2019 and recent historical changes in Group structure.

3.2.1.3 Intangible assets

The intangible assets are broken down as follows:

Amounts in € thousands	31 December 2019			31 December 2018		
	Gross	Amort./Depr.	Net	Gross	Amort./Depr.	Net
Trade name (1)	220,593	0	220,593	217,111		217,111
Vendor relationships (2)	1,093,763	-80,559	1,013,204	1,069,221	-26,333	1,042,888
Concessions, patents, licenses	2,754	-1,171	1,583	1,226	-805	421
Other intangible assets	489	-428	61	613	-412	201
Total intangible assets	**1,317,599**	**-82,159**	**1,235,440**	**1,288,172**	**-27,550**	**1,260,623**

(1) The brand name "EXCLUSIVE NETWORKS".
(2) Valuation of the portfolio of relationships with suppliers of IT security, storage and infrastructure solutions (as specified in note 1.2.2.).

The change in value of the intangible assets is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2019	**1,288,172**	**-27,550**	**1,260,623**
Acquisitions (allowances)	1,545	-53,901	-52,356
(Sales) reversals	-140	70	-71
Change in consolidation scope	5,178		5,178
Reclassification	-2		-2
Exchange differences	22,846	-777	22,069
At the end of the financial year ended 31 December 2019	**1,317,599**	**-82,159**	**1,235,440**

3.2.1.4 Tangible Assets

The tangible assets are broken down as follows:

Amounts in € thousands	31 December 2019			31 December 2018		
	Gross	Amort./Depr.	Net	Gross	Amort./Depr.	Net
Construction and renovations	2,002	-1,346	656	2,018	-1,148	870
Office furniture	3,235	-1,965	1,269	2,848	-1,891	958
Facilities, equipment	15	-11	4			
Computer equipment	6,559	-4,853	1,707	6,039	-4,414	1,625
Transport vehicles	572	-536	35	588	-543	44
Other tangible assets	786	-465	321	671	-538	133
Total tangible assets	**13,168**	**-9,176**	**3,993**	**12,164**	**-8,534**	**3,630**

The change in the value of the tangible assets is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2019	**12,164**	**-8,534**	**3,630**
Acquisitions (Allowances)	1,806	-1,792	13
(Sales) Reversals	-968	1,042	74
Changes in scope	153	-73	80
Reclassification	-203	346	143
Exchange differences	217	-164	53
At the end of the financial year ended 31 December 2019	**13,168**	**-9,176**	**3,993**

3.2.1.5 Financial assets

Amounts in € thousands	31 December 2019			31 December 2018		
	Gross	Amort./Depr.	Net	Gross	Amort./Depr.	Net
Deposits and garantees	2,720		2,720	2,556		2,556
Other financial assets	39		39	147		147
Total financial assets	**2,759**		**2,759**	**2,704**		**2,704**

3.2.2 Inventories

Amounts in € thousands	31 December 2019			31 December 2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Stocks of goods	103,794	-16,376	87,418	89,772	-14,608	75,164
Total inventories	**103,794**	**-16,376**	**87,418**	**89,772**	**-14,608**	**75,164**

The change in value of inventories is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2019	**89,772**	**-14,608**	**75,164**
Acquisitions (Allowances)	11,931	-901	11,031
Reclassification	92	-295	-203
Changes in scope	771	-165	606
Exchange differences	1,227	-407	819
At the end of the financial year ended 31 December 2019	**103,794**	**-16,376**	**87,418**

3.2.3 Advances paid, operating receivables and other receivables

The receivables items are broken down as follows:

Amounts in € thousands	31 December 2019			31 December 2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Advances and prepayments	3 418		3 418	1 018		1 018
Trade accounts receivables	585 597	-6 286	579 311	515 158	-5 490	509 668
Tax and social receivables	29 840		29 840	23 905		23 905
Income tax receivables	3 928		3 928	1 623		1 623
Other receivables	53 537	-28	53 509	51 260	-28	51 232
Deferred tax assets	5 746		5 746	7 005		7 005
Prepaid expense	14 160		14 160	11 745		11 745
Total advances and accruals paid, operating receivables and other receivables	**696 227**	**-6 314**	**689 912**	**611 714**	**-5 518**	**606 196**

Deferred tax assets are detailed in Note 3.1.11.3.

As of 31 December 2019, all operating receivables net of impairment, other receivables and prepaid expenses mature in less than one year with the exception of €1,878 thousand with regard to United Kingdom subsidiaries and €1,058 thousand with regard to German subsidiaries, which matures within 1 to 5 years.

3.2.4 Treasury

Amounts in € thousands	31 December 2019	31 December 2018
Short-term deposit	4,947	1,090
Bank accounts	112,412	101,966
Gross cash balance	**117,359**	**103,056**
Bank overdrafts (1)	-11,346	-10,454
Net cash balance	**106,013**	**92,602**

(1) Restatement in presentation method for "Bank overdrafts" line is explained in the paragraph "Restatement of presentation - Short-Term Borrowings" of the Note 1. *Accounting Policies.*

The item "Short-term deposit" consists of interest-bearing accounts.

3.2.5 Consolidated shareholders' equity

The group share of shareholders' equity has evolved as follows:

Amounts in € thousands	*Share capital*	*Share premiums*	*Consolidated reserves*	*Profit (loss) for the period*	*Foreign currency translation reserve*	*Shareholders' equity*
At the start of the financial year ended 31 décembre 2018	-	-	-	-	-	-
Capital increase	7,317	733,082				740,399
Profit (loss) for the period				-21,913		-21,913
Change in conversion reserve					1,435	1,435
Other movements						
At the end of the financial year ended 31 décembre 2018	**7,317**	**733,082**	**-**	**-21,913**	**1,435**	**719,921**
At the start of the financial year ended 31 décembre 2019	**7,317**	**733,082**	**-**	**-21,913**	**1,436**	**719,921**
Profit (loss) allocation			-21,913	21,913		-
Profit (loss) for the period				-15,088		-15,088
Change in conversion reserve					12,962	12,962
Other movements					-60	-60
At the end of the financial year ended 31 décembre 2019	**7,317**	**733,082**	**-21,913**	**-15,088**	**14,338**	**717,736**

In the context of the change in control of the EFH Group, Everest HoldCo SAS share capital was increased by means of both contributions in cash and contributions in kind on July 4, 2018. These capital contributions resulted in the creation of 731,712,944 shares with a nominal value of one euro cent each, and with share premiums for a total amount of €733,082 thousand.

3.2.6 Minority interests

Amounts in € thousands	**Minority Interests**
At the start of the financial year ended 31 December 2019	**2,441**
Changes in scope	356
Profit (loss) for the period	501
Changes in foreign currency translation reserve	105
Dividends	-449
At the end of the financial year ended 31 December 2019	**2,954**

3.2.7 Long-term borrowings

3.2.7.1 Detail of long term borrowings

The breakdown of long-term borrowings is as follow:

Amounts in € thousands	**31 December 2019**	**31 December 2018**
Bank borrowings	651,836	652,585
Other financial liabilities (1)	40,319	32,420
Total	**692,154**	**685,006**

(1) Restatement in presentation method for "Bank overdrafts" line is explained in the paragraph "Restatement of presentation - Short-Term Borrowings" of the Note 1. *Accounting Policies.*

Changes in long term borrowings over the period are as follows:

Amounts in € thousands	**Loans and financial debts**
At the start of the financial year ended 31 décembre 2019	**685,006**
Increase in long-term borrowings	3,164
Decrease in long-term borrowings	-4,348
Change in other Financial Debt libilities	7,658
Reclassification	53
Changes in scope	582
Foreign currency exchange differences	40
At the end of the financial year ended 31 décembre 2019	**692,154**

Pre-existing bond debt outstanding prior to July 2018 transactions, totalling €327,580 thousand was fully repaid on 4 July 2018 to ICG Plc (of which €235,987 thousand by Exclusive Networks SAS and €91,593 thousand by Exclusive France Holding SAS). At the same date, the current account credit granted by Cobepa to Exclusive France Holding SAS was also repaid in the amount of €4,779 thousand.

The Group finalized the refinancing of its debt on July 4, 2018 with the establishment of a Senior Credit Agreement with a syndicate of international banks including Morgan Stanley, Société Générale, Deutsche Bank, Goldman Sachs, ING, that includes:

- A Senior debt, raised by Everest BidCo SAS, consisting of i) a long-term loan (Term Loan Facility) for a principal amount of €500,000 thousand and bearing interest at the Euribor 3 months (with a floor rate of 0%) plus a 4% margin, with a maturity of 7 years, and ii) a secured revolving credit facility line with a nominal amount of €90,000 thousand;

- A subordinated bank debt, raised by Everest BidCo SAS and consisting of a long-term loan with a principal amount of £105,000 thousand (the equivalent of €119,225 thousand on the subscription date), bearing interest at the Libor 3 months (with a floor rate of 1%) plus a 7.5% margin, with a maturity of 8 years.

The €500 000 thousand long-term loan has been partially transferred to Exclusive Networks SAS and Exclusive France Holding SAS, as intercompany loans, for a principal amount of respectively €209,607 and €92,535 thousand, which were used to repay the pre-existing bond debt described above.

The revolving credit line of €90,000 thousand is intended in particular to finance future external growth operations. As of 31 December 2019, this line of credit was used for €28,000 thousand (€41,500 thousand drawn down in 2018 of which €13,500 thousand repaid during the period).

To protect against interest rate risk, the Group has entered into two standard interest rate derivative contracts (CAP), covering notional amounts of respectively €250,000 thousand and £60,000 thousand. These interest rate derivatives allow to convert with fixed rates a part of the variable rate debt contracted, when the Euribor and Libor variable rates respectively exceed 1.25% and 1.75%.

Financial ratios

For the newly issued borrowings, the Group has made a commitment to maintain financial ratios that, if not met, would modify the borrowing terms and conditions at the end of the financial year. At 31 December 2019, these ratios were met.

3.2.7.2 Maturity of long-term borrowings

The amounts are presented by maturity, in thousands of euros:

Amounts in € thousands	**31 December 2019**	**31 December 2018**
N+1	40,360	32,386
N+2 to N+5	28,381	35
Beyond N+5	623,413	652,584
Total	**692,154**	**685,006**

3.2.8 Provisions for risk and losses

Provisions for risk and losses amounted to €1,179 thousand on December 31, 2019, and changes is broken down as follows:

Amounts in € thousands	**Provisions for risks and losses**
At the start of the financial year ended 31 December 2019	**1,055**
Operating allowances	305
Operating reversals	-170
Reclassification	-53
Foreign currency exchange differences	42
At the end of the financial year ended 31 December 2019	**1,179**

3.2.9 Deferred tax liabilities

The change in deferred tax liabilities is broken down as follows:

Amounts in € thousands	**Deferred tax liabilities**
At the start of the financial year ended 31 December 2019	**304,912**
Net deferred tax income	-10,505
Changes in scope	-7,029
Reclassification	32
Foreign currency exchange differences	4,579
Other	6,918
At the end of the financial year ended 31 December 2019	**298,908**

See note 3.1.11.3 for more information on deferred tax liabilities.

3.2.10 Trade accounts payable and other current liabilities

Amounts in € thousands	**31 December 2019**	**31 December 2018**
Advances and downpayments received	1,352	2,961
Trade accounts payable	558,950	485,077
Payables to customers	10,447	7,296
Tax and social security liabilities	93,614	82,839
Other liabilities	462	301
Financial instruments	3,658	736
Deferred income and accruals	20,594	18,170
Total	**689,077**	**597,379**

On 31 December 2019, all operating debts, other payables and accruals and charges mature in less than one year with the exception of, mainly, accruals and charges on liabilities of €2,848 thousand (United Kingdom) which mature within 1 to 5 years.

4 COMMITMENTS GIVEN AND RECEIVED

4.1 Commitments given

4.1.1 Financial commitments given

Nature of the financial commitments given	Financial commitments given as at 31/12/2019 in €k
Leasing Commitments	*35*
Avals, securities, and guarantees	
Guarantees given to lessors under rental agreements entered into by subsidiaries	-
Guarantees given to business operations	*131,582*
Guarantees given to banks in consideration of short-term loans granted to subsidiaries: opening of lines of credit of €68,770 thousand non used as at 31/12/2019	*68,770*
Subtotal	**200,387**
Commitments towards pensions, retirement, and related commitments (see Note 1)	*1,046*
Subtotal	**1,046**
Other commitments	
Forward currency purchase (forward purchase contracts for a total of $292.667 thousand - staggered terms from Jan to April 2020) (Note 4.1.2)	*260,693*
Forward currency sales (Note 4.1.2)	-
Outstanding interest rate hedging position (Note 4.1.3)	*320,522*
Subtotal	**581,215**
TOTAL FINANCIAL COMMITMENTS GIVEN	**782,648**

Note 1: Commitment relating to retirement benefits

The Group's commitments in respect of defined benefit pension plans are determined in accordance with the projected unit credit method assuming an employee retirement age of between 60 and 65 years. At 31 December 2019, the discount rate used to value retirement commitments ranges between 1.45% and 7.53% depending on the Group's entities.

At 31 December 2019, these retirement commitments amount to €1,046 thousand. The preferential method is not applied: there is no provision for these commitments in the financial statements and they are recognised as off-balance sheet commitments.

4.1.2 Currency hedging instruments

As of 31 December 2019, the Group holds forward currency purchase contracts as follows:

- Nominal value of forward purchase contracts: $292,667 thousand
- Nature of the hedged items: dollar-denominated purchases of goods and services
- Fair value of the contracts at the foreign exchange rate of 31 December 2019: unrealised loss of €3,144 thousand
- Maturity of the contracts staggered between January and April 2020

As of 31 December 2019, the Group does not hold any forward currency sales contracts.

4.1.3 Rate hedging instruments

As of 31 December 2019, the outstanding interest rate hedging position relates to two CAP contracts with a total nominal value of €250,000 thousand and £60,000 thousand (€70,522 thousand) respectively, and of which fair value is an unrealized gain of €4 thousand.
The characteristic of the hedging instruments are as follows:

- Nature of the hedged items: variable interest rate group borrowing
- Maturity of the contracts in line with maturity of the hedged debt.

4.2 Commitments received

Nature of the financial commitments received	Financial commitments received as at 31/12/2019 in €k
Customer guarantee received	*0*
Liabilities guarantee received from sellers following acquisitions	*45,939*
Commitments received on short-term lines of credit:	
- Commitments received from banks: confirmation of lines of credit for €113,836 thousand of which €43,988 thousand used as at 31/12/2019	*69,848*
- Commitments received from factoring companies: confirmation of factoring lines for €78,503 thousand of which €50,491 thousand of rights used as at 31/12/2019	*28,012*
TOTAL FINANCIAL COMMITMENTS RECEIVED	**143,799**

4.3 Securities granted on assets

In the context of the transaction of 4 July 2018, the following securities were granted by Exclusive France Holding SAS and its subsidiaries:

- Pledging of shares under German law, constituted by Exclusive Group GmbH on shares in Exclusive Networks Deutschland GmbH on 14 November 2018;

- Bond under English law, taken out by Exclusive Networks SAS and Exclusive Networks Limited on 14 November 2018, through which the following securities were established:

  - Pledging of shares constituted by Exclusive Networks SAS on shares in Exclusive Networks Ltd (United Kingdom);
  - Floating charge established by Exclusive Networks Ltd (United Kingdom);

- Pledging of shares under Dutch law, constituted by Exclusive Networks BVBA (Belgium) on shares in Exclusive Networks B.V. (Netherlands) on 14 November 2018;

- Pledging of shares under US law, constituted by Exclusive Americas Holdings Inc on shares in Trigem Enterprises, Inc., on 14 November 2018;

- Pledging of shares under French law, constituted by Exclusive France Holding SAS on shares in Exclusive Networks SAS, on 14 November 2018;

- Pledging of shares under French law, constituted by Everest MidCo SAS on shares in Everest BidCo SAS, on 1 July 2018;

- Pledging of receivables under French law, constituted by Everest MidCo SAS on certain intra-group receivables, on 1 July 2018;

- Pledging of bank accounts under French law, constituted by Everest BidCo SAS on its main bank accounts, on 1 July 2018;

- Pledging of receivables under French law, constituted by Everest BidCo SAS on certain intra-group receivables, on 1 July 2018;

- Pledging of receivables under French law, constituted by Everest SubBidCo SAS on certain intra-group receivables, on 1 July 2018.

4.4 Commitments relating to the equity securities of the subsidiaries

In the event of an initial public offering or a change in control concerning the companies Everest HoldCo SAS, Everest SubHoldCo SAS, Everest MidCo SAS, Everest BidCo SAS, Everest SubBidCo SAS, Exclusive France Holding SAS or Exclusive Networks SAS, a reciprocal commitment has been made to purchase or sell to Exclusive Networks SAS, Exclusive Americas Holdings Inc. or 10660116 Canada Inc., as applicable, all of the shares held by the minority shareholders of the subsidiaries Exclusive Capital Holding SAS (France), Exclusive Networks Ireland Ltd (Ireland), Securewave Limited (Israel) and Exclusive Networks Canada Inc. (Canada). The term of validity of this commitment varies depending on the subsidiary in question and the exercise price is calculated using a multicriteria formula.

Moreover, a firm commitment exists with certain minority shareholders of the subsidiaries Exclusive Capital Holding SAS (France), Exclusive Networks Ireland Ltd (Ireland) and Exclusive Networks Canada Inc. (Canada) for the sale of the shares held by these minority shareholders to Exclusive Networks SAS or 10660116 Canada Inc., as applicable, in the absence of any initial public offering or change in control concerning Everest HoldCo SAS, Everest SubHoldCo SAS, Everest MidCo SAS, Everest BidCo, Everest SubBidCo SAS, Exclusive France Holding SAS or Exclusive Networks SAS. The calculation formula is based on a multicriteria formula and the option may be exercised between 2019 and 2022.

A binding commitment has also been made to the minority shareholder of Securewave Limited (Israel) by Exclusive Americas Holdings Inc. to purchase the shares held by this minority shareholder in the absence of any initial public offering or change in control concerning Everest HoldCo SAS, Everest SubHoldCo SAS, Everest MidCo SAS, Everest BidCo, Everest SubBidCo SAS, Exclusive France Holding SAS or Exclusive Networks SAS. The calculation formula is based on a multicriteria formula and the option may be exercised between 2023 and 2024.

Lastly, reciprocal commitments exist for the purchase or sale to Exclusive Networks SAS of all of the shares held by Spinnaker SARL, minority shareholder of Exclusive Capital Holding SAS (France). 80,990 Exclusive Capital Holding SAS shares may thereby be transferred by Spinnaker SARL to Exclusive Networks SAS if one of the options is exercised between November 2020 and March 2021 and 80,990 Exclusive Capital Holding SAS shares may thereby be transferred by Spinnaker SARL to Exclusive Networks SAS if one of the options is exercised between November 2021 and March 2022. The exercise price is calculated using a multicriteria formula.

5 OTHER INFORMATION

5.1 Subsequent events

The 12-months consolidated financial statements as of December 31, 2019 were reviewed by the Supervisory Board in order to authorize the Chairman to approve the accounts on July 2nd, 2021. Between the end of the 2019 fiscal year and the date of review by the Supervisory Board in order to authorize the Chairman to approve the financial statements as at April 15, 2020, there was no material change in the financial position or financial performance of the Group.

In particular, there was no significant impact of the current crisis related to the Covid-19 epidemic on the order intakes, the supply and delivery chains, the cash collection and the cash position of the Group.

They are not a substitute for the statutory historical consolidated financial statements approved by the Chairman on April 15, 2020 and approved by the shareholders on April 30, 2020.

In addition, events which occurred after the approval by the Chairman of the statutory historical consolidated financial statements are not reflected in the 12-months consolidated financial statements as of December 31, 2019 which have been prepared for the purpose of the purposes of the prospectus subject to approval by the Autorité des marchés financiers (the "AMF").

5.2 Auditors compensation

Fees recognized for the year relating to the audit of the consolidated financial statements amounted to €197 thousand on December 31, 2019 (12 months).

18.3.2 *Statutory Auditors' report on the 2019 Consolidated French GAAP Financial Statements*

To the Chairman,

In our capacity as statutory auditors of Everest Holdco (the "Company") and in accordance with Commission Regulation (EU) n°2017/1129 supplemented by Commission Delegated Regulation (EU) n°2019/980 in the context of the contemplated offer to the public and admission of the shares of the Company to trading on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements of the Company, prepared for the purposes of the prospectus under French accounting rules and principles for the 12-months period ended December 31, 2019 (thereafter the « Consolidated French GAAPFinancial Statements »).

As the first consolidated financial statements of the Company are the statutory historical consolidated financial statements prepared for the period from June 1st, 2018 to December 31, 2019, the information presented for comparative purposes in respect of the period from June 1st, 2018 to December 31, 2018 has not been audited or reviewed.

Due to the global crisis related to the Covid-19 pandemic, the Consolidated French GAAP Financial Statements have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

These Consolidated French GAAP Financial Statements have been prepared under the responsibility of the Chairman. Our role is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagement. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selections, to obtain audit evidence about the amounts and disclosures in the Consolidated French GAAP Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Consolidated French GAAP Financial Statements prepared for the purposesof the registration document, present fairly, in all material respects, the assets and liabilities and the financial position of the Group as at December 31, 2019, and the results of its operations for the 12-months period then ended in accordance with French accounting rules and principles.

This report is governed by, and construed in accordance with, French law and professional standards applicable in France. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Courbevoie and Paris-La Défense, on 1 September 2021 at 3 pm

The Statutory Auditors

Mazars	Deloitte et Associés
Marc BIASIBETTI	Jean-Marie LE GUINER

18.4 2018 EFH Consolidated French GAAP Financial Statements for the year ended 31 December 2018 and Statutory Auditors' report

18.4.1 *2018 EFH Consolidated French GAAP Financial Statements*

EXCLUSIVE FRANCE HOLDING CONSOLIDATED BALANCE SHEET *Financial year ended 31 Décembre 2018*			
Amounts in € thousands	*Notes*	**31 December 2018**	**31 December 2017**
ASSETS			
Goodwill	*3.2.1.1*	168 877	150 225
Intangible Assets	*3.2.1.2*	283 082	299 977
Tangible Assets	*3.2.1.3*	3 433	3 655
Financial Assets	*3.2.1.4*	2 704	2 445
Total Fixed Assets		**458 096**	**456 303**
Inventory	*3.2.2*	75 164	73 315
Trade Debtors	*3.2.3*	512 770	407 037
Other Debtors	*3.2.3*	84 225	68 627
Marketable securities and Term accounts	*3.2.4*	1 090	1 995
Cash and Cash Equivalents	*3.2.4*	99 428	84 814
Prepaid Expenses	*3.2.3*	10 398	11 335
Total Current Assets		**783 075**	**647 124**
Total Assets		**1 241 171**	**1 103 427**
LIABILITIES			
Share Capital		188 194	188 194
Consolidated Reserves		8 129	-12 488
Retained Earnings		27 786	20 834
Foreign Currency Translation Reserve		-25 711	-25 805
EQUITY - GROUP SHARE	*3.2.5*	198 398	170 736
Minority Interests	*3.2.6*	2 005	33 431
Consolidated Equity		**200 404**	**204 167**
Long-Term Borrowings	*3.2.7*	1	321 004
Other Financial Loans - associates	*3.2.7*	340 030	4 949
Other Financial Loans	*3.2.7*	246	0
Provision for Risks and Charges	*3.2.8*	199	127
Deferred Tax Liabilities	*3.2.9*	62 473	67 843
Short-Term Financial Debts	*3.2.4*	42 626	21 371
Trade and Accounts Payables	*3.2.10*	483 290	387 381
Tax and Social Security Liabilities	*3.2.10*	82 374	68 781
Other Current Liabilities	*3.2.10*	10 425	8 587
Treasury instruments	*3.2.10*	736	1 617
Accruals and Charges	*3.2.10*	18 367	17 599
Total Current Liabilities		**1 040 767**	**899 260**
Total Liabilities		**1 241 171**	**1 103 427**

EXCLUSIVE FRANCE HOLDING

Consolidated Profit & Loss Statement

Financial year ended 31 Décembre 2018

Amounts in € thousands	*Notes*	**31 December 2018**	**31 December 2017**
Sales	*3.1.1*	1 999 026	1 638 161
Cost of goods sold	*3.1.2*	-1 762 625	-1 418 940
GROSS MARGIN		**236 400**	**219 222**
Distribution costs	*3.1.3*	-3 468	-6 291
Salary costs	*3.1.4*	-98 965	-92 509
Other operating expense	*3.1.5*	-50 814	-44 119
Other income & expense	*3.1.6*	2 001	328
EBITDA		**85 154**	**76 630**
Depreciation of assets	*3.1.7*	-1 979	-2 205
Current EBIT		**83 174**	**74 425**
Other non-current operational income & expense	*3.1.8*	-18 738	-17 743
EBIT		**64 437**	**56 682**
Financial result (+/-)	*3.1.9*	-18 946	-23 673
INCOME (LOSS) BEFORE EXTRAORDINARY RESULT AND TAX OF FULLY CONSOLIDATED COMPANIES		**45 490**	**33 010**
Extraordinary result (+/-)	*3.1.10*	-8 875	-4 521
Tax on Profit	*3.1.11*	-6 866	-4 448
NET RESULT OF CONSOLIDATED GROUP		**29 749**	**24 041**
Of which:			
Group share		27 786	20 834
Minority Interests		1 963	3 206
Net income Group share per share	*3.1.12*	0,15	0,12
Net income Group share per share after dilution	*3.1.12*	0,15	0,11

EXCLUSIVE FRANCE HOLDING

Consolidated Cash Flow Statement

Financial year ended 31 Décembre 2018

Amounts in € thousands	*Notes*	**31 December 2018**	**31 December 2017**
OPERATIONS D'EXPLOITATION			
Net income		29 749	24 041
- Depreciation and amortization of assets		20 782	19 862
- Change in deferred taxes		-6 085	-9 671
- Gains on disposals (net)		14	-256
- Other non-cash items		-5 145	1 470
Cash Flow provided by operating activities before Change in Working Capital		**39 314**	**35 446**
- Change in Working Capital		**-11 944**	**-16 189**
Cash Flow provided by/(used in) operating activities		**27 370**	**19 257**
Disposals of fixed assets		830	379
Intangible capital expenditure		-331	-239
Tangible capital expenditure		-1 933	-2 113
Net change in financial investments		1 260	-1 251
Impact of changes in consolidated perimeter	*1.3.2.4*	-45 302	-97 609
Cash Flow /(used in) by investing activities		**-45 475**	**-100 833**
Capital increase in Exclusive France Holding SAS from conversion of convertibles bonds into shares			26 550
Capital increase in cash from minority shareholders of consolidated companies		41	5 771
Dividends paid to minority shareholders of consolidated companies		-241	-268
Proceeds from issuance of long-term borrowings		347 073	84 495
Increase in others Financial Debts			4 891
Repayment of loans and convertible bonds		-332 794	-34 037
Cash Flow provided by/(used in) by financing activities		**14 079**	**87 402**
Net effect of foreign currency translation on net cash		**-3 519**	**-3 036**
Increase/(decrease) in net cash		**-7 546**	**2 789**
Net cash at the beginning of the year		65 438	62 647
Net cash at the end of the year	*3.2.4*	57 892	65 438

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PRESENTATION OF THE GROUP

Exclusive France Holding SAS ("EFH") was registered on 17 April 2015 with share capital of €1000.

The Group is a value-added distributor, specialising in IT security, storage, and infrastructure solutions. It operates in 26 countries in EMEA (Europe, Middle East, Africa), in APAC (Asia Pacific) and North America (United States).

SIGNIFICANT EVENTS OF THE FISCAL YEAR

2018 was marked by Exclusive France Holding SAS Group's change of shareholders, the implementation of new external financing, and the transfer of part of EFH employees to new holdings outside the Group. These operations, that took place from July 2018 onwards, are described hereafter.

Shareholders

On 4 July 2018, the control of the Group composed of Exclusive France Holding SAS and its subsidiaries was transferred from Compagnie Belge de Participation (Cobepa) to the Pan-European fund Permira (United Kingdom). Prior to this date, new entities were set up by Permira in order to structure this operation, including Everest SubBidCo SAS, which holds all of the shares in Exclusive France Holding SAS as of 31 December 2018.

Implementation of new financing

The bond debt pre-existing to the July 2018 operations, was entirely repaid on 4 July 2018 to the financial institution ICG Plc for a total amount of €327,580K (of which €235,987K from Exclusive Networks SAS and €91,593K from Exclusive France Holding SAS).

In addition, on that same date, Cobepa’s current account advances to Exclusive France Holding SAS were also repaid by €4,779K.

These operations were financed by the implementation of new inter-company loan agreements with Everest BidCo SAS, the parent company of Everest SubBidCo SAS (of which €209,607K from Exclusive Networks SAS and €92,535K from Exclusive France Holding SAS). The costs associated with these financing operations represent €6,726K for Exclusive Networks SAS and €2,325K for Exclusive France Holding SAS. These costs were recorded in the extraordinary result for the year.

Changes to the scope and percentage of interest (see details in note 1.3.1)

a) Between 15 June and 14 September 2018, the following changes in the percentages of equity interests in the previously controlled companies took place:

- Repurchase of minority equity interests in various entities by Exclusive Networks BV (Netherlands) for a total amount of €29,044K;

- Repurchase of minority equity interests in European and Asian subsidiaries by Exclusive Networks SAS for a total sum of €3,994K;

- Repurchase of minority equity interests (1.08%) in Transition Systems Australia Pte Ltd by Exclusive Networks Asia Pte Ltd (Singapore) for a total sum of €100K.

These Repurchases of minority equity interests were financed by new inter-company loan agreements with Everest BidCo SAS. As at 31 December 2018, the total principal amount of the loans of the EFH Group entities from Everest BidCo SAS is €35,200K.

b) Acquisition of a company

On 3 July 2018, Exclusive Networks SAS finalised the purchase of Irish company Felicipe Limited Ireland (renamed Exclusive Networks Ireland Ltd) for the token price of €1, plus acquisition cost of €200K.

Following this transaction, Exclusive Networks SAS holds 66.5% of the shares in Felicipe Limited Ireland.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group comprised of EFH and its subsidiaries has a legal obligation to prepare consolidated financial statements for the year ended 31 December 2018 for Exclusive France Holding SAS alone, insofar as the companies directly or indirectly controlling EFH have no audited consolidated financial statements as at that date.

The consolidated financial statements presented cover the period from 1 January 2018 to 31 December 2018.

1 ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with the provisions of CRC Regulation 99-02, amended by CRC Regulation 2005-10, and according to the rules and principles of the 2014 general chart of accounts approved by the Ministerial Decree of 8 September 2014.

General accounting conventions have been applied in accordance with the following underlying assumptions:

- Going concern;
- Consistency of accounting methods from one financial year to the next;
- Independence of financial years.

All figures are presented in euros unless stated otherwise.

The assets and liabilities elements and income and expenditure elements included in the consolidated financial statements are evaluated using the same methods.

The main accounting principles applied by the Group are as follows:

1.1 Consolidation methods

1.1.1 Controlled entities

The consolidated financial statements include, in line with the full consolidation method, the financial statements of subsidiaries controlled directly or indirectly by the Group. Control is understood as the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

At 31 December 2018, all subsidiaries owned by the Group are consolidated using the full consolidation method. Furthermore, all consolidated entities have their annual closing date on 31 December 2018, with the exception of Exclusive Networks Sales India Pte Ltd (India), which closes its year on 31 March. A situation report as at 31 December and an income statement covering the twelve-month period from 1 January to 31 December 2018, are established for the purposes of preparing the Group's consolidated financial statements.

1.1.2 Internal Group transactions

All transactions between consolidated companies have been eliminated.

1.1.3 Conversion of the accounts of foreign subsidiaries outside the eurozone

The balance sheets of consolidated companies whose operating currency is different from the presentation currency of the Group's financial statements (the euro) are converted into euros at the closing exchange rate and their profit and loss statements and cash flow statements are converted at the average exchange rate for the period ended 31 December 2018.

The resulting translation adjustments are recorded as “Currency translation” under shareholders' equity.

Goodwill and fair value adjustments arising from the acquisition of an entity are considered as assets and liabilities of the entity. They are therefore expressed in the operating currency of this entity and are converted into euros at the closing rate.

1.2 Accounting policies

1.2.0.a ***Changes in accounting policies***

None

1.2.0.b ***New presentation of the Other Financial Debts item in the balance sheet liabilities***

With regard to the now significant nature loans from Everest BidCo SAS, which is part of the group's control chain, the Other Financial Debts item is presented from year ended 31 December 2018 on two lines: Others Financial Loans – associates and Other Financial loans.

1.2.1 Goodwill

Goodwill on the acquisition of an equity interest is the difference between the purchase price and the acquiring company's share of the entry value of the identifiable assets and liabilities acquired, measured at fair value. This goodwill is entered under "Goodwill" in the balance sheet, under assets when positive and liabilities when negative, except when the latter corresponds to an acquisition under favourable terms. In such case, goodwill is immediately included in the extraordinary result. Negative goodwill not related to acquisitions under favourable terms, are staggered in the income statement.

The Group decided to benefit from the changes introduced by the Accounting Standards Authority Regulation no. 2015-07 on 23 November 2015, amending the annex of Regulation no. 99-02 of 29 April 1999 of the modified accounting regulation committee relating to the consolidated accounts of commercial and public companies, applicable for the Group on 1 January 2017, by retaining the option of an indefinite useful life of the goodwill. Goodwill is no longer depreciated; rather it is subject to impairment tests at least once a year. Depreciation recorded in previous years remain on the balance sheet without changing the value.

Goodwill is allocated to "cash generating units" (CGUs) or groups of CGUs that are likely to benefit from the synergies of business combinations. Goodwill relating to foreign subsidiaries is recorded in the functional currency of the acquired entity and converted at the rates prevailing on the balance sheet date.

Impairment tests for goodwill are implemented at the level of the CGU or groups of CGUs according to the expected level of return on investment. Cash flow used as a base for calculating the value in use come from the business plans of the CGU or groups of CGUs covering a five-year period. They are then extrapolated by applying a perpetual growth rate specific to each CGU or group of CGUs. Cash flow is discounted using a weighted average cost of capital determined according to the countries in which operate the CGU or groups of CGUs in question.

The details of the amounts of goodwill and comparable information concerning the completion of the goodwill's depreciation is included in Note 3.2.1.1 Goodwill under Section 3.2.1 Fixed assets.

1.2.2 Intangible assets

Intangible assets are mainly comprised of the brand name "Exclusive Networks" and the portfolio of vendor relationships.

The brand is deemed to have an indefinite useful life and is not subject to amortisation. Impairment is recorded in the event of confirmed indications of impairment.

Vendor relationships are considered have finite useful lives. They are subject to amortisation on a straight-line basis over a period reflecting the expected pattern of consumption of the future economic benefits.

The other intangible assets are predominantly licenses and are amortised using the straight-line method over their estimated useful life (1 to 3 years).

A breakdown of the intangible asset amounts and amortisation periods can be found in Note 3.2.1.3 Intangible assets in Section 3.2.1 Fixed assets.

1.2.3 Tangible assets

1.2.3.1 Lease-financing agreements

Assets covered by a lease-financing agreement are recognised as assets on the balance sheet at their market value on the date of signature of the agreement. They are amortised according to the rules defined below. The debt corresponding to the financing is recognised as liabilities.

The capital gains or losses made during sale or leaseback transactions are cancelled out: the asset concerned continues to be recorded under assets at its initial value and the original amortisation schedule is continued.

1.2.3.2 Other fixed assets

Tangible assets are recorded on the balance sheet at their purchase price (including incidental costs) or production cost excluding financial costs.

The amortisation of tangible assets is calculated over their estimated duration of use, using the straight-line method. The main durations of use are as follows:

Buildings	10 to 30 years
Renovation and refurbishment of buildings	5 to 10 years
Transport equipment	3 to 5 years
Office equipment and furniture	3 to 10 years

1.2.4 Financial assets

Loans and other financial assets are recognised at their nominal value and provisions are made if their recoverability is uncertain.

1.2.5 Inventories

Materials and goods are valued at their purchase price, using the FIFO (first in, first out) method, inclusive of incidental costs.

A provision for depreciation is made when the probable realisation value of the stock is less than its purchase price or production cost.

1.2.6 Receivables and payables

Receivables and payables are recorded at face value.

Receivables, where appropriate, are subject to a provision for impairment, to take account of the risk of non-payment. This risk is analysed on a case-by-case basis without the use of statistical criteria.

1.2.7 Conversion of transactions and balances denominated in other currencies

By application of ANC Regulation 2015-05, the new accounting methods for foreign currency payables and receivables are described below:

- Operating payables and receivables as well as financial transactions denominated in foreign currency at the end of the fiscal year, are converted to their equivalent in euros, based on the official closing price on that date;

- Unrealised or realised foreign exchange gains and losses on payables and receivables denominated in foreign currencies are recognised as profit or loss for the period in the operating income.

- Unrealised or realised foreign exchange gains and losses on the financing granted to subsidiaries denominated in foreign currencies are recognised as gains or losses in financial income.

1.2.8 Investment securities

Investment securities are stated on the balance sheet at the lower amount between their purchase price (costs included) and their market price.

In the case of listed securities, market value is determined based on the stock market price on the end date of the financial year. In the case of unlisted securities, this valuation is based on probable trading prices.

When the stock market value shows an underlying capital gain, this is not recognised.

The capital gains or losses from sales of investment securities are calculated using the FIFO (first in, first out) method.

1.2.9 Treasury instruments

Given that there are interest rate hedges, the company applies an accounting method identical to that specified in the 2015-05 ACN regulation, the principles of which are outlined below:

- the nominal and fair value of hedging instruments are not recorded in the balance sheet;
- the results of the hedges (gains or losses) are recognised in the profit and loss statement for the year in financial income symmetrically to interest on the hedged debt;
- Premiums and payments are spread over the duration of the hedges and recognised in the profit and loss statement of the financial year as financial income.

Derivative financial instruments and related hedging strategies

The Group resorts to non-complex financial derivatives to manage its exposure to foreign exchange fluctuations (purchase and forward sales contracts) and interest rate fluctuations (CAP and simple interest rate swap).

In managing its foreign exchange risk related to commercial and financial transactions, the Group uses a hedging strategy employing non-complex forward foreign exchange contracts such as firm forward purchase and sale of foreign currency. The Group documents the hedging relationship between the hedging instruments and hedged items. The gains and losses associated with the hedging instrument including the offset/deferred effects are recorded in the income statement, under the same heading and concurrently with the gains and losses generated by the hedged item.

On 31 December 2018, the outstanding hedges on commercial transactions in foreign currencies relate to forward purchase contracts whose total nominal amounted to $255,046K USD and whose fair value reassessed at the closing rate was +€942K.

Outstanding hedges on foreign currency financing granted to subsidiaries relate to forward sales contracts whose total nominal amounted to $2,413K USD and whose fair value reassessed at the closing rate was -€267K.

The fair value of the foreign currency hedges represents the difference between the value of the hedges at the exchange rate prevailing at the balance sheet date and the value of the hedges at the contractual forward exchange rate.

As part of the interest rate risk management, the Group practices a hedging strategy that consists of freezing part of the cost of floating rate financial debts by resorting to standard derivatives such as CAP and Swap.

The Group documents the hedging relationship between the hedging instruments and hedged items.

The gains and losses associated with the hedging instrument including the effects of the premiums are recorded in the income statement under financial income, under the same heading and concurrently with the gains and losses generated by the hedged item.

As of 31 December 2017, the outstanding interest rate hedges consisted of CAP and Swap contracts with the total nominal amounting to €214,330K, and with a fair value assessed at -€511K.

In July 2018, the Group prepaid its liabilities with variable rates hedged with interest rate derivatives. The Group terminated all interest rate derivative contracts (CAP and Swaps) and paid unwind balances for a total amount of €395K.

As of 31 December 2018, the Group hold no derivative instruments that are not qualified as hedges (no isolated open position).

Foreign exchange and interest rate hedging instruments are subject to an off-balance sheet monitoring and disclosure in Note 4.1.1 Financial commitments given.

1.2.10 Provisions for liabilities and charges

These provisions are intended to cover potential liabilities and charges that have been identified but whose maturity or amount have not been specifically determined.

1.2.10.1 Commitments relating to employee retirement benefits

Contributions to defined contribution plans are expensed as incurred.

The Group’s commitments in respect of defined benefit pension plans are determined using the projected unit credit method which stipulates that each service period gives rise to the recognition of one unit of benefit entitlement and values each of these units separately in order to calculate the final obligation. These calculations include assumptions as to mortality, staff turnover and expected future salaries.

The preferential method has not been applied to these commitments: there is no provision for these in the financial statements and they are recognised as off-balance sheet commitments. The Group's main commitments are in France, Thailand, and the Philippines. At 31 December 2018, these retirement commitments amount to €706K.

1.2.11 Tax on profits

The concept of tax on profits includes current and deferred taxes.

Current taxes include the taxes due on profits. Deferred taxes are calculated on the temporary differences between the book and tax values of the assets and liabilities on the balance sheet, and on the tax deficits, when it has been possible to prepare an allocation schedule.

The tax rate applied is that in force for the financial years in which the deferred taxes will become due, when this is known, and failing this, the rate in force at the end of the financial year.

The calculation of deferred taxes takes account of adjustments made to the parent company financial statements pursuant to the consolidation rules.

Deferred tax assets are recognised in the amount of the deferred tax liabilities and, for any remainder, if profits are expected, during their unwinding period.

The deferred taxes are included in "Other accounts receivable" and "Deferred tax liabilities" on the balance sheet.

1.2.12 Revenue recognition policies

Sales of IT system security, storage and infrastructure solutions are recognised upon dispatch (boxes) and provision to the user (software and publisher maintenance). Sales of installation and training services are recognised upon completion of the services and technical support services are recognised over the term of the contract.

1.2.13 Loan issuance costs

The Group opted to recognise loan issuance costs in full as extraordinary expenses in the year in which they are incurred. The preferential method, which consists of amortising these costs over the term of the loans, has therefore not been applied.

1.2.14 Other operating income and expenses

Other operating income and expenses correspond to transactions related to the ongoing business activity of the Group, but which are few in number, clearly identified and of a significant amount.

They notably include the amortisation of intangible assets with a finite useful life, identified at acquisition of entities.

1.2.15 Exceptional income and expenses (net)

Extraordinary income is comprised of unusual events or transactions separate from the business and those which, due to their nature or amount, are not expected to recur frequently or regularly.

1.2.16 Methods of calculating earnings per share

Basic earnings per share are calculated by dividing the group share of consolidated net profit by the average number of shares in circulation during the financial year. The average number of shares in circulation during the period and during previous financial years is presented exclusive of company-owned shares.

Diluted earnings per share are obtained by dividing the group share of consolidated net profit by the total number of shares issued or to be issued at the end of the financial year. This number is determined so as to calculate the maximum possible dilution by using all diluted instruments issued, regardless of their term, and excluding anti-dilutive instruments and treasury shares.

1.2.17 Cash flow statement

The cash flow statement is prepared using the indirect method which highlights the transfer of net profit to net cash generated by operating activities.

The impact of exchange rate fluctuations corresponds to the changes in rates between closing and opening and the impact thereof on the value of cash at opening.

Cash and cash equivalents include liquid assets, marketable securities, term accounts and bank overdrafts.

1.2.18 Foreign Currency hedges

The financial consolidated statements for the year ended 31 December 2018 take into account the provisions of ANC (French accounting standards body) 2015-05 regulation relating to forward financial instruments and hedging transactions.

Under the Accounting Standards Authority Regulation 2015-05, exchange rate and interest rate hedges are documented and accounted for under the following principles:

- The result on the hedging instrument is recognised:
  - on a symmetrical basis with the accounting method for income and expenses relating to the hedged item, i.e. in the same item or at least in the same section of the profit and loss statement (operating, financial, exceptional); This accounting method was already applied the year before;
  - At the recognition rate of the hedged item under results.
- Changes in the value of hedging instruments are not recognised in the balance sheet, unless the recognition, in part or in full, of these variations ensures symmetrical treatment in the profit and loss statement with the hedged item.

On the consolidated balance sheet on 31 December 2018:

- The fair value of the foreign currency hedges backed by purchases of goods in foreign currencies is partly recorded in the balance sheet under operating income in order to ensure the principle of symmetry with the revaluation of the hedged item in the balance sheet in consideration of the operating income;
- The fair value of interest rate hedges backed by variable rate external debt is not recorded on the balance sheet.

1.3 Consolidation scope

1.3.1 List of companies included in the consolidation scope

The list of entities included in the scope of consolidation is detailed below:

		31 December 2018		31 December 2017	
Entity	**Country**	**Consolidation method**	**% of interest**	**Consolidation method**	**% of interest**
Exclusive France Holding SAS	France	Mother company	100,00	Mother company	100,00
Exclusive Group SAS	France	FC	100,00	FC	100,00
Exclusive Networks SAS	France	FC	100,00	FC	100,00
Exclusive Networks BVBA	Belgium	FC	100,00	FC	100,00
Exclusive Networks S.r.l.	Italy	FC	100,00	FC	99,60
Exclusive Networks SL	Spain	FC	100,00	FC	85,49
Exclusive Networks Ltd	United Kingdom	FC	100,00	FC	100,00
VADition Ltd	United Kingdom	FC	100,00	FC	100,00
Exclusive Capital Ltd	United Kingdom	FC	100,00	FC	100,00
Exclusive Networks Sweden AB	Sweden	FC	100,00	FC	88,75
Exclusive Networks Finland OY	Finland	FC	100,00	FC	70,00
Exclusive Networks Norway AS	Norway	FC	100,00	FC	87,00
Exclusive Networks Denmark A/S	Denmark	FC	100,00	FC	87,50
Exclusive Networks B.V.	Netherlands	FC	100,00	FC	80,26
Exclusive Group GmbH	Germany	FC	100,00	FC	100,00
Exclusive Capital GmbH	Germany	FC	70,00	FC	70,00
Exclusive Networks Austria GmbH	Austria	FC	100,00	FC	100,00
Exclusive Networks Deutschland GmbH	Germany	FC	100,00	FC	100,00
Exclusive Networks Switzerland AG	Switzerland	FC	100,00	FC	100,00
Network Distributors FZ-LLC	United Arab Emirates	FC	100,00	FC	100,00
Exclusive Group Mena Ltd	United Arab Emirates	FC	100,00	FC	100,00
Exclusive Networks Bilişim A.Ş.	Turkey	FC	100,00	FC	100,00
Exclusive Networks PTY Ltd	Australia	FC	100,00	FC	100,00
Exclusive Networks (NZ) PTY Ltd	New Zealand	FC	100,00	FC	100,00
Exclusive Networks Deutschland Beteiligungs GmbH	Germany	FC	100,00	FC	100,00
Exclusive UK Holding Ltd	United Kingdom	FC	100,00	FC	100,00
Itec Intelligent Services Ltd	United Kingdom	FC	80,00	FC	80,00
Itec Intelligent Services Inc	USA	FC	80,00	FC	80,00
Itec Intelligent Services PTE Ltd	Singapore	FC	80,00	FC	80,00
Exclusive Capital Holding SAS	France	FC	83,04	FC	70,03
Exclusive Capital SAS	France	FC	83,04	FC	70,03
Fibail Global Venture SAS	France	FC	83,04	FC	70,03
Exclusive Americas Holdings Inc.	USA	FC	100,00	FC	100,00
Trigem Enterprises Inc.	USA	FC	100,00	FC	80,00
Exclusive Networks Asia Pte Ltd	Singapore	FC	100,00	FC	80,00
Exclusive Networks Singapore Pte Ltd	Singapore	FC	100,00	FC	79,20
BridgingMinds Networks Pte Ltd	Singapore	FC	100,00	FC	67,20
Exclusive Networks Sales India Pte Ltd	India	FC	100,00	FC	80,00
PT Exclusive Networks Indonesia	Indonesia	FC	100,00	FC	79,99
TSM Network Sdn Bhd	Malaysia	FC	100,00	FC	76,80
Exclusive Networks Malaysia Sdn Bhd	Malaysia	FC	100,00	FC	72,16
Infinite Data (Northern) Sdn Bhd	Malaysia	FC	90,00	FC	64,94
Infinite Data (Southern) Sdn Bhd	Malaysia	FC	90,00	FC	64,94
Transition Systems Australia	Australia	FC	100,00	FC	78,40
Exclusive Holding (Thailand) Co. Ltd	Thailand	FC	73,86	FC	39,00
Transition Systems and Networks (Thailand) Co. Ltd	Thailand	FC	86,67	FC	59,09
Pink Lake Systems (Thailand) Co. Ltd	Thailand	FC	86,42	FC	58,70
Agile Distribution (Thailand) Co. Ltd	Thailand	FC	92,20	FC	67,76
Exclusive Networks PH Inc	Philippines	FC	100,00	FC	80,00
Exclusive Networks Vietnam Co. Ltd	Vietnam	FC	100,00	FC	80,00
Exclusive Networks Ireland Ltd	Ireland	FC	66,50	-	-
Super Holding Exclusive (Thailand) Co., Ltd.	Thailand	FC	49,00	-	-

1.3.2 Changes in the consolidation scope over the year

The consolidated profit and loss statement and cash flow statement include the profit and loss statements of companies acquired and/or created in the financial year from the date on which they were acquired and/or created.

1.3.2.1 Creation and acquisition of companies

Acquisition of Felicipe Limited.

On 3 July 2018, Exclusive Networks SAS finalised the purchase of Irish company Felicipe Limited Ireland (renamed Exclusive Networks Ireland Ltd) for the token price of €1. Following this transaction, Exclusive Networks SAS holds 66.5% of the shares in Felicipe Limited Ireland.

This company operates on the Irish markets, distributing IT security, storage and infrastructure solutions. In 2017, it generated €11,590K in consolidated sales with 12 employees.

Creation of Super Holding Exclusive Thailand Co, Ltd.

On 2 August 2018, Exclusive Networks SAS set up Super Holding Exclusive Thailand Co. Ltd, in which it holds 49% of its THB 3,000K share capital.

Buyout of minority stakes

Between 15 June 2018 and 14 September 2018, Exclusive Networks BV repurchased the remaining minority equity interests in its subsidiaries:

- 1% of Exclusive Networks Norway AS for €38K;
- 20% of Trigem Enterprises Inc for €7,079K;
- 30% of Exclusive Networks Finland Oy for €3,588K;
- 11.25% of Exclusive Networks Sweden AB for €1,053K;
- 12.5% of Exclusive Networks Denmark A/S for €283K;
- 16% of BridgingMinds Network Pte Ltd for €516K;
- 16.62% of Exclusive Networks Asia Pte Ltd for €13,187K;
- 3.38% of Exclusive Networks Malaysia Sdn Bhd for €156K;
- 2% of Exclusive Networks Sales India Pte Ltd for €166K;
- 4% of TSM Network Sdn Bhd for €167K;
- 1% of Exclusive Networks Singapore Pte Ltd for €248K;
- 14.51% of Exclusive Networks SL for €1,254K;
- 0.40% of Exclusive Networks S.r.l. for €1,226K;
- 0.92 % of Transition Systems Australia Pte Ltd for €82K.

On 4 July 2018, Exclusive Networks SAS repurchased 12% of the minority equity interests of Exclusive Networks Norway AS for €76K, and 13% of the shares in Exclusive Capital Holding SAS for €952K.

On 14 September 2018, Exclusive Networks SAS repurchased the minority interests of Exclusive Networks Asia Pte Ltd for €2,664K.

On 14 September 2018, Exclusive Networks Asia Pte Ltd repurchased the minority interests in Transition Systems Australia Pte Ltd for €100K, and in Exclusive Networks Malaysia Sdn Bhd for €300K.

1.3.2.2 Liquidation of companies

Liquidation of Global Technical Provider Inc.

Global Tech Provider Inc. was dissolved on 27 December 2018. It was an ad-hoc entity with no significant business, 100% controlled by the Group.

Liquidation of Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd (Malaysia)

A decision was made on 17 October 2018 to liquidate Infinite Data Northern Sdn Bhd and Infinite Data Southern Sdn Bhd. These liquidations are effective since 17 January 2019.

Absorption of Big Tec Ltd (United Kingdom)

Big Tec Ltd (United Kingdom) was retroactively absorbed by Exclusive Networks Ltd (United Kingdom) on 1 January 2018. As it was a transaction between two companies within the scope of consolidation at the beginning of the fiscal year, the latter is without effect on the consolidated financial statements.

1.3.2.3 Impact of changes in scope on the cash flow statement

Amounts in € thousands	**31 December 2018**
Minority shares repurchases as part of July 4th 2018 operations	29 473
Acquisition of shares from Exclusive Networks BV	5 715
Acquisition of shares from Exclusive Networks Ireland Ltd	200
Cash acquired from Exclusive Networks Ireland Ltd	159
Minority shares repurchases of Exclusive Capital Holding SAS	982
Minority shares repurchases of Transition Systems Asia Pte Ltd	2 670
Minority shares repurchases of Thai New Co	5 211
Minority shares repurchases of Infinite Data Sdn Bhd	302
Minority shares repurchases of Transition Systems Australia	101
Minority shares repurchases of Exclusive Networks Norway AS	452
Acquisition of shares from Super Holding Exclusive (Thailand) Co, Ltd	37
Impact of changes in consolidated perimeter	**45 302**

2 SECTOR-RELATED INFORMATION

2.1 Net Sales

The contribution to consolidated turnover is presented below by geographic region for the financial year ended 31 December 2018.

Amounts in € thousands	31 December 2018		31 December 2017	
	Amount	%	Amount	%
FRANCE	**247 563**	**12,4%**	**205 681**	**12,6%**
Belgium	70 753	3,5%	68 592	4,2%
Netherlands	139 262	7,0%	116 630	7,1%
Denmark	13 997	0,7%	12 026	0,7%
Sweden	48 242	2,4%	33 752	2,1%
Finland	35 522	1,8%	33 626	2,1%
Norway	11 229	0,6%	15 948	1,0%
NORTHERN EUROPE	**319 004**	**16,0%**	**280 574**	**17,1%**
Italy	116 162	5,8%	100 993	6,2%
Spain & Portugal	60 779	3,0%	57 573	3,5%
Turkey	37 149	1,9%	41 005	2,5%
SOUTH	**214 090**	**10,7%**	**199 571**	**12,2%**
United Kingdom	348 302	17,4%	287 243	17,5%
Ireland	6 144	0,3%	0	0,0%
UNITED KINGDOM & IRELAND	**354 446**	**17,7%**	**287 243**	**17,5%**
DUBAI	**103 936**	**5,2%**	**100 170**	**6,1%**
Austria	17 908	0,9%	16 039	1,0%
Germany	163 324	8,2%	133 378	8,1%
Switzerland	24 925	1,2%	16 443	1,0%
DACH	**206 158**	**10,3%**	**165 860**	**10,1%**
UNITED STATES	**209 069**	**10,5%**	**81 593**	**5,0%**
Singapore	128 322	6,4%	127 441	7,8%
Malaysia	22 798	1,1%	19 171	1,2%
Thailand	24 535	1,2%	19 434	1,2%
India	34 742	1,7%	27 049	1,7%
Indonesia	42 795	2,1%	35 730	2,2%
Philippines	11 770	0,6%	8 517	0,5%
Vietnam	1 895	0,1%	2 919	0,2%
ASIA	**266 855**	**13,3%**	**240 262**	**14,7%**
Australia & New Zealand	77 905	3,9%	77 207	4,7%
PACIFIC	**77 905**	**3,9%**	**77 207**	**4,7%**
TOTAL	**1 999 026**	**100%**	**1 638 161**	**100%**

2.2 Current operating income (Current EBIT)

Current operating income (current EBIT) is presented below by geographic region:

Amounts in € thousands	31 December 2018		31 December 2017	
	Amount	%	Amount	%
FRANCE	**14 500**	**17,4%**	**9 456**	**13,4%**
Belgium	1 913	2,3%	1 885	2,5%
Netherlands	6 892	8,3%	7 756	10,4%
Denmark	116	0,1%	89	0,1%
Sweden	1 381	1,7%	1 132	1,5%
Finland	1 036	1,2%	1 511	2,0%
Norway	-187	-0,2%	613	0,8%
NORTHERN EUROPE	**11 151**	**13,4%**	**12 987**	**17,5%**
Italy	6 991	8,4%	6 488	8,7%
Spain & Portugal	2 388	2,9%	2 263	3,0%
Turkey	5 277	6,3%	3 428	4,6%
SOUTH	**14 656**	**17,6%**	**12 179**	**16,4%**
United Kingdom	18 253	21,9%	14 550	19,5%
Ireland	306	0,4%	-	0,0%
UNITED KINGDOM & IRELAND	**18 559**	**22,3%**	**14 550**	**19,5%**
DUBAI	**1 870**	**2,2%**	**2 803**	**3,8%**
Austria	230	0,3%	661	0,9%
Germany	4 162	5,0%	4 943	6,6%
Switzerland	296	0,4%	94	0,1%
DACH	**4 688**	**5,6%**	**5 699**	**7,7%**
UNITED STATES	**3 813**	**4,6%**	**2 863**	**3,8%**
Singapore	3 350	4,0%	3 009	4,0%
Malaysia	1 401	1,7%	1 129	1,5%
Thailand	3 424	4,1%	2 546	3,4%
India	252	0,3%	1 086	1,5%
Indonesia	3 264	3,9%	3 577	4,8%
Philippines	215	0,3%	-516	-0,7%
Vietnam	-177	-0,2%	370	0,5%
British Virgin Islands	-6	0,0%	-2	0,0%
ASIA	**11 722**	**14,1%**	**11 200**	**15,0%**
Australia & New Zealand	2 215	2,7%	2 690	3,6%
PACIFIC	**2 215**	**2,7%**	**2 690**	**3,6%**
TOTAL	**83 174**	**100%**	**74 425**	**100,0%**

2.3 Fixed assets

Fixed assets are presented as follows by geographic region:

Amounts in € thousands	31 December 2018		31 December 2017	
	Amount	%	Amount	%
FRANCE	**119 701**	**26,1%**	**121 202**	**26,6%**
Belgium	30 996	6,8%	32 796	7,2%
Netherlands	48 267	10,5%	50 820	11,1%
Denmark	460	0,1%	82	0,0%
Sweden	772	0,2%	34	0,0%
Finland	2 874	0,6%	70	0,0%
Norway	473	0,1%	41	0,0%
NORTHERN EUROPE	**83 842**	**18,3%**	**83 842**	**18,4%**
Italy	1 471	0,3%	279	0,1%
Spain & Portugal	47 947	10,5%	51 081	11,2%
Turkey	1 236	0,3%	1 137	0,2%
SOUTH	**50 654**	**11,1%**	**52 498**	**11,5%**
United Kingdom	61 053	13,3%	65 474	14,3%
Ireland	852	0,2%	0	0,0%
UNITED KINGDOM & IRELAND	**61 904**	**13,5%**	**65 474**	**14,3%**
DUBAI	**1 610**	**0,4%**	**1 563**	**0,3%**
Austria	79	0,0%	65	0,0%
Germany	22 346	4,9%	23 510	5,2%
Switzerland	74	0,0%	56	0,0%
DACH	**22 500**	**4,9%**	**23 630**	**5,2%**
UNITED STATES	**50 343**	**11,0%**	**49 033**	**10,7%**
Singapore	54 626	11,9%	49 974	11,0%
Malaysia	987	0,2%	252	0,1%
Thailand	4 583	1,0%	1 337	0,1%
India	288	0,1%	122	0,1%
Indonesia	188	0,0%	173	0,0%
Philippines	73	0,0%	87	0,0%
Vietnam	8	0,0%	8	0,0%
ASIA	**60 754**	**13,3%**	**51 954**	**11,4%**
Australia & New Zealand	6 788	1,5%	7 107	1,6%
PACIFIC	**6 788**	**1,5%**	**7 107**	**1,6%**
TOTAL	**458 096**	**100%**	**456 303**	**100,0%**

3 NOTES

3.1 Breakdown of the items on the profit and loss statement

The consolidated financial statements presented cover the period from 1 January 2018 to 31 December 2018.

3.1.1 Turnover

Amounts in € thousands	31 December 2018			
	MENA	**America**	**Asia Pacific**	**Total**
Sale of products	1 397 216	212 957	332 355	**1 942 529**
Sale of services (1)	39 685	9 216	11 513	**60 414**
Sale of financial services	3 052	0	26	**3 079**
Others (including client discounts)	-5 426	-672	-898	**-6 996**
Turnover	**1 434 528**	**221 501**	**342 997**	**1 999 026**

(1) : Installation, training, support.

3.1.2 Cost of sales

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Purchase of goods	1 752 950	1 423 197
Change in stock (goods)	-2 174	-15 622
Incidental purchase costs	11 849	11 364
Cost of sales	**1 762 625**	**1 418 940**

3.1.3 Cost of distribution

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Transport on sales	3 326	2 634
Net provisions for inventories	142	3 657
Distribution costs	**3 468**	**6 291**

3.1.4 Staff costs

Amounts in € thousands	31 December 2018	31 December 2017
Wages and salaries	84 303	78 344
Social security contributions	14 661	14 164
Staff costs	**98 965**	**92 509**

Average workforce in 2018 is 1,577 individuals compared to 1,492 in 2017.

3.1.5 Other operating expenses

Amounts in € thousands	31 December 2018	31 December 2017
External expenses	40 100	35 221
Bank and factoring charges	1 936	1 677
Marketing and advertising costs net of chargebacks	6 034	5 190
Taxes and duties	1 593	1 393
Net allocations on depreciation of receivables	1 151	638
Other operating expenses	**50 814**	**44 119**

External expenses notably include rental payments and costs, fees, travel expenses and other external expenses.
Net depreciation of receivables includes an amount of €569K corresponding to management's best estimate, with regard to the information available at year-end, of the risk of probable loss on receivables from one of the clients of the American subsidiary, Exclusive Networks USA. Since February 2019 the latter has undergone a reorganisation plan as provided by Chapter 11 of the US Bankruptcy Code. The amount of residual credit risk exposure is €2,348K in consideration of the payments received over the subsequent period.

3.1.6 Other income and expenses

Amounts in € thousands	31 December 2018	31 December 2017
Misc. income and expenses	1 230	224
Net provisions for risks and charges	770	104
Other income and expenses	**2 001**	**328**

3.1.7 Net allowances for depreciation and operating provisions

Amounts in € thousands	31 December 2018	31 December 2017
Provision for depreciation on intangible assets	20 147	18 585
Provision for depreciation on tangible assets	570	1 363
Net allowance for depreciation of stock	142	3 657
Net allowance for depreciation of receivables	1 151	638
Net provisions for risks and charges	-770	-104
Net allowances for depreciation and operating provisions	**21 240**	**24 139**

3.1.8 Other operating income and expenses

Other operating income and expenses include the amortisation of intangible assets with finite useful lives, identified upon the acquisitions of Exclusive Group SAS, Exclusive Networks Asia Pte Ltd in Asia in 2016, Techaccess Value Added IT Distribution B.V. in the Netherlands in 2017 (merged with Exclusive Networks BV that same year) and Trigem Enterprises Inc. in the United States in 2017 (renamed Exclusive Networks USA).

3.1.9 Financial income and expenses (net)

Amounts in € thousands	31 December 2018	31 December 2017
Net interest on loans and related borrowings	-20 246	-22 511
Income from equity interests	230	24
Other financial income	1 768	823
Other financial expenses	-699	-2 009
Financial income and expenses (net)	**-18 946**	**-23 673**

Net interest on loans and related borrowings relates to the interest calculated on bond loans from ICG Plc in force on the date of their repayment on 4 July 2018, for €12,071K, and new loans taken out from Everest BidCo SAS for €6,326K.

3.1.10 Extraordinary income and expenses (net)

Amounts in € thousands	31 December 2018	31 December 2017
Income from sale of assets	48	80
Other extraordinary income & expense reclassification	5 188	1
Net book value of assets sold	-62	-246
Gain or loss on disposal of investments	0	719
Other extraordinary expenses	-13 207	-5 076
Net allocation on extraordinary provisions	-842	0
Extraordinary income and expenses (net)	**-8 875**	**-4 521**

Other extraordinary income and transfers of expenses for the fiscal year ended 31 December 2018 relate to €5,146K of badwill incurred from the repurchase of 14.51% of minority interests in Exclusive Networks SL, being an acquisition under favorable terms.

Other extraordinary expenses for the year ended 31 December 2018 mainly include the effects of reinvoicing by the company controlling EFH's sole shareholder of borrowing and financing costs for €9,051K and effects of tax audits on various companies in the group for €2,083K.

In respect of the previous year, they mainly included €4,163K of issuance and other costs related to financing transactions.

3.1.11 Tax on profits

3.1.11.1 Breakdown between deferred taxes and payable taxes

The tax on profits is broken down as follows:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Tax payable	-13 026	-14 109
Deferred taxes	6 160	9 661
Total tax income / (expense)	**-6 866**	**-4 448**
Profit (loss) of consolidated companies (before tax and amortisation of goodwill)	36 615	28 489
Group tax income / (expense)	-6 866	-4 448
Group tax rate related to profits	**18,75%**	**15,61%**

The costed-out analysis of the differences between the effective tax rate and the theoretical tax rate is presented in Note 3.1.11.2.

3.1.11.2 Reconciliation between total tax expense recorded and theoretical tax expense

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Current profit (loss) of consolidated companies	45 490	33 010
Extraordinary income and expenses (net)	-8 875	-4 521
Pre-tax profit (loss) of consolidated companies	**36 615**	**28 489**
Ongoing differences	6 316	8 500
Temporary differences not activated	-6 514	-921
Share of costs and charges on dividends	975	1 239
Impairment of tax assets related to tax loss carryforwards	-2 763	0
Change in tax losses carried forward but not activated	3 373	6 694
Others	-5 724	0
Taxable profit at the current rate	**32 276**	**44 001**
Current tax rate in France	34,43%	34,43%
Theoretical tax rate at the current French rate	**-11 113**	**-15 149**
Effect on theoretical tax		
of adjustments on opening	298	-298
of the differential of the current/deferred rate in France/abroad	4 409	5 568
of tax credits	0	34
others	-460	5 397
Total	**-6 866**	**-4 448**

3.1.11.3 Breakdown of deferred tax assets and liabilities by category

Net amount by category (in € thousands)	**31 December 2018**	**31 December 2017**
	Net DT	Net DT
On temporary differences	1 428	750
On acquisition costs	296	1 032
On goodwill (1)	-61 016	-66 595
On tax losses carried forward	0	0
TOTAL	**-59 292**	**-64 813**

(1) On valuation differences: deferred tax liabilities related to temporary taxable differences arising from the recognition at fair value of intangible assets with finite useful lives (vendor relationships) upon entering the consolidation scope: in 2015, the entities Exclusive Group SAS and Exclusive Networks Asia Pte Ltd; in 2017, the entities Techaccess Value Added IT Distribution B.V. and Trigem Enterprises Inc. These deferred tax liabilities, recognised in accordance with CRC Regulation 99-02, were reversed on the income statement over the depreciation period of the assets to which they relate, and will cover the tax consequences of possible capital gains in the event of a separate disposal of the intangible asset.

Deferred taxes on assets not recognised

The amount of tax losses not giving rise to the recognition of deferred tax assets, since the conditions for recognition were not met at the end of the fiscal year, and the repayment schedule could not be anticipated with enough precision, amounted to €22,457K for the parent company (€12,414K of deficits generated in 2016 and €6,183K generated in 2017, €3,859K of deficits generated in 2018) as well as previous losses to the entry into force of the current tax sharing agreement in France, specific to Exclusive Group SAS (€1,890K) and Exclusive Networks SAS (€4,282K).

These also concern: Exclusive Networks Switzerland AG (Switzerland) for €61K; Exclusive Networks Norway AS (Norway) for €219K; Exclusive Networks BVBA (Belgium) for €258K; Exclusive Networks Vietnam Co. Ltd for €219K and Exclusive Networks PH Inc (Philippines) for €395K.

Tax audits

Group companies are the subject audits by the tax authorities at the end of the year, as part of periodic routine procedures. These audits are still ongoing as at the end of the fiscal year and their outcome is not known at this stage. No provision is entered for these audits in the financial statements for the year ended 31 December 2018.

3.1.12 Earnings per share

3.1.12.1 Calculation of basic earnings:

The net earnings per share is calculated by dividing the group share of net earnings (when the Group makes a profit over the reference period), by the average number of ordinary shares for the financial year, i.e. 188,194,301. Basic earnings per share is €0.15.

3.1.12.2 Calculation of diluted earnings:

The diluted earnings per share is calculated by dividing the group share of net earnings (when the Group makes a profit over the reference period), by the average number of shares including the dilutive financial instruments that would lead to a capital increase, i.e. 188,194,301. Diluted earnings per share is €0.15.

3.2 Details of the balance sheet items

3.2.1 Fixed assets

3.2.1.1 Goodwill

Goodwill breaks down as follows:

-	Amortization period	31 December 2018			31 December 2017		
		Gross	**Depr.**	**Net**	**Gross**	**Depr.**	**Net**
Exclusive Group SAS	17 ans	99 924	-9 307	90 618	99 924	-9 307	90 618
Transition Systems Asia PTE Ltd	17 ans	26 184	-1 208	24 976	20 535	-1 208	19 327
Exclusive Holding (Thailand) Co., Ltd	15 ans	4 561	-96	4 464	1 380	-92	1 288
Exclusive Networks Bilişim A.Ş.	15 ans	1 210	-128	1 082	1 210	-128	1 082
Exclusive Group Mena Ltd	15 ans	1 512	-101	1 411	1 512	-101	1 411
Exclusive Networks SRL	15 ans	1 255	-5	1 250	51	-5	46
Exclusive Networks Denmark		416	-	416	66	-	66
Exclusive Networks Iberia		0	-	0		-	
Big Tec Ltd		981	-	981	989	-	989
Exclusive Americas Holdings Inc		17 360	-	17 360	16 185	-	16 185
White Gold Solution PTY		1 435	-	1 435	1 435	-	1 435
Transition Systems Pte Ltd		119	-	119	10	-	10
Transition Systems Sdn Bhd		224	-	224	0	-	
Transition Systems India		162	-	162	0	-	
Exclusive Networks BVBA (Belgium)		2 429	-	2 429	2 429	-	2 429
VADition Benelux BV		15 350	-	15 350	15 338	-	15 338
Transition Systems Australia Limited		213	-	213	-	-	-
Exclusive Networks Sweden AB		742	-	742	-	-	-
Exclusive Norway		433	-	433	-	-	-
Exclusive Networks Ireland		787	-	787	-	-	-
Infinite Data (Northern)		388	-	388	-	-	-
Exclusive Networks Finland		2 812	-	2 812	-	-	-
Bridging Minds		464	-	464	-	-	-
EC-holding		524	-	524	-	-	-
Exclusive Networks Infinite		167	-	167	-	-	-
TechAccess België BV		0	-	0	-	-	-
Exclusive Networks Super Holding Thaïland		69	-	69	-	-	-
Total Goodwill		**179 721**	**-10 844**	**168 877**	**161 065**	**-10 840**	**150 225**

Goodwill was depreciated through 31 December 2016.

The change in goodwill mainly results from transactions that occurred between 15 June and 14 September 2018 which described in paragraph 1.3.1.1.

3.2.1.2 Monitoring the value of goodwill

The Group proceeded to review the value of goodwill on 31 December 2018.

As indicated in Note 1.2.1 the recoverable amount of the CGU or groups of CGUs is determined based on market value, estimated generally on the basis of projected cash flow discounted for the CGU or group of CGUs.

On 31 December 2018, the CGU or group of CGUs for which the carrying value of goodwill is significant are:

	31 December 2018		
Amounts in € thousands	Book value of the Goodwill	Long-term growth rate	Weighted Average Cost of Capital
CGU UK	32 969	1,50%	12,7%
CGU DACH (1)	18 301	1,50%	11,3%
CGU France	14 149	1,50%	11,6%
CGU South Mena (2)	3 743	1,50%	13,6%
CGU Northern Europe (3)	41 531	1,50%	12,5%
CGU APAC (4)	34 939	1,50%	13,9%
CGU ITEC (5)	5 966	1,50%	12,7%
CGU USA	17 360	1,50%	12,7%
Total Groupe	**168 958**		

(1) CGU DACH includes Germany, Austria, Swiss
(2) CGU South Mena includes Spain, Italy, Turkey, Dubai
(3) CGU Northern Europe includes Belgium, Netherlands, Denmark, Finland, Norway, Sweden
(4) CGU Pacific includes Australia, New-Zealand and Asian entities
(5) CGU ITEC includes services activity of ITEC entities in UK, Singapore and the United States

If the value in use is determined based on discounted cash flow, the long-term growth rate and the discount rate used vary depending on the geographical area in which the CGU or the tested group of CGUs operates, and in particular according to the more or less maturity of the markets.

As of 31 December 2018, all the CGUs mentioned above have a recoverable amount that exceeds their book value, with an accumulated amount of approximately €124 million.

Furthermore, as of 31 December 2018, sensitivity analyses on all these CGUs, consisting of varying the discount rate by +/- 1% or the long-term growth rate by +/- 0.5%, do not lead to highlighting recoverable values that are lower than the book value of the goodwill.

3.2.1.3 Intangible assets

The intangible assets are broken down as follows:

Amounts in € thousands	31 December 2018			Duration	31 December 2017		
	Gross	Amort./Depr.	Net	Amort./Depr.	Gross	Amort./Depr.	Net
Brand (1)	30 002	0	30 002	-	30 146	0	30 146
Supplier relations (2)	310 234	-57 331	252 902	17 years	307 826	-38 386	269 440
Concessions, patents, licenses	920	-764	155	3 to 5 years	1 685	-1 320	365
Other intangible assets	435	-412	22	3 to 5 years	425	-399	26
Total intangible assets	**341 590**	**-58 508**	**283 082**		**340 082**	**-40 105**	**299 977**

(1) The brand name “EXCLUSIVE NETWORKS”.
(2) Relationships with clients, resellers, and systems integrators are recognised as relations with suppliers of IT security, storage, and infrastructure solutions.

The change in value of the tangible assets is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2018	**64 383**	**-17 314**	**47 069**
Acquisitions (allowances)	331	-18 982	-18 651
(Sales) reversals	-1 086	784	-302
Translation adjustments	2 263	-205	2 057
At the end of the financial year ended 31 December 2018	**341 590**	**-58 508**	**283 082**

3.2.1.4 Tangible Assets

The tangible assets are broken down as follows:

Amounts in € thousands	31 December 2018			31 December 2017		
	Gross	Amort./Depr.	Net	Gross	Amort./Depr.	Net
Construction and renovations	1 922	-1 140	782	1 957	-1 078	880
Office furniture	2 804	-1 887	916	2 723	-1 663	1 059
Computer equipment	5 962	-4 405	1 557	5 896	-4 641	1 255
Transport vehicles	588	-543	44	788	-694	93
Other intangible assets	671	-538	133	794	-426	368
Total tangible assets	**11 947**	**-8 514**	**3 433**	**12 158**	**-8 503**	**3 655**

The change in the value of the tangible assets is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2018	**12 158**	**-8 503**	**3 655**
Acquisitions (allowances)	1 933	-1 728	205
(Sales) reversals	-2 445	1 902	-543
Changes in scope	264	-181	84
Reclassification	37	-0	36
Translation adjustments	0	-4	-4
At the end of the financial year ended 31 December 2018	**11 947**	**-8 514**	**3 433**

3.2.1.5 Financial assets

Amounts in € thousands	31 December 2018			31 December 2017		
	Gross	Amort./Depr.	Net	Gross	Amort./Depr.	Net
Loans	0	-	0	839	-	839
Deposits and bonds	2 556	-	2 556	1 602	-	1 602
Other financial assets	147	-	147	4	-	4
Total financial assets	**2 704**	**-**	**2 704**	**2 445**	**-**	**2 445**

3.2.2 Inventories

Amounts in € thousands	31 December 2018			31 December 2017		
	Gross	Impairment	Net	Gross	Impairment	Net
Stocks of goods	89 772	-14 608	75 164	87 769	-14 454	73 315
Total inventories	**89 772**	**-14 608**	**75 164**	**87 769**	**-14 454**	**73 315**

The change in value of inventories is analysed as follows:

Amounts in € thousands	Gross	Amort./Depr.	Net
At the start of the financial year ended 31 December 2018	**87 769**	**-14 454**	**73 315**
Change during the period (allowance / reversal)	2 122	-115	2 007
Reclassification	157	0	157
Changes in scope	22	0	22
Translation adjustments	-298	-38	-336
At the end of the financial year ended 31 December 2018	**89 772**	**-14 608**	**75 164**

3.2.3 Advances paid, operating receivables and other receivables

The receivables items are broken down as follows:

Amounts in € thousands	31 December 2018			31 December 2017		
	Gross	Impairment	Net	Gross	Impairment	Net
Advances and accruals paid	1 048	0	1 048	992	0	992
Trade receivables and related accounts	518 260	-5 490	512 770	411 700	-4 663	407 037
Other tax and social security receivables	22 026	0	22 026	19 080	0	19 080
Trade payables	2 586	0	2 586	1 918	0	1 918
Current tax receivables	1 613	0	1 613	1 030	0	1 030
Other receivables	53 800	-28	53 772	42 605	-29	42 575
Deferred tax on assets	3 178	0	3 178	3 031	0	3 031
Accruals and charges on assets	10 398	0	10 398	11 335	0	11 335
Total advances and accruals paid, operating receivables and other receivables	**612 911**	**-5 518**	**607 393**	**491 691**	**-4 692**	**486 999**

Deferred tax assets are discussed in Note 3.1.11.3.

As of 31 December 2018, all operating receivables, net of impairment, other receivables and prepaid expenses mature in less than one year with the exception of €2,799K which matures in 2 to 5 years (particularly with regard to United Kingdom consolidated subsidiaries)

3.2.4 Liquid assets and cash

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Marketable securities and Term accounts	1 090	1 995
Bank and cash	99 428	84 814
Gross cash	**100 518**	**86 810**
Bank overdrafts	-42 626	-21 373
Net cash balance	**57 892**	**65 437**

The item "Marketable securities and term accounts" consists of remunerated accounts. The unrealised capital gains are not recognised, and the unrealised losses result in the recognition of a provision for depreciation.

The table below breaks down the cash assets by currency:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Cash in euros	31 445	30 230
Cash in US dollars	40 013	21 199
Cash in pounds sterling	12 363	8 150
Cash in Swedish kronas	1 406	3 667
Cash in Norwegian kroners	337	640
Cash in Danish kroners	689	1 144
Cash in Saudi riyals	22	35
Cash in UAE dirhams	796	1 746
Cash in Turkish lira	9	2
Cash in Swiss francs	79	40
Cash in New Zealand dollars	741	211
Cash in Australian dollars	2 711	6 331
Cash in Indian rupees	249	866
Cash in Indonesian rupees	2 768	2 643
Cash in Malaysian ringgits	1 026	1 531
Cash in Thai bahts	3 974	6 663
Cash in Philippine pesos	355	174
Cash in Vietnamese dongs	269	221
Cash in Singapore dollars	1 266	1 317
Cash	**100 518**	**86 810**

3.2.5 Consolidated shareholders' equity

The group share of shareholders' equity has evolved as follows:

EXCLUSIVE FRANCE HOLDING STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY Financial year ended 31 December 2018						
Amounts in € thousands	*Share capital*	*Issue premiums*	*Consolidated reserves*	*Profit (loss) for the period*	*Conversion reserve*	*Shareholders' equity*
At the start of the financial year ended 31 December 2017	**161 645**	**0**	**0**	**-12 403**	**-12 376**	**136 866**
Profit (loss) allocation			-12 403	12 403		
Capital increase	26 550					26 550
Profit (loss) for the period				20 834		20 834
Change in conversion reserve			-85		-13 429	-13 514
Other						
At the end of the financial year ended 31 December 2017	**188 194**	**0**	**-12 488**	**20 834**	**-25 805**	**170 736**
At the start of the financial year ended 31 December 2018	**188 194**	**0**	**-12 488**	**20 834**	**-25 805**	**170 736**
Profit (loss) allocation			20 834	-20 834		
Profit (loss) for the period				27 786		27 786
Changes in scope & other changes						
Change in conversion reserve			-218		94	-124
At the end of the financial year ended 31 December 2018	**188 194**	**0**	**8 129**	**27 786**	**-25 711**	**198 398**

In 2017, the capital increase during the period results from the conversion of all convertible bonds on 19 July 2017 at the rate of one share at €1 per convertible bond.

3.2.6 Minority interests

Amounts in € thousands	**Minority Interests**
At the start of the financial year ended 31 December 2018	**33 431**
Capital increase	41
Profit (loss) for the period	1 963
Changes in conversion reserve	1 116
Changes in scope	-34 221
Dividends	-323
At the end of the financial year ended 31 December 2018	**2 005**

The changes in scope that had an impact on minority interests are as follows:

Amounts in € thousands	**Changes in scope of minority interests**
Exclusive Networks Finland OY	-852
Exclusive Networks USA	-6 521
Exclusive Networks SL	-6 426
Exclusive Networks Asia Pte Ltd & its subsidiaries	-15 194
Exclusive Networks BV	-5 637
Super Holding Exclusive (Thailand) Co., Ltd.	1 146
Exclusive Capital Holding SAS	-818
Others	81
TOTAL	**-34 221**

3.2.7 Loans and financial debts

3.2.7.1 Breakdown of financial debts

The financial debts are broken down as follows:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Long-Term Borrowings	1	321 004
Other Financial Loans - associates	340 030	4 949
Other Financial Loans	246	0
Total	**340 277**	**325 953**

The bond debt pre-existing to the July 2018 operations, was entirely repaid on 4 July 2018 to the financial institution ICG Plc for a total amount of €327,580K (of which €235,987K from Exclusive Networks SAS and €91,593K from Exclusive France Holding SAS).

In addition, on that same date, Cobepa's current account advances to Exclusive France Holding SAS were also repaid for an amount of €4,779K.

These transactions were financed by new inter-company loan agreements with:

- Everest BidCo SAS, parent company of Everest SubBidCo SAS, for €209,607K in favour of Exclusive Networks SAS, €92,535K for Exclusive France Holding SAS and €35,200K for Exclusive Networks BV;

- Everest SubBidco SAS in favour of Exclusive Networks SAS for €2,688K.

The costs associated with these financing operations represent €6,726K for Exclusive Networks SAS and €2,325K for Exclusive France Holding SAS. These costs were recorded in the extraordinary result for the year.

The variation in financial debts over the period is as follows:

Amounts in € thousands	**Loans and financial debts**
At the start of the financial year ended 31 December 2017	**266 428**
Increase in long-term borrowings Increase in other financial loans Decrease in convertible bonds Decrease in long-term borrowings Decrease in other financial loans Changes in interest accrued Changes in scope Translation adjustments	84 495 4 891 -29 819 -59 -4 157 1 470 2 707 -4
At the end of the financial year ended 31 December 2017	**325 953**
At the start of the financial year ended 31 December 2018	**325 953**
Increase in other financial loans - associates Decrease in other financial loans - associates Decrease in long-term borrowings Decrease in other financial loans Changes in scope Translation adjustments	340 030 -4 949 -321 002 219 25 2
At the end of the financial year ended 31 December 2018	**340 277**

3.2.7.2 Analysis by maturity

The amounts are presented by maturity, in thousands of euros:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
N+1 N+2 to N+5 Beyond N+5	0 0 340 277	209 321 135 4 609
Total	**340 277**	**325 953**

3.2.8 Provisions for liabilities and charges

The change in provisions for liabilities and charges is broken down as follows:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Provisions for liabilities and charges	199	127
Deferred tax liabilities	62 473	67 843
Total	**62 672**	**67 970**

3.2.9 Deferred tax liabilities

The change in deferred tax liabilities is broken down as follows:

Amounts in € thousands	**31 December 2018**	**31 December 2017**
At the start of the financial year ended 31 December 2018	**67 843**	**59 737**
Variation of Deferred Tax Liabilities	-5 970	-9 082
Presentation reclassification	-15	-97
Change in scope	0	19 233
Translation adjustments	616	-1 947
Total	**62 473**	**67 843**

See note 3.1.11.3 for more information on deferred tax liabilities.

3.2.10 Operating debts, other debts and accruals and charges

Amounts in € thousands	**31 December 2018**	**31 December 2017**
Advances and payments received	3 022	1 799
Trade payables and related accounts	483 327	387 381
Customer payables	7 296	6 710
Tax and social security liabilities	82 374	68 781
Other debts excluding operating	71	76
Treasury instruments	736	1 617
Others debts	0	3
Accruals and charges	18 367	17 598
Total	**595 192**	**483 965**

At 31 December 2018, all operating debts, other payables and accruals and charges mature in less than one year with the exception of the amounts below which mature in 2 to 5 years:

- Tax and social security liabilities of €50K (Sweden)

- Accruals and charges on liabilities of:
  - €3,203K (United Kingdom)
  - €1,513K (Exclusive Networks Asia subgroup)
  - €565K (Germany)
  - €214K (Turkey)
  - €226K (ITEC)

3.3 Related parties

- Inter-company loan agreements with Everest BidCo SAS, the parent company of Everest SubBidCo SAS: €293,091K (of which €209,607K by Exclusive Networks SAS and €92,535K by Exclusive France Holding SAS). The specific costs of setting up group-level financing invoiced by Everest Bidco SAS amounted to €9,051K for the year. Interest incurred on these loans amounted to € 6,385K for the year ended December 31, 2018.

- Support and consulting services contracts: € 2,851K of expenses incurred for the year ended December 31, 2018.

4 COMMITMENTS GIVEN AND RECEIVED

4.1 Commitments given

4.1.1 Financial commitments given

Nature of the financial commitments given	Financial commitments given as at 31/12/2018 in €k
Leasing Commitments	*0*
Avals, securities, and guarantees	
Guarantees given to lessors under rental agreements entered into by subsidiaries	*0*
Guarantees given to business operations	*111,803*
Guarantees given to banks in consideration of short-term loans granted to subsidiaries: opening of lines of credit of €61,746k, of which €26,969k used as at 31/12/2018	*26,969*
Subtotal	**138,772**
Commitments towards pensions, retirement, and related commitments (see Note 1)	*706*
Subtotal	**706**
Other commitments	
Forward currency purchase (forward purchase contracts for a total of $255.046K USD - staggered terms from Jan to April 2019) (Note 4.1.2)	*222,748*
Forward currency sales (forward sales contracts for a total of $2,413K USD - terms staggered to June 2019) (Note 4.1.2)	*1,841*
Subtotal	**224,589**
TOTAL FINANCIAL COMMITMENTS GIVEN	**364,067**

Note 1: Commitment relating to retirement benefits

The Group's commitments in respect of defined benefit pension plans are determined in accordance with the projected unit credit method assuming an employee retirement age of between 60 and 65 years. At 31 December 2018, the discount rate used to value retirement commitments ranges between 1.45% and 7.53% according to the Group's entities.

At 31 December 2018, these retirement commitments amount to €706K. The preferential method is not applied: there is provision for these commitments in the financial statements and they are recognised as off-balance sheet commitments.

4.1.2 Currency hedging instruments

Forward currency purchase contracts:

- Nominal value of forward purchase contracts: USD 255,046K

- Nature of the hedged items: dollar-denominated purchases of goods and services
- Fair value of the contracts at the foreign exchange rate of 31 December 2018: unrealised gain of €942K
- Maturity of the contracts staggered between January and April 2019

Forward currency purchase contracts:

- Nominal value of the forward purchase contracts: USD 2,413K
- Nature of the hedged items: dollar loans granted to subsidiaries
- Fair value of the contracts at the rate of 31 December 2018: unrealised loss of -€267K
- Maturity of the contracts staggered through June 2019

4.1.3 Rate hedging instruments

As of 31/12/2018, the Group holds no interest rate hedging derivative instruments.

4.2 Commitments received

Nature of the financial commitments received	Financial commitments received as at 31/12/2018 in €k
Customer guarantee received	*0*
Liabilities guarantee received from sellers following acquisitions	*39,334*
Commitments received on short-term lines of credit:	
- Commitments received from banks: confirmation of lines of credit for €100,932k of which €35,285k used as at 31/12/2018	*60,312*
- Commitments received from factoring companies: confirmation of factoring lines for €81,003k with €24,877k of rights used as at 31/12/2018	*56,126*
TOTAL FINANCIAL COMMITMENTS RECEIVED	**155,772**

4.3 Securities granted on assets

In the transactions on 4 July 2018, the following securities were granted by Exclusive France Holding SAS and its subsidiaries:

- Pledging of shares under German law, constituted by Exclusive Group GmbH on shares in Exclusive Networks Deutschland GmbH on 14 November 2018

- Bond under English law, taken out by Exclusive Networks SAS and Exclusive Networks Limited on 14 November 2018, through which the following securities were established:

  - Pledging of shares constituted by Exclusive Networks SAS on shares in Exclusive Networks Ltd (United Kingdom)
  - Floating charge established by Exclusive Networks Ltd (United Kingdom)

- Pledging of shares under Dutch law, constituted by Exclusive Networks BVBA (Belgium) on shares in Exclusive Networks B.V. (Netherlands) on 14 November 2018

- Pledging of shares under US law, constituted by Exclusive Americas Holdings Inc on shares in Trigem Enterprises, Inc., on 14 November 2018

- Pledging of shares under French law, constituted on 14 November 2018 by:
  - Exclusive Group SAS on shares in Exclusive Networks SAS (holding of 99.997%)
  - Exclusive France Holding SAS on shares in Exclusive Networks SAS (1 ordinary share)

4.4 Commitments on the equity securities of subsidiaries

In the event of an Initial Public Offering or a sale of 100% of the companies Exclusive France Holding SAS, Exclusive Group SAS or Exclusive Networks SAS, there is a mutual commitment to purchase from or sell to Exclusive Networks SAS, all securities held by the minority shareholders of the subsidiaries Itec Intelligent Services Ltd (United Kingdom), Exclusive Capital Holding SAS (France) and Exclusive Networks Ireland Ltd. This commitment is valid over different durations depending on the subsidiaries concerned and the exercise price is calculated using a multi-criteria formula.

Furthermore, there is a firm commitment with the minority shareholders of subsidiaries Itec Intelligent Services Ltd (United Kingdom), Exclusive Capital Holding SAS (France) and Exclusive Networks Ireland Ltd to sell the shares of these minority shareholders to Exclusive Networks SAS, in the absence of an initial public offering or sale in full of the companies Exclusive France Holding SAS, Exclusive Group SAS or Exclusive Networks SAS. The same calculation formula applies and the option exercise period is between 2019 and 2022.

5 OTHER INFORMATION

5.1 Events subsequent to the end of the financial year

Acquisition of Securewave Limited

On 7 February 2019, the American holding, Exclusive Americas Holdings Inc., acquired 70% of the share capital of Israeli company Securewave Limited. This company specialises in the distribution of IT security products.

In 2018, Securewave Limited generated ISL61,041K in sales. Its average workforce in 2018 was 9 people.

Acquisition of Fine Tec Distribution Inc.

On 14 February 2019, Exclusive Networks BV (Netherlands) acquired 100% of the shares in Canadian company Fine Tec Distribution Inc. This company operates in the Canadian market and provides computer security, storage and infrastructure products.

In 2018, it generated a consolidated turnover of 47,700 thousand Canadian dollars. Its average workforce in 2018 was 7 people.

Constitution of Exclusive Networks Hong Kong Limited

On 20 February 2019, Exclusive Networks Hong Kong Limited was constituted with capital of one (1) Hong Kong dollar.

5.2 Remuneration of the auditors

Fees recognized for the financial year and relating to the audit of the consolidated financial statements amount to €170K.

18.4.2 ***Statutory Auditors' report on the 2018 EFH Consolidated French GAAP Financial Statements***

This is a translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.
The statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.
The translation of the consolidated financial statements is the responsibility of the management of the group and is out of scope of the statutory auditors' procedures.

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EXCLUSIVE FRANCE HOLDING
Société par Actions Simplifiée
20, Quai du Point du Jour
92100 Boulogne Billancourt

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2018

To the sole Shareholder of EXCLUSIVE FRANCE HOLDING Company,

Opinion

In compliance with the engagement entrusted to us by your shareholders' meeting, we have audited the accompanying consolidated financial statements of EXCLUSIVE FRANCE HOLDING Company for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations for the year then ended and of the financial position and of the assets and liabilities at the end of the period, of the group comprising the persons and entities included in the consolidation, in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance addressed the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the report on Group management.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Cormeilles en Parisis and Paris-La Défense, 7 May 2019
The Statutory Auditors

French original signed by

Bruno PALASSET	Deloitte & Associés
	Jean-Marie LE GUINER

18.5 Pro forma financial information

Not applicable.

18.6 Dividend policy

The Company made no dividend distributions for the years ended 31 December 2020 and 2019. The Group's dividend policy is described in Section 10.4 "*Dividend*" of this Registration Document.

18.7 Legal and arbitration proceedings

The Group may be involved in legal, arbitration, administrative or regulatory proceedings in the ordinary course of business, which may notably include disputes with its customers, suppliers, competitors or employees, as well as tax or other authorities. As of the date of this Registration Document, the Group is not aware of any government, legal or arbitration proceedings (including any proceedings that to the Group's knowledge are under way or imminent) that could have or have had, during the last 12 months, a material impact on the financial position or profitability of the Company or the Group.

18.8 Significant change in the issuer's financial position

To the Company's knowledge, there has been no significant change in the Group's financial position since 30 June 2021.

19. ADDITIONAL INFORMATION

19.1 Share capital

19.1.1 *Subscribed share capital and authorized but unissued share capital*

As of the date of this Registration Document, the Company's share capital amounts to €7,317,129.44, divided into:

- 119,262,598 fully paid-up ordinary shares with a par value of €0.01 each;
- 42,649,455 fully paid-up PS1 preference shares with a par value of €0.01 each;
- 341,880,574 fully paid-up PS2 preference shares with a par value of €0.01 each;
- 227,920,316 fully paid-up PS3 preference shares with a par value of €0.01 each; and
- 1 fully paid-up PS4 preference share with a par value of €0.01.

The General Meeting of the Shareholders held on 1 September 2021 has adopted the financial authorizations described below, which are however subject to the settlement and delivery of the shares offered in the proposed IPO and effective as of such settlement and delivery date.

Shareholder's meeting (No. of resolution)	Nature of the decision / financial delegation	Maximum nominal amount or maximum number of shares	Duration
1 September 2021 (Resolution 1)	Delegation of competence granted to the Board of Directors to increase the share capital in the context of the IPO	2,000,000 euros	12 months
1 September 2021 (Resolution 2)	Delegation of competence granted to the Board of Directors to increase the share capital (issuance of shares / securities giving access to the share capital / securities granting entitlement to the allocation of debt securities), <u>with</u> preferential subscription right)	3,345,000 euros	26 months
1 September 2021 (Resolution 3)	Delegation of competence granted to the Board of Directors to increase the share capital (issuance of shares / securities giving access to the share capital / securities granting entitlement to the allocation of debt securities), <u>without</u> preferential subscription right, by way of public offering other than those referred to in article L. 411-2, 1° of the French Monetary and Financial Code	670,000 euros	26 months
1 September 2021 (Resolution 4)	Delegation of competence granted to the Board of Directors to increase the share capital (issuance of shares / securities giving access to the share capital / securities granting entitlement to the allocation of debt securities), <u>without</u>	670,000 euros	26 months

Shareholder's meeting (No. of resolution)	Nature of the decision / financial delegation	Maximum nominal amount or maximum number of shares	Duration
	preferential subscription right, by way of public offering referred to in article L. 411-2, 1° of the French Monetary and Financial Code		
1 September 2021 (Resolution 5)	Authorization granted to the Board of Directors to set the issue price of the securities to be issued under the Resolution 3 and 4 within the limit of 10% of the share capital per year	10% of share capital	26 months
1 September 2021 (Resolution 6)	Authorization granted to the Board of Directors to increase the number of securities to be issued, with or without preferential subscription right, upon implementation of the Resolutions 2, 3, 4 and 5	15% of the initial issuance	26 months
1 September 2021 (Resolution 7)	Delegation of competence granted to the Board of Directors to increase the share capital by incorporation of reserves, profits or premiums or other items	Amounts that may be capitalized at the date of the Board of Directors' decision to use this financial delegation	26 months
1 September 2021 (Resolution 8)	Delegation of powers granted to the Board of Directors to increase the share capital in consideration for contributions, without preferential subscription right (except in case of public exchange offer)	10% of share capital	26 months
1 September 2021 (Resolution 9)	Delegation of competence granted to the Board of Directors to increase the share capital, without preferential subscription right, by issuing shares of the Company reserved for employees who are members of a French company savings plan (*plan d'épargne entreprise*)	33,450 euros	26 months
1 September 2021 (Resolution 10)	Delegation of competence granted to the Board of Directors to increase the share capital, without preferential subscription right, in favor of a category of beneficiaries (direct and indirect investment of employees and corporate officers)	33,450 euros	18 months
1 September 2021 (Resolution 11)	Authorization granted to the Board of Directors to allot free existing or new shares (*actions gratuites*) to certain employees and corporate officers of the Company and its affiliated companies	113,635 euros (no more than 11.14% of which may be allotted to the	38 months

Shareholder's meeting (No. of resolution)	Nature of the decision / financial delegation	Maximum nominal amount or maximum number of shares	Duration
		CEO of the Company)	
1 September 2021 (Resolution 13)	Authorization granted to the Board of Directors to carry out transactions on the Company's shares (share buy-back program)	10% of the share capital	18 months

19.1.2 *Non-equity securities*

As of the date of this Registration Document, the Company has not issued any securities not representing share capital.

19.1.3 *Shares held by or on behalf of the Company*

As of the date of this Registration Document, the Company does not hold any of its own shares and no shares of the Company are held by any of its subsidiaries or by any third party on its behalf.

The combined ordinary and extraordinary shareholders' meeting held on 1 September 2021 authorized the Board of Directors, for a period of 18 months following such shareholders' meeting, subject to the settlement and delivery of the shares offered in the proposed IPO, and with the right to sub-delegate, to purchase a number of Company shares representing up to 10% of the Company's share capital, in accordance with Articles L. 22-10-62 et seq. of the French Commercial Code, Articles 241-1 et seq. of the General Regulation of the AMF and Regulation (EU) No. 596/2014 of 16 April 2014 on market abuse ("**MAR Regulation**") and Delegated Regulation (EU) No. 2016/1052 of 8 March 2016 supplementing the MAR Regulation.

Such authorization may be used in order to carry out the following transactions:

- cancel shares subject to the adoption of the resolution authorizing cancellation of the shares by the extraordinary shareholders' meeting;
- meet obligations arising from share options programmes, or other allocation of shares to employees or corporate officers of the Company or of an affiliated company;
- provide shares upon the exercise of rights attached to securities giving access to the share capital of the Company;
- ensure that there is a market or liquidity for the shares of the Company through an accredited financial service provider under a liquidity agreement, in accordance with a market practice recognized by the AMF;
- carry out any market practice which may be authorized by the law or by the AMF;
- remit shares in connection with external growth transactions.

Shares may be bought, sold, or transferred by all means, on regulated markets or multilateral trading facilities, through systematic internalisers or over the counter, including through block trades or derivative financial instruments, in accordance with applicable laws and regulations.

The portion of the buyback program that can be carried out through block trades may represent the entire program. The total amount allocated to the share buyback program shall not be greater than €100,000,000.

The Board of Directors may not, without prior authorization by the General Meeting, make use of this authorization from the date of filing by a third party of a proposed public tender offer for the Company's shares, until the end of the offer period.

The Board of Directors may decide and implement such authorization, specify, if necessary, the terms and conditions, and, more generally, do whatever is necessary for the successful completion of the envisaged operations.

19.1.4 ***Other securities giving access to share capital***

None.

19.1.5 ***Terms of any acquisition rights and/or any obligation over authorized but unissued capital***

See Section 15.3 "*Profit-sharing agreements and incentive schemes*" with respect to the free shares granted on 30 June 2021, which will be issued on 30 June 2022 at the end of the one-year vesting period subject to the presence of the beneficiaries on such date.

19.1.6 ***Share capital of any member of the Group that is the subject of an option or of an agreement to put it under option***

JJNET International Co. Limited ("JJNET")	
Type of instruments	Call options for the benefit of certain employees of JJNET
Date	1 September 2020
Quantity of shares under options	52,630 shares
Exercise price (subject to adjustments)	HK$ 47.08
Consideration for which the options have been created	For the purpose of retaining and motivating the relevant persons as key employees and the unilateral termination of a service agreement.
*Period during which the options may be exercised (the "**Exercise Period**")*	Within thirty (30) days after the notification, by the board of directors of JJNET, of the contemplated completion of a Change of Control, the issuance of the option shares being subject to the actual completion of such Change of Control.
Expiry date	The earliest of: – the expiry of the Exercise Period; or – save in the event the employment agreement of the manager is terminated with the approval of JJNET and the manager concludes a service agreement with JJNET, if the manager ceases to be employed or engaged by the JJNET for any reason: the last

JJNET International Co. Limited ("JJNET")	
	date on which the manager was at work with JJNET (whether salary or service fee is paid in lieu of notice or not); or – the date on which an effective resolution is passed for the voluntary winding-up of JJNET or an order of court is made for the winding-up of JJNET
Dilution that may result from the exercise of the options	5%

Fine Tec Distribution Inc. ("Fine Tec")	
Type of instruments	Warrant certificates under which certain employees of Fine Tec are entitled to purchase common share of Fine Tec (each a "**Warrant Certificate**")
Date	7 February 2019
Quantity of shares under options	31,572 shares
Exercise price (subject to adjustments)	CAD 12
Consideration for which the options have been created	For the purpose of retaining and motivating the relevant persons as key employees.
*Period during which the options may be exercised (the "**Exercise Period**")*	Within thirty (30) days upon the occurrence of a Triggering Event (i.e., (i) a Change of Control, or (ii) the termination of the Holder's employment agreement by Fine Tec without Cause, or (iii) the Holder ceases to be employed by Fine Tec because of Holder's Retirement; or (iv) the elapse of seven (7) years from the Warrant Certificate, where the Holder is an employee of the Corporation).
Expiry date	The earliest of: – the occurrence of a Liquidation Event, – the occurrence of a Change of Control, – 30 days following a Triggering Event other than a Change of Control, – the termination of the Holder's employment with the Corporation for any other reason than the Holder's Retirement or the termination of his employment agreement by Fine Tec without Cause; provided that, if ownership of the Warrants under the Warrant Certificate is transferred to the Majority Shareholder, then the Expiry Time shall be

Fine Tec Distribution Inc. ("Fine Tec")	
	the 15th anniversary date of the Warrant Certificate notwithstanding anything to the contrary in the Warrant Certificate.
Dilution that may result from the exercise of the options	3%

19.1.7 ***Evolution of the Company's capital over the past three years***

Date	Type of transaction	Amount of the share capital before the transaction *(in euros)*	Number of shares before the transaction	Number of shares after the transaction	Par value	Amount of the share capital after the transaction *(in euros)*
03/07/2018	Share capital increase - issue of 341,580,474 PS2 preference shares (in cash)	1	100	341,580,574	€0.01	3,415,805.74
03/07/2018	Share capital increase - issue of 227,720,316 preference shares (cash contribution)	3,415,805.74	341,580,574	569,300,890	€0.01	5,693,008.90
04/07/2018	Share capital increase - issue of 3,542,462 PS1 preference shares (in cash)	5,693,008.90	569,300,890	572,843,352	€0.01	5,728,433.52
04/07/2018	Share capital increase - issue of 300,000 PS2 preference shares (in cash)	5,728,433.52	572,843,352	573,143,352	€0.01	5,731,433.52
04/07/2018	Share capital increase -	5,731,433.52	573,143,352	573,196,097	€0.01	5,731,960.97

Date	Type of transaction	Amount of the share capital before the transaction *(in euros)*	Number of shares before the transaction	Number of shares after the transaction	Par value	Amount of the share capital after the transaction *(in euros)*
	issue of 52,745 PS3 preference shares (in cash)					
04/07/2018	Share capital increase - issue of 1 PS4 preference share (in cash)	5,731,960.97	573,196,097	573,196,098	€0.01	5,731,960.98
04/07/2018	Share capital increase - issue of 119,262,598 ordinary shares (contribution in kind)	5,731,960.98	573,196,098	692,458,696	€0.01	6,924,586.96
04/07/2018	Share capital increase - issue of 39,106,993 PS1 preference shares (contribution in kind)	6,924,586.96	692,458,696	731,565,689	€0.01	7,315,656.89
04/07/2018	Share capital increase - issue of 147,255 PS3 preference shares (contribution in kind)	7,315,656.89	731,565,689	731,712,944	€0.01	7,317,129.44

19.2 Bylaws

The Bylaws were prepared in accordance with the laws and regulations applicable to French limited liability companies with a Board of Directors (*société anonyme à conseil d'administration*). The principal provisions described below have been taken from the

Company’s Bylaws as adopted by the shareholder’s meeting on 1 September 2021, whose effectiveness is subject to pricing of the Company’s shares in the context of the proposed IPO.

19.2.1 *Corporate purpose (Article 3 of the Bylaws)*

The purpose of the Company is, in France and abroad, directly or indirectly:

- to acquire, hold, manage and dispose of securities giving access, directly or indirectly, immediately or in the future, to the capital, in any form whatsoever, of other companies; to acquire securities, rights and assets by way of participation, contribution, subscription, underwriting, purchase or purchase option, negotiation and any other manner and to acquire, manage and develop patents and licenses. The Company may borrow and raise funds, including borrowing money in any form and obtaining loans in any form and raising funds through the issuance of bonds and any other convertible or non-convertible debt or equity securities, for the purpose described above;

- to manage the Company’s treasury, in particular by acquiring, subscribing to, holding and/or disposing of securities in undertakings for collective investment in transferable securities (UCITS) and cash investment funds;

- to grant any securities, guarantees and, more generally, any operations authorized under the terms of article L. 511-7 3° of the French Monetary and Financial code;

- to provide consulting and assistance services in financial, accounting, legal, tax, technical, administrative, commercial and/or IT matters, and in the negotiation of all types of contracts, and to provide any other services to companies, entities or groups;

- more generally, to carry out all financial, commercial, industrial, real estate and/or personal property transactions that may be related, directly or indirectly, to the above-mentioned purposes or to any other related or complementary purpose.

19.2.2 *Provisions of the Bylaws relating to administrative and management bodies (Articles 12 to 18 of the Bylaws)*

(a) Board of Directors

The description below summarizes the main provisions of the Bylaws relating to the Board of Directors, in particular its mode of operation and its powers.

In addition to the provisions relating to the Board of Directors mentioned below, the Internal Rules set out how the Board of Directors’ committees are organized, as well as define their powers and responsibilities (see Section 14.3 “*Board of Directors’ committees*” of this Registration Document).

<u>Composition</u>

The Company is governed by a Board of Directors composed of at least three (3) members and no more than eighteen (18) members, subject to the exceptions provided for by applicable laws and regulations.

<u>Appointment and term of the office</u>

Directors are appointed for a four (4) -year term of office. By way of exception, the General Shareholders’ Meeting may appoint one or more Directors for a different term not exceeding six (6) years or reduce the term of office of one or more Directors in office to a period of less than four (4) years, in order to allow for a staggered renewal of Directors' terms of office.

When a Director is appointed, in accordance with the applicable laws and regulations, to replace another, he/she shall hold office only for the remainder of the predecessor's term.

The term of office of a Director expires at the end of the General Shareholders' Meeting convened to approve the financial statements for the previous financial year and held during the year in which the term of office of such director expires.

Chairperson of the Board of Directors

The Board of Directors elects a Chairperson from among the members of the Board of Directors who are natural persons and determines the term of his/her office, the term of which may not exceed his/her Director's term.

The Chairperson organizes and manages the work of the Board of Directors and reports on such work to the General Shareholders' Meeting. The Chairperson oversees the proper functioning of the Company's governing bodies and ensures that the Directors are able to carry out their duties.

Powers of the Board of Directors

The Board of Directors defines the Company's strategic orientation and monitors its implementation, taking into account the social and environmental implications of its activity. Subject to the powers expressly granted to General Shareholders' meeting and within the limit of the Company's corporate purpose, the Board of Directors deliberates on any questions affecting the proper operation of the Company and settles matters though its deliberations.

Convening and holding of Board of Directors meetings

The Board of Directors meets as often as necessary in the Company's interest upon convening by its Chairperson by any means, even verbally in the case of an emergency. A meeting can be convened at the request of the Directors or the Chief Executive Officer under the conditions provided for by applicable laws and regulations.

The meetings of the Board of Directors take place at the Company's registered office or at any other place indicated in the convening notice.

Except in the cases excluded by applicable laws and regulations, the Internal Rules of the Board of Directors may stipulate that the Directors who participate in the meeting of the Board of Directors by means of videoconference or telecommunications equipment meeting the technical specifications required by applicable laws and regulations are deemed to be present for the calculation of the quorum and the majority.

The Board of Directors sets its operating procedures in the Internal Rules in accordance with the applicable laws and regulations and the Company's Bylaws. It can decide to create committees in charge of the study of questions that the Board of Directors or its Chairperson submit to their review. The composition and powers of each of these committees, which carry out their activities under its responsibility, are set by the Board of Directors in its Internal Rules.

(b) Executive Management

Organization of the Executive Management

At the option of the Board of Directors, the Company may be managed either by the Chairperson of the Board of Directors or a natural person appointed by the Board of Directors with the title of Chief Executive Officer.

The Board of Directors determines the term of the Chief Executive Officer's office.

Chief Executive Officer

If the Chairperson of the Board of Directors is in charge of the Company's general management, the legal, regulatory and Bylaws provisions concerning the Chief Executive Officer apply to the Chairperson.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, as limited by the corporate purpose of the Company and those powers that the applicable laws and regulations expressly confer to the shareholder's meetings and to the Board of Directors.

The Chief Executive Officer represents the Company in its relations with third parties. The Company is also bound by acts of the Chief Executive Officer that are not within the Company's corporate purpose, unless the Company can prove that the third party knew that such act went beyond the Company's corporate purpose or could not have been unaware thereof given the circumstances, publication of the Bylaws not being sufficient to constitute such proof.

Deputy Chief Executive Officers

On the proposal of the Chief Executive Officer, the Board of Directors may appoint up to five (5) natural persons to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer.

The Deputy Chief Executive Officer(s) may be removed at any time by the Board of Directors only and on the recommendation of the Chief Executive Officer.

If the Chief Executive Officer ceases or becomes unable to perform his or her duties, the Deputy Chief Executive Officer(s) will retain those duties and powers until the new Chief Executive Officer is appointed, unless otherwise decided by the Board of Directors.

The Board of Directors determines with the Chief Executive Officer the scope and duration of the powers granted to the Deputy Chief Executive Officer(s). The Deputy Chief Executive Officer(s) have the same powers with regard to third parties as the Chief Executive Officer.

19.2.3 ***Provisions of the Bylaws relating to General Shareholders' Meetings (Article 19 of the Bylaws)***

General Shareholders' Meetings are convened and held in accordance with the applicable laws and regulations.

Any shareholder has the right to attend General Shareholders' Meetings and participate in the deliberations personally or through an agent, under the conditions defined by the applicable laws and regulations, with proof of his/her identity and the ownership of his/her shares.

On decision of the Board of Directors published in the notice of meeting to use such telecommunications methods, shareholders who attend the meeting via videoconference or other telecommunication or electronic transmission methods, including Internet, which allow identification under the conditions required by the applicable legal and regulatory provisions, are deemed present for the calculation of quorum and majority.

On decision of the Board of Directors, any shareholder may vote remotely or give his/her proxy, pursuant to applicable laws and regulations, using a form prepared by the Company and sent to the Company under the conditions defined by the applicable laws and regulations, including electronic or broadcast transmission methods. This form must be received by the Company in accordance with the applicable laws and regulations.

Meetings are chaired by the Chairperson of the Board of Directors, or in his/her absence, by a Director specifically delegated in this purpose by the Board of Directors. If not, the meeting elects its own chairperson.

19.2.4 *Rights, preferences and restrictions attached to shares (Articles 7, 8 and 9 of the Bylaws)*

Fully paid-up shares shall be in registered or bearer form, at the shareholder's option, under the conditions provided for by applicable laws and regulations.

Each share confers the right to a share of the Company's profits and net assets in proportion to the percentage of the share capital it represents. In addition, each share carries the right to vote and the right to representation at General Shareholders' Meetings, in accordance with the applicable laws and regulations, and with the Company's Bylaws.

The double voting right provided for by Article L. 225-123 of the French Commercial Code is expressly excluded.

When it is required to hold several shares in order to exercise a particular right, holders of isolated shares or holders who do not have the relevant number of shares shall have no rights against the Company, the shareholders being responsible in this case for grouping, and as the case may be, purchase or sale of the relevant number of shares.

Shares are indivisible with regard to the Company. Joint-owners of shares must arrange to be represented by one of them of by a common agent of their choice in all dealings with the Company. If shares are subject to usufruct, this should be indicated when they are entered in the share register.

Shares, whether in registered or bearer form, are freely negotiable, unless otherwise provided by applicable laws or regulations. Shares are registered in an account, and their transfer shall be carried out by transfer from one account to another, under the conditions provided for by applicable laws and regulations.

19.2.5 *Modification of the rights of shareholders*

The rights of the shareholders may be modified in accordance with applicable laws and regulations.

The Bylaws do not contain any particular provisions with respect to modification of the rights of the shareholders that are more stringent than the law.

19.2.6 *Changes in the share capital of the Company*

The Bylaws do not contain any particular provisions with respect to modification in the share capital of the Company.

19.2.7 *Provisions that would have an effect of delaying or preventing a change in control of the issuer*

The Bylaws and the Internal Rules do not contain any provisions that delay, postpone or prevent a change of control of the Company.

19.2.8 *Provisions of the Bylaws relating to ownership threshold disclosures (Article 11 of the Bylaws)*

In addition to the thresholds provided for by applicable laws and regulations, and as long as the Company's shares are admitted to trading on a regulated market, any shareholder, acting alone or in concert, who comes to hold, directly or indirectly, a number of shares or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the General Regulations of the French *Autorité des Marchés Financiers*) equal or greater than 1.00% of the Company, must inform the Company within four (4) trading days after crossing such threshold. The declarant must also specify at the time of such declaration, their identity and that of the natural or legal persons acting in concert with them, the total number of shares or voting rights they hold directly or indirectly, alone or in concert, the number of securities held giving access to the Company's share capital, the date and origin of the threshold crossing, and, where applicable, the information referred to in the third paragraph of Article L. 233-7 of the French Commercial Code.

Over and above 1.00%, each additional threshold crossing of 1.00% of the share capital or voting rights must also be notified to the Company under the conditions set out above.

Any shareholder, acting alone or in concert, must also be under obligation to inform the Company within four (4) trading days if the percentage of capital or voting rights held falls below each of the thresholds referred to in this Article.

Failure to comply with the above provisions will be sanctioned in accordance with the applicable laws and regulations upon the request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders holding at least 5% of the Company's share capital or voting rights.

The Company reserves the right to inform the public and the shareholders either of the information disclosed to it or of the failure of the person concerned to comply with the above-mentioned requirement

19.2.9 *Identification of securities holders (Article 10 of the Bylaws)*

The Company may at any time make use of all applicable laws and regulations to require the identification of holders of securities conferring the right to vote immediately or in the future at its General Shareholders' Meetings.

20. MATERIAL CONTRACTS

None.

21. DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's Bylaws, minutes of general shareholders' meetings and other statutory documents, as well as any valuation or statement made by an independent expert at the Company's request, which must be made available to shareholders in accordance with applicable regulations, may be consulted at the Company's registered office.

Following the admission of the Company's shares to trading on Euronext Paris, regulated information pursuant to the provisions of the AMF General Regulation will also be available on the Company's website (www.exclusive-networks.com).

CROSS-REFERENCE TABLE

The following cross-reference table aims to facilitate access to the sections of this Registration Document that describe the information referred to in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019.

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
1	**PERSONS RESPONSIBLE, THIRD-PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL**	1
1.1	All persons responsible for the information or any parts of it, given in the registration document with, in the latter case, an indication of such parts. In the case of natural persons, including members of the issuer's administrative, management or supervisory bodies, indicate the name and function of the person; in the case of legal persons indicate the name and registered office.	1.1
1.2	A declaration by those responsible for the registration document that to the best of their knowledge, the information contained in the registration document is in accordance with the facts and that the registration document makes no omission likely to affect its import.	1.2
1.3	Where a statement or report attributed to a person as an expert, is included in the registration document, provide the following details for that person: (a) name; (b) business and address; (c) qualifications; (d) material interest if any in the issuer. If the statement or report has been produced at the issuer's request, state that such statement or report has been included in the registration document with the consent of the person who has authorised the contents of that part of the registration document for the purpose of the prospectus.	1.3
1.4	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced	N/A

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	information inaccurate or misleading. In addition, identify the source(s) of the information.	
1.5	A statement that: (a) the registration document has been approved by the French Financial Markets Authority, as competent authority under Regulation (EU) 2017/1129; (b) the French Financial Markets Authority only approves this registration document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129; (c) such approval should not be considered as an endorsement of the issuer that is the subject of this registration document.	Cover page
2	**STATUTORY AUDITORS**	2
2.1	Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).	2.1
2.2	If auditors have resigned, been removed or have not been re-appointed during the period covered by the historical financial information, indicate details if material.	2.2
3	**RISK FACTORS**	3
3.1	A description of the material risks that are specific to the issuer, in a limited number of categories, in a section headed "Risk Factors". In each category, the most material risks, in the assessment undertaken by the issuer, offeror or person asking for admission to trading on a regulated market, taking into account the negative impact on the issuer and the probability of their occurrence shall be set out first. The risks shall be corroborated by the content of the registration document.	3
4	**INFORMATION ABOUT THE ISSUER**	4
4.1	The legal and commercial name of the issuer	4.1
4.2	The place of registration of the issuer, its registration number and legal entity identifier ("LEI")	4.2

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
4.3	The date of incorporation and the length of life of the issuer, except where the period is indefinite	4.3
4.4	The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus.	4.4
5	**BUSINESS OVERVIEW**	5
5.1	**Principal activities**	5.7
5.1.1	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each financial year for the period covered by the historical financial information.	5.1 and 5.7
5.1.2	An indication of any significant new products and/or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, give the status of their development	5.3.4
5.2	**Principal markets** A description of the principal markets in which the issuer competes, including a breakdown of total revenues by operating segment and geographic market for each financial year for the period covered by the historical financial information.	5.2, 5.5 and 5.7.1
5.3	The important events in the development of the issuer's business	5.4
5.4	**Strategy and objectives** A description of the issuer's business strategy and objectives, both financial and non-financial (if any). This description shall take into account the issuer's future challenges and prospects	5.3
5.5	If material to the issuer's business or profitability, summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial,	5.8 and 5.10

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	commercial or financial contracts or new manufacturing processes	
5.6	The basis for any statements made by the issuer regarding its competitive position	5.5.3
5.7	**Investments**	5.13
5.7.1	A description, (including the amount) of the issuer's material investments for each financial year for the period covered by the historical financial information up to the date of the registration document	5.13.1
5.7.2	A description of any material investments of the issuer that are in progress or for which firm commitments have already been made, including the geographic distribution of these investments (home and abroad) and the method of financing (internal or external).	5.13.2
5.7.3	Information relating to the joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.	5.13.3
5.7.4	A description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets.	5.12
6	**ORGANISATIONAL STRUCTURE**	6
6.1	If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure.	6.1
6.2	A list of the issuer's significant subsidiaries, including name, country of incorporation or residence, the proportion of ownership interest held and, if different, the proportion of voting power held.	6.2
7	**OPERATING AND FINANCIAL REVIEW**	7
7.1	**Financial condition**	7.1
7.1.1	To the extent not covered elsewhere in the registration document and to the extent necessary for an understanding of the issuer's business as a whole, a fair review of the development and performance of the issuer's business and of its position for each year and	7.1.1

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	interim period for which historical financial information is required, including the causes of material changes. The review shall be a balanced and comprehensive analysis of the development and performance of the issuer's business and of its position, consistent with the size and complexity of the business. To the extent necessary for an understanding of the issuer's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial Key Performance Indicators relevant to the particular business. The analysis shall, where appropriate, include references to, and additional explanations of, amounts reported in the annual financial statements.	
7.1.2	To the extent not covered elsewhere in the registration document and to the extent necessary for an understanding of the issuer's business as a whole, the review shall also give an indication of: (a) the issuer's likely future development; (b) activities in the field of research and development. The requirements set out in item 7.1 may be satisfied by the inclusion of the management report referred to in Articles 19 and 29 of Directive 2013/34/EU of the European Parliament and of the Council.	
7.2	**Operating results**	7.2
7.2.1	Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations and indicate the extent to which income was so affected.	7.2
7.2.2	Where the historical financial information discloses material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes.	7.3
8	**CAPITAL RESOURCES**	8
8.1	Information concerning the issuer's capital resources (both short term and long term).	8.1
8.2	An explanation of the sources and amounts of and a narrative description of the issuer's cash flows.	8.2 and 8.3
8.3	Information on the borrowing requirements and funding structure of the issuer	8.4

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
8.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	8.5
8.5	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.7.2	8.2.2
9	**REGULATORY ENVIRONMENT**	9
9.1	A description of the regulatory environment that the issuer operates in and that may materially affect its business, together with information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.	9
10	**TREND INFORMATION**	10
10.1	A description of: (a) the most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the Registration Document; (b) any significant change in the financial performance of the group since the end of the last financial period for which financial information has been published to the date of the registration document, or provide an appropriate negative statement.	10
10.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.	10
11	**PROFIT FORECASTS OR ESTIMATES**	N/A
11.1	Where an issuer has published a profit forecast or a profit estimate (which is still outstanding and valid) that forecast or estimate shall be included in the registration document. If a profit forecast or profit estimate has been published and is still outstanding, but no longer valid, then provide a statement to that effect and an explanation of why such forecast or estimate is no longer valid. Such an invalid forecast or estimate is not subject to the requirements in items 11.2 and 11.3.	N/A

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
11.2	Where an issuer chooses to include a new profit forecast or a new profit estimate, or a previously published profit forecast or a previously published profit estimate pursuant to item 11.1, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate. The forecast or estimate shall comply with the following principles: (a) There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; (b) the assumptions must be reasonable, readily understandable by investors, specific and precise and not relate to the general accuracy of the estimates underlying the forecast; (c) in the case of a forecast, the assumptions shall draw the investor's attention to those uncertain factors which could materially change the outcome of the forecast.	N/A
11.3	The prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis which is both: (a) comparable with the historical financial information; (b) consistent with the issuer's accounting policies.	N/A
12	**ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**	12
12.1	Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital; (c) founders, if the issuer has been established for fewer than five years;	12.1 and 12.2

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	(d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business. Details of the nature of any family relationship between any of the persons referred to in points (a) to (d). In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person referred to in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information: (a) the names of all companies and partnerships where those persons have been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies; (b) details of any convictions in relation to fraudulent offences for at least the previous five years; (c) details of any bankruptcies, receiverships, liquidations or companies put into administration in respect of those persons described in points (a) and (d) of the first subparagraph who acted in one or more of those capacities for at least the previous five years; (d) details of any official public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies) and whether they have ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. If there is no such information required to be disclosed, a statement to that effect is to be made.	
12.2	Administrative, management and supervisory bodies and senior management conflicts of interests Potential conflicts of interests between any duties to the issuer, of the persons referred to in item 12.1, and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, a statement to that effect must be made. Any arrangement or	12.3

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 12.1 was selected as a member of the administrative, management or supervisory bodies or member of senior management. Details of any restrictions agreed by the persons referred to in item 12.1 on the disposal within a certain period of time of their holdings in the issuer's securities.	
13	**REMUNERATION AND BENEFITS**	13
	In relation to the last full financial year for those persons referred to in points (a) and (d) of the first subparagraph of item 12.1:	
13.1	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to such persons by the issuer and its subsidiaries for services in all capacities to the issuer and its subsidiaries by any person. That information must be provided on an individual basis unless individual disclosure is not required in the issuer's home country and is not otherwise publicly disclosed by the issuer.	13.1 and 13.2
13.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits.	13.3
14	**BOARD PRACTICES**	14
	In relation to the issuer's last completed financial year, and unless otherwise specified, with respect to those persons referred to in point (a) of the first subparagraph of item 12.1.	
14.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	14.1
14.2	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist.	14.2
14.3	Information about the issuer's audit committee and remuneration committee, including the names of	14.3

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	committee members and a summary of the terms of reference under which the committee operates.	
14.4	A statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to the issuer. In the event that the issuer does not comply with such a regime, a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.	14.4
14.5	Potential material impacts on the corporate governance, including future changes in the board and committees composition (in so far as this has been already decided by the board and/or shareholders meeting).	14.5
15	**EMPLOYEES**	15
15.1	Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average during the most recent financial year.	15.1
15.2	**Shareholdings and stock options** With respect to each person referred to in points (a) and (d) of the first subparagraph of item 12.1 provide information as to their share ownership and any options over such shares in the issuer as of the most recent practicable date.	15.2
15.3	Description of any arrangements for involving the employees in the capital of the issuer.	15.3
16	**MAJOR SHAREHOLDERS**	16
16.1	In so far as is known to the issuer, the name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest, as at the date of the registration document or, if there are no such persons, an	16.1

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	appropriate statement to that that effect that no such person exists.	
16.2	Whether the issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist.	16.2
16.3	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused.	16.3
16.4	A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.	16.4
17	**RELATED PARTY TRANSACTIONS**	17
17.1	Details of related party transactions (which for these purposes are those set out in the Standards adopted in accordance with the Regulation (EC) No 1606/2002 of the European Parliament and of the Council, that the issuer has entered into during the period covered by the historical financial information and up to the date of the registration document, must be disclosed in accordance with the respective standard adopted under Regulation (EC) No 1606/2002 if applicable. If such standards do not apply to the issuer the following information must be disclosed: (a) the nature and extent of any transactions which are, as a single transaction or in their entirety, material to the issuer. Where such related party transactions are not concluded at arm's length provide an explanation of why these transactions were not concluded at arm's length. In the case of outstanding loans including guarantees of any kind indicate the amount outstanding; (b) the amount or the percentage to which related party transactions form part of the turnover of the issuer.	17.1 and 17.2
18	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**	18
18.1	**Historical financial information**	

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
18.1.1	Audited historical financial information covering the latest three financial years (or such shorter period as the issuer has been in operation) and the audit report in respect of each year.	18.2 (2020) 18.3 (2019) 18.4 (2018)
18.1.2	**Change of accounting reference date** If the issuer has changed its accounting reference date during the period for which historical financial information is required, the audited historical information shall cover at least 36 months, or the entire period for which the issuer has been in operation, whichever is shorter.	18.2 (2020) 18.3 (2019) 18.4 (2018)
18.1.3	**Accounting standards** The financial information must be prepared according to International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002. If Regulation (EC) No 1606/2002 is not applicable, the financial information must be prepared in accordance with: (a) a Member State's national accounting standards for issuers from the EEA, as required by Directive 2013/34/EU; (b) a third country's national accounting standards equivalent to Regulation (EC) No 1606/2002 for third country issuers. If such third country's national accounting standards are not equivalent to Regulation (EC) No 1606/2002 the financial statements shall be restated in compliance with that Regulation.	7 and 18.2.1 (note 18)
18.1.4	**Change of accounting framework** The last audited historical financial information, containing comparative information for the previous year, must be presented and prepared in a form consistent with the accounting standards framework that will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements. Changes within the accounting framework applicable to an issuer do not require the audited financial statements to be restated solely for the purposes of the prospectus. However, if the issuer intends to adopt a new accounting standards framework in its next published financial statements, at least one complete set of financial statements (as defined by IAS 1 Presentation of Financial Statements as set out in Regulation (EC) No 1606/2002), including comparatives, must be presented in a form consistent	18.2.1

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	with that which will be adopted in the issuer's next published annual financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements.	
18.1.5	Where the audited financial statements is prepared according to national accounting standards, it must include at least the following: (a) the balance sheet; (b) the income statement; (c) a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; (d) the cash flow statement; (e) the accounting policies and explanatory notes.	18.3.1 (2019) 18.4.1 (2018)
18.1.6	**Consolidated financial statements** If the issuer prepares both stand-alone and consolidated financial statements, include at least the consolidated financial statements in the registration document.	18.2 18.3 18.4
18.1.7	**Age of financial information** The balance sheet date of the last year of audited financial information may not be older than one of the following: (a) 18 months from the date of the registration document if the issuer includes audited interim financial statements in the registration document; (b) 16 months from the date of the registration document if the issuer includes unaudited interim financial statements in the registration document.	N/A
18.2	Interim and other financial information	
18.2.1	If the issuer has published quarterly or half-yearly financial information since the date of its last audited financial statements, these must be included in the registration document. If the quarterly or half-yearly financial information has been audited or reviewed, the audit or review report must also be included. If the quarterly or half-yearly financial information is not audited or has not been reviewed, state that fact. If the registration document is dated more than nine months after the date of the last audited financial statements, it must contain interim financial information, which may be unaudited (in which case	18.1.1 (Footnote: "To be inserted once available")

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
	that fact must be stated) covering at least the first six months of the financial year. Interim financial information prepared in accordance with the requirements of Regulation (EC) No 1606/2002. For issuers not subject to Regulation (EC) No 1606/2002, the interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year's end balance sheet in accordance with the applicable financial reporting framework.	
18.3	Auditing of historical annual financial information	
18.3.1	The historical annual financial information must be independently audited. The audit report shall be prepared in accordance with the Directive 2014/56/EU of the European Parliament and Council and Regulation (EU) No 537/2014 of the European Parliament and of the Council. Where Directive 2014/56/EU and Regulation (EU) No 537/2014 do not apply: (a) the historical annual financial information must be audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard; (b) If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications, modifications of opinion, disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.	18.1.2 18.2.2 18.3.2 18.4.2
18.3.2	Indication of other information in the registration document that has been audited by the auditors.	N/A
18.3.3	Where financial information in the registration document is not extracted from the issuer's audited financial statements state the source of the information and state that the information is not audited.	7.5
18.4	*Pro forma* financial information	18.5 (N/A)

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
18.4.1	In the case of a significant gross change, a description of how the transaction might have affected the assets, liabilities and earnings of the issuer, had the transaction been undertaken at the commencement of the period being reported on or at the date reported. This requirement will normally be satisfied by the inclusion of pro forma financial information. This pro forma financial information is to be presented as set out in Annex 20 and must include the information indicated therein. Pro forma financial information must be accompanied by a report prepared by independent accountants or auditors.	18.8 (N/A)
18.5	Dividend policy	10.4 and 18.6
18.5.1	A description of the issuer's policy on dividend distributions and any restrictions thereon. If the issuer has no such policy, include an appropriate negative statement.	10.4 and 18.6
18.5.2	The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted, where the number of shares in the issuer has changed, to make it comparable	10.4 and 18.6
18.6	Legal and arbitration proceedings	18.7
18.6.1	Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.	18.7
18.7	Significant change in the issuer's financial position	18.8
18.7.1	A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published, or provide an appropriate negative statement.	18.8
19	**ADDITIONAL INFORMATION**	19
19.1	Share capital The information in items 19.1.1 to 19.1.7 in the historical financial information as of the date of the most recent balance sheet:	19.1

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
19.1.1	The amount of issued capital, and for each class of share capital: (a) the total of the issuer's authorised share capital; (b) the number of shares issued and fully paid and issued but not fully paid; (c) the par value per share, or that the shares have no par value; and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact.	19.1.1
19.1.2	If there are shares not representing capital, state the number and main characteristics of such shares.	19.1.2
19.1.3	The number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer.	19.1.3
19.1.4	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription.	19.1.4
19.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital.	19.1.5
19.1.6	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate.	19.1.6
19.1.7	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.	19.1.7
19.2	**Memorandum and Articles of Association**	19.2
19.2.1	The register and the entry number therein, if applicable, and a brief description of the issuer's objects and purposes and where they can be found in the up to date memorandum and articles of association.	19.2.1

N°	Information specified in Annex I of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019	Registration Document section or chapter
19.2.2	Where there is more than one class of existing shares, a description of the rights, preferences and restrictions attaching to each class.	19.2.4
19.2.3	A brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer.	19.2.7
20	**MATERIAL CONTRACTS**	20
20.1	A summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for the two years immediately preceding publication of the registration document. A summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the group which contains any provision under which any member of the group has any obligation or entitlement which is material to the group as at the date of the registration document.	20
21	**DOCUMENTS AVAILABLE**	21
21.1	A statement that for the term of the registration document the following documents, where applicable, can be inspected: (a) the up to date memorandum and articles of association of the issuer; (b) all reports, letters, and other documents, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document. An indication of the website on which the documents may be inspected.	21

GLOSSARY

2018 EFH Consolidated French GAAP Financial Statements	Refers to the Group's consolidated financial statements for the year ended 31 December 2018 prepared in accordance with French GAAP
2019 Consolidated French GAAP Financial Statements	Refers to the Group's consolidated financial statements for the year ended 31 December 2019 prepared in accordance with French GAAP
2020 Consolidated Financial Statements	Refers to the Group's consolidated financial statements for the year ended 31 December 2020 (including the year ended 31 December 2019 as comparative), prepared in accordance with IFRS
AEB	Stands for "export compliance software" that screens reseller profiles (from a "bill to-ship to" perspective) to make sure the Group complies with any US and EU export regulations for the Group's "dual-use" products portfolio
Adjusted EBITA	Recurring operating profit before amortization of intangible assets, as adjusted for certain costs that do not impact the day-to-day operation (including implementation costs for finance and operation, group management systems, restructuring costs and one-time costs)
Adjusted EBITA as a percentage of Net Margin	Adjusted EBITA divided by Net Margin
Adjusted EBITDA	Recurring operating profit less depreciation and amortisation, less other non-recurring items ("Other" in the IFRS consolidated financial accounts).
Adjusted Net Income	Net income adjusted for amortization of intangible assets and other operating expense/income (post tax at effective tax rate)
Adjusted PBT	Profit before tax plus amortization of intangible assets
AMF	*Autorité des marchés financiers*
APAC	Refers to the Asia-Pacific region
ASC	Stands for "Authorized Support Center"
Audit Committee	Refers to the Group's audit committee composed of Mrs. Nathalie Bühnemann (Chair), Mr. Pierre Pozzo and Mrs. Barbara Thoralfsson, which is responsible for audit and risk management.
BI	Refers to the business decision making tool, QlikView, which is referred to in Section 5.9.1 "*Description of IT tools used*"
BIS	Stands for the U.S. Department of Commerce's Bureau of Industry and Security

CAGR	Stands for "Compound Annual Growth Rate" and is an approximate measure of an investment's profitability, focused on asset growth but not accommodating periodic cashflows
CASB	Stands for "Cloud Access Security Broker" and is a software tool or service that sits between an organization's on-premises infrastructure and a cloud provider's infrastructure
Capex	Net Operating Capex plus Repayment of Lease Liabilities
Cash Conversion	Operating FCF before tax divided by Adjusted EBITDA
CDC	Stands for the "Cyber Defence Council", composed of the Group's engineers and the Group's IT Infrastructure Director, which meets on a monthly basis to debate best practices across the regions, share new technology, cybersecurity solutions coming to the market, discuss network monitoring, fraudulent access attempts (if any, the specific business case is reviewed) and cyber surveillance, in some cases, and many other cyber-related topics
Churn Rate	Calculated as the percentage of vendors with more than €1 million in revenues in Yn reporting less than 95% of Yn revenues in Yn+1
CORE	Stands for "Commercial & Operations Roadmap for Excellence" and refers to the plan launched in September 2018 to harmonize processes and systems around the globe through the deployment of the Oracle solution NetSuite and to be hosted on the cloud
CRM	Stands for the "Customer Relationship Management" program which is located on cloud, regional and local servers
Dual-use	Means the products and solutions distributed by the Group incorporate cryptology and encryption technology that can be used for both civilian and military applications
e-Privacy Directive	Refers to the Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector
EAR	Refers to the U.S. Export Administration Regulations (EAR, 15 C.F.R. 730 *et seq*)
EBITDA	Means Earnings before Interest, Tax, Depreciation and Amortization. The definition of EBITDA in 2018 corresponds to the definition of Adjusted EBITDA in 2019 and 2020. The notion of Adjustments comes from the change in accounting standards from French GAAP in 2018 to IFRS in 2019 and 2020. The IFRS definition of Non-Recurring Operating Income & Expenses is more restrictive than the Company's non-GAAP definition.
EFH	Refers to Exclusive France Holding SAS
EMEA	Refers to the Europe, Middle East, and Africa region

ERP	Stands for the "Enterprise Resource Planning" program which is located on cloud, regional and local servers
Euronext Paris	Refers to the regulated market of Euronext in Paris
EXN TAC	Stands for "Exclusive Networks Technical Assistance Centre"
French GAAP	French generally accepted accounting principles
GDPR	Refers to the Regulation (EU) 2016/679 of the European Parliament and of the Council of 25 May 2016 on Data Protection
Gross Sales	Represents revenue recognized by the Group on a gross basis for each revenue stream (i.e. Solutions and Support/Maintenance) and before intra- and inter-segment intercompany eliminations
Group	Refers to (i) the Company, its consolidated subsidiaries, branches and its direct and indirect equity interests, collectively, or (ii) prior to the date of incorporation of the Company, Exclusive France Holding SAS, its consolidated subsidiaries, branches and its direct and indirect equity interests, collectively.
GSO	Stands for "Global Service Operations", a full lifecycle service wrap that is available to the Group's resellers as and when needed
HoldCo	Refers to Everest HoldCo SAS
IaaS	Stands for "Infrastructure as a Service", a managed virtual cloud hosting platform based on technology from Nutanix, one of its vendors, and proofs of concept, technical workshops and solutions design
IFRS	International Financial Reporting Standards
Interim Condensed Consolidated Financial Statements	Refers to the Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2021
IOR	Stands for "Import of Record" services (i.e., ensuring that exports of goods comply with legal requirements and regulations of the destination country)
IoT	Stands for the "Internet of Things", the methods of protection used to secure internet-connected or network-based devices
IPO	Initial Public Offering of the Company's shares
IPO Price	Means the price of the shares offered in the proposed IPO
MSP	Stands for "Managed Service Providers", outsourcers who specialize in maintaining, and anticipating need for, a range of processes and functions to improve operations and cut expenses
Market Reports	Means market studies commissioned by the Company from Bain & Company, Inc. and information otherwise obtained from International Data Corporation (IDC), AV-Test, Crunchbase,

	Cybersecurity Ventures, Hampleton, Momentum Cybersecurity Group and PitchBook.
MSSD	Stands for "Managed Security Services Distributor", the Group's managed security service dedicated to creating value within the distribution channel.
Net Debt	Calculated by subtracting the Group's total cash and cash equivalents from its total bank borrowings, bank overdrafts, short term loans and factoring liabilities.
Nomination and Compensation Committee	Refers to the Group's nomination and compensation committee composed of Mrs. Marie-Pierre de Bailliencourt (Chair), Mrs. Nathalie Bühnemann and Mr. Michail Zekkos, which is responsible for the Group's compensation policy.
Operating FCF before Tax	Net income deducted from Net financial income/expense, Income Tax, Depreciation and amortization, Gains/losses on disposal of fixed assets, Change in Net Working Capital excluding the change in Exclusive Capital's financial assets and Net Operating Capex & Repayment of lease liabilities.
OPEX	Refers to the operational expenditure required for the day-to-day functioning of a business, as opposed to CapEx, capital expenditure required to create a benefit in the future
Permira VI	Refers to the Permira VI Fund
Refinancing	Means the downstream distribution of a portion of the proposed IPO proceeds (by way of intra-group shareholder loan(s) to Everest SubBidCo). Everest SubBidCo will use such proceeds, as well as the proceeds of the New Term Loan Facilities to be entered into by Everest SubBidCo, to (i) repay its intra-group debt (and repay the intra-group debt of certain Group subsidiaries on their behalf) to Everest BidCo, which in turn will repay its €500,000,000 debt under Facility B, its £105,000,000 debt under the Second Lien Facilities, its €90,000,000 debt under the Original RCF and (ii) roll its €13 million debt under the Overdraft Facility, on a cashless and secured basis into the new financing
Renewal Rate	Defined as Gross Sales generated in year N from vendors or customers active in year N-1 divided by Gross Sales from the same vendors or customers in year N-1.
Reorganization	Refers to the corporate reorganization that will be implemented in the context of the proposed IPO of the Company as further described in Section 6.1.2 "*Description of the Reorganization*"
ROCE	"Return on Capital Employed", calculated as the Adjusted EBITA (including Veracomp) divided by the sum of non-current assets (excluding Goodwill and other intangible assets) and Net Working Capital (excluding EXN Capital Finance Asset, which relates to IT solution systems sold through Exclusive Capital financing arrangements)

SG&A	Stands for selling, general and administrative expenses
SIs	Stands for "System Integrators", companies that specializes in bringing together component subsystems into a whole and ensuring that those subsystems function together, a practice known as system integration, on a global scale
Telcos	Stands for "Telecommunications Companies" which provide telecommunications services such as telephony and data communications access
VARs	Stands for "Value-added Resellers" who resell vendor products along with complementary products or services (e.g., installation and consulting)
X-OD	Stands for "Exclusive On Demand", the platform which allows resellers to subscribe to the products offered by the Group's vendors.