Annual Financial Report
as at 28 February 2017

UNIEURO S.p.A.

Registered office: Via V.G. Schiaparelli 31 - 47122 Forlì

Share capital: Euro 4,000,000 fully paid up

Tax ID No./VAT No.: 00876320409

Recorded in the Company Register

of Forlì-Cesena: 177115

LETTER OF CHIEF EXECUTIVE OFFICER TO SHAREHOLDERS

Dear Shareholders,

In the year just ended, your company once again outdid itself: revenues were at historic highs exceeding Euro 1.6 billion; and the profits and cash generated eliminated net debt and made it possible to internally fund the significant investments made on the store network and digital platform. This was made possible by the positive contribution of each distribution channel and each product category, with excellent performance that exceeded that of the reference market.

If Unieuro is the current Italian leader in terms of the number of points of sale, is rapidly growing online and is seen as the main market consolidator, it is because of our strategy that focuses on customers, their needs and purchasing habits that are growing in sophistication. The experience gained in 80 years of history, and the significant resources used to analyse and interpret data and behaviour have made it clear to us that the purchase process is fluid and easily alternates between the real and virtual through store visits and accesses to the mobile app, call centre and website: omnichannel retail is a reality, and Unieuro truly embodies this concept more than anyone.

The ecosystem we have managed to build is characterised by full integration between the physical channel - a robust, widespread network of 460 direct and affiliated stores, most of which are pick-up points - and a cutting-edge digital platform offering customers a specific means to access our product offerings at any time and any place.

To support this integrated infrastructure, which is our greatest competitive advantage, during the year we made significant investments: many points of sale were renovated and revitalised, and several new ones were opened in highly strategic locations; we updated and expanded the unieuro.it e-commerce platform in terms of both the graphic interface as well as usability, navigation and content; and a new application was released for mobile devices with unique functionality capable of further solidifying the integration between online and offline shopping. All of this was done without ever neglecting logistical efficiency, which is the foundation of our business model, and the centralised warehouse in Piacenza is an indispensable strong point that ensures high standards of service, close inventory controls and a platform where new acquisitions can be quickly and effectively implanted.

In fact, our strategy continues to be focused on growth from outside sources as a continuation of a company history that is peppered by successful acquisitions. In the wake of the transaction in 2013 that resulted in doubling the store network and the creation of the current Unieuro, as well as the subsequent foray into the travel channel, last February we announced the acquisition of Monclick, one of the main Italian pure players in the online consumer electronics market with a strong presence in the B2B2C segment. Even more recently, we approved the acquisition of 21 points of sale that will substantially strengthen Unieuro’s presence in central Italy. These are significant transactions promoting both online and offline growth that leverage the existing infrastructure and management’s proven capability to exploit synergies, and that irrefutably stress that the Company is the only omnichannel consolidator in a market that is still highly fragmented with enormous potential. Thus, we will continue along the wake of this strategy with the confidence that we can create value to be redistributed to our stakeholders, including in the form of dividends to shareholders.

Moreover, our shareholder base was updated and expanded following a landmark event in Unieuro’s history: in April 2017 the Company's shares successfully debuted on the STAR segment of Borsa Italiana after an institutional placement that gained acceptance from some of the most prominent Italian and international financial operators. We have deservedly won their confidence and crossed a significant finishing line, which at the same time is a new starting point.

Thus, in the name of the Board of Directors, I would like to thank our customers, the entrepreneurs affiliated with our wholesale network, our 3,900 employees, and first and foremost, you old and new shareholders, who have placed your trust in us, and who believed in a successful story with several chapters left ahead to write together.

Giancarlo Nicosanti Monterastelli

Chief Executive Officer

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1. PROCEDURAL NOTES

Below in this Directors' Report on operations is information on revenues, profitability and balance sheet and cash flows of Unieuro S.p.A. at 28 February 2017 compared with the same figures for the previous year.

Unless otherwise indicated, all amounts are stated in millions of euros. Amounts and percentages were calculated on amounts in thousands of euros, and thus, any differences found in certain tables are due to rounding.

2. ACCOUNTING POLICIES

This annual financial report as at 28 February 2017 has been compiled in accordance with Article 154-ter, paragraph 5 of Legislative Decree 58/98 (TUF) as amended and supplemented, and in compliance with Article 2.2.3 of the Stock Exchange Regulation.

The accounting standards used by the Company are the International Financial Reporting Standards adopted by the European Union ("IFRS") and in accordance with Legislative Decree 38/2005, as well as other CONSOB provisions concerning financial statements.

In order to facilitate the understanding of the Company's operating and financial performance, certain alternative performance indicators ("API") have been identified. For the proper interpretation of the APIs, note the following: (i) these indicators were created exclusively on the basis of the Company's historical data and are not indicative of future performance, (ii) the APIs are not specified in IFRS, and while they are derived from the financial statements, they are not audited, (iii) the APIs should not be considered a substitute of the indicators required by established accounting standards (IFRS), (iv) these APIs must be read in conjunction with the Company's financial information taken from the financial statements, (v) since the definitions and criteria used to determine the indicators used by the Company are not based on established accounting standards, they may not be standardised with those used by other companies or groups, and thus, they may not be comparable with those that may be presented by such entities, and (vi) the APIs used by the Company continue to have the same definitions and descriptions for all years for which financial information is included in the financial statements.

The APIs reported (adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the year, net working capital, adjusted levered free cash flow, net financial debt and net financial debt/adjusted EBITDA) have not been identified as IFRS accounting measures, and thus, as noted above, they must not be considered as alternative measures to those provided in the Company's financial statements to assess their operating performance and related financial position.

Certain indicators have been presented as “adjusted” in order to report the Company’s operating and financial performance net of non-recurring events, unusual events and events related to extraordinary transactions as identified by the Company. The adjusted indicators indicated consist of: adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the year, adjusted levered free cash flow and net financial debt/adjusted EBITDA. These indicators reflect the main operating and financial measures adjusted for non-recurring income and expenses that are not strictly related to the core business and operations, and for the effect from the change in business model for extended warranty services (as more fully described below in the API “adjusted EBITDA”), and thus, they make it possible to analyse the Company’s performance in a more standardised manner in the years reported in the annual report.

Main financial and operating indicators[1]

(In millions of Euro)	Financial year ended	
	28 February 2017	**29 February 2016**
Operating indicators		
Revenues	1,660.5	1,557.2
Adjusted EBITDA[2]	65.4	59.1
Adjusted EBITDA margin[3]	3.90%	3.80%
Profit (loss) for the year	11.6	10.6
Adjusted profit (loss) for the year[4]	36.3	25.7
Indicators from statement of financial position		
Net working capital	(149.7)	(127.4)
Net financial debt	(2.0)	(25.9)
Net financial debt/Adjusted EBITDA	0.03x	0.44x
Cash flows		
Adjusted levered free cash flow[5]	39.7	33.3
Investments during the period	(27.9)	(27.5)

	Financial year ended

[1] Adjusted indicators are not identified as an accounting measure in IFRS, and thus should not be considered an alternative measure for assessing the Company's results. Since the composition of these indicators is not governed by established accounting standards, the calculation criterion applied by the Company might not be the same as that used by other companies and with any criterion the Company might use or create in the future, which therefore will not be comparable.

[2] Adjusted EBITDA is EBITDA adjusted (i) for non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services. See paragraph 6.2 for additional details.

[3] The adjusted EBITDA margin is the ratio of adjusted EBITDA to revenues.

[4] The adjusted profit (loss) for the year is calculated as the profit (loss) for the year adjusted (i) for adjustments incorporated in adjusted EBITDA covered in Note 2 above and (ii) for the theoretical tax impact of those adjustments.

[5] Adjusted levered free cash flow is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments, and including adjustments for non-recurring expenses (income), and net of their non-cash component and the related tax impact. See paragraph 6.5 for additional details.

	28 February 2017	29 February 2016
Operating indicators for the year		
Like-for-like growth (as a %)[6]	3.3%	7.5%
Direct points of sale (number)	180	181
Affiliated points of sale (number)	280	283
Direct pick-up points[7] (number)	169	171
Affiliated pick-up points[6] (number)	212	106
Total area of direct points of sale (in square metres)	about 276,000	about 283,000
Sales density[8] (Euros per square metre)	4,630	4,350
Full-time-equivalent employees[9] (number)	3,395	3,389

3. UNIEURO S.P.A. PROFILE

Unieuro S.p.A. (hereinafter also the "Company" or "Unieuro" or "UE"), was founded at the end of the 1930s by Vittorio Silvestrini, and is now the largest Italian chain of consumer electronics and appliances by number of points of sale, and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

The Company uses an omnichannel approach providing customers with several buying methods through both a widespread network of direct points of sale (Retail and Travel channels[10]) and indirect points of sale (Wholesale channel), comprising 460 points of sale at 28 February 2017, including 180 direct and 280 affiliated points of sale, and an online channel operating through the website www.unieuro.it, which allows customers to order products and decide to have them delivered to their homes or pick them up at a direct or affiliated point of sale. The Company's products are rounded out by the B2B channel targeting professional domestic and foreign customers that operate in industries other than

[6] Like-for-like growth: method for comparing sales of direct points of sale including click-and-collect sales for the current year, with sales for the previous year for the same number of points of sale, and thus, in accordance with the criterion of being operational for at least 26 months.
[7] Physical pick-up points for customer orders using the online channel.
[8] This indicator is obtained from the ratio of annual sales generated by direct points of sale to the total area devoted to sales in all direct points of sale.
[9] Average annual number of full-time-equivalent employees.
[10] The Travel sales channel sells products through major public transportation hubs through direct points of sale.

those where Unieuro operates, or operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans.

Unieuro operates using the same name brand, which was revitalised in 2014 with a new graphic identity and new positioning, and which reached a 99% brand awareness level in the following year.

The Company's mission is to accompany customers in all phases of their shopping experience, placing them at the centre of an integrated ecosystem of products and services with a strategic approach focusing on accessibility, a local presence and nearness.

Unieuro has its registered office in Forlì and logistics centre in Piacenza and a staff of over 3,900 employees. Revenues for the current year were over Euro 1.6 billion.

In recent years the company and brand have received recognition as Retailer of the Year in Italy for certain product categories and Superbrand for the value and promotion of the Unieuro brand.

4. STRATEGY AND BUSINESS MODEL

Unieuro’s strategy is driven by the desire to continue the profitable growth of the business by increasing market share in product categories favouring market trends (White, Telecom) and by enhancing the importance of customers and making the most of omnichannel opportunities.

By leveraging its unique assets, Unieuro is seen as a natural consumer electronics market consolidator due in part to a process of focusing on strategic priorities, the pillars of which are:

- Local presence
- Maximising the customer experience
- *Retail mix*

a. Local presence

Unieuro recognises that it is witnessing a structural change in the market and shopping habits of consumers. In fact, there is a paradigm shift going on in the market: the Internet enhances customer awareness in terms of product knowledge, opens new opportunities for streamlining the process of obtaining information and the shopping process, and it is actually changing the relationship between customers and manufacturers, but also between customers and retailers.

In this changing market environment, being close to customers becomes a strategic factor in order to ensure better coverage of contact touchpoints.

The purpose of the process of developing a network of direct and indirect points of sale is to achieve market penetration in areas currently not covered, and also to enhance the brand's image, including through the development of differentiated formats that promote the aspect of providing local stores.

In this regard, to support its strategy of market consolidation and expansion by continuing to analyse the Italian market, new points of sale (one direct POS in the Retail channel and one direct POS in the Travel channel and 20 indirect POSs) were also opened this year.

At the beginning of fiscal year 2017-2018, an additional point of sale was opened in the Travel channel, and the acquisition of 21 points of sale located in Lazio, Abruzzo and Molise was announced and completed on 18 April 2017. These points of sale will make it possible to provide even better coverage of the Italian market and generate significant synergies with the current network.

The concept of a local presence, i.e., integration in the digital ecosystem (from search engines to the major social networks) was also introduced in the online segment. Specifically, by leveraging new media, the new digital communications strategy made it possible to reach 20 million Italians with campaigns such as “Unieuropeans” and “Humans of Technology.” In the social media area, the new strategy made it possible to achieve 400,000 reactions, which is a level nearly 4 times higher than that of competitors. The optimisation of performance campaigns aimed at improving the conversion rate of the site made it possible to create a case history with Google (Case Drive to Store).

The enhancement of the digital channel will also come from external growth such as the announced acquisition of Monclick.

Unieuro’s widespread physical network has become a fundamental asset in the omnichannel context, making it possible to offer its customers the option of ordering products at www.unieuro.it and picking up products at the closest physical point of sale. During the year, the number of pick-up points increased by 38% from 277 to 381.

A factor facilitating the omnichannel strategy is a flexible, scalable centralised logistics process as well as the high recognition and popularity of the Unieuro brand.

The improvement of total awareness and strong leadership in the total recall of advertising as compared to competitors has made it possible to increase the intention to buy by one percentage point over the previous year.

b. Maximising the customer experience

In this new market environment, it is essential to maintain the various touchpoints of interaction with customers to create a competitive advantage based on solutions aimed at satisfying the needs of consumers who are able to take advantage of the integration of channels and support it.

A structured process of gathering feedback from customers is used to set the direction of change and optimise the various touchpoints. Through the establishment of new customer satisfaction and data analysis metrics, customers are driving the ongoing improvement process and positioning the company as a leader in the customer experience in the retail segment.

In this context, Unieuro has developed a scalable layout of its point of sale that can be adapted to various available structures (from a nearby store to a megastore), and that facilitates the path followed by the customer in the store giving him/her easy access to key products and creating areas to handle products in order to compare them.

Unieuro’s commitment to spread this efficient and unique layout is also reflected in the work programme for stores that each year includes the remodelling and relocation of its points of sale to maintain their popularity. During the year, 17 direct and 25 indirect points of sale were also remodelled, and four points of sale were relocated to structures that better meet customer needs, at a total investment of over Euro 12 million.

Points of sale have taken on a new role with a high emphasis on testing activities, and they have become a place where the vertical product skills of the sales staff can be leveraged to provide purchase recommendations.

The process of developing the company's e-commerce division has in fact leveraged the concept of a flexible approach to using media and various touchpoints involving the affirmation of several devices in the process of searching for information and closing the purchase. The restructuring of the communications strategy involving the total restyling of the site using a “mobile first” approach and the new app (227,000 downloads) made it possible to optimise sales performance with a growth rate greater than that of the entire online sector. The user experience tends to emphasize product research and maximise conversion rate by facilitating the purchase process on a site that had 64 million visitors in the year ending 28 February 2017.

This development process is accompanied by measures aimed at fostering the digitalisation of stores through plans for the convergence of physical and digital stores and the implementation of new online communication tools.

Thus, the aim is to offer an increasingly personalised shopping experience based on an analysis of customer behaviour and preferences (CRM - customer relationship management) to eliminate the space limitations at individual physical points of sale and focus on the needs of individual customers. The strong trust built with its customer base is reflected in the high number of members (6.4 million) in the UnieuroClub loyalty programme, that has also made it possible to support the personalisation of the strategy to sign up customers.

c. Retail mix

Unieuro is able to offer its customers a broad range of appliances and consumer electronics goods, and is one of the leading operators with points of sale in terms of the breadth and completeness of products offered to customers. The proven experience in buying processes together with a natural market concentration process also made it possible during the year to enhance procurement planning procedures, adopt a supplier selection process and implement the necessary controls to ensure the ongoing verification of product performance and the service offered. On the one hand, this has made it possible to strengthen the long-term relationship with vendors, who see Unieuro as a reliable strategic partner capable of marketing their products, and on the other hand to:

- continue to optimise product assortment, pricing policies and promotions to enhance synergies between channels in order to encourage the further strengthening of the brand including through exclusive agreements with suppliers;

- focus growth on product lines in merchandise categories supporting market trends allowing for an increase in its share;

- expand the availability of additional services currently offered to customers (e.g. installation and set-up services, extended warranty services, consumer credit services and the signing of phone contracts) to increasingly augment customer satisfaction (e.g. about 90% of users of the delivery and installation service say that they are satisfied).

The diversification of the distribution structure and the business model as a function of the customer base (direct or indirect point of sale, local stores or megastores) is also emphasized by diversifying assortment. The product range is specialised on the basis of the store structure; for example, travel points of sale have a greater focus on telephone systems and accessories. Over the years, Unieuro has been able to select a mix of points of sale suited to its various customer bases, and it will continue to carefully select distribution structures, and from time to time will assess the distribution structure most suitable for specific locations.

5. MARKET PERFORMANCE[11]

The Italian consumer electronics market is currently seeing an increase in competition due, on the one hand, to the structural fragmentation affecting it, and on the other hand, to the increase in Internet penetration. The change in consumer buying behaviour was emphasized by the recovery trend after the period of stability following the global economic crisis from 2008-2010, which hit Italy particularly hard from 2011-2013.

The structure of players operating in the market can be segmented into the channels indicated in the following table.

Channel	Overview
Mass retailers	▪ Multi-category retailers, large volumes ▪ Consumer electronics products not necessarily core business ▪ Hypermarkets, supermarkets, other mass market retailers, multi-categories stores, Internet "pure players"
Tech superstores	▪ Consumer electronics are core business ▪ Large store format (average size > 800sqm, sales per store > €2.5m) ▪ Mostly large consumer electronics retail chains
Electrical specialists	▪ Consumer electronics are core business ▪ Small store format ▪ Mostly independent local players, sometimes affiliated to consumer electronics retail chains or to buying groups
Telecom specialists	▪ Focused on telecommunication products ▪ Large majority offer products associated with telecommunications services
Other specialists	▪ Mostly IT specialists; additional categories relate to entertainment and photography specialists ▪ Small store formats, typically in city centres ▪ Players focused on a single or few categories only

Unieuro operates in the retail consumer electronics market, and in particular, has a presence in both the tech superstore channel with its points of sale with an area of over 800 square metres and revenue of at least Euro 2.5 million, and in the electrical specialist channel, with points of sale with an area less than 800 square metres and/or with revenue of less than Euro 2.5

[11] Market data were processed by the Company's management based on the analysis as at 28 February 2017.

million. In addition to sales in the consumer segment, it also does business in the B2B segment and markets services (warranties, deliveries, installations, etc.) and products not in the consumer electronics area.

Its main competitors in the consumer tech superstore and electrical specialist segments are buying groups, which are associations of companies operating under the same banner but independent from a business perspective. They combine their buying power to obtain more attractive prices from suppliers.

In fact, the increase in pricing pressure generated by pure players has structurally changed the competitive framework. To address changing trends in its product segments, Unieuro consolidated its multi-channel strategy in order to enhance its competitive advantage, and continue its consolidation strategy through external growth by making acquisitions in both the offline and online segments. This vision is confirmed by evidence of more mature markets in terms of e-commerce penetration, in which traditional retailers that also operate in physical stores were able to maintain market leadership by adopting strategies based on redefining the store's role to encourage the shopping experience of the growing number of omnichannel customers, by integrating the physical and online channels and focusing on the service component.

To be specific, the year ended with total growth in the consumer market of 2.1%; the offline segment remained unchanged, while there was growth of about 23% in the online segment, which actually drove the positive performance of the entire market bringing online penetration to about 12.1%.

With regard to product trends, in the last two years there has been a strengthening in the growth trends of the White segment related, on the one hand, to the essential alignment in the penetration of certain products at European levels, and on the other hand, to the structure of product offerings with the development of entry point products. Specifically, the recovery in consumption has driven growth in various segments of large appliances. In particular, the stove, dishwasher and dryer categories confirm the positive trend, especially in the online channel. The performance of small appliances is also positive; it is also driven by the online channel, especially in the housekeeping and kitchen care segments.

With regard to the Brown segment, the market has been quite stable due to the absence of disruptive product innovations in TVs, the sales of which are linked to large devices, while in the Grey segment, there has been a convergence between PCs and tablets as well as considerable growth in the smartphone and wearable segments. Also in this segment, there has been an increase in average prices of mobile phones (launches of high-end models such as the Samsung S7 and pressure from aggressive mobile phone retailers.

In this environment, during the year ending 28 February 2017, Unieuro was able to improve its share in all segments, and in particular, it was able to seize opportunities offered by products with greater growth trends. In particular, both channels reported growth at a faster than market pace, and especially in the online segment where the growth rate is nearly twice that of the market (42% compared with 23%). Driving this performance was the strategy to focus on the White segment, where growth was around 80%.

6. GROUP OPERATING AND FINANCIAL RESULTS

6.1. Revenues[12]

For the year ending 28 February 2017, revenues totalled Euro 1,660.5 million, a 6.6% increase over the previous year, with an increase of Euro 103.3 million.

6.1.1 Revenues by distribution channel

(In millions of Euro and as a percentage of revenues)	**Financial year ended**				**Change**	
	28 February 2017	**%**	**29 February 2016**	**%**	**2017 vs. 2016**	**%**
Retail	1,202.5	72.4%	1,178.7	75.7%	23.8	2.0%
Wholesale	227.9	13.7%	206.4	13.3%	21.5	10.4%
Online	111.3	6.7%	79.0	5.1%	32.2	40.8%
B2B	102.7	6.2%	82.9	5.3%	19.7	23.8%
Travel	16.2	1.0%	10.2	0.7%	6.0	58.6%
Total revenues by channel	**1,660.5**	**100.0%**	**1,557.2**	**100.0%**	**103.3**	**6.6%**

During the year, Unieuro continued its strategy to develop existing channels by streamlining and improving the portfolio of direct and affiliated stores. This was in addition to significant growth in the online channel owing to investments made during the period, such as the launch of the new site built around the "mobile first" concept, and the continual expansion of pick-up points, which benefited the increase in click-and-collect sales in both direct and indirect stores.

Sales in the retail channel were up by 2.0% despite an offline market that was essentially unchanged. This was due to new openings during the period as well as the extensive plan to optimise the store portfolio; during the period 17 points of sale were remodelled and downsized and 4 points of sale were relocated. This was accompanied by the continual optimisation of company processes such as procurement and delivery, a careful reduction in the number of underperforming stores, and the investment in staff training in order to increase customer satisfaction and loyalty.

Wholesale channel sales rose considerably (about Euro 21.5 million, or 10.4%) mainly due to

[12] Market data were processed by the Company's management based on the analysis as at 28 February 2017.

the increase in sales of the Company's affiliates that are benefiting from the distribution of Unieuro’s sales policies and the distribution to all affiliates of the sale of extended warranties. This was in addition to a significant restructuring plan for affiliated points of sale based on a more modern layout that meets the needs of consumers; this plan involved 25 affiliates during the period.

B2B sales rose sharply (Euro 19.7 million or 23.8%) due to the Company's ability to seize the market opportunities that this fast-changing segment offers.

Growth in the online channel was accompanied by a favourable market trend, with growth in that market of 23% for the period; this channel also benefited from strategic measures taken by the Company such as the previously referenced restyling of the website, the expansion of the network of pick-up points, and specific customer relationship management (CRM) initiatives and steps to personalise commercial offerings that were well received by consumers, causing sales to rise by Euro 32.2 million, or 40.8% (42% in like-for-like market categories) over the previous year, which was about 19 percentage points higher than the market in like-for-like market categories.

Growth on a like-for-like distribution network basis, calculated as growth in stores open for at least 26 months on the reporting date, and including retail sales and click-and-collect sales, was 3.3%, which outperformed the market, which reported total growth of 2.1%.

This confirmed the validity of Unieuro’s omnichannel strategy, which, through investments in both offline and online channels, was able to outperform market growth rates.

Lastly, the Travel channel rose by about Euro 6.0 million or 58.6%, benefiting, on the one hand, from a new opening in one of Italy’s largest train stations, and on the other hand, from full operations of stores at Fiumicino airport, which last year were affected by a fire in a terminal.

6.1.2 Revenues by category

(In millions of Euro and as a percentage of revenues)	**Financial year ended**				**Change**	
	28 February 2017	**%**	**29 February 2016**	**%**	**2017 vs. 2016**	**%**
Grey	798.8	48.1%	732.8	47.1%	66.0	9.0%
White	421.9	25.4%	404.7	26.0%	17.2	4.3%
Brown	301.4	18.1%	293.0	18.8%	8.4	2.9%
Other products	79.9	4.8%	72.1	4.6%	7.8	10.8%
Services	58.6	3.5%	54.7	3.5%	3.9	7.1%
Total revenues by category	**1,660.5**	**100.0%**	**1,557.2**	**100.0%**	**103.3**	**6.6%**

Sales in all merchandise categories rose in the year ending 28 February 2017, with higher-than-average growth in the (i) Grey category, driven by the good performance of the B2B channel, and more generally, by the good market performance of mobile telephones, (ii) Other products category, the grouping that includes sales in the entertainment sector and other products not included in the consumer electronics market such as bicycles, and (iii) Services category, which rose by 7.1% due to the Company's continued focus on providing services to its customers.

The White category also benefited from outperforming the market with growth of over 4% (4.7% in the market segment related to consumer customers), which was higher than market growth of around 1.0%. At the same time, the Brown category was affected by a market with no major product innovations leading to a situation of almost no change in the market figure for this category. In this environment, the Company's ability to grow in this category as well by over 3 percentage points (3.1% in the market segment related to consumer customers) bears witness to the validity of the strategy implemented.

6.2. Operating profit

The income statement tables presented below in this Directors' Report on operations were reclassified using presentation methods that management deemed useful for reporting operating profit performance during the year. In order to more fully report the cost and revenue items indicated, the following were reclassified in this income statement by their nature: (i) non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services.

	Financial year ended						**Change**	
	28 February 2017			**29 February 2016**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	**%**	**Adjustments[13]**	**Adjusted amounts**	**%**	**Adjustments**	**2017 vs. 2016**	**%**
Revenues	1,660.5			1,557.2			103.3	6.6%
Sales revenues	**1,660.5**			**1,557.2**			**103.3**	**6.6%**
Purchase of goods	(1,295.4)	(78.0%)		(1,239.0)	(79.6%)		(56.4)	4.6%
Change in inventories	6.2	0.4%	*1.1*	41.1	2.6%		(34.8)	(84.8%)
Operating lease and building management	(57.5)	(3.5%)	*0.8*	(59.6)	(3.8%)	*(0.6)*	2.1	(3.6%)
Marketing	(48.7)	(2.9%)	*3.0*	(45.9)	(2.9%)	*2.9*	(2.8)	6.0%
Transport	(32.5)	(2.0%)	*0.0*	(30.2)	(1.9%)		(2.2)	7.4%
Other costs	(43.8)	(2.6%)	*10.3*	(45.4)	(2.9%)	*5.0*	1.6	(3.6%)
Personnel expenses	(131.9)	(7.9%)	*4.7*	(128.9)	(8.3%)	*5.0*	(3.0)	2.3%
Other operating income and costs	(1.3)	(0.1%)	*(2.3)*	(1.1)	(0.1%)	*(6.9)*	(0.2)	20.5%
Change in business model for directly assistance services	9.7	0.6%	*9.7*	11.1	0.7%	*11.1*	(1.3)	(12.0%)

[13] The item "Adjustments" includes both non-recurring income/(expenses) and the adjustment for the change in the business model for warranties, which was posted in the item "Change in business model for directly managed assistance services." Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the change in the business model, as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by the Company on the basis of historical information on the nature, frequency and cost of assistance work, since it represents profitability.

Adjusted EBITDA	**65.4**	**3.9%**	**27.3**	**59.1**	**3.8%**	**16.4**	**6.2**	**10.5%**

In 2017, adjusted EBITDA rose by Euro 6.2 million, or 10.5%, to Euro 65.4 million, with adjusted EBITDA margin growing by 0.1%.
During the year, merchandise purchase costs and the change in inventories rose by Euro 92.6 million, which was slightly more than the increase in sales, due to the channel mix and merchandise category effects.

Through a careful policy of managing its stores and renegotiating existing leases, the Company was able to lower lease expenses by Euro 2.1 million.

Another significant cost reduction, as a percentage of sales, was for personnel costs, as a result of careful management, which led to a situation of nearly no change in full-time equivalents during the year, with an increase in personnel costs due mainly to contractual increases and the shift in staff mix toward more specialised individuals.

Another financial statement item that reflected significant savings as a percentage of sales was other operating costs and other income, which mainly referred to consulting, maintenance and utility costs, for which a savings of about Euro 1.4 million was reported.

Other costs rose in step with the increase in sales, despite the Company's decision to support sales using advertising campaigns that led to an increase in marketing costs during the year, which remained steady as a percentage of sales.

Below is a reconciliation between gross operating profit (loss) reported in the financial statements and adjusted EBITDA.

(In millions of Euro and as a percentage of revenues)	**Financial year ended**				**Change**	
	28 February 2017	**%**	**29 February 2016**	**%**	**2017 vs. 2016**	**%**
Gross operating profit (loss)	38.1	2.3%	42.8	2.7%	[illegible]	(10.9)%
Non-recurring expenses /(income)	17.6	1.1%	5.3	0.3%	12.2	229.0%
Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services[14]	9.7	0.6%	11.1	0.7%	(1.3)	(12.0)%

[14] The adjustment was for the deferral of extended warranty service revenues already collected, net of the related estimated future costs to provide the assistance service. From the year ending 29 February 2012 for White products sold by the Company, and from the year ending 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter, the "Former Unieuro") (excluding telephone systems and peripherals), the Company modified the business model for the management of extended warranty services by in-sourcing the management of services sold by the Former Unieuro and by the Company that were previously outsourced (the "**Change in Business Model**"). As a result of the Change in Business Model, at the time of sale of extended warranty services, the Company suspends the revenue by creating a deferred income item in order to recognise the revenue over the life of the contractual obligation, which starts on the expiration of the two-year legally required warranty. Thus, the Company begins to gradually record revenues from

Adjusted EBITDA[15]	**65.4**	**3.9%**	**59.1**	**3.8%**	**6.2**	**10.5%**

Non-recurring expenses /(income) rose by Euro 12.2 million in the financial statements at 28 February 2017 mainly due to costs incurred for the listing process, higher costs for the Call Option Agreement and expenses for accidents (fire at a point of sale), and due to the implementation and launch of the new website. See the table in paragraph 7.3 for additional details.

Finally, the adjustment due to the change in business model for directly managed services was down by Euro 1.3 million.

6.3. Non-recurring income and expenses

(In millions of Euro)	**Financial year ended**		**Change**	
	28 February 2017	**29 February 2016**	**2017 vs. 2016**	**%**
Costs incurred for the listing process	6.1	-	6.1	n.a.
Costs for the Call Option Agreement	3.8	2.3	1.4	62.30%
Costs for pre-opening, relocating and closing points of sale[16]	3.3	3.7	(0.3)	(9.40%)

sales of extended warranty services two years (term of the legally required product warranty) after the execution of the related agreements, and after the collection of compensation, which is generally concurrent. Thus, the revenue is recorded on a pro rata basis over the life of the contractual obligation (historically, depending on the product concerned, for a period of one to four years).
The income statement for the year ended February 28, 2017 include a small portion of the revenues from the warranty extension services prior to those years (i.e., before the change in the business model), since most of such revenues were immediately recognized in the income statements prior to February 28, 2014, as the warranty assistance services were outsourced to third parties.. As a result of this Change in Business Model, the income statements do not fully reflect the revenues and profit of the business described in this note. In fact, the income statements for these years only partially report revenues from sales generated starting with the Change in Business Model because the Company will gradually record sales revenues from extended warranty services (already collected by the Company) starting at the end of the legally required two-year warranty period.
Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the Change in Business Model as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by the Company on the basis of historical information on the nature, frequency and cost of assistance work.
The adjustment will progressively decrease to nil in future income statements when the new business model is fully reflected in our financial statements, which will occur on the last expiry date of warranty extensions sold for all product categories.

[15] See note in the section "Main financial and operating indicators."
[16] The costs for "pre-opening, relocating and closing points of sale" include lease, security and travel expenses for maintenance and marketing work incurred as a part of i) remodelling work for downsizing and relocating points of sale of the Former Unieuro, ii) opening points of sale (during the months immediately preceding and following the opening) and iii) closing points of sale.

Accidents	1.1	-	1.1	n.a.
Implementation and launch of the new website	1.1	-	1.1	n.a.
Company management and organisation activities carried out by Rhone Capital	1.0	0.9	0	5.40%
Rebranding costs	0.6	2.4	(1.8)	(74.9%)
Efficiency improvements and reorganisation of the organisational and corporate structure	0.5	1.3	(0.8)	(60.9%)
Integration of the Former Unieuro	(0.1)	(5.3)	5.2	(98.7%)
Other non-recurring income and expenses	0.2	-	0.2	n.a.
Total non-recurring income and expenses	**17.6**	**5.3**	**12.2**	**230.2%**

There were significant non-recurring expenses in the year ending 28 February 2017. The main item was for costs incurred for the listing process totalling Euro 6.1 million.

Euro 3.8 million in non-recurring expenses consisted of costs for the Call Option Agreement reserved for certain managers and employees.

Euro 3.3 million was for lease, security and travel expenses for maintenance and marketing work incurred as a part of: i) remodelling work for downsizing and relocating points of sale of the Former Unieuro, ii) opening points of sale (during the months immediately preceding and following the opening) and iii) closing points of sale.

Euro 1.1 million for accidents was in relation to the fire at a point of sale which resulted in the write-down of related inventories since they were completely destroyed.

Euro 1.1 million was for expenses to implement and launch the new website.

Other remaining non-recurring expenses totalled Euro 2.2 million and were mainly for company management and organisation activities carried out by Rhone Capital LLC, rebranding costs, and costs for improving the efficiency of the organisational and corporate structure.

6.4. Profit (loss)

Below is a restated income statement including items from adjusted EBITDA to adjusted profit (loss) for the year.

	Financial year ended				Changes	
(In millions and as a percentage of revenues)	**28 February 2017**	%	**29 February 2016**	%	**2017 vs. 2016**	**%**
Adjusted EBITDA	**65.4**	**3.9%**	**59.1**	**3.8%**	**6.2**	**10.5%**
Amortisation, depreciation and impairment losses	(18.0)	(1.1%)	(18.7)	(1.2%)	0.8	(4.1%)
Financial income	0.4	0.0%	0.3	0.0%	0.1	25.7%
Financial expenses	(6.2)	(0.4%)	(7.2)	(0.5%)	1.0	(13.3%)
Income tax	(2.7)	(0.2%)	(6.5)	(0.4%)	3.8	(58.8%)
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change to the business model for direct assistance service	(2.6)	(0.2%)	(1.3)	(0.1%)	(1.2)	90.8%
Adjusted PROFIT (LOSS) FOR THE YEAR	**36.3**	**2.2%**	**25.7**	**1.6%**	**10.6**	**41.3%**

Net financial expenses at 28 February 2017 totalled Euro 5.8 million (net financial expenses of Euro 6.9 million at 29 February 2016).

The decrease was due to the total repayment to Italian Electronics Holdings S.r.l. (hereinafter, Italian Electronics Holdings) of the loan, and the decrease in bank loans as well as improved management of short-term lines of credit.

Income taxes for the year ending 28 February 2017 totalled Euro 2.7 million (Euro 6.5 million in the year ending 29 February 2016). The 58.8% decrease was mainly due to the recording of deferred tax assets (Euro 4.7 million) on tax losses.

The adjusted profit (loss) for the year was Euro 36.3 million (Euro 25.7 million in the year ending 29 February 2016) representing 2.2% of revenues (1.6% in 2016) due to the positive contribution of adjusted EBITDA, the lower percentage of financial expenses and the reduction in taxes for the period.

IRES tax losses, which were still available at 28 February 2017, totalled Euro 408.9 million (tax losses at 29 February 2016 totalled Euro 417.9 million). These tax losses also guarantee a benefit in terms of tax rate in future years. Below is a reconciliation between the adjusted net profit (loss) for the year and net profit (loss) for the year.

	Financial year ended	Change

(In millions and as a percentage of revenues)	28 February 2017	%	29 February 2016	%	2017 vs. 2016	%
Adjusted profit (loss) for the year[17]	**36.3**	**2.2%**	**25.7**	**1.6%**	**10.6**	**0.5%**
Non-recurring expenses/(income)	(17.6)	(1.1%)	(5.3)	(0.3%)	(12.2)	(0.7%)
Change to the business model for direct assistance services	(9.7)	(0.6%)	(11.1)	(0.7%)	1.3	0.1%
Theoretical tax impact of the above entries[18]	2.6	0.2%	1.3	0.1%	1.2	0.1%
Profit (loss) for the year	**11.6**	**0.7%**	**10.6**	**0.6%**	**0.9**	**0.1%**

6.5. Cash flows

6.5.1 Adjusted levered free cash flow[19]

The Company considers adjusted levered free cash flow to be the most appropriate indicator to measure cash generation during the year. The composition of the indicator is provided in the table below.

	Financial year ended		**Changes**	
(In millions of Euro)	**28 February 2017**	**29 February 2016**	**2017 vs. 2016**	**%**
Gross operating profit	38.1	42.8	(4.7)	(10.9%)
Cash flow from /(used in)operating activities[20]	19.6	18.6	1.0	5.6%
Income taxes paid	-	(4.2)	4.2	(100.0%)
Interest paid	(4.9)	(4.8)	(0.2)	3.5%
Other changes	3.7	2.3	1.4	60.9%
Net cash flow from /(used in) operating activities[21]	**56.5**	**54.7**	**1.8**	**3.4%**
Investments	(27.9)	(27.5)	(0.4)	1.5%

[17] See note in the section "Main financial and operating indicators."
[18] No taxes were paid in the year ending 28 February 2017 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management is 9.4%, which incorporates IRES at 5.5% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.
[19] See note in the section "Main financial and operating indicators."
[20] The item "Cash flow from/(used in) operating activities" refers to cash from/(used in) the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.
[21] The item "Net cash flow from/(used in) operating activities" refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item "Cash flow from/(used in) operating activities."

Adjustment for non-recurring investments	-	-	-	-
Non-recurring expenses /(income)	17.6	5.3	12.2	228.9%
Adjustment for non-monetary item of non-recurring expenses/(income)	(5.4)	1.3	(6.7)	(522.3%)
Theoretical tax impact of the above entries	(1.1)	(0.5)	(0.6)	110.7%
Adjusted levered free cash flow	**39.7**	**33.3**	**6.4**	**19.2%**

Net cash flow from/(used in) operating activities was a positive figure of Euro 56.5 million (a positive figure of Euro 54.7 million in 2016). The improvement over the previous year was largely due to lower taxes paid, which were partially offset by the reduction in operating profit, and it allows the company to easily fund investments for the period.

Adjusted levered free cash flow was a positive figure of Euro 39.7 million (Euro 33.3 million in the previous year) due to the adjustment made for cash components of non-recurring income and expenses, net of the related tax effect, which totalled Euro 11.1 million and it reflected the sharp increase in adjusted EBITDA in 2017 over the previous year.

The increase in adjusted EBITDA, careful and efficient working capital management and the reduction in taxes were the main reasons for the 19.2% increase in adjusted levered free cash flow over the previous year.

Below are the main changes recorded in the Company's net financial debt during the years ending 28 February 2017 and 29 February 2016:

	Financial year ended		**Changes**	
(Thousands of Euros)	**28 February 2017**	**29 February 2016**	**2017 vs. 2016**	**%**
Gross operating profit	38.1	42.8	(4.7)	(10.9%)
Cash flow from/(used in) operating activities	19.6	18.6	1.0	5.6%
Income taxes paid	-	(4.2)	4.2	(100.0%)
Interest paid	(4.9)	(4.8)	(0.2)	3.5%
Other changes	3.7	2.3	1.4	60.9%
Net cash flow from /(used in) operating activities	**56.5**	**54.7**	**1.8**	**3.4%**
Investments	(27.9)	(27.5)	(0.4)	1.5%
Other cash flow generated by investment activities	0.1	(0.0)	0.1	(421.1%)

Distribution of dividends	(3.9)	-	(3.9)	n.a.
Other changes	(0.8)	(1.2)	0.4	(30.2%)
Change in net financial debt	**24.0**	**26.0**	**(2.0)**	**(7.8%)**

The other cash flows that contributed to the change in net financial debt were investment activities, which entailed outlays slightly higher than last year (Euro 27.9 million in 2017, Euro 27.5 million in the previous year) and the payment of dividends of Euro 3.9 million.

6.6 Statement of financial position

Below is a detailed breakdown of the Company's net working capital and net invested capital at 28 February 2017 and 29 February 2016:

(In millions of Euros)	**Financial year ended**	
	28 February 2017	**29 February 2016**
Trade receivables	35.2	35.4
Inventories	269.6	264.4
Trade payables	(334.5)	(333.4)
Net operating working capital	**(29.8)**	**(33.6)**
Other working capital items	(119.9)	(93.8)
Net working capital	**(149.7)**	**(127.4)**
Non-current assets	104.2	93.7
Goodwill	151.4	151.4
Non-current liabilities	(19.0)	(18.3)
Net invested capital	**86.9**	**99.4**
Net financial debt	(2.0)	(25.9)
Shareholders' equity	(85.0)	(73.4)
Total shareholders' equity and financial liabilities	**(86.9)**	**(99.4)**

The reduction in net working capital compared to the year ending 29 February 2016 reflects the Company's careful management of this aggregate, and was mainly due to the decrease in other working capital items resulting from the rise in other current liabilities resulting from deferred income from the extended warranty service of Euro 17.6 million.

Net invested capital totalled Euro 86.9 million, which was down primarily due to reduced investments in net working capital that more than offset the increase in non-current assets from investments during the period.

Shareholders' equity rose by Euro 11.6 million compared with 29 February 2016. The increase was mainly the result of profit of Euro 11.6 million generated by the Company. The distribution of dividends to shareholders generated a reduction of Euro 3.9 million in shareholders' equity, which was offset by an increase, in the same amount, of reserves for share-based payments.

Below is a detailed breakdown of the Company's net financial debt at 28 February 2017 and 29 February 2016 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013-319:

(In millions of Euros)	**Financial year ended**		**Changes**	
	28 February 2017	**29 February 2016**	**2017 vs. 2016**	**%**
(A) Cash	36.7	35.4	1.2	3.4%
(B) Other cash equivalents	-	-	-	-
(C) Securities held for trading	-	-	-	-
(D) Liquidity (A)+(B)+(C)	**36.7**	**35.4**	**1.2**	**3.4%**
- of which: pledged	*0.7*	-	0.7	-
(E) Current loan assets	-	-	-	**-**
(F) Current bank loans and borrowings	-	(0.0)	0.0	(100.0%)
(G) Current portion of non-current financial debt	(6.0)	(3.2)	(2.8)	87.5%
(H) Other current loans and borrowings	(2.4)	(2.5)	0.1	(2.1%)
(I) Current financial debt (F)+(G)+(H)	**(8.4)**	**(5.7)**	**(2.7)**	**48.1%**
- of which: secured	*(6.8)*	*(4.1)*	*(2.6)*	*63.6%*
- of which: unsecured	*(1.7)*	*(1.5)*	*(0.1)*	*6.7%*
(J) Net current financial position (debt) (I)+(E)+(D)	**28.3**	**29.8**	**(1.5)**	**(5.1%)**
(K) Non-current bank loans and borrowings	(25.8)	(31.8)	6.0	(18.8%)
(L) Issued bonds	-	-	-	-
(M) Other non-current loans and borrowings	(4.4)	(23.9)	19.5	(81.5%)
(N) Non-current financial debt (K)+(L)+(M)	**(30.2)**	**(55.7)**	**25.5**	**(45.7%)**
- of which: secured	*(26.8)*	*(33.6)*	*6.8*	*(20.1%)*
- of which: unsecured	*(3.4)*	*(22.2)*	*18.7*	*(84.5%)*
(O) Net financial debt (J)+(N)	**(2.0)**	**(25.9)**	**24.0**	**(92.4%)**

Net financial debt has been reduced by Euro 24 million compared with 29 February 2016 mainly due to the positive operating performance already discussed in the paragraph on adjusted levered free cash flow.

The change in net financial debt was due to adjusted levered free cash flow totalling Euro 39.7 million net of adjustments for non-recurring cash components of Euro 11.1 million, the distribution of dividends of Euro 3.9 million and other small changes of Euro 0.8 million.

Gross financial debt totalled Euro 38.6 million, of which Euro 30.2 million was medium and long term, and Euro 8.4 million was short term. Note that the Company had available, committed, unused short-term lines of credit of Euro 41.8 million at 28 February 2017.

7. INVESTMENTS

Net investments during the year totalled Euro 27.9 million, which was largely the same as the previous year (Euro 27.5 million).

Investments were mainly for work totalling Euro 20.3 million to open, remodel, downsize, upgrade and improve the efficiency of the Company's stores as a part of a programme entailing the remodelling and downsizing of 17 points of sale during the year and the relocation of 4 points of sale.

More specifically, the Company invested Euro 15.8 million in the upgrading of the Company's stores, including Euro 9.3 million for remodelling and downsizing, Euro 3.2 million for relocations and Euro 3.3 million in investments for new openings (which also included non-current assets in progress for stores that will open in 2018).

In addition to this work were small projects on points of sale totalling Euro 7.7 million including restyling and energy efficiency projects totalling Euro 1.8 million; unscheduled maintenance; investments in servers, printers and other tangible infrastructure; mini-remodelling work to improve active and passive security; the replacement of POSs and other minor work totalling Euro 5.9 million.

Remaining investments were for investments in intangible infrastructure totalling Euro 4.4 million including, for example, measures taken to improve the web platform, improvements in IT infrastructure and investments in the Piacenza logistics centre.

8. INFORMATION ON RELATED-PARTY TRANSACTIONS AND NON-RECURRING, ATYPICAL OR UNUSUAL TRANSACTIONS

The following tables summarise the Company's related-party receivable and payable positions at 28 February 2017 and 29 February 2016:

(Thousands of Euros)	Related-party receivable and payable positions at 28 February 2017								
Type	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Key executives**	**Total**	**Item total**	**As a percentage of item**
At 28 February 2017									
Trade receivables	179	65	-	-	-		**244**	**35,203**	**0.7%**
Trade payables	-	(15)	-	-	-		**(15)**	**(334,546)**	**0.0%**
Current tax assets	4,042	-	-	-	-		**4,042**	**7,955**	**50.8%**
Other current liabilities	-	-	(29)	(80)	(417)	(624)	**(1,150)**	**(140,327)**	**0.8%**
Other non-current liabilities	-	-	-	-	-		**-**	**(21)**	**0.0%**
Total	**4,221**	**50**	**(29)**	**(80)**	**(417)**	**(624)**	**3,121**		

(Thousands of Euros)	Related-party receivable and payable positions at 29 February 2016									
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni. Ma S.r.l.**	**Rhône Capital II L.P.**	**Board of Directors**	**Key executives**	**Total**	**Item total**	**As a percentage of item**
At 29 February 2016										
Trade receivables	24	6	116	82	-	-	-	**228**	**35,354**	**0.6%**
Trade payables	-	-	-	(17)	-	-	-	**(17)**	**(333,372)**	**0.0%**
Current tax assets	-	-	3,195	-	-	-	-	**3,195**	**8,082**	**39.5%**
Loan from shareholders (current portion)	-	-	(998)	-	-	-	-	**(998)**	**(998)**	**100.0%**
Loan from shareholders (non-current portion)	-	-	(19,444)	-	-	-	-	**(19,444)**	**(19,444)**	**100.0%**
Other current liabilities	-	-	-	-	(100)	(942)	(628)	**(1,670)**	**(113,179)**	**1.5%**

Total	**24**	**6**	**(17,131)**	**65**	**(100)**	**(942)**	**(628)**	**(18,706)**

The following table summarises the Company's related-party income statement positions at 28 February 2017 and 29 February 2016:

(Thousands of Euros)	**Related-party income statement positions at 28 February 2017**								
Type	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Key executives**	**Total**	**Item total**	**As a percentage of item**
At 28 February 2017									
Other income	12	-	-	-	-	-	**12**	**6,360**	**0.2%**
Purchases of outside materials and services	-	(1,159)	(60)	(964)	(252)	-	**(2,435)**	**(1,491,938)**	**0.2%**
Other operating costs and expenses	-	(6)	-	-	-	-	**(6)**	**(5,377)**	**0.1%**
Personnel costs	-	-	-	-	(2,331)	(3,954)	**(5,925)**	**(136,633)**	**4.3%**
Financial expenses	(788)	-	-	-	-	-	**(788)**	**(6,222)**	**12.7%**
Total	**(776)**	**(1,165)**	**(60)**	**(964)**	**(2,583)**	**(3,594)**	**(9,142)**		

(Thousands of Euros)	**Related-party income statement positions at 29 February 2016**										
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Key executives**	**Total**	**Item total**	**As a percentage of item**
At 29 February 2016											
Other income	5	5	5	3	-	-	-	-	**18**	**12,396**	**0.1%**
Purchases of outside materials and	-	-	-	(1,185)	(120)	(914)	(311)	-	**(2,530)**	**(1,427,404)**	**0.2%**
Personnel costs	-	-	-	-	-	-	(1,984)	(2,728)	**(4,712)**	**(133,961)**	**3.5%**
Financial expenses	-	-	(1,068)	-	-	-	-	-	**(1,068)**	**(7,175)**	**14.9%**
Total	**5**	**5**	**(1,063)**	**(1,182)**	**(120)**	**(914)**	**(2,295)**	**(2,728)**	**(8,292)**		

For the periods concerned, related-party receivable/payable and income statement positions were mainly for:

- lease payments for the Company’s registered office: in Forlì and for several points of sale, and the debit of insurance costs for these points of sale that were invoiced by Ni.Ma S.r.l., a company with registered office in Forlì owned by several members of the Silvestrini family (Giuseppe Silvestrini, Maria Grazia Silvestrini, Luciano Vespignani and Gianpaola Gazzoni, each with a 25% stake in share capital; they are also shareholders of Italian Electronics Holdings);

- the service for maintaining accounting records performed by the Company's employees for the holding companies Venice Holdings S.r.l. (merged into Italian Electronics Holdings during the year ending 28 February 2017), Italian Electronics Holdings and Italian Electronics S.r.l. (merged into Italian Electronics Holdings during the year ending 28 February 2017);

- the national tax consolidation scheme, the option for which was exercised in 2015; this generated a Company receivable from the holding company and consolidator Italian Electronics S.r.l.;

- the loan received from Italian Electronics S.r.l., which was obtained on 2 December 2013 and is interest-bearing. On 21 November 2016, the Company’s Board of Directors approved the full repayment of the remaining amount owed on the inter-company loan in an amount totalling Euro 21,120 thousand. Thus, the inter-company loan was fully repaid and cancelled on 28 November 2016;

- the distribution of an extraordinary dividend of Euro 3,880 thousand using a portion of the reserves reported in the financial statements for the year ending 29 February 2016 and approved on 28 November 2016 by the Shareholders’ Meeting;

- the relationships with directors and key executives summarised in the following table:

Key executives	
Financial year ended 28 February 2017	**Financial year ended 29 February 2016**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	Admin & Control Director - Nicola Sautto
Chief Financial Officer - Italo Valenti	CRM Director – Luca Rosetti
Chief Corporate Development Officer - Andrea Scozzoli	Chief Omnichannel Officer- Bruna Olivieri
Chief Omnichannel Officer- Bruna Olivieri	Chief Financial Officer- Andrea Scozzoli
Chief Operations Officer - Luigi Fusco	Chief Operations Officer - Luigi Fusco
	ICT Director- Massimo Cova
	Supply Chain Director- Claudio Marchionni
	Marketing Director- Marco Titi

Property Director- Gabriele Miti

Direct Channel Director – Rosario Gambardella

HR Director- Paolo Botticelli

Technical Office Facility Director – Fabio Crapanzano

The gross compensation of key executives includes all components of compensation (benefits, bonuses and gross compensation).

The following table summarises the Company's cash flows with related parties at 28 February 2017 and 29 February 2016:

(Thousands of Euros)	**Related parties**										
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni.Ma S.r.l.**	**Statutory auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Key executives**	**Total**	**Item total**	**As a percentage of item**
Period from 1 March 2015 to 29 February 2016											
Cash flow from (used in) operating activities	5	5	(2,381)	(1,070)	(120)	(1,048)	(972)	(1,024)	**(6,605)**	**54,687**	**(12.1%)**
Cash flow from /(used in) financing activities	-	-	(104)	-	-	-	-	-	**(104)**	**(10,971)**	**0.9%**
Total	**5**	**5**	**(2,485)**	**(1,070)**	**(120)**	**(1,048)**	**(972)**	**(1,024)**			
Period from 1 March 2016 to 28 February 2017											
Cash flow from /(used in) operating activities	-	(1,656)	-	(1,150)	(31)	(984)	(1,483)	(1,457)	**(6,761)**	**57,042**	**(11.9%)**
Cash flow from /(used in)financing activities	-	(24,322)	-	-	-	-	-	-	**(24,322)**	**(27,461)**	**88.6%**
Total	**-**	**(25,978)**	**-**	**(1,150)**	**(31)**	**(984)**	**(1,483)**	**(1,457)**			

9. INFORMATION ON CORPORATE BODIES

Unieuro S.p.A. adheres to the Self-regulation Code of listed Italian companies (the "Code"), and has adapted it to suit its characteristics.

In order to meet the transparency obligations required by regulations in the sector, the "Report on Corporate Governance and Ownership Structure" was prepared as required by Art. 123-bis of the Consolidated Finance Law which provides a general description of the governance system adopted by Unieuro S.p.A. and information on ownership structure, the organisational model adopted pursuant to Legislative Decree 231 of 2001 and the level of compliance with the Self-regulation Code, including the main governance practices applied and characteristics of the risk management and internal control system in relation to the financial reporting process.

This document is available at the Company's website at (http://www.unieurocorporate.it/). Aa at 28 February 2017, the group the Company belongs to, is structured as follows:

- International Retail Holdings S.à.r.l., a Luxembourg holding company controlled by Rhône Capital II L.P. which holds a majority interest in Italian Electronics Holdings;

- Italian Electronics Holdings, an Italian holding company that holds a 100% stake in the Company.

9.1 Share-based payment agreements

Call option agreement and transaction bonus

During the year ending 28 February 2017, the Company took all the internal steps necessary to prepare for the project to list the Company's shares on the Electronic Stock Exchange organised and managed by Borsa Italiana S.p.A. The listing project was formally ratified at the Shareholders' Meeting of 12 December 2016. After the above listing project was begun, in order to confirm the incentives of beneficiaries of the Call Option Agreement, at the beginning of February 2017, the leading shareholder (Italian Electronics Holdings) intended to amend the original option plan by revoking the previous Call Option Agreement and simultaneously assigning a new option plan called the Transaction Bonus with a term of 5 years. This plan required Italian Electronics Holdings to do the following: (i) if the plan for admission for listing is successful, to assign to certain Company managers, on the day the placement price is set by Italian Electronics Holding, a number of Company shares free of charge, with the obligation to sell the shares assigned on the same day as the placement, and to assign to other managers an amount in euros equal to the value of a pre-determined number of shares at the placement price; (ii) if all or a part of the Company's shares is sold to a third party, to assign to certain managers and employees of the Company, before the sale to the third party by Italian Electronics Holdings, a number of Company shares free of charge, with the obligation to sell the shares assigned to the third party buyer.

The occurrence of the events was mutually exclusive, and thus, upon the occurrence of the first event in terms of timing, the second event scenario would have been automatically void. On 4 April 2017, the holding company Italian Electronics Holdings completed the listing process for the shares of Unieuro S.p.A. on the Electronic Stock Exchange - STAR Segment of Borsa Italiana S.p.A., and placed 31.8% of the Company's capital valued at Euro 70 million.

The revision of the assignment mechanism, which took place by revoking the previous Call Option Agreement and simultaneously having beneficiaries sign the Transaction Bonus, was structured as an amendment to the existing plan which resulted in an event to accelerate the vesting period.

At the date these financial statements were prepared, to determine the duration of the vesting period, 4 April 2017 (the date shares were placed on the Electronic Stock Exchange) was considered to be the new expiry date for the service period of beneficiaries. Thus, the amount of personnel costs to be allocated to the income statement, with the specific reserve for share-based payments as the balancing entry, was revised in view of the new vesting expiry date.

The cost for the Call Option Agreement included in the financial statements at 28 February 2017 was Euro 3,766 thousand.

2017 stock option plan

On 6 February 2017, the Company's Shareholders' Meeting approved the adoption of a stock option plan (the "Plan") reserved for the Company's executive directors, independent contractors and employees (executive and non-executive staff). The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Company's Shareholders' Meeting on the same date.

The Plan specifies the following objectives: (i) to get beneficiaries to focus on factors of a strategic interest to the Company, (ii) to obtain the loyalty of plan beneficiaries and given them an incentive to remain with the Company, (iii) to increase the Company's competitiveness by identifying medium-term goals and fostering the creation of value for both the Company and its shareholders, and (iv) to ensure that the overall remuneration of Plan beneficiaries is competitive in the market.

The Shareholders' Meeting directed the Company's Board of Directors to implement and determine the specific characteristics of the Plan at a meeting to be held after the date the trading of the Company's shares begins.

The Plan also entails the following terms and conditions:

- Condition: the Plan and features of related options will be dependent upon the finalisation of the Company's listing by 31 July 2017 ("IPO");

- Recipients: the Plan is intended for the Company' directors with executive positions, outside contractors and employees (executive and non-executive staff) to be identified by the Board of Directors;

- Purpose: the purpose of the Plan is to assign Beneficiaries free option rights that are non-transferable inter vivos for the purchase or subscription by payment of ordinary Company shares up to a maximum of 860,215 options, each of which will entitle the holder to subscribe one newly issued ordinary share (the "Options"). If the goal is exceeded with performance of 120% of the target, the number of Options will be increased to 1,032,258. To this end, an increase in share capital was approved for up to a nominal amount of Euro 206,452 plus share premium for a total (capital plus share premium) equal to the price at which the Company's shares will be placed on the MTA through the issuance of up to 1,032,258 ordinary shares;

- Assignment: the Options will be assigned in one or more tranches, and the Board of Directors shall determine the number of Options in each tranche after consulting with the Remuneration Committee;

- Exercise of rights: the Board of Directors has been delegated to determine the terms, conditions and procedures for assigning, executing and exercising Option rights and specify these in the rules (the "Rules"); however, subscription may only take place after 31 July 2020 and by the final deadline of 31 July 2025;

- Vesting: the amount and existence of the right of each beneficiary to exercise options will be verified as at 31 July 2020 in relation to the achievement of the goals, in terms of distributable profits, indicated in the business plan on the basis of the following criteria:

• no option may be exercised unless at least 85% of projected profits have been achieved;

• if 85% of projected profits have been achieved, only half of the options may be exercised;

• if more than 85% and up to 100% of projected profits are achieved, the number of options to be exercised will be determined on a sliding scale between 50% and 100%;

• if more than 100% and up to 120% of projected profits are achieved, the number of options to be exercised will be determined on a sliding scale between 100% and 120%; this percentage is to be considered the maximum;

- Strike price: the strike price of the Options will be equal to the placement price on the day of the IPO;

- Term: the Plan will carried out over a period of five years from 31 July 2020 to 31 July 2025.

Furthermore on 6 February 2017, the Shareholders' Meeting directed the Board of Directors to determine the criteria for identifying beneficiaries and the number of Options to be assigned to Plan beneficiaries on the basis of objective and predetermined criteria in the Company's interest that are to be indicated in the special Rules. With regard to each beneficiary, the Board of Directors must also determine a maximum number of Options to be determined in accordance with the terms and conditions of the Rules, also bearing in mind the position held in the Company's organisation.

9.2 Treasury shares and holding company shares

During the year, Unieuro S.p.A. did not purchase or sell any treasury shares or shares of the holding company, directly or through an intermediary.

10. STAFF-RELATED INFORMATION

Composition of workforce

Below is a breakdown of employees by classification.

	29 February 2016	**28 February 2017**
Executives	10	11
Middle managers	56	57
Office workers	3,787	3,833
Factory workers	48	1
Temporary staff	-	-
Total	**3,901**	**3,902**

Gender equality and work environment

The equal treatment of individuals is carried out at Unieuro by ensuring that starting with the selection phase and in all work performed, there will be no discrimination on the basis of race, sex, nationality, sexual orientation, social status, physical appearance, religion or political affiliation.

Search and selection

Unieuro undertakes to encourage the development and implementation of transparent hiring practices in full compliance with equal opportunities. The criteria guiding candidate selection are professionalism and compliance with the skills and attitude required to fill the open position.

The tools and channels used to find candidates, in descending priority order, are the company's website in the "Work with us" section, and relationships with recruiting and selection companies with which specific partnerships are maintained.

Training, organisation and compensation policies

At Unieuro, training is an (in)tangible investment in our most important asset: our employees. Every year the Company invests significant resources in the professional and managerial training of employees using tools such as direct teaching, webinars, conferences, tutoring, simulations, on-the-job training, e-learning and staff training.

In addition to mandatory training courses (health and safety, Organisational Model 231, privacy), there are managerial and professional training programmes for store and head office staff. As an example, topics covered range from people management to effective communications, from sales techniques to visual merchandising, and from work organisation to sales management at the points of sale.

The company's academy for apprentice managers is particularly important in the professional development and growth of its human resources. Participants, who are identified out of the pool of individuals at the company through an internal candidacy process, assessment centres and individual interviews, participate in on-the-job and classroom training that lasts 6 months.

In order to meet the transparency obligations required by regulations, the "Compensation Report" was prepared pursuant to Art. 123-bis of the Consolidated Finance Law and Art. 84-quater of the Issuers' Regulation.

This document is available at the Company's website at http://www.unieurocorporate.it/.

Protection of health and safety

For the Company, the health and safety of all human resources in the workplace in accordance with current regulations is a priority. In particular, the Company takes steps to provide work conditions that respect the physical and moral integrity of workers.

11. MANAGEMENT AND COORDINATION ACTIVITIES

Unieuro S.p.A. is not subject to the management or coordination of companies or entities, and it determines its general and operational strategies in full autonomy.

12. MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED

The Company is exposed to a number of risks that can be grouped into the three large categories listed below:

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

a. Strategic and operational risks

Risks connected with competition and competitiveness: Unieuro is exposed to the risk of not being able to maintain its competitive position in the market and/or of not being able to properly assess future developments in consumer preferences in relation to market trends.

Risks connected with the economic situation and dependence on the Italian market: Unieuro is exposed to the risk of a potential reduction in future revenues resulting from the limited purchasing power of the average consumer due to any continuing phenomena of an economic recession. If the current period of gradual economic recovery stalls or reverses, or if there are other periods of economic and/or financial crises, there could be negative repercussions on the Company’s income statement, balance sheet and cash flows.

Risks connected with recognition of the Unieuro brand: the decrease in the recognition and distinctive features of the Unieuro brand could impair the Company’s competitive position in its reference market. The Company’s strategy is aimed at improving the reputation of the Unieuro brand by focusing on the breadth of the range of products offered and product quality and innovation, and by providing customers with a range of products that are affordable.

In order to improve the recognition of its brand, Unieuro conducts advertising campaigns through traditional means of communication (advertising inserts, leaflets, television spots, posters, etc.) and through its website and social media. Any promotional activities not in keeping with the positioning of the Unieuro brand and not consistent with the sales strategy could turn out to be ineffective and have a negative impact on the Company's image and the perception of its brand.

Risks associated with the management of directly operated points of sale: the Company is exposed to the risk of having to compete with the pricing offered by other competing companies when renewing agreements for directly operated points of sale.

Risks associated with points of sale that are not directly operated and relations with affiliates: the Company is exposed to the risk of losing commercial relationships with its affiliates and/or the deterioration of their pricing that could result in a reduction in related revenues.

Risks associated with recent and/or potential future acquisitions: Unieuro might be exposed to liabilities that did not arise during the pre-acquisition due diligence process or are not covered by contractual provisions relating to companies acquired in the past or to be acquired in the future by the Company. In any case, the assessments performed during the period before an acquisition may not be accurate.

Risks associated with the evolution and growth of e-commerce Unieuro is exposed to the risk of not being innovative and not enhancing its e-commerce platform, and not offering its customers a platform in keeping with that of its competitors. In recent years, Unieuro has made several investments in the online sales channel in order to offer its customers a technologically advanced e-commerce platform that is seen as easy to use and intuitive by users. In this context it should be noted that the e-commerce sector is characterised by the rapid growth in technology and business models (e.g. the creation of websites available on mobile devices).

Among other things, the Company's success and competitiveness depend on the ability to innovate and enhance its technologies and adapt them, from time to time, to respond to changes and technological advances without generating cannibalisation phenomena to the detriment of the traditional distribution channels that Unieuro also uses.

Risks associated with supplemental warranties: Unieuro is exposed to the risk that the estimates, on the basis of which it develops its strategy in the area of offering supplemental warranties, turn out to be incorrect. Although at the date of this Report the Company had not recorded any requests for product repairs or replacements greater than estimates made, the risk cannot be ruled out that the actual requests for remedies under supplemental warranties turn out to be significantly higher than the Company's projections with potential negative repercussions on the Company's income statement, balance sheet or cash flows.

Risks associated with supplier relations: The Company is exposed to the risk of potential problems in the management of trade relations with its suppliers. Most suppliers the Company relies on establish a maximum limit of credit available to individual customers who turn to them to supply merchandise on the basis of credit facilities granted to such companies by insurance companies operating in this specific area. In general, these facilities are provided on the basis of numerous factors such as the domestic economic environment, country risk, and each customer's financial position and creditworthiness. If these factors deteriorate, the amount of credit available to the Company could decline, or in any event, be lower than expectations. In this case, several suppliers could decide to reduce or terminate credit facilities provided to the Company, which could adversely affect the Company's procurement of electronic products, and ultimately its ability to meet customer demand with potential significant negative repercussions on the Company's income statement, cash flows and balance sheet.

Other operational risks: this category includes risks typical of the consumer electronics sector connected with: opening new points of sale, seasonality, failure to implement or the delayed implementation of its business strategy, the technological development of electronic products and the perception of new trends, the availability of products and inventory obsolescence, the operations of the logistics centre and procurement of products marketed, possible restrictions on imports, product liability, the operation of IT systems, management of post-sale customer assistance services, e-commerce fraud and services provided by third parties. The Company manages and measures these risks, and they are reflected in the financial statements in items related to inventories, with respect to provisions for obsolescence, and in provisions for risks and charges. For additional information on provisions and write-downs made during the year ended 28 February 2017, see the related notes to financial statements.

b. Financial risks

The main financial risks to which the Company is exposed are liquidity risk, interest rate risk, credit risk and risks connected with the Company's net financial debt.

Liquidity risk: the Company defines liquidity risk as the possibility that the Company may not be able to promptly fulfil its obligations. The Company manages its liquidity by taking into account the seasonality of cash flows from retail sales, which may result in a certain unevenness in cash flows from sales and operating costs in several months of the year. This risk is contained through measures aimed at ensuring a balanced capital structure, diversified sources of funding, the spread of due dates for financial debt over a broad time horizon, the maintenance of unused committed lines of credit and defined limits on maturities and credit counterparties in the management of liquidity.

From a structural standpoint, the Company has negative working capital, and as a result, it is exposed to the risk of the inability to raise the financial resources necessary to meet the related financial needs (primarily in the first half of the year). This peculiarity is mainly due to the following structural characteristics of the business conducted by Unieuro: (i) a small amount of trade receivables generated mainly by the wholesale channel relative to sales volume, since most sales are very quickly transformed into cash, which is typical of retail sales to end customers; and (ii) inventories in an amount structurally proportional to turnover. On the other hand, the amount of current liabilities, and especially trade payables, tends to permanently exceed the amount of current assets.

Unieuro has a revolving line of Euro 41,800 thousand, which is generally fully utilised in the first half of each year to meet the related financial requirements, and is instead repaid during periods of the greatest cash generation (typically the last half of each year).

The Company believes that existing lines of credit and loans as at 28 February 2017 are sufficient to cover requirements from its operating and investment activities and to repay maturing debt.

Interest rate risk: the Company is exposed to interest rate risk largely in relation to floating rate financial liabilities.

Most of the Company's debt exposure is at a floating rate. The Company continually monitors interest rate trends using instruments to hedge against the risk of fluctuating interest rates when deemed appropriate.

Credit risk: this is related to the Company’s exposure to potential losses resulting from the failure of financial or commercial counterparties to fulfil their obligations. The Company has receivable monitoring processes that call for analysing the customers’ reliability, assigning a credit line and controlling exposure using reports that break down maturities and average collection periods. At the reporting date, there were no significant risk concentration positions.

Risks associated with the Company’s net financial debt: The seasonality of business cycles and the Company’s revenue trends do not rule out the possibility that the Company may need to obtain new lines of credit to meet its financial requirements.

c. Legal and non-compliance risks

The Company defines non-compliance risk as the possibility of incurring legal and/or administrative sanctions, financial losses or reputational damage as a result of violations of mandatory provisions (of laws or regulations) or of company regulations (articles of association, codes of conduct, self-regulation codes). The main risks of this type can be grouped in the categories described below.

Risks connected with the regulatory environment: Unieuro conducts its business in sectors regulated by national, EU and international regulations, the violation or change in which could result in limitations of its operations or increased costs. In the future, it is possible that there will be changes in tax and other rules and in existing regulations, including from the standpoint of interpretations, that could result in the Company's liability or have a negative impact on its business with a possible negative impact on its income statement, balance sheet and/or cash flows.

Any legislative or regulatory changes (e.g. in relations between lessors and lessees, taxation and related income, and the issuance and maintenance of administrative authorisations to perform business activities) could affect the Company's balance sheet, income statement and cash flows. Furthermore, any suspension and/or revocation of licences or authorisations required by current legislation in Italy as a necessary condition for conducting business activity at points of sale, and any mandatory measures required by competent authorities to confirm or issue such authorisations or licences could have a potential negative effect on Unieuro's operations or outlook, or on its income statement, balance sheet and cash flows.

Risks associated with compliance with regulations concerning the environment and health and safety in the workplace: The Company is subject to laws and regulations to protect the environment and health; thus, any violations of these regulations could result in limitations on the Company's business or significant additional costs.

The Company performs its business in sectors regulated by national and EU regulations concerning environmental protection and health and safety in the workplace. In accordance with the obligations of regulations on environmental protection and health and safety in the workplace, Unieuro makes the investments necessary to ensure compliance with the provisions of applicable laws and regulations. In this regard, in July 2016, Legislative Decree 121 (the so-called "1 vs. 0" Decree) went into effect that calls for the free collection of very small electric and electronic devices (RAFE) by distributors of appliances and consumer electronics goods. The decree also specifies technical requirements for the preliminary deposit and collection to be carried out at such distributors and the subsequent transport and transfer, with the resulting obligations for distributors (including Unieuro) to comply with the legal requirements set forth in the decree. It is possible that Unieuro must, in the future, incur extraordinary expenses for actions brought against the Company for problems related to the environment, health and safety in the workplace and/or Unieuro may be required to make significant investments to comply with changes dictated by regulations concerning these obligations with a resulting negative impact on the balance sheet, income statement and cash flows.

13. SIGNIFICANT EVENTS DURING AND AFTER THE YEAR

The fiscal year ending 28 February 2017 was characterised by the listing procedure undertaken by the Company that resulted in significant changes in its organisational structure.

On 23 February 2017, Unieuro, as buyer, signed an agreement with Project Shop Land S.p.A., as seller, for the purchase of 100% of the share capital of Monclick S.r.l. ("Monclick"). The price agreed to by the parties was Euro 10,000 thousand, and the purchase of Shares by Unieuro is subject to meeting the following conditions precedent: (a) obtaining all authorisations of competent antitrust authorities that contain no conditions or obligations for the Company or Monclick; (b) obtaining the consent of the Lending Banks to execute the purchase. The agreement is to be concluded in June 2017.
Through its purchase of Monclick, the Company intends to enhance its position in the online sales sector (by exploiting Monclick's competitive position), and to launch and develop the business of marketing consumer electronics goods in the B2B2C channel as the leading specialised operator.

On 4 April 2017, trading began for the Company's stock on the Star segment of the Electronic Stock Exchange. The stock was placed at a price of Euro 11 per share, and 31.8% of capital was placed.

On 18 April 2017, the Company acquired a business division from Andreoli S.p.A. subject to the settlement of creditors' claims. The business division consists of 21 points of sale located mainly in shopping centres with areas between 1,200 and 1,500 square metres. The chain acquired currently operates under the Euronics brand in southern Lazio, Abruzzo and Molise regions, and in 2015 it generated retail revenues of about Euro 94 million at a profit, and it employs over 300 people.

The stores will be acquired with no inventory and will be subject to a precise revitalisation plan, which, starting in the beginning weeks, will entail the adoption of the Unieuro brand, the refitting of store spaces, a new assortment of merchandise and the adoption of new IT systems, with the aim of achieving projected revenue and profitability targets over 18-24 months.

The acquisition of the Andreoli division occurred as a result of participating in the competitive bidding procedure announced by the Court of Latina pursuant to Art. 163-bis of the Bankruptcy Law.

The amount of the transaction, which was carried out without taking over financial debt or payables to suppliers, was Euro 12.2 million, including Euro 3.9 million already contributed as a security deposit, and Euro 8.3 million to be paid as the final payment once the transaction is finalised, which is projected to be within 30 days of the date the company complex is awarded. The transaction will be financed out of available cash and using lines of credit provided by financial institutions. The acquisition allows to the Company to pursue the goal of broadening its local presence and increasing touchpoints with customers.

On 3 May 2017, the greenshoe option was partially exercised. This option was granted by

Italian Electronics Holdings for 537,936 shares in relation to the 636,363 shares that were over allotted. The purchase price of shares under the greenshoe option was Euro 11.00 per share corresponding to the bid price set in the Institutional Placement for a total of Euro 5,917 thousand. The settlement of shares related to the greenshoe option took place on 8 May 2017.

Thus, at the date of this report, the Institutional Placement involved a total of 6,901,573 ordinary shares of Unieuro S.p.A., equal to about 35% of share capital, valued at approximately Euro 75,917 thousand.

14. OUTLOOK

The scenario seen in 2016, with a slight improvement in GDP, should also continue in calenda year 2017 based on Italian GDP growth estimates made by various international organisations, and this growth is largely in line with 2016. The consumer electronics market is highly correlated to GDP movements, and thus, growth in this market is also expected next year.

In financial year 2017-2018 the Company expects further sales growth driven by the larger store network in both the retail and travel channels, as a reflection of the positive impact of the work programme for the store portfolio and new openings. An additional push will come from growth in online sales.

This is in addition to external growth to be achieved through the acquisition of the 21 former Andreoli stores, and through the acquisition of Monclick when that closing is finalised.

In terms of financial management, operating cash flows are expected to improve with investments in line with the year ended 28 February 2017 without considering investments for acquisitions. Investments will be aimed at improving the store network and expanding the latter, and infrastructure-related measures will be taken to improve the efficiency of company processes.

FINANCIAL STATEMENT

STATEMENT OF FINANCIAL POSITION

(amounts in euro thousand)	Notes	Year ended 28 February 2017	Year ended 29 February 2016
Plant, machinery, equipment and other assets	5.1	60,822	51,523
Goodwill	5.2	151,396	151,396
Intangible assets with a finite useful life	5.3	11,808	11,197
Deferred tax assets	5.4	29,438	28,912
Other non-current assets	5.5	2,156	2,035
Total non-current assets		**255,620**	**245,063**
Inventories	5.6	269,551	264,373
Trade receivables	5.7	35,203	35,354
Current tax assets	5.8	7,955	8,082
Other current assets	5.5	13,865	13,900
Cash and cash equivalents	5.9	36,666	35,441
Total current assets		**363,240**	**357,150**
Total assets		**618,860**	**602,213**
Share capital	5.10	4,000	4,000
Reserves	5.10	120,101	109,500
Profit/(loss) carried forward	5.10	(39,122)	(40,067)
Total shareholders' equity		**84,979**	**73,433**
Financial liabilities	5.11	25,796	31,780
Shareholders' loan	5.12	-	19,444
Employee benefits	5.13	9,783	10,220
Other financial liabilities	5.14	4,427	4,479
Provisions	5.15	8,833	7,767
Deferred tax liabilities	5.4	322	269
Other non-current liabilities	5.16	21	26
Total non-current liabilities		**49,182**	**73,985**
Financial liabilities	5.11	5,984	3,204
Shareholders' loan	5.12	-	998
Other financial liabilities	5.14	2,418	1,471
Trade payables	5.17	334,546	333,372
Provisions	5.15	1,424	2,571
Other current liabilities	5.16	140,327	113,179
Total current liabilities		**484,699**	**454,795**
Total liabilities and shareholders' equity		**618,860**	**602,213**

The notes are an integral part of these annual financial statements.

INCOME STATEMENT

(amounts in euro thousand)	Notes	Year ended 28 February 2017	Year ended 29 February 2016
Revenue	5.18	1,660,495	1,557,210
Other income	5.19	6,360	12,396
Total revenue		**1,666,855**	**1,569,606**
Purchases of materials and external services	5.20	(1,491,938)	(1,427,404)
Personnel expenses	5.21	(136,633)	(133,961)
Changes in inventories	5.6	5,177	41,067
Other operating costs	5.22	(5,377)	(6,558)
Gross operating profit		**38,084**	**42,750**
Amortization, depreciation and impairment losses	5.23	(17,958)	(18,720)
Operating profit		**20,126**	**24,030**
Financial income	5.24	358	286
Financial expenses	5.24	(6,222)	(7,175)
Pre-tax profit (loss)		**14,262**	**17,141**
Income taxes	5.25	(2,675)	(6,499)
Profit (loss) for the year		**11,587**	**10,642**
Basic earnings per share (in Euros)	5.26	0.58	0.53
Diluted earnings per share (in Euros)	5.26	0.58	0.53

The notes are an integral part of these annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(amounts in euro thousand)	Notes	Year ended 28 February 2017	Year ended 29 February 2016
Profit (loss) for the year		**11,587**	**10,642**
Other items that will or may be reclassified to profit or loss:			
Gain (losses) on hedging instruments (cash flow hedges)	5.14	103	54
Income taxes		(29)	(15)
Total other comprehensive income (expense) that will or may be reclassified to profit or loss	5.10	**74**	**39**
Other items that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses) on defined benefit plans	5.13	(2)	669
Income taxes		1	(184)
Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:	5.10	**(1)**	**485**
Total statement of comprehensive income for the year		**11,660**	**11,166**

The notes are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS

(amounts in euro thousand)	Notes	Year ended 28 February 2017	Year ended 29 February 2016
Cash flow from operations			
Profit (loss) for the year	5.10	11,587	10,642
Adjustments for:			
Income taxes	5.25	2,675	6,499
Net financial expenses (income)	5.24	5,864	6,889
Amortization, depreciation and impairment losses	5.23	17,958	18,720
(Gains)/losses on the sale of property, plant and machinery	5.1	(31)	(35)
Other changes		3,766	2,357
		41,819	45,072
Changes in:			
-Inventories	5.6	(5,178)	(41,067)
-Trade receivables	5.7	151	(2,399)
-Trade payables	5.17	1,174	29,607
-Other changes in operating assets and liabilities	5.5-5.15-5.16	23,488	32,445
Cash flows from (used in) operating activities		19,635	18,586
Income taxes paid	5.25	-	(4,206)
Interest paid	5.24	(4,931)	(4,765)
Net cash flow from (used in) operating activities	**5.27**	**56,523**	**54,687**
Cash flow from investing activities			
Purchases of plant, machinery, equipment and other assets	5.1	(23,479)	(24,468)
Acquisition of intangible assets	5.3	(4,419)	(3,024)
Goodwill acquired against consideration	5.2	-	(193)
Proceeds from the sale of plant, machinery, equipment and other assets	5.1	61	131
Proceeds from the sale of assets held for sale	5.27	-	924
Investments in equity and business units	5.5	-	(881)
Cash contributed as part of the merger	5.9	-	6,270
Net cash flow from (used in) investing activities	**5.27**	**(27,837)**	**(21,241)**
Cash flows from financing activities			
Increase in financial liabilities	5.11	(4,137)	(14,218)
Increase/(Decrease) in other financial liabilities	5.14	998	4,419
Increase/(Decrease) in shareholder loans	5.12	(20,442)	(1,172)
Distribution of dividends	5.10	(3,880)	-
Net cash flows from (used in) financing equivalents	**5.27**	**(27,461)**	**(10,971)**
Increase/(Decrease) in cash and cash equivalents		**1,225**	**22,475**
OPENING CASH AND CASH EQUIVALENTS		**35,441**	**12,966**
Increase/(Decrease) in cash and cash equivalents		**1,225**	**22,475**
CLOSING CASH AND CASH EQUIVALENTS		**36,666**	**35,441**

The notes are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN EQUITY

(Amounts in euro thousand)	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Share-based payments reserve	Other reserves	Profit/(loss) carried forward	Total equity
Balance as at 28 February 2015		**4,000**	**800**	**43,643**	**(113)**	**(586)**	**676**	**6,144**	**(12,654)**	**41,910**
Profit (loss) for the year		-	-	-	-	-	-	-	10,642	10,642
Other components of comprehensive income (expenses)		-	-	-	39	485	-	-	-	524
Total comprehensive income (expense)		**-**	**-**	**-**	**39**	**485**	**-**	**-**	**10,642**	**11,166**
Contribution from merger						(757)	175	51,855	(33,237)	18,036
Allocation of previous year's profit (loss)		-	-	4,818	-	-	-	-	(4,818)	-
Equity-settled share-based payment plans		-	-	-	-	-	2,321	-	-	2,321
Total owner transactions		**-**	**-**	**4,818**	**-**	**-**	**2,321**	**-**	**(4,818)**	**2,321**
Balance as at 29 February 2016	**5.10**	**4,000**	**800**	**48,461**	**(74)**	**(858)**	**3,172**	**57,999**	**(40,067)**	**73,433**
Profit (loss) for the year		-	-	-	-	-	-	-	11,587	11,587
Other components of comprehensive income (expenses)		-	-	-	74	(1)	-	-	-	73
Total comprehensive income (expense)		**-**	**-**	**-**	**74**	**(1)**	**-**	**-**	**11,587**	**11,660**
Allocation of previous year's profit (loss)		-	-	10,642	-	-	-	-	(10,642)	-
Distribution of dividends		-	-	(3,880)	-	-	-	-	-	(3,880)
Equity-settled share-based payment plans		-	-	-	-	-	3,766	-	-	3,766
Total owner transactions		**-**	**-**	**6,762**	**-**	**-**	**3,766**	**-**	**(10,642)**	**(114)**
Balance as at 28 February 2017	**5.10**	**4,000**	**800**	**55,223**	**-**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**

The notes are an integral part of these annual financial statements.

NOTES

1. PREAMBLE

Unieuro S.p.A. (hereinafter also the "Company"), formerly S.G.M. Distribuzione S.r.l., is a company existing under the laws of Italy with registered office in Forlì, Via V.G. Schiaparelli 31, operating in the retail and online distribution of electric appliances and consumer electronics.

On 29 November 2013, the company that was then the parent company of Unieuro S.p.A., Venice Holdings S.r.l. (hereinafter also "**Venice Holdings**", merged by incorporation into Italian Electronics Holdings S.r.l. on 27 October 2016), concluded as part of a broader consolidation operation, the acquisition of the majority equity interest in Unieuro S.r.l. (hereinafter "***Ex* Unieuro**") of 84.78% of the share capital. This acquisition created one of the main distributors in Italy of electric appliances and consumer electronics.

On 26 February 2016, with accounting and tax effects from 1 March 2015, Ex Unieuro was merged by incorporation into Unieuro S.p.A (hereinafter the "**Unieuro Merger** "), both companies which were then 100% owned by Italian Electronics S.r.l. (hereinafter also "**Italian Electronics**", subsequently merged by incorporation into Italian Electronics Holdings S.r.l. on 27 October 2016). Therefore, from 27 October 2016, the Company has been controlled by Italian Electronics Holdings S.r.l. (hereinafter also "**Italian Electronics Holdings**").

Pursuant to the resolution of the Extraordinary shareholders' meeting held on 12 December 2016, the Company was transformed from a limited liability company to a joint stock company (società per azioni) changing its name from "S.G.M. Distribuzione S.r.l." to "Unieuro S.p.A.".

On 4 April 2017, Italian Electronics Holding placed on the Screen-based Share Market (MTA) - Star Segment of Borsa Italiana S.p.A., 31.8% of the Unieuro S.p.A. share capital or 6,363,637 ordinary shares at a price of €11 per share.

From 3 May 2017, the greenshoe option granted by Italian Electronics Holding was partially exercised by 537,936 shares compared to the 636,363 shares that had been the object of the Over Allotment. The purchase price of the shares that were the object of the greenshoe option was €11.00 per share, which corresponds to the offer price which was set for the placement, totalling €5,917 thousand. The share settlement relative to the greenshoe option took place on 8 May 2017.

The placement as at the date of the balance sheet therefore refers to a total of 6,901,573 ordinary shares of Unieuro S.p.A., or 34.51% of the share capital, totalling approximately €75,917 thousand.

2. CRITERIA ADOPTED FOR PREPARATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND SUMMARY OF THE ACCOUNTING PRINCIPLES

Below are the preparation criteria, the main accounting principles and valuation criteria adopted for the drafting of the financial statements for the year. These principles and criteria were applied consistently to all the years presented within this document.

2.1 Basis of preparation of the financial statements

The financial statements for the year comprised the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes thereto for the years ended 28 February 2017 and 29

February 2016.

2.2 Preparation criteria

The financial statements were drafted on a going concern basis, since the directors verified that there were no indicators of a financial, operating or other nature of any critical areas regarding the company's ability to honour its obligations in the foreseeable future and in particular the next 12 months.

The financial statements were drafted on the basis of the historical cost criteria, except for the derivative financial instruments which were measured at their fair value.

Please see the Report on Operations for information regarding the nature of the company's operations and significant events after the balance sheet date.

The group that the company belongs to was structured as follows as at 28 February 2017:

1. International Retail Holdings S.à r.l.,a Luxembourg based holding company controlled by Rhône Capital II L.P. which owns the majority of Italian Electronics Holdings shares;

2. Italian Electronics Holdings, an Italian Holding Company that owns 100% of the Company's shares.

The annual financial statements are presented in Euro, which is the Company’s functional currency. The amounts are expressed in thousands of Euro, except as specifically indicated. The rounding is done at the individual account level and then totalled. It is hereby specified that any differences found in any tables are due to rounding of amounts which are expressed in thousands of Euro.

The financial statements as at 28 February 2017 were approved by the Company's Board of Directors on 10 May 2017 and after they are audited they will be presented for the approval of the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The financial statements for the year were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union. The year during which the company first adopted the International Accounting standards (IAS/IFRS) was the year ended 28 February 2007.

Furthermore, the annual financial statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the income, balance sheet and cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

The financial statements have been drafted on a going concern basis.

2.4 Financial statement schedules

In addition to these notes, the financial statements consist of the following schedules:

A) **Statement of financial position:** the company's equity and income is shown by distinctly presenting current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability items of the amounts that are expected to be settled or recovered within or later than 12 months from the balance sheet date.

B) **Income statement:** the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.

C) **Statement of comprehensive income:** this statement includes the profit/(loss) for the year as well as the income and expenses recognized directly in equity for transactions other than those with shareholders.

D) **Statement of cash flows:** the statement of cash flows contains the cash flows from operations, investments and financing. The cash flows from operations are shown using the indirect method through which the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.

E) **Statement of changes in equity**: this statement includes, in addition to the results of the comprehensive income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

The annual financial statements are shown in comparative form.

2.5 The use of estimates and valuations in the preparation of the financial statements

Preparation of the Financial statement under IFRS requires management to make estimates and assumptions that affect the carrying amount of assets and liabilities and the disclosures about contingent assets and liabilities at the reporting date. These estimates and assumptions are based on information available at the preparation date, management's experience and other relevant information. The actual figures may differ from the estimates. Management uses estimates to make accruals to the allowances for impairment and inventory write-down, to recognise the deferred income on the sale of warranty extension services, to measure amortization and depreciation and non-current assets, to test goodwill for impairment, to determine employee benefits on an actuarial basis and call options, as well as to estimate the fair value of derivatives and calculate the recoverability of deferred tax assets.

Management regularly revises the estimates and assumptions and the effects of any changes are presented in the income statement.

The key measurement processes and assumptions used by management to apply the IFRS that could have significant effects on the amounts presented in the Financial statements or for which there is a risk that significant differences may arise compared to the assets' and liabilities' carrying amounts in the future are summarised below.

Recoverable amount

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The company regularly monitors the carrying amounts of non-current assets held and used or that will be sold, whenever events or circumstances warrant such checks. The company tests goodwill for impairment at least once a year and whenever events or circumstances indicate a possible impairment loss. The company regularly monitors the recoverability of non-current assets' carrying amounts by estimating the cash flows expected from the use or sale of the asset and discounting them to calculate the asset's present value. When a non-current asset has undergone impairment, the company recognises an impairment loss equal to the difference between the asset's carrying amount and its recoverable amount through use or sale, calculated using the cash flows included in the most recent business plans.

The estimates and assumptions used reflect management's knowledge about business developments and reasonable forecasts about the market's and sector's future development. They are subject to great uncertainty due to the effects of the recent economic and financial crisis and its fallout on the sector. Although the company's current estimates do not indicate any impairment of its non-current assets, developments in the economy or the company's performance different to that forecast could lead to amounts other than the original estimates and, where necessary, to adjustments to the non-current assets' carrying amounts.

Recoverability of deferred tax assets

The company recognises deferred tax assets to the extent they are deemed recoverable. When necessary, it recognises adjustments to reduce the deferred tax assets' carrying amount to their recoverable amount. The company considers the budget results and forecasts for future years in line with the budgets used for impairment tests, described earlier for the recoverable amount of non-current assets, to determine the recoverable amounts of deferred tax assets.

Provision for bad debts

Management sets up this allowance to reflect its estimate of expected credit losses based on past experience of similar receivables, existing and historical past due receivables and collections, as well as its careful monitoring of credit quality and financial and market projections.

Provision for inventory obsolescence

This allowance reflects management's estimate of losses in value of its inventory, based on past experience, historical market trends and expected future trends. It also considers specific actions introduced by the company in order to align the carrying amount of inventory to the lower of its cost and estimated realisable value.

Deferred income on product warranty extension

The company's services include the extension of its product warranty period compared to the legal period, which is also provided by its Wholesale partners. This service is sold directly in the DOS for an additional charge.

The warranty extension compared to the legal requirement can be in timing (more years covered) and/or the risks covered (e.g., product damage) depending on the product category sold.

When the warranty service is sold, the company recognises deferred income equal to the sales amount of the service and then reclassifies it to revenue over the service term. This reclassification is calculated considering the estimated number of repair work interventions during the warranty period. These are estimated using historical information on the nature, frequency and cost of the work performed in connection with warranty spread out over time to simulate the future occurrence of these events.

Defined benefit plans and other post-employment benefits

The company has set up a defined benefit plan (post-employment benefits) for its employees.

It applies an actuarial method to calculate the cost and net interest expense of the benefit plans involving the use of estimates and assumptions to determine its net obligation. The method includes financial variables, such as, the discount rate and future increases in salaries, as well as the probability that future events may occur using demographic variables (employee turnover and mortality). Specifically, the discount rates applied are the rates or yield curves of high quality corporate bonds in the reference markets. Changes in each factor could affect the amount of the liability.

Provisions

The company recognises a provision for disputes and legal proceedings whenever it deems it probable that it will have to disburse funds or when it can reasonably estimate the related expense. If it is unable to estimate the cash disbursement or if such disbursement becomes probable, the company does not set up a provision but simply discloses the event in the notes.

During the normal course of business, the company monitors the status of pending disputes and consults its legal and tax advisors. The amount of the related provisions may vary over time due to future developments in these pending disputes.

Equity-settled share-based payment plans

The measurement of the probable market price of options is recognized using the binomial method (Cox – Ross – Rubinstein). Since the exact time that the transfer of the control of Venice Holdings will take place is not known, the Company has identified different dates and subsequently, assigned to each a probability of occurring. The other assumptions on which the calculation is based are volatility, interest rate risk (equal to the return of sovereign securities of the Euro area (AAA) expiring close to the date on which the exercise of the option is expected), the amount of the expected dividends. Finally, in line with the requirements set forth in IFRS 2, for estimation of the fair value of options, the value was adjusted applying a discount for lack of liquidity. For further details see note 5.28.

Hedging derivatives

The fair value of derivatives is estimated using the prices on regulated markets or provided by financial counterparts. In their absence, management estimates fair value using valuation models that consider subjective variables, such as, for example, estimated cash flows and price volatility.

2.6 Key accounting policies

Business combinations and goodwill

Business combinations are recognized using the acquisition method, which entails the recognition of the identifiable assets acquired (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructurings) assumed at their acquisition-date fair value.

The contingent consideration is also recognized at its acquisition-date fair value. Fair value gains and losses of the contingent consideration classified as assets or liabilities are recognized in profit or loss as required by IAS 39. If the contingent consideration is recognized in equity, its initial fair value is never redetermined.

Goodwill arising from a business combination is initially recognized at cost, being the difference between the consideration's fair value and the company's share of net fair value of the acquiree's identifiable assets, liabilities assumed and contingent liabilities. This goodwill is allocated to each of the company's cash-generating units (CGU) or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the company are assigned to these units or groups of CGUs at the acquisition date. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and

- not be larger than the identified operating segments.

When an entity disposes of an operation within a CGU or group of units to which goodwill has been allocated, the goodwill associated with that operation should be included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the CGU or group of units retained.

If the acquirer has made a gain from a bargain purchase, that gain is recognized immediately in profit or loss, while the acquisition-related costs other than those to issue the debt or equity securities are recognized as expenses in the periods in which they are incurred.

After initial recognition, goodwill is not amortized and is only decreased for impairment, calculated using the methods set out in the "Impairment losses on non-financial assets" section below.

Transactions under common control are recognized at their carrying amount, i.e., without recognising a gain, pursuant to the IFRS and the guidance of OPI 1 (Assirevi's preliminary considerations about the IFRS) about the accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements. This provides that, in the case of a business combination, when the acquiree is controlled by the same entity both before and after the acquisition, its net assets are recognized at the carrying amount shown in the acquiree's accounting records before the acquisition. If the transfer values are higher than these historical carrying amounts, the difference is eliminated by adjusting the acquirer's equity downwards.

Fair value hierarchy

Several standards and disclosure requirements entail the calculation of the fair value of financial and non-financial assets and liabilities. 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. To increase consistency and comparability in fair value measurements and related disclosures, the standard has established a three-level hierarchy reflecting the importance of the inputs used to calculate fair value. The levels are:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and in the case of multiple active markets, the most advantageous market for the asset or liability is identified;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: quoted prices in markets that are not active or interest rates and yield curves observable at commonly quoted intervals; and

- Level 3: unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that Levels 1 and 2 inputs are not available. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date, reflecting the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Plant, machinery, equipment and other assets (property, plant and equipment)

Recognition and measurement

Property, plant and equipment are measured at acquisition cost including any directly attributable costs less any accumulated depreciation and any accumulated impairment losses.

Borrowing costs incurred to acquire or construct qualifying assets for which a certain period of time is usually required to ready the asset for its use or sale are capitalised and depreciated over the life of the category of assets to which they refer. All other financial expense is recognized in profit or loss in the period to which they relate.

When an item of property, plant and equipment consists of various components with different useful lives, the components are treated separately (when they are material).

The gain or loss arising on the sale of property, plant, machinery, equipment or other assets is the difference between the net disposal proceeds and the item's carrying amount and it is recognized in profit or loss in the period in which the asset is derecognized.

Subsequent costs

Costs incurred subsequently to acquisition of the asset and the replacement cost of parts of the asset recognized in this category are added to the asset's carrying amount and capitalised only if they increase the asset's future economic benefits. All other costs are expensed when incurred.

When the replacement cost of some parts of the asset is capitalised, the replaced parts' carrying amount is recognized in profit or loss. The cost of extraordinary maintenance that lengthens the asset's useful life is capitalised and depreciated over the asset's remaining useful life. Ordinary maintenance costs are expensed when incurred.

Assets under construction are recognized at cost until they are available for use, when they are reclassified to the relevant caption and depreciation starts.

Assets under finance lease

Other assets, plant and machinery held under finance leases, where the company has substantially assumed all the risks and rewards incidental to ownership, are recognized at the lease inception date as property, plant and equipment at their fair value or, if lower, the present value of the minimum lease payments. They are depreciated over their estimated useful lives and their carrying amounts are adjusted for impairment calculated using the methods set out below. The liability to the lessor is recognized under "Other financial liabilities".

Depreciation

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized. Any changes to the depreciation plan are applied prospectively.

The depreciable amount is the asset's carrying amount less its estimated net sales value at the end of its useful life, if material and reasonably determinable.

Depreciation rates are calculated considering each asset's estimated useful life and the internal utilization plans that consider the asset's technological and physical wear and tear and their estimated realisable value net of scrapping costs. When the asset comprises more than one material component with different useful lives, depreciation is calculated separately for each component. In the case of an event that indicates possible impairment of the asset or a significant decrease in their market value, significant technological changes or obsolescence, the carrying amount, excluding recognized depreciation, is monitored using an estimate of the present value of future cash flows and adjusted, if necessary. If the conditions for the impairment loss no longer exist in the future, the impairment loss is reversed back to the carrying amount the asset would have had (net of depreciation) had the impairment loss never been recognized.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

Category	**% used**
Plant and machinery	15%
Fixtures and fittings, tools and other equipment	15%
Electronic machinery	20%
Furniture	15%
Office fixtures and fittings and machinery	12%
Automobiles	25%
Mobile phones	20%
Leasehold improvements	throughout the duration of the contract
Other assets	15%-20%

Intangible assets with a finite useful life

Initial recognition and measurement

Separately acquired intangible assets are initially recognized at cost while intangible assets acquired in a business combination are recognized at the acquisition-date fair value. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures

Subsequent expenditures are capitalised only when they increase the expected future economic benefits of the asset to which they refer. All other subsequent expenditures are expensed when incurred.

Amortization

Intangible assets are amortized over their useful lives and are tested for impairment whenever there is an indication of a possible impairment loss. The amortization period and method are reviewed at each annual reporting date or more frequently if necessary. Any changes to the amortization plan are applied prospectively.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognized in profit or loss when the asset is derecognized.

Amortization is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

Category	**% used**
Software	20%
Entry rights	Based on the duration of the lease starting from the date that the shop opens
Trademarks	5-10%

Financial assets

The company decides how to classify its financial assets after their initial recognition and reviews this classification at each reporting period if appropriate and allowed.

Financial assets at fair value through profit or loss

This category includes assets held for trading and assets designated as financial assets at fair value through profit or loss at initial recognition. Assets held for trading include all those assets acquired for the purpose of selling them in the near term. Derivatives, including embedded derivatives, are classified as financial assets held for trading unless they have been designated as hedging instruments in accordance with IAS 39. Gains or losses on financial assets held for trading are recognized in profit or loss. The fair value of equity instruments traded on regulated markets is calculated using the Italian Stock Exchange prices at the close of market on the reporting date. The fair value of investments that do not have an active market is calculated using valuation techniques based on recent arm's length market transactions between independent parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method, net of any reduction for impairment. Amortized cost is calculated considering purchase discounts and premiums and including transaction commissions and costs that are an integral part of the effective interest rate. A gain or loss is recognized in profit or loss when the loans and receivables are derecognized or impaired.

Impairment losses on financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition or the current effective interest rate in the case of a loan with a variable interest rate). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

An allowance for impairment for trade receivables is set up when there is objective evidence (such as, for example, the probable insolvency or significant financial difficulties of the debtor) that the company will not be able to recover all the amounts due based on the invoice's original conditions. The carrying amount of the trade receivable is decreased by adjusting an allowance account. Impaired trade receivables are derecognized when they are irrecoverable.

When the trade receivable is classified as a financial asset given the payment terms, it is measured at amortized cost by discounting the nominal amount to be received and recognising the discount as financial income.

Under IAS 39, the transferred asset is derecognized if the transfer includes the total transfer of the related risks and rewards of ownership of the transferred asset (contractual rights to receive the cash flows of the financial asset). The difference between the carrying amount of the asset transferred and the consideration received is recognized as financial expense in the income statement.

The company does not have available-for-sale financial assets or held-to-maturity investments.

Inventories

Inventories are measured at the lower of the cost and net realizable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. It includes in particular the purchase price and other costs which are directly attributable to the purchase of goods. Trade discounts, returns and other similar items are deducted in determining the costs of purchase. The method used to allocate cost is the weighted average cost method.

Obsolete or slow-moving inventories are written down to reflect their possible use or realisation directly for the write-down related to the valuation of the inventories at the lower of cost and estimated realisable value and through an allowance for inventory write-down for the remainder.

Cash and cash equivalents

Cash and cash equivalents include cash-on-hand and term and short-term deposits, the latter with an original maturity of less than three months. For statement of cash flows purposes, cash and cash equivalents comprise the above less bank overdrafts.

Financial liabilities

Financial liabilities are initially recognized at the fair value of the consideration received net of directly related transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Discounting using the effective interest method is recognized under financial expense in profit or loss.

Employee benefits

Post-employment benefits can be provided in the form of defined contribution plans and/or defined benefit plans. They are based on the employees' remuneration and length of service.

Defined contribution plans are post-employment benefit plans where the company and sometimes its employees pay fixed contributions into a separate entity (a fund) and have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. They may be unfunded, or they may be wholly or partly funded by contributions by the company, and sometimes its employees, into an entity, or fund, that is legally separate from the company and from which the employee benefits are paid.

The vested benefits are projected into the future to estimate the total obligation when the employment relationship ends and then discounted to reflect the time value of money.

Adjustments to the employee benefit liabilities are made on the basis of actuarial assumptions considering demographic and financial assumptions. They are recognized on an accruals basis in line with the service necessary to obtain the benefit. The rights vested by the employees in the reporting period and the interest cost on the benefits accrued at the start of the period and any changes during the period are recognized as "Personnel expenses" in the income statement while the interest cost arising on the actuarial calculation is recognized as "Gains (losses) on the revaluation of defined benefit plans" in the statement of comprehensive income.

The company engaged an external actuary to perform the actuarial valuation.

Following the amendments made to Italian post-employment benefits (TFR) by Law no. 296 of 27 December 2006 and subsequent decrees and regulations (the "Pension reform") issued in early 2007:

- the benefits vested up to December 31, 2006 are considered to be a defined benefit plan under IAS 19. These guaranteed benefits are paid upon termination of the employment relationship and are recognized over the vesting period;

- the benefits accrued after January 1, 2007 are considered to be a defined contribution plan; therefore, the benefits that accrued in the reporting period are fully recognized as costs and the part that has not yet been paid into a pension fund is recognized as a liability under "Other current liabilities".

Provisions

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects reimbursement of some or all of the expenditure required to settle a provision, for example, through insurance contracts, it recognises the reimbursement as a separate asset when, and only when, it is virtually certain that reimbursement will be received. In this case, the expense relating to the provision is presented net of the amount recognized for a reimbursement in the income statement. When the effect of the time value of money is significant, the company discounts the non-current part of the provision.

Provision for onerous contracts

The company recognises a provision for onerous contracts when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of terminating the contract, which is the lower of the cost of performing the obligations under the contract and any damages or penalties arising from failure to perform the obligations under such contract. Before the provision for an onerous contract is recognized, the company recognises any impairment loss that has occurred on assets dedicated to that contract.

Provision for DOS restorations

When a lease agreement includes a clause requiring the restoration of a building, the company recognises a provision for DOS restorations. The carrying amount of its obligation includes the estimated restoration costs up until when the building is returned to the lessor.

Provision for restructuring

A provision for restructuring is recognized when the company has a detailed formal plan for the restructuring that has been approved and the restructuring has started or the company has announced its main features to those affected by it.

Trade payables

Trade payables are recognized at their nominal amount, net of discounts, returns or invoicing adjustments, which is equal to the fair value of the company's obligation. When the transaction is a financial transaction, due to the payment terms agreed, the trade payables, measured at amortized cost, are discounted and the discount is recognized as financial expense.

Assets held for sale

Assets held for sale are assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are classified in this category when the sale of a disposal group becomes highly probable and the assets and liabilities are immediately available for sale in their present conditions. Assets held for sale are measured at the lower of cost and fair value less costs to sell.

Impairment of non-financial assets

The company tests property, plant and equipment and intangible assets for impairment. When there is an indication of impairment, it estimates the asset's recoverable amount.

The standard does not require formal preparation of an estimate of the recoverable amount except when there is an indication of impairment. The only exceptions are intangible assets not yet available for use and goodwill acquired in a business combination which are tested for impairment annually and whenever there is an indication of impairment. Management performs the impairment test for all those assets that require annual testing at the reporting date.

In assessing whether there is any indication that an asset may be impaired, the company considers the following indications:

- market interest rates or other market rates of return on investment have increased during the period, and those increases are likely to affect the discount rate used and decrease the asset's recoverable amount;

- significant changes have taken place in the technological or market environment in which the company operates;

- the asset's physical obsolescence is unrelated to the depreciation or amortization charged in a certain period of time;

- any extraordinary plans introduced during the reporting period that could impact the assets (e.g., a restructuring plan); and

- interim operating losses.

If there is an indication that an asset may be impaired, management reviews the remaining useful life, the depreciation (amortization) method or the residual value of the asset, which may need to be adjusted in accordance with the standard applicable to the asset. It only tests the asset individually for impairment at a later stage.

As described in IAS 36, the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, both for an individual asset or a cash-generating unit.

In order to best understand the guidance of IAS 36, some key definitions are set out below:

Value in use: this is the present value of the future cash flows expected to be derived from an asset or cashgenerating unit. Specifically, the asset generates cash flows, which are discounted using a pre-tax rate that reflects the time value of money and specific asset risks. The cash flow projections are based on company plans, considering detailed budgets and calculations prepared separately for each asset or cash-generating unit. The budgets do not include the effects of extraordinary activities (restructurings, sales and acquisitions) and cover a maximum period of five years.

Fair value: 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 company uses valuation models to determine fair value based on quoted shares, multiple models and other available indicators.

Cash-generating unit (CGU): the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Carrying amount: the amount at which an asset is recognized after deducting any accumulated depreciation (amortization), accumulated impairment losses and reversals of impairment losses.

It is not always necessary to determine both an asset's fair value and its value in use. If either of these amounts exceeds the asset's carrying amount, it is not necessary to estimate the other amount. It may not be possible to determine fair value of an asset or a cash-generating unit because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction between market operators. In this case, the company may use the asset's value in use as its recoverable amount.

Once all the values useful to measure the asset or the cash-generating unit have been identified and determined, the company compares its carrying amount with its recoverable amount. If the carrying amount is higher than the recoverable amount, the company reduces the asset's carrying amount to its recoverable amount and the reduction is an impairment loss.

The company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in previous years for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the company estimates the recoverable amount of that asset. An impairment loss recognized in prior periods can be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. The reversal is recognized in profit or loss.

Derivative financial instruments and hedge accounting

The Company holds no derivative financial interests for speculative purposes. However, if the derivative financial instruments do not satisfy all the terms and conditions required for hedge accounting required by IAS 39, the changes in fair value of these instruments are recognized in the income statement as financial expenses and/or income.

Therefore, the derivative financial instruments are recognized using hedge accounting rules when:

- the formal designation and documentation of the hedging relation itself exists from the beginning of the hedge;
- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge itself is highly effective during the periods of designation.

The Company uses the derivative financial instruments to cover their exposure to interest rate and currency risk.

The derivatives are initially measured at fair value; the transaction costs attributable to them are recognized in the income statement at the time that they are incurred. After initial recognition, the derivatives are measured at fair value. The relative changes are recognized as described below.

Cash flow hedges

The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognized in the income statement.

Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

- no longer satisfies the criteria for recognition as a hedge;
- reaches maturity;
- is sold;
- is ceased or exercised.

The accumulated profit or loss is kept in equity until the expected operation takes place. When the hedged element is a non-financial asset, the amount recognized in equity is transferred to the book value of the asset at the time that it is recognized. In other cases, the amount recognized in equity is transferred to the income statement in the same year in which the hedged element has an effect on the income statement.

Share based payment

Key management personnel and some managers may receive part of their remuneration in the form of share based payments. Under IFRS 2, they qualify as equity-settled share-based payment transactions. The right to payment accrues over the vesting period during which the managers perform their duties as employees. Therefore, during the vesting period, the fair value of the share-based payment at the grant date is recognized as a cost in profit or loss with a balancing entry in the relevant equity reserve. Changes in the fair value after the grant date do not affect the initial carrying amount. Specifically, the cost, equal to the fair value of the options at the grant date, is recognized under personnel expenses on a straight-line basis over the vesting period with a balancing entry in equity.

Derecognition of financial assets and liabilities

The company derecognises a financial asset (or, where applicable, part of a similar financial asset) when:

• the contractual rights to the cash flows from the financial asset expire; and

• the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients promptly.

The company removes a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Revenue

Revenue is recognized when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, taking into account trade discounts, volume rebates, premiums and other sales duties. The following specific revenue identification criteria must be met in order to recognise revenue:

Sale of goods

Revenue from the sale of goods is recognized when the company has transferred to the buyer all the significant risks and rewards of ownership of the goods, which usually coincides with acquisition of the product by the customer at the directly operated stores (or "DOS"), delivery of the product to the customer's home in the case of a home delivery or with transfer of ownership in the case of wholesale and B2B customers. As provided for in the appendix to IAS 18, bill and hold sales, in which delivery is delayed at the buyer's request, are also recognized as revenue when the buyer takes title and accepts billing. Revenue is recognized when the item is on hand, identified and ready for delivery to the buyer and the buyer has requested delivery be delayed. Similarly, revenue from the sale of goods is recognized when the customer acquires the good even if the good has to be installed. The appendix to IAS 18 provides that revenue is recognized immediately when the buyer accepts delivery when the installation procedure is simple in nature (e.g., installation of a device which only requires unpacking and connection of power and antennae). The company has a customer loyalty programme based on points, Unieuro Club. Customers can accumulate loyalty points when they purchase goods in Unieuro DOS. When they reach a specified minimum number of points, these can be used as a discount on the purchase of another product. The program's term is one fiscal year. The company adjusts revenue estimated on the basis of the accumulated and unused points, the amount of the discount and historical data about the percentage of use of loyalty points by customers.

Rendering of services

Revenue and costs from the rendering of services are recognized by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is determined based on surveys of work performed. When more than one service is provided under one contract, the revenue is allocated among the individual services based on their fair value.

With respect to the sale of warranty extension services, which run from the expiration of the mandatory product warranty period, the company recognises the revenue over the service period based on the estimated number of repair work interventions during the warranty period. These are estimated using historical information on the nature, frequency and cost of the work provided under warranty spread out over time to simulate the future occurrence of these events.

Commissions

Fees on the sale of certain goods and services, such as for example, customer loans, are calculated as a percentage of the service provided or as a fixed fee and equal the commission received by the Company.

Revenues from operating leases as lessor

Revenue from operating leases is recognized on a systematic basis over the lease term and is classified under "Other income", given its operating nature.

Costs

Costs and other operating expenses are recognized in profit or loss when incurred on an accruals basis and are matched to revenue, when they no longer generate economic benefits or do not qualify for recognition as an asset.

The cost to acquire goods is recognized when the company assumes all the risks and rewards of ownership of the good, measured at fair value of the consideration due net of any returns, rebates, trade discounts and premiums.

Costs for services are recognized considering the stage of completion of the transaction at the reporting date.

It is hereby specified that the costs relative to the listing of the shares of the Company on Mercato Telematico Azionario of Borsa Italiana S.p.A. are recognized in the income statement when they are incurred pursuant to the accruals principle. This accounting treatment arises from the structure of the offer solely for the placement of the shares sold by Italian Electronics Holdings, which did not generate income for the Company.

Costs arising on operating leases are recognized on a systematic basis over the lease term. Additional costs related to the revenue earned by a specific DOS are recognized on an accruals basis over the contractual period.

Interest income and expense

Interest income and expense are recognized in profit or loss on an accruals basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Income taxes

Current taxes

Income taxes are determined using a realistic estimate of the tax expense to be paid on an accruals basis and considering the ruling tax legislation. The tax rates and tax laws applied to calculate the income taxes are those enacted or substantially enacted by the end of the reporting period. Current taxes on off-income statement items are recognized directly in the statement of comprehensive income, and hence, in equity, consistently with the item to which they refer.

It is hereby specified that beginning from 28 February 2015, Unieuro and Ex Unieuro had exercised an option for the Domestic Tax Consolidation regime in their capacity as "Consolidated Companies" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidating Company" which is Italian Electronics. The option makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation. The economic relations, responsibilities and reciprocal obligations between the "Consolidating Company" and the "Consolidated Company" have been set out in detail in a specific contract that establishes the operating procedures for management of the tax positions between the various companies that belong to the Domestic Tax Consolidation. Any surplus that is a credit, insofar as IRES and IRAP, is recorded under assets in the balance sheet and income statement under the item " Current tax assets" and any shortfall is recognized under liabilities in the balance sheet and income statement under the item " Current tax liabilities".

Deferred taxes

Deferred taxes are calculated using the liability method applied to temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts. A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the unused tax loss can be utilized. The company remeasures deferred tax assets at the end of every reporting period and decreases them to reflect the amount that will no longer be recovered through sufficient taxable profits available in the future. Unrecognized deferred tax assets are reviewed regularly at the end of the reporting period and recognized when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. The estimate is based on the provisions of Law no. 208 of December 28, 2015 (the 2016 Stability Law), which decreased the IRES tax rate from 27.5% to 24% for companies starting from February 28, 2017.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same taxation authority and the company has a legally enforceable right to set off current tax assets against current tax liabilities.

Effects of the changes in foreign currencies

The Financial statements are presented in Euro, which is the company's functional and presentation currency.

Foreign currency transactions are initially converted using the exchange rate (applicable to the functional currency) ruling on the transaction date. Foreign currency monetary assets and liabilities are reconverted into the functional currency at the closing rate. All exchange differences are recognized in profit or loss. Non-monetary items in foreign currency carried at historical cost are converted using the transaction-date exchange rates.

Non-monetary items recognized at fair value in foreign currency are converted using the exchange rate ruling on the date fair value was measured.

Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the company's profit by the number of Unieuro shares at the date of approval of the Financial statements.

Diluted earnings per share

Diluted earnings per share are calculated by dividing the company's profit by the number of Unieuro shares at the date of approval of the Financial statements. To this end, the shares are adjusted for the effects of all dilutive potential ordinary shares.

Segment Reporting

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.

Segment reporting has been prepared to comply with IFRS 8 - Operating segments, which requires the presentation of information in line with the methods adopted by the chief operating decision maker. Therefore, identification of the operating segments and the information presented is based on internal reports used by management to allocate resources to the segment and assess its performance.

2.7 New standards

New standards, amendments and interpretations endorsed by the European Union and applicable to annual periods starting on or after March 1, 2015

Though they entered into effect from the year that began on 1 March 2016, the following new documents have not had a significant effect on the financial statements in terms of disclosures or changes to the accounting standards, as they mainly refer to issues that do not apply to the Company:

Improvements to IFRS (2010-2012 cycle)
Improvements to IFRS (2012-2014 cycle)
Disclosure initiative (amendments to IAS 1)
Defined benefit plans: employee contributions (amendments to IAS 19)
The equity method in the separate financial statements (amendments to IAS 27)
Clarification on acceptable amortization/depreciation methods (amendments to IAS 16 and IAS 38)
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)
Investment entities: application of the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)
Accounting for the acquisition of interests in jointly controlled assets (amendments to IFRS 11)

New standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Company as at 28 February 2017

Below are the new accounting standards or amendments to standards applicable for the years beginning after 1 January 2016, for which early application is allowed. The Company has decided not to adopt them early for preparation of these financial statements:

- IFRS 15 – "*Revenue from Contracts with Customers*": On 28 May 2014, the IASB issued IFRS 15 "*Revenue from Contracts with Customers*" (hereinafter IFRS 15), which sets when and how to recognize revenue from contracts with customers (including contracts regarding work on order). In particular, IFRS 15 requires that recognition of revenues be based on the following 5 steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract (the goods or services that have been promised to the customer); (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts based on the standalone selling price of each good or service; and (v) recognise revenue when (or as) the entity satisfies a performance obligation Moreover, IFRS 15 integrates financial statement information to provide with regard to the nature, amount, timing and uncertainty of revenues and the relative cash flows. The provisions of IFRS 15 are effective from the years beginning on or after 1 January 2018.

- IFRS 9 - "*Financial Instruments*": On 24 July 2014, the IASB finished the revision of the accounting standard on financial instruments with the issuing of the complete version of IFRS 9 "Financial Instruments" (IFRS 9). In particular the new provisions of IFRS 9: (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the *expected credit losses*); and (iii) amend the provisions regarding hedge accounting. The provisions of IFRS 9 are effective from the years beginning on or after 1 January 2018.

The new standards, amendments and IFRS interpretations which have not yet been endorsed by the European Union

- On 13 January 2016, the IASB issued IFRS 16 "Leases", (hereinafter IFRS 16) which replaces IAS 17 and the relative amendments. In particular, IFRS 16 defines a lease as a contract that attributes to the customer (the lessee) the right to use an asset for a specific period of time in exchange for consideration. The new accounting standard eliminates the classification of leases as operating or financial for financial statement preparation purposes by companies that are lessees; for all leases with a duration exceeding 12 months, recognition of an asset which represents the right of use and a liability which represents the obligation to make the payment set forth in the contract is required. Conversely, for the preparation of the lessor's financial statements, the distinction between operating and financial leases is maintained. IFRS 16 reinforces financial statement disclosure for lessees and lessors. The provisions of IFRS 16 are effective from the years beginning on or after 1 January 2019.

- On 19 January 2016, the IASB issued amendments to IAS 12 "*Recognition of Deferred Tax Assets for Unrealised Losses*", which: (i) confirm the existence of a deductible temporary difference in the presence of a book value measured at fair value that is lower than the tax base (e.g. a fixed rate security the fair value of which is lower than the value recognized for tax purposes); (ii) provide for the possibility that future taxable income considers, in the presence of adequate evidence that supports this probability, the fact that certain company assets can be recovered at a value that is higher than the book value. This circumstance can occur in the case of a fixed rate debt instrument, the fair value measurement of which, on the financial statement reference date, is lower than the repayment value, which the company intends to hold until the maturity date and for which it expects to collect the contractually provided cash flows; (iii) specify that the future taxable income to consider for the recognition of a deferred tax asset should not include tax deductions that emerge on the date that these same deductible temporary differences are cancelled; (iv) require that when the company assesses the possibility of earning income sufficient during the year to cancel the deductible temporary differences to consider eventual limitations to the types of taxable income against which to make the tax deductions pursuant to the tax laws. The amendments to IAS 12 are effective from the years beginning on or after 1 January 2017.

- On 29 January 2016, the IASB issued amendments to IAS 7 "Disclosure Initiative", which increases the disclosure obligations applicable in the presence of changes, whether monetary or not, to financial liabilities. The amendments to IAS 7 are effective from the years beginning on or after 1 January 2017.

- *Classification and measurement of share-based payment transactions* (*Amendments to IFRS 2*).

- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4).*

- *IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration* - issued in December 2016, IFRIC 22 provides clarifications regarding the accounting for transactions in a foreign currency.

- *Transfers of Investment Property (Amendments to IAS 40)* – In December 2016, the IASB published amendments to paragraph 57 of IAS 40. The amendments are applicable from 1 January 2018, but early application is allowed.

- *Annual Improvements to IFRS Standards (2014-2016 Cycle) - The improvements introduced to the IFRS issued by the IASB in December 2016 involve the following standards:* IFRS 1, IFRS 12, IAS 28.

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- The *Clarifications to IFRS 15 Revenue from Contracts with Customers* - Document issued by the IASB in April 2016, applicable from 1 January 2018.

Based on the facts and cases the new documents apply to and with account taken of the current accounting standards adopted by the Company, we believe that there will be significant effects from the first time application of these documents insofar as IFRS 16, which will enter into effect from the years beginning on or after 1 January 2019. In fact, this new standard provides that a lessee, except for specific exemptions (e.g. short-term leases or leasing of goods with a minimal value) must recognize in the financial statements for all the leases including those currently classified as operating leases, a financial liability for the obligation to pay the future instalments and as an offsetting entry the right of use must be recognized under non-current assets. The estimate of the quantitative effects arising from application by the company of IFRS 16 is currently being calculated.

Furthermore, it is hereby noted that the analyses for identification of any effects arising from first application of IFRS 9 with regard to the measurement, classification and valuation of financial instruments and IFRS 15 with regard to the time and measurement of revenues for the sale of assets and the provision of services to customers are also currently underway. Based on some preliminary calculations, it is reasonable to assume that the effects for the Company arising from first time application of these new standards will not be significant.

3 INFORMATION ON FINANCIAL RISKS

With respect to business risks, the main risks identified, monitored and, as specified below, actively managed by the Company are as follows:

- credit risk (both in relation to normal trading transactions with customers and financings);

- liquidity risk (with respect to the availability of financial resources and access to the credit market and financial instruments in general);

- market risk (including currency and interest rate risks).

The objective is to maintain over time balanced management of the financial exposure so as to ensure a liability structure that is coherent in terms of the composition of the asset structure and able to ensure the necessary operating flexibility through the usage of liquidity generated from current operations and usage of bank lending.

The main financing instruments used are:

- medium-long term loans, to cover investments in fixed assets;
- short-term loans, current account credit lines to finance working capital.

Furthermore, hedges have been established to cover the risk of interest rate fluctuation, that have influenced the cost of financial indebtedness in the medium - long-term and consequently also the economic results. The financial instruments used for hedging matured on 28 February 2017.

We note that following the referendum on whether the United Kingdom would remain in the European Union, known also as "Brexit" of 23 June 2016, the decision was for the United Kingdom to leave the European Union. Based on the currently available information, we believe that there will be no significant effects on the Company from the exit of the United Kingdom from the European union, which is expected to take place in March 2019.

The following section provides qualitative and quantitative information regarding the incidence of these risks.

3.1 Credit Risk

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Company to the risk of default, subjecting it to potential lawsuits. By way of introduction we note that the credit risk which the Company is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Wholesale channel) and wholesale customers (B2B channel) which represent a total of 19.9% of the company's revenues as at 28 February 2017, require the company to use strategies and instruments to reduce this risk. The Company has in place processes for credit monitoring that provide for obtaining bank guarantees to cover a significant amount of the turnover in existence with customers, analyse the reliability of customers, the attribution of a credit line, control of exposures through reporting with separate payment deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations, lease instalments paid early and advances paid for services which therefore carry a limited credit risk.

The financial assets are recognized net of write-downs calculated based on counterparty default risk. This is determined according to procedures that can involve both write-downs of individual positions, if they are individually significant, and for which there is an objective condition of total or partial non collectability, or on collective write-downs based on historical and statistical data. Furthermore, the book value of the financial assets represents the Company’s maximum exposure to credit risk.

3.2 Liquidity Risk

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby minimizing the cost of financial management. This translates into procuring financial resources sufficient to maintain the company's financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited through:

- cash flows from operations: optimal management of incoming cash flows from normal operations as compared to cash outflows;
- usage of short-term loans (hot money);
- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Company until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

The liquidity risk consists of the possible difficulty of obtaining financial resources at an acceptable cost in order to conduct normal operating activities. The factors that influence liquidity risk refer both to resources that are generated or absorbed by current operations as well as to those that are generated or absorbed by investments and financing, the latter referring to repayment schedules or accessing short and long-term financial loans and the availability of funds in the financial market.

The financial structure in its entirety is constantly monitored by the Company to ensure coverage of its liquidity needs. Below is the Company's financial structure by deadline for the years and at 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Balance as at 28 February 2017	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	31,780	5,984	25,796	-	31,780
Other financial liabilities	6,845	2,418	4,427	-	6,845
Shareholder loan	-	-	-	-	-
Total	**38,625**	**8,402**	**30,223**	**-**	**38,625**

(Amounts in euro thousand)	Balance as at 29 February 2016	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	34,984	3,204	31,780	-	34,984
Other financial liabilities	5,950	1,471	4,479	-	5,950
Shareholder loan	20,442	998	19,444	-	20,442
Total	**61,376**	**5,673**	**55,703**	**-**	**61,376**

3.3 Market Risk

3.3.1 Interest rate risk

The Company uses external financial resources in the form of debt and available liquidity from bank deposits. Changes in the market interest rate levels influence the cost and return of various forms of financing and usage, thereby affecting the level of the Company's financial income and expenses.

To address these risks, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps (IRS) in order to mitigate the potential effect of changes in the interest rates on the economic result, with economically acceptable terms and conditions.

The interest rate swaps in existence as at 29 February 2016 had expired by 28 February 2017 and were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A.. On 2 December 2013, when the Euro term and revolving facility agreement was stipulated (the "Loan contract"), the interest rate swaps connected to the loan previously existing were repaid upon stipulation of the Loan Contract.

(amounts in euro thousand)			**Nominal amount as at**		**Fair value as at**	
Derivative contracts	**Agreement date**	**Maturity date**	**28 February 2017**	**29 February 2016**	**28 February 2017**	**29 February 2016**
Interest Rate Swaps (IRS)	25-feb-14	28/02/2017	-	11,337	-	(103)

On the approval date of the financial statements there were no new hedging transactions or renegotiation of already existing hedges.

The interest rate swaps which satisfy the requirements of IAS 39, are recognized using the hedge accounting method. The amount recognized in equity under the cash flow hedge reserve is equal to zero as at 28 February 2017 and Euro 74 thousand (negative) as at 29 February 2016.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on equity arising from a hypothetical increase or decrease of 50 bp in market rates compared to the forward rates assumed at 28 February 2017 and 29 February 2016.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical increase or decrease of 50 bp in market rates, would have resulted in an effect on financial expenses for 2016 and 2017 as follows below.

(amounts in euro thousand)	**- 50 bp**	**+ 50 bp**
As at 28 February 2017	31	(31)
As at 29 February 2016	42	(42)

Note: the positive sign indicates a higher profit and an increase in equity; the negative sign indicates a lower profit and a decrease in equity.

We note that the sensitivity analysis arising from a hypothetical increase or decrease of 50 bp in market rates, takes into account the hedges established by the Company.

We note that for the purposes of this analysis, no hypothesis has been made relative to the effect of the amortized cost.

Effect of a change in the cash flow hedge- shareholders' equity reserve

The impact on the fair value of IRS derivatives arising from a hypothetical change in interest rates is summarized in the table below.

(amounts in euro thousand)	**- 50 bp**	**+ 50 bp**
Sensitivity analysis as at 28 February 2017	0	0
Sensitivity analysis as at 29 February 2016	(2)	6

3.3.2 Currency Risk

The company is exposed to currency risk, which is the risk connected to fluctuations in the exchange rate of two currencies, mainly due to importation of merchandise. This risk is considered irrelevant for the Company since the volume of the transactions in a foreign currency is not significant; in any case the Company covers the estimated exposure to currency rate fluctuations related to the main transactions anticipated in the short term concerning merchandise imports which require payment to suppliers in United States dollars, using forward contracts for United States dollars. The fair value of the forward instruments in existence as at 28 February 2017 is positive at Euro 46 thousand. The effects of these derivative financial instruments used for hedging purposes were recognized in the income statement, as they do not comply with all the requirements set forth in IAS 39 for hedge accounting.

Sensitivity Analysis

Exposure to credit risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and shareholders' equity from a hypothetical appreciation (depreciation) of the Euro on the United States dollar.

This analysis assumes that all other variables, interest rates in particular, are unchanged and does not consider the effects of sales and purchases.

A change in the currency rates, from a hypothetical change in market rates which respectively discounts appreciation and depreciation of 50 BPS, would have resulted in an effect on financial expenses as shown below.

(amounts in euro thousand)	**Profits/(losses) for the year ended 28 February 2017**	
	appreciation	**depreciation**
USD (5% change)	(68)	75

3.4 *Fair value estimates*

The fair value of financial instruments quoted in an active market is based on market prices at the reporting date. The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques based on methods and assumptions tied to market conditions at the reporting date.

The classification of the fair value of financial instruments based on the following hierarchical levels is set out below:

- Level 1: fair value determined using quoted prices (unadjusted) in active markets for identical financial instruments;

- Level 2: fair value determined using valuation techniques and inputs observable on active markets;

- Level 3: fair value determined using valuation techniques and unobservable market inputs.

Financial instruments presented at fair value are classified at Level 2 and the general criterion used to calculate it is the present value of the estimated future cash flows of the instrument being valued.

Liabilities for bank debt are measured at amortized cost. Trade receivables and payables are recognized at their carrying amount, net of the allowance for impairment, as this is deemed to approximate their present value.

The following table shows a breakdown of financial assets and liabilities by category at 28 February 2017 and 29 February 2016:

(amounts in euro thousand)	**Year ended 28 February 2017**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**Total**
Financial assets not designated at fair value				
Cash and cash equivalents	36,666	-	-	**36,666**
Trade receivables	35,203	-	-	**35,203**
Other assets	15,968	-	-	**15,968**
Financial assets designated at fair value				
Other assets		53		**53**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	31,780	**31,780**
Trade payables	-	-	334,546	**334,546**
Other liabilities	-	-	140,348	**140,348**
Other financial liabilities	-	-	6,838	**6,838**
Financial liabilities designated at fair value				
Other financial liabilities	-	7		**7**

(amounts in euro thousand)	**Year ended 29 February 2016**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**Total**
Financial assets not designated at fair value				

Cash and cash equivalents	35,441	-	-	**35,441**
Trade receivables	35,354	-	-	**35,354**
Other assets	15,935	-	-	**15,935**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	34,984	**34,984**
Trade payables	-	-	333,372	**333,372**
Shareholder funding	-	-	20,442	**20,442**
Other liabilities	-	-	113,205	**113,205**
Other financial liabilities	-	-	5,847	**5,847**
Financial liabilities designated at fair value				
Other financial liabilities	-	103	-	**103**

4 INFORMATION ON OPERATING SEGMENTS

Management has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. Management's view of the company as an omnichannel business means that the company has identified a single strategic business unit (SGBU). Management has also identified three cashgenerating units (CGUs) inside the SBU to which goodwill has been allocated. This approach is supported by the control model of the management's operations that considers the entire business, regardless of the product lines or geographical location, which are not considered significant by management when taking decisions.

The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

(in thousands of Euro and as a percentage of revenues)	**Year ended**	
	28 February 2017	**29 February 2016**
Revenue	1,660,495	1,557,210
Gross operating profit	**38,084**	**42,750**
% of revenue	*2.3%*	*2.7%*
Amortization, depreciation and impairment losses	(17,958)	(18,720)
Operating profit	**20,126**	**24,030**
Financial income	358	286
Financial expenses	(6,222)	(7,175)
Pre-tax profit (loss)	**14,262**	**17,141**
Income taxes	(2,675)	(6,499)
Profit (loss) for the year	**11,587**	**10,642**

The effect of the gross operating profit on revenue has decreased from 2.7% in the year ended 29 February 2016 to 2.3% in the year ended 28 February 2017. The drop is mainly due to the costs incurred by the Company for the listing of the company's shares on Mercato Telematico Azionario – STAR Segment of Borsa Italiana S.p.A..

The table below contains a breakdown of revenue by product category and service offered:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**

Grey	798,791	732,781
White	421,929	404,698
Brown	301,370	292,992
Other	79,855	72,055
Services	58,550	54,684
Total	**1,660,495**	**1,557,210**

The table below contains a breakdown of the revenues per geographical area:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Other countries	7,000	15,710
Italy	1,653,495	1,541,500
Total	**1,660,495**	**1,557,210**

Revenue is allocated on the basis of whether the invoices are issued to Italian or foreign customers.

The company does not have non-current assets in countries where it does not have offices.

5 NOTES TO THE INDIVIDUAL FINANCIAL STATEMENT CAPTIONS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2017 and 29 February 2016:

(amounts in euro thousand)	**Amounts as at 28 February 2017**			**Amounts as at 29 February 2016**		
	Historical cost	**Accum. depreciation**	**Net book value**	**Historical cost**	**Accum. depreciation**	**Net book value**
Plant and machinery	107,488	(81,711)	25,777	97,951	(76,060)	21,891
Equipment	17,085	(13,622)	3,463	16,557	(12,952)	3,605
Other assets	147,436	(120,766)	26,670	136,460	(113,250)	23,210
Tangible assets under construction	4,912	-	4,912	2,817	-	2,817
Total plant, machinery, equipment and other assets	**276,921**	**(216,099)**	**60,822**	**253,785**	**(202,262)**	**51,523**

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2015 and 28 February 2017:

(Amounts in euro thousand)	**Plant and machinery**	**Equipment**	**Other assets**	**Tangible assets under construction and payments on account**	**Total**
Balance as at 28 February 2015	**7,996**	**2,231**	**7,657**	**705**	**18,589**

Increases	13,091	447	10,805	2,462	26,805
Contribution from merger	7,220	1,897	12,660	1,987	23,764
Decreases	(181)	(344)	(105)	(2,337)	(2,967)
(Depreciation and impairment losses)/Reversals of impairment losses	(6,344)	(950)	(7,911)	-	(15,205)
Decrease Acc. depreciation	109	324	104	-	537
Balance as at 29 February 2016	**21,891**	**3,605**	**23,210**	**2,817**	**51,523**
Increases	9,588	718	11,078	4,451	25,835
Decreases	(13)	(181)	(81)	(2,356)	(2,631)
(Depreciation and impairment losses)/Reversals of impairment losses	(5,702)	(843)	(7,605)	-	(14,150)
Decrease Acc. depreciation	13	164	68	-	245
Balance as at 28 February 2017	**25,777**	**3,463**	**26,670**	**4,912**	**60,822**

In the year ended 28 February 2017, the Company made investments net of decreases in the category "Assets under construction" of €23,479 thousand.

In particular, the investments were mainly: (i) interventions for restructuring of selected points of sale costing €9,271 thousand through the restyling of the layouts and reduction of the sales surface area; (ii) investments for the opening of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of shops costing €3,300 thousand; (iii) investments in relocating points of sale existing in consumer areas considered to be more strategic costing €3,198 thousand (iv) energy efficiency projects and other minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing €1,858 thousand and (v) investments in servers and printers and other tangible infrastructures costing €5,852 thousand.

The new financial leases are equal to €3,440 thousand and of these €1,261 thousand referred to electronic machines and €2,179 thousand to furniture and furnishings.

The item "Amortization and write-downs (write backs)" of €14,150 thousand includes €13,312 thousand in depreciation and €838 thousand of write-downs and write backs. The write-downs are mainly referred to shops for which onerous leases were identified while the write backs refer to points of sale with a significant improvement in their economic results, so that the lease was no longer considered onerous for which previously written down assets were written back. The item also includes write-downs of assets existing at the Oderzo (TV) point of sale following a fire that took place on 25 February 2017.

For the year ended 29 February 2016, the increases totalled €26,805 thousand.

The increases for the "plant and machinery" category were €13,091 thousand mainly related to electrical installations totalling €5,966 thousand, air conditioning installations totalling €3,271 thousand in relation to the energy efficiency project which had already started in the year ended 28 February 2015, anti-theft installations totalling €2,786 thousand and fire prevention installations totalling €299 thousand for the point of sales that were opened, relocated or restructured during the year.

During the year the investments for the “Equipment” category totalled €447 thousand, mainly for new signs.

The increases of the “Other assets” category totalled €10,805 thousand, of which €5,889 thousand were for furniture, €2,257 thousand for electronic office machinery and €1,060 thousand for improvements to leaseholds.

The increase in the “Tangible assets under construction” were €2,462 thousand, mainly used for restructuring of one point of sale (€2,054 thousand) , anti-theft and electric installations for restructuring under way at other points of sale totalling €119 thousand and new servers which have not yet been installed which cost €26 thousand.

The item " Amortization and write-downs/ (write backs)" of €15,205 thousand includes €13,345 thousand in depreciation and €2,110 thousand of write-downs and write backs of €250 thousand. The write-downs are mainly referred to shops for which onerous leases were identified while the write backs refer to points of sale with a significant improvement in their economic results, so that the lease was no longer considered onerous for which previously written down to assets were written back.

The item “Plant, machinery, equipment and other assets” includes assets held under financial leases consisting mainly of furnishings, energy saving lighting installations, air conditioning installations, servers, computers and printers. These assets are guaranteed by the lessor until the residual amount due is fully paid. For further details on the amount of the debts to the leasing company, see note 5.14 “Other financial liabilities.”

5.2 Goodwill

Below is a breakdown of the item "Goodwill" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Goodwill	151,396	151,396
Total Goodwill	151,396	151,396

The change in the "Goodwill" item for the period from 28 February 2015 to 28 February 2017 is broken down below:

(Amounts in euro thousand)	**Goodwill**
Balance as at 28 February 2015	**118,603**
Contribution from merger	32,599
Acquisitions	194
Write-downs	-
Balance as at 29 February 2016	**151,396**
Acquisitions	-

Write-downs	-
Balance as at 28 February 2017	**151,396**

The value of goodwill did not change during the year ended 28 February 2017.

The value of goodwill as at 28 February 2015, equal to €118,603 thousand, referred to the acquisitions of business units and mergers that took place in previous years arising mainly (i) for €94,993 thousand from the merger by incorporation of Marco Polo S.r.l. into Marco Polo Holding S.r.l. and the simultaneous reserve merger of Marco Polo Holding S.r.l. into the Company, which took place in 2006, (ii) for €9,925 thousand from the mergers by incorporation of Rialto 1 S.r.l. and Rialto 2 S.r.l., which took place in 2010; (iii) for €8,603 thousand from the merger of Marco Polo Retail S.r.l. into the Company which took place in 2009, and (iv) for €5,082 from other minor business unit mergers and acquisitions.

The changes in the year ended 29 February 2016 refer to: (i) the contribution from the merger by incorporation of the former Unieuro which took place on 26 February 2016 as already illustrated in Note 2 which should be referred to. The contribution of €32,599 thousand is mainly composed of the allocation of the deficit generated by the incorporation transactions involving the former Unieuro S.p.A., Unieuro Campania S.r.l. and Trony Pordenone S.r.l., into Brunello S.p.A. (later renamed Unieuro S.r.l.) made by the former Unieuro in the business year ending 30 April 2004, and (ii) of €194 thousand, on the adjustment of the price calculated in relation to the acquisition of the business unit Dixons Travel, which was concluded on 11 February 2015 and paid for on 10 September 2015. The business unit is composed of 8 retail stores, including 5 at Rome Fiumicino Airport, 2 at Milan Malpensa and 1 at Milan Linate, which sell electronic products and accessories.

5.2.1 *Impairment test*

Based on the provisions of international accounting standard IAS 36, the Company should carry out a check, at least once a year, to ensure the recoverability of the value of the goodwill through an impairment test, comparing the carrying amount of the Cash Generating Units ("**CGU**") to which the goodwill is allocated with the recoverable value. The value in use has consistently been adopted as the recoverable value in relation to market volatility and the difficulty of collecting information related to determining fair value.

The goodwill impairment test prepared by the Company for each CGU was approved by the Company's Board of Directors on 10 May 2017.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Company's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points which do not enjoy decision-making autonomy.

The operating sector identified by the Company into which all the services and products supplied to the customer converge coincides with the entire Company. The Company's corporate vision as a single omnichannel business ensures that the Company has identified a single Strategic Business Unit (SBU). Within the SBU the Company has identified three CGUs to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The Company identified three CGUs to which the goodwill was allocated:

- *Retail;*
- *Wholesale;*
- *B2B*

The three units benefit from shared resources, like administration, back office and logistics, but each of them features a different expected growth, with different risks and opportunities and with specific features which cannot be provided in the other CGUs.

The Retail CGU relates to all financial flows coming from the Retail, Online and Travel distribution channels. The Online and Travel channels are included in the Retail CGU because the website uses the sales points for the delivery of goods and also often for the supply of products to customers, while the Travel channel includes sales points located at the main public transport hubs.

The Wholesale CGU relates to the distribution channel at affiliated sales points (shops that are not owned, but which use the "Unieuro" or "Unieuro City" brand).

The B2B CGU relates to the wholesale supply of products under the scope of the business-to-business channel.

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used. The allocation took place based on the relative fair values as at 28 February 2014. As described previously, the Company opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

The source of the data on which the assumptions are made for determining the financial flows are the final balances and the business plans.

The Business Plan used for the impairment test referring to the financial year ending 28 February 2017, was prepared with regard to the period 1 December 2016 – 28 February 2022 and was approved by the Board of Directors on 12 December 2016. The Business Plan underlying the impairment test was prepared taking into account recent business performance. Specifically, the budget for the year ending 28 February 2018 was defined and, as a result, the financial data until 28 February 2022 was updated.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2017 are based, among other things, on external sources and on the analyses conducted by the Company with the support of a leading consulting firm. In this regard note that based on the market sources used by the Company, the Italian market of traditional consumer electronics channels (i.e. excluding internet channels) was estimated as slightly down in the period 1 January 2016 – 31 December 2021, while the Online channel is expected to grow.

In spite of the claims in the market sources the performance of traditional consumer electronics channels is estimated as slightly negative, with growth only forecast for the Online channel. The business plans use a positive growth rate for the impairment tests, higher and challenging compared with the reference market growth forecast. The Company actually registered record positive performances and its growth is not, in the opinion of the Company Directors, directly related to market trends. The Company therefore anticipates continuing to maintain positive performances in the future irrespective of the performance of the reference market. Specifically, the Company projects growth, in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

Also note that, in previous financial years the Company largely reached the targets which were approved during the preparation of the plans underlying the impairment test.

Taking the above into account, the main assumptions underlying the anticipated cash flow projections involve the:

(i) **CGU *Retail***: sales are taken as growing over the reference time frame;

(ii) **CGU *Wholesale***: growing sales as a result of the development of the assets of existing affiliates and the acquisition of new affiliates;

(iii) **CGU B2B**: sales constant during the reference time frame.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11.31%.

The discount rate (or actualisation rate) applied is the rate which reflects the current evaluations of the market, the time value of money and the specific risks of the asset. For the purpose of calculating the discount rate there must be consistency between the parameters used and the reference market of the Company and consistency between the Company's operating activities and incoming flows. All the parameters used for calculating the actualisation rate should be used in the corporate context, so that it expresses "normal" conditions over a medium-/long-term time span.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside wholesale and/or business-to-business sales).
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context also taking into consideration the size of the Company compared with comparable businesses identified.
- Cost of debt capital i_d (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Company has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Company overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.

- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Company's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2017.

as at 28 February 2017 *(Amounts in euro million)*	**WACC**	**g**	**Terminal Value (TV)**	**Recoverable Amount (RA)**	**% TV over RA**
CGU Retail	11.31%	0.0%	173.5	303.6	57.1%
CGU Wholesale	11.31%	0.0%	41.9	67.4	62.2%
CGU B2B	11.31%	0.0%	17.6	22.4	78.6%

The results of the impairment tests as at 28 February 2017 are given below:

as at 28 February 2017 *(Amounts in euro million)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	EUR/mln	56.8	303.6	246.8
CGU Wholesale	EUR/mln	6.3	67.4	61.1
CGU B2B	EUR/mln	(7.4)	22.4	29.8

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the CGU B2B as at 28 February 2017 was negative as a result of the negative net working capital allocated to the CGU B2B.

The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, such as the change in the percentage of EBITDA, WACC and the growth rate, vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2017, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 28 February 2017 *(Amounts in euro million)*	**Terminal plan EBITDA**				
Sensitivity Difference RA vs CA	0.0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
CGU Retail	246.8	225.6	204.3	183.1	161.8
CGU Wholesale	61.1	57.6	54.0	50.4	46.9
CGU B2B	29.8	28.2	26.7	25.1	23.6

Below is the breakdown of the stress test which identifies the values for the following parameters: (i) EBITDA (gross operating profit, percentage change over the years of the plan and in the terminal value), (ii) g and (iii) WACC sensitized separately compared with the basic scenario, the differential between the recoverable value and the carrying amount is, all things being equal, zero.

Parameter / CGU	**Retail**	**Wholesale**	**B2B**
% change in EBITDA (Plan and TV)	(58.1%)	(85.9%)	(96.3%)
g factor	n.a.[(1)]	n.a. [(1)]	n.a. [(1)]
WACC	56.3%	87.2%	n.a. [(1)]

(1) For some of the parameters selected, taking into consideration the configuration of the cash flows on which the calculation of the recoverable amount and/or the value of the carrying amount was based, there is no reasonable value identified for the parameter for which the recalculated sum for the recoverable amount corresponds to the respective value of the carrying amount.

Lastly, the Company has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new directly operated stores over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2017 *(Amounts in euro million)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	EUR/mln	56.8	276.3	219.5

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Company.

5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 28 February 2017 and as at 29 February 2016:

(amounts in euro thousand)	**Year ended**					
	28 February 2017			**29 February 2016**		
	Historical Cost	**Accumulated Depreciation**	**Net Carrying Amount**	**Historical Cost**	**Accumulated Depreciation**	**Net Carrying Amount**
Software	40,599	(31,540)	9,059	37,092	(28,419)	8,673
Concessions, licences and trademarks	7,407	(5,751)	1,656	7,404	(5,064)	2,340
Assets under development	1,093	-	1,093	184	-	184
Total intangible assets with a finite useful life	**49,099**	**(37,291)**	**11,808**	**44,680**	**(33,483)**	**11,197**

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2016 to 28 February 2017 is given below:

(Amounts in euro thousand)	Software	Concessions, licences and brands	Intangible fixed assets under construction	Total
Balance as at 28 February 2015	**5,577**	**2,790**	**75**	**8,442**
Increases	3,053	3	71	3,127
Contribution from merger	3,097	8	141	3,246
Decreases	-	-	(103)	(103)
(Amortization and impairment losses)/Reversals of impairment losses	(3,054)	(461)	-	(3,515)
Decrease Acc. amortization	-	-	-	-
Balance as at 29 February 2016	**8,673**	**2,340**	**184**	**11,197**
Increases	3,507	3	909	4,419
Decreases	-	-	-	-
(Amortization and impairment losses)/Reversals of impairment losses	(3,121)	(687)	-	(3,808)
Decrease Acc. amortization	-	-	-	-
Balance as at 28 February 2017	**9,059**	**1,656**	**1,093**	**11,808**

With regard to the financial year ended 28 February 2017, increases total €4,419 thousand and relate to the "Software" category for €3,507 thousand, to the "Concessions, licences and brands" category for €3 thousand and to the "Intangible fixed assets under construction" category for €909 thousand.

Investments relating to the "Software" category are mainly due to new software and licences, and costs incurred for the development and updating of the www.unieuro.it website for €3,507 thousand. Increases in fixed assets under construction relate to the implementation of new software.

With regard to the financial year ended 29 February 2016, investments totalled €3,127 thousand and refer mainly to the "Software" category.

These increases are mainly composed of the costs incurred for the development of the www.unieuro.it website and for the adoption of new software intended for the logistics sector.

On 2 December 2013 the Company and the former Unieuro registered a pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., on the intellectual property rights. The pledge will extend to any renewal of the registration or patenting of intellectual property rights as long as all secured creditors are fully satisfied. Secured creditors shall have the right to exercise their special privilege when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement is verified. Note that at the date of these financial statements and until the date of approval none of the causes of enforcement has been verified.

5.4 Deferred tax assets and deferred tax liabilities

The change in the item "Deferred tax assets" and the item "Deferred tax liabilities" for the period from 28 February 2016 to 28 February 2017 is given below:

Deferred tax assets

(Amounts in euro thousand)	**Allowance for impairment - amount due from suppliers**	**Obsolescence Provision**	**Tangible assets**	**Intangible assets**	**Capital Reserves**	**Provision for risks and charges**	**Other current liabilities**	**Net deferred tax assets**	**Deferred tax assets relating to tax losses**	**Total net deferred tax assets**
Balance as at 28 February 2015	**167**	**670**	**462**	**-**	**98**	**767**	**9,936**	**12,100**	**-**	**12,100**
Contribution from merger	482	563	374	6,333	972	1,533	3,337	13,594	8,026	21,620
Accruals to/Releases of provision to profit or loss	308	23	12	(1,051)	-	(771)	(3,130)	(4,609)	-	(4,609)
Accruals to/Releases of provision to Comprehensive Income Statement	-	-	-	-	(199)	-	-	(199)	-	(199)
Balance as at 29 February 2016	**957**	**1,256**	**848**	**5,282**	**871**	**1,529**	**10,143**	**20,886**	**8,026**	**28,912**
Contribution from merger	-	-	-	-	-	-	-	-		-
Accruals to/Releases of provision to profit or loss	(119)	354	38	(546)	-	(403)	(3,496)	(4,172)	4,726	554
Accruals to/Releases of provision to Comprehensive Income Statement	-	-	-	-	(28)	-	-	(28)	-	(28)
Balance as at 28 February 2017	**838**	**1,610**	**886**	**4,736**	**843**	**1,126**	**6,647**	**16,686**	**12,752**	**29,438**

The balance as at 28 February 2017, equal to €29,438 thousand, is mainly composed of: i) €16,686 thousand in temporary differences mainly due to goodwill, other current liabilities and the obsolescence provision; ii) €12,752 in deferred tax assets recorded on tax losses. The change in the item deferred tax assets recorded in the financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;
- the provision of €4,726 thousand in deferred tax assets relating to tax losses.

The balance as at 29 February 2016, equal to €28,912 thousand, is composed mainly of €10,143 thousand from deferred tax assets recorded in other current liabilities, composed of deferred income for guarantee extension services, deferred tax assets recorded on tax losses of €8,026 thousand and deferred tax assets recorded on goodwill of €5,282 thousand. The change in the item deferred tax assets recorded in the last financial year is mainly related to:

- the contribution from the merger of €21,620 thousand mainly composed of deferred tax assets recorded on tax losses of €8,026 thousand and deferred tax assets recorded on goodwill of €6,333 thousand;
- the effect of the change in the rate that the Company expects will be applied in the financial year in which these assets will realise €1,623 thousand; specifically, the provisions of Law 208 of 28 December 2015 the "2016 Stability Law 2016" were taken into account. It required the Company to reduce the IRES rate from 27.5% to 24% with effect for tax periods after 28 February 2017.

Note that the tax losses still available as at 28 February 2017 are equal to €408,940 thousand (tax losses available as at 29 February 2016 stood at €417,895 thousand).

In calculating deferred tax assets, the following aspects were taken into consideration:

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over taking into consideration the years of possible use;

- the forecast of the Company's earnings in the medium and long-term.

On this basis the Company expects to generate future taxable earnings and, therefore, to be able, with reasonable certainty, to recover the deferred tax assets recorded.

Deferred tax liabilities

(Amounts in euro thousand)	**Intangible assets**	**Total net deferred taxes**
Balance as at 28 February 2015	**234**	**234**
Contribution from merger	-	-
Accruals to/Releases of provision to profit or loss	35	35
Accruals to/Releases of provision to Comprehensive Income Statement	-	-
Balance as at 29 February 2016	**269**	**269**
Accruals to/Releases of provision to profit or loss	53	53
Accruals to/Releases of provision to Comprehensive Income Statement	-	-
Balance as at 28 February 2017	**322**	**322**

Deferred tax liabilities result mainly from goodwill with a different statutory value from the value for tax purposes.

5.5 Other current assets and other non-current assets

Below is a breakdown of the items "Other current assets" and "Other non-current assets" as at 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Period ended**	
	28 February 2017	**29 February 2016**
Accrual income	8,008	7,769
Tax credits	2,507	2,453
Other current assets	1,760	983
Accrued income	1,563	2,465
Advances to suppliers	27	230
Other current assets	**13,865**	**13,900**
Guarantee deposit	1,605	1,577
Deposits to suppliers	461	355
Other non-current assets	90	103
Other non-current assets	**2,156**	**2,035**
Total Other current assets and Other non-current assets	**16,021**	**15,935**

The item "Other current assets" mainly includes deferred charges with regard to rental and common charges and the hire of road signs; accrued income refers to adjustments on common charges at sales points. The increase in other current assets in the period ended 28 February 2017 compared with the financial year ended 29 February 2016 is due mainly to the Credit from the Ministry of Education, Universities and Research for the "Certificate of Professional Competence" equal to €1,623 thousand. This certificate is an initiative of the Ministry of Education, Universities and Research required by Law 107 of 13 July 2015, Article 1, paragraph 121, aimed at enabling teachers to take advantage of a voucher worth €500 to purchase educational material for teaching purposes.

Tax credits as at 28 February 2017 and 29 February 2016 refer, in the main, for €1,610 thousand to the IRES credit for IRAP not deducted.

The item "Other non-current assets" includes deposit assets and deposits to suppliers.

5.6 Inventories

Warehouse inventories break down as follows:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Goods	274,520	267,702
Consumables	801	671
Gross stock	**275,321**	**268,373**
Warehouse obsolescence fund	(5,770)	(4,000)
Total Inventories	**269,551**	**264,373**

The value of gross inventories went from €268,373 thousand as at 29 February 2016 to €275,321 thousand as at 28 February 2017, an increase of 2.5% in total gross inventories. The increase is mainly due to the increase in volumes handled. The value of inventories is adjusted by the warehouse obsolescence fund, up by €1,770 thousand following the prudential write-down of the value of merchandise with possible obsolescence indicators.

The change in the obsolescence fund for the period from 28 February 2015 to 28 February 2017 is broken down below:

Balance as at 28 February 2015	**(2,134)**
Accrual	(74)
Contribution from merger	(1,792)
Reclassifications	-
Releases to Profit or loss	-
Utilisation	-
Balance as at 29 February 2016	**(4,000)**
Accrual	(1,770)
Reclassifications	-
Releases to Profit or loss	-
Utilisation	-
Balance as at 28 February 2017	**(5,770)**

In addition to the warehouse obsolescence fund, note that the value of inventories was reduced by a direct write-down of €4,892 thousand as at 28 February 2018 and €3,083 thousand as at 29 February 2016, which reflects the loss in value of goods in cases where the cost is higher than the likely realisable value and allows the warehouse value to be restored to the current market value. The increase in the direct write-down is mainly due to the impairment of the stock at the Oderzo (TV) sales point equal to €1,062 which took place following the fire which occurred on 25 February 2017. The obsolescence fund reflects the part of the impairment in excess of the direct write-down. The total write-down of inventories in the change in inventories in the income statement therefore was €6,665 thousand as at 28 February 2017 and €3,157 thousand as at 29 February 2016.

On 2 December 2013 the Company and the former Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., on the inventories for a maximum value of €128 million. Secured creditors shall have the right to exercise their special privilege when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.11) is verified. Note that at the date of these financial statements and until the date of approval none of the causes of enforcement has been verified.

5.7 Trade receivables

Below is a breakdown of the item "Trade receivables" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Trade receivables from third-parties	37,238	37,478
Trade receivables from related-parties	244	228
Gross trade receivables	**37,482**	**37,706**
Bad debt provision	(2,279)	(2,352)
Total Trade receivables	**35,203**	**35,354**

The value of receivables, referring to the Wholesale and B2B channels, is essentially in line with the previous year.

The change in the bad debt provision for the period from 28 February 2015 to 28 February 2017 is broken down below:

(Amounts in euro thousand)	**Bad debt provision**
Balance as at 28 February 2015	**(1,517)**
Accrual	-
Contribution from merger	(1,060)
Releases to profit or loss	-
Utilization	225
Balance as at 29 February 2016	**(2,352)**
Accrual	-
Contribution from merger	-

Releases to profit or loss	-
Utilization	73
Balance as at 28 February 2017	**(2,279)**

Doubtful debts refer mainly to disputed claims or customers subject to insolvency proceedings. Drawdowns follow credit situations for which the elements of certainty and accuracy, or the presence of existing insolvency proceedings, determine the deletion of the actual position. As shown in the tables above, the bad debt provision stood at €2,279 thousand as at 28 February 2017 and €2,352 thousand as at 29 February 2016.

Credit risk is the exposure to risk of potential losses resulting from the failure of the counterparty to comply with the obligations undertaken. Note, however, that for the periods under consideration there are no significant concentrations of credit risk, especially taking into consideration the fact that the majority of sales are paid for immediately by credit or debit card in the Retail, Travel and Online channels, and in cash in the Retail and Travel channels. The Company has credit control processes which include obtaining bank guarantees to cover a significant amount of the existing turnover with customers, customer reliability analysis, the allocation of credit, and the control of the exposure by reporting with the breakdown of the deadlines and average collection times.

Past due credit positions are, in any event, monitored by the administrative department through periodic analysis of the main positions and for those for which there is an objective possibility of partial or total irrecoverability, they are written-down.

It is felt that the carrying amount of trade receivables is close to the fair value.

No trade receivables are due after the financial year.

On 2 December 2013 the Company and the former Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., on the trade receivables. Secured creditors shall have the right to exercise their special privilege when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.11) is verified. Note that at the date of these financial statements and until the date of approval none of the causes of enforcement has been verified.

5.8 Current tax assets

Below is a breakdown of the item "Current tax assets" as at 28 February 2017 and as at 29 February 2016:

Current tax assets

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
IRAP	1,444	2,382
Other IRES	2,469	2,505
IRES	4,042	3,195
Total Current tax assets	**7,955**	**8,082**

As at 28 February 2017 IRES credits recorded of €4,042 thousand relate to receivables for tax consolidation from the parent company Italian Electronics Holdings; these receivables, in addition to the IRES credit transferred to the parent company, also include receivables for withholdings incurred. The item also includes IRES credits which refer to previous financial years transferred from the former Unieuro of €2,469 thousand, down €36 thousand compared with the previous financial year.

Lastly, the item includes IRAP credits of €1,444, down compared with the previous year, as a result of the compensatory payments that were made during the year.

Note that following the credit balances of the previous year, there were no tax payments on account as at 28 February 2017.

5.9 Cash and cash equivalents

Below is a breakdown of the item "Cash and cash equivalents" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Bank accounts	28,951	32,610
Petty cash	7,715	2,831
Total cash and cash equivalents	**36,666**	**35,441**

Cash and cash equivalents stood at €36,666 thousand as at 28 February 2017 and €35,441 thousand as at 29 February 2016.

The item comprises cash in hand, sight or short-term valuables and deposits at banks effectively available and which can be readily used with the exception of an existing pledge on a current account for €650 thousand relating to a guarantee given for the leasing of several sales points; this pledge was released on 27 March 2017.

For further details regarding the dynamics that affected Cash and cash equivalents, please refer to the Cash Flow Statement. On the other hand, for more details of the net financial position, please refer to Note 5.11.

On 2 December 2013 the Company and the former Unieuro registered a pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service Banca per le Imprese S.p.A. on all sums credited, from time to time, by the Company, to several current accounts specifically indicated in the agreement with a balance, as at 28 February 2017, of zero. The pledge also includes remittances made in future by third-parties into the current accounts and the credit for the return of the balance, at any time, of the current accounts. Secured creditors shall have the right to exercise their pledge when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.11) is verified. Note that at the date of these financial statements and until the date of approval none of the causes of enforcement has been verified.

5.10 Shareholders' equity

Details of the item "Shareholders' equity" and the breakdown of the reserves in the reference periods are given below:

(Amounts in euro thousand)	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Share-based payments reserve	Other reserves	Profit/(loss) carried forward	Total equity
Balance as at 28 February 2015		**4,000**	**800**	**43,643**	**(113)**	**(586)**	**676**	**6,144**	**(12,654)**	**41,910**
Profit (loss) for the year		-	-	-	-	-	-	-	10,642	10,642
Other components of comprehensive income (expenses)		-	-	-	39	485	-	-	-	524
Total comprehensive income (expense)		**-**	**-**	**-**	**39**	**485**	**-**	**-**	**10,642**	**11,166**
Contribution from merger						(757)	175	51,855	(33,237)	18,036
Allocation of previous year's profit (loss)		-	-	4,818	-	-	-	-	(4,818)	-
Equity-settled share-based payment plans		-	-	-	-	-	2,321	-	-	2,321
Total owner transactions		**-**	**-**	**4,818**	**-**	**-**	**2,321**	**-**	**(4,818)**	**2,321**
Balance as at 29 February 2016		**4,000**	**800**	**48,461**	**(74)**	**(858)**	**3,172**	**57,999**	**(40,067)**	**73,433**
Profit (loss) for the year		-	-	-	-	-	-	-	11,587	11,587
Other components of comprehensive income (expenses)		-	-	-	74	(1)	-	-	-	73
Total comprehensive income (expense)		**-**	**-**	**-**	**74**	**(1)**	**-**	**-**	**11,587**	**11,660**
Allocation of previous year's profit (loss)		-	-	10,642	-	-	-	-	(10,642)	-
Distribution of dividends		-	-	(3,880)	-	-	-	-	-	(3,880)
Equity-settled share-based payment plans		-	-	-	-	-	3,766	-	-	3,766
Total owner transactions		**-**	**-**	**6,762**	**-**	**-**	**3,766**	**-**	**(10,642)**	**(114)**
Balance as at 28 February 2017		**4,000**	**800**	**55,223**	**-**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**

Shareholders' equity, equal to €84,979 thousand (€73,433 thousand as at 29 February 2016) rose during the year as a result of: (i) the recording of a profit for the period of €11,587 thousand and other items of the comprehensive income statement of €73 thousand; (ii) the distribution of an extraordinary dividend of €3,880 thousand through the use of part of the extraordinary reserve, as approved on 28 November 2016 by the Shareholders' Meeting and (iii) the recording in the reserve for share-based payments of €3,766 thousand which refers to the Call Option Agreement reserved for certain managers and employees.

The Share capital as at 28 February 2017 stood at €4,000 thousand, broken down into 20,000,000 shares. Pursuant to the resolution of the Extraordinary shareholders' meeting held on 12 December 2016, the Company was transformed from a limited liability company to a joint stock company (società per azioni) changing its name from "S.G.M. Distribuzione S.r.l." to "Unieuro S.p.A.". Also note that on 4 April 2017, the parent company Italian Electronics Holdings placed 6,363,637 shares on the Mercato Telematico Azionario – STAR Segment of Borsa Italiana worth €11 per share.

The Reserves are illustrated below:

- the legal reserve of €800 thousand as at 28 February 2017 (€800 thousand as at 29 February 2016), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Civil Code and has maintained it until 28 February 2017;

- the extraordinary reserve of €55,223 thousand as at 28 February 2017 (€48,461 thousand as at 29 February 2016); this reserve increased during the period as a result of the allocation of the profit for the previous year of €10,642 thousand and decreased following the distribution of dividends of €3,880 thousand;

- the cash flow hedge reserve of €0 as at 28 February 2017 (-€74 thousand as at 29 February 2016); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement (as defined in Note 5.11). The positive change of €74 thousand is due to the change in the fair value of the derivative contracts and their maturity at 28 February 2017;

- the reserve for actuarial gains and losses on defined-benefit plans of -€859 thousand as at 28 February 2017 (-€858 thousand as at 29 February 2016); it fell by €1 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments of €6,938 thousand as at 28 February 2017 (€3,172 thousand as at 29 February 2016); this reserve includes the increase of €3,766 thousand offsetting the personnel costs of the share-based payment plan (as described in Note 5.28).

Shareholders' equity was equal to €73,433 thousand as at 29 February 2016 (€41,910 thousand as at 28 February 2015). The increase for the year is mainly due to the joint effect of: (i) the contribution of the merger of the former Unieuro for €18,036 thousand; (ii) the positive result for the year of €10,642 thousand and (iii) the recording in the reserve for share-based payments of €2,321 thousand referring to the Call Option Agreement reserved for certain managers and employees.

The Share capital as at 29 February 2016 stood at €4,000 thousand, broken down into 4,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of €800 thousand as at 29 February 2016 (€800 thousand as at 28 February 2015), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Civil Code and has maintained it until 29 February 2016;

- the extraordinary reserve of €48,461 thousand as at 29 February 2016 (€43,643 thousand as at 28 February 2015); this reserve increased during the period as a result of the allocation of the profit for the previous year of €4,818 thousand;

- the cash flow hedge reserve of -€74 thousand as at 29 February 2016 (-€113 thousand as at 28 February 2015); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement (as defined in Note 5.11). The positive change of €39 thousand is due to the change in the fair value of the derivative contracts;

- the reserve for actuarial gains and losses on defined-benefit plans of -€859 thousand as at 29 February 2016 (-€858 thousand as at 28 February 2015); this reserve increased by €485 thousand following the actuarial valuation relating to severance pay and decreased by €757 thousand following the contribution from the merger of the former Unieuro;

- the reserve for share-based payments equal to €3172 thousand as at 29 February 2016 (€676 thousand as at 28 February 2015); the following flowed into this reserve: (i) the €2321 thousand increase as the offsetting item for the personnel costs for the share-based payment plan known as the Call Option Agreement and (ii) the €175 contribution from the merger of the former Unieuro.

During the years ended 28 February 2017 and 29 February 2016 there were no assets allocated to specific businesses.

On 2 December 2013 Italian Electronics registered a pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., on the Company shares that Italian Electronics Holdings owns. Secured creditors shall have the right to exercise their special privilege when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.11) is verified. On 27 December 2016, the Company, as set out in the Loan Agreement, sent the lending banks (Banca IMI S.p.A., Unicredit Corporate Banking S.p.A. (now Unicredit S.p.A.), Banca Popolare di Milano S.p.A. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell'Alto Adige Soc. Coop.pa..,(the "Lending Banks"), a proposal to amend the Loan Agreement aimed at bringing it into line with the rules applicable to listed companies and market practices for financing transactions for listed companies (the "Amendment Proposal"). This Amendment Proposal was accepted by the Lending Banks on 27 January 2017. Specifically, the pledge in favour of the Lending Banks was released for the shares placed on the Borsa Italiana Mercato Telematico Azionario. Note that at the date of these financial statements and until the date of approval none of the causes of enforcement has been verified.

Pursuant to Article 2424 of the Civil Code, information is provided on the origin, nature and possibility of use of the Shareholders' Equity items:

(Amounts in euro thousand)

Nature / Description	**Amount**	**Possibility of Use (*)**	**Portion Available**	**Use in the previous 3 financial years to hedge losses**	**Use in the previous 3 financial years for other reasons**
Capital	4,000	B	4,000	-	-
Capital Reserves					
Reserve pursuant to Law 121/87	75	A, B, C	75	-	-
Share premium reserve	69	A, B, C	69	-	-
Other reserve	57,855	A, B, C	57,855		
Retained Earnings					
Legal reserve	800	B	800	-	-
Extraordinary reserve	55,223	A, B, C	55,223	-	-
Reserve for actuarial gains/(losses) on defined benefit plans	(859)		(859)	-	-
Reserve for share-based payments	6,938	A, B	6,938	-	-
Profit/(loss) carried forward	(39,122)		(39,122)	-	-
Total	**84,979**		**84,979**	**-**	**-**

Non-distributable portion	4,800	-	-
Remaining distributable portion	**89,779**	-	-

(*) A: for capital increase; B: to hedge losses; C: for distribution to shareholders

The item "Other reserves" includes the value of the reserves established during the transition to the IFRS of the former Unieuro.

5.11 Financial liabilities

Below is a breakdown of the item current and non-current "Financial liabilities" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Current financial liabilities	5,984	3,204
Non-current financial liabilities	25,796	31,780
Total financial liabilities	**31,780**	**34,984**

Under the scope of the consolidation transaction which led to group reporting to the parent company Venice Holdings S.r.l. graining control of the former Unieuro on 29 November 2013, a loan agreement was signed with Banca IMI S.p.A., in the capacity of the lending bank and agent bank, UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.p.A. and Monte dei Paschi di Siena Capital Service Banca per le Imprese S.p.A., in the capacity of the leading banks, on the one side, and the Company on the other side as the beneficiary company. Later, on 19 September 2014, Banca IMI S.p.A sold part of its stake in the loans granted to the Company to ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell'Alto Adige Soc. Coop.pa..

Specifically, the Loan Agreement involves the granting of a medium-/long-term line of credit of €28,300 thousand (divided into Loan A and Loan B) aimed at the repayment in December 2013 of the debt that emerged during the gaining of control of the former Unieuro (the "Senior Loan"), a revolving line of credit of €41,800 thousand (the "Revolving Line") and a line of credit linked to the restructuring investments in the network of stores equal to €15,000 thousand (the "Capex Facility").

The interest on the loans agreed under the scope of the Loan Agreement is at floating rate, calculated taking into consideration the Euribor plus a contractually-agreed spread.

At the same time as the provision of the loans, the parent company Italian Electronics S.r.l. agreed contractual clauses (covenants) that give the lender the right to renegotiate or revoke the loan if the events in this clause are verified. These clauses demand compliance (until the quarter ending 30 November 2016) with certain consolidated indices of Italian Electronics S.r.l. (now merged by incorporation into Italian Electronics Holdings S.r.l.) which are summarised below:

- net interest cover ratio (defined as the ratio between EBITDA and adjusted net financial expense, as defined in the Loan Agreement);

- fixed charge cover ratio (defined as the ratio between adjusted cash flows and adjusted debt servicing, as defined in the Loan Agreement);

- leverage ratio (defined as the ratio between the net financial position and EBITDA, as defined in the Loan Agreement);

- capital expenditure on stores (defined as the amount of investments in tangible and intangible fixed assets at sales points, as defined in the Loan Agreement).

On 27 December 2016 the Company sent the Lending Banks a waiver request which included:

(i) a proposal to amend the Loan Agreement aimed at bringing the agreement into line with the rules applicable to listed companies and market practices for financing transactions for listed companies (the "Amendment Proposal"). This Amendment Proposal was accepted by the Lending Banks on 27 January 2017. After the Lending Banks accept the Amendment Proposal, the Company is no longer obliged to comply with the covenant for the fixed charge cover ratio, but the following Financial Covenants calculated exclusively on its financial statements or, where available, its consolidated financial statements:

- net interest cover ratio (defined as the ratio between EBITDA and adjusted net financial expense, as defined in the Loan Agreement), to be calculated on a quarterly basis;

- leverage ratio (defined as the ratio between the net financial position and EBITDA, as defined in the Loan Agreement) to be calculated on a quarterly basis;

- capital expenditure (defined as the amount of investments in tangible and intangible fixed assets at sales points, as defined in the loan agreement), and specifically the capital expenditure on stores (defined as the amount of investments in tangible and intangible fixed assets at sales points, as defined in the loan agreement), to be calculated annually.

(ii) a request aimed at obtaining a new line of credit to be used for the acquisition/opening of new stores of €50 million; at the time of these financial statements this request is still in the process of being defined.

The Company verified the compliance with the financial covenants as at 28 February 2017 in the light of the Loan Agreement as amended by the Amendment Proposal on the basis of the data from the Company's financial statements for the year ended 28 February 2017.

As at 28 February 2017 and 29 February 2016 the covenants were calculated and complied with. The table below summarises the contractual values and the results of the covenants as at 28 February 2017 and 29 February 2016:

	28 February 2017		**29 February 2016**	
Description of covenants	Contractual value	Covenant result	Contractual value	Covenant result
NET INTEREST COVER RATIO	> 10.00	22.01	> 9.95	16.02
EBITDA/Net Financial Expense				

FIXED CHARGE COVER RATIO	n.a.	n.a.	> 1.00	2.95
Adjusted cash flows/Adjusted debt				
LEVERAGE RATIO	< 1.00	0.03	< 1.15	0.08
Net financial position/EBITDA				
CAPITAL EXPENDITURE	< 15.2 million	1.29 million	< 15 million	1.32 million
Investments in tangible and intangible fixed assets				

The Loan Agreement includes the Company's right of early repayment, in full or in part (in such a case of minimum amounts equal to €1,000,000.00) and prior notification of the Agent Bank, of both the Senior Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, the Company is obliged to repay the Loan early. As at 28 February 2017 and until the date these financial statements were prepared, no events occurred that could give rise to the early repayment of the loan. Financial liabilities as at 28 February 2017 are illustrated below:

(Amounts in euro thousand)	**Maturity**	**Original amount**	**Interest rate**	**As at 28 February 2017**		
				Total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	47,500	1.30% - 7.0%	-	-	-
Revolving Credit Facility	Dec-19	41,800	Euribor 1m+spread	-	-	-
Current bank payables				**-**	**-**	**-**
Loan A	Dec-19	15,000	Euribor 6m+spread	6,000	3,000	3,000
Loan B	Dec-20	13,300	Euribor 6m+spread	13,300	-	13,300
Capex Facility	Dec-19	15,000	Euribor 6m+spread	14,250	3,750	10,500
Ancillary expenses on loans (2)				(1,770)	(766)	(1,004)
Non-current bank payables and current part of non-current debt				**31,780**	**5,984**	**25,796**
Total				**31,780**	**5,984**	**25,796**

(1) The short-term lines of credit include the subject to collection advances, the hot money, the current account overdrafts and the credit limit for the letters of credit.
(2) The financial liabilities are recorded at the amortised cost using the effective interest method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

(Amounts in euro thousand)	**Maturity**	**Original amount**	**Interest rate**	**As at 29 February 2016**		
				Total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	47,500		13	13	-
Revolving Credit Facility	Dec-19	41,800	Euribor 1m+spread	-	-	-
Current bank payables				**13**	**13**	**-**
Loan A	Dec-19	15,000	Euribor 6m+spread	9,375	3,375	6,000
Loan B	Dec-20	13,300	Euribor 6m+spread	13,300	-	13,300
Capex Facility	Dec-19	15,000	Euribor 6m+spread	15,000	750	14,250
Ancillary expenses on loans (2)				(2,704)	(934)	(1,770)
Non-current bank payables and current part of non-current debt				**34,971**	**3,191**	**31,780**
Total				**34,984**	**3,204**	**31,780**

(1) The short-term lines of credit include the subject to collection advances, the hot money, the current account overdrafts and the credit limit for the letters of credit.
(2) The financial liabilities are recorded at the amortised cost using the effective interest method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

Financial liabilities as at 28 February 2017 totalled €31,780 thousand, a fall of €3,204 thousand compared with 29 February 2016. This change is mainly due to the repayment of the capital shares of Loan A and the Capex Facility Loan agreed under the scope of the Euro Term and Revolving Facilities Agreement, respectively of €3,375 thousand and €750 thousand.

The Revolving Line was not used as at 28 February 2017.

The loans are evaluated using the amortised cost method based on the provisions of IAS 39 and therefore their value is reduced by the ancillary expenses on the loans, equal to €1,770 thousand as at 28 February 2017 (€2,704 thousand as at 29 February 2016).

The breakdown of the financial liabilities according to maturity is given below:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Within 1 year	5,984	3,204
From 1 to 5 years	25,796	31,780
More than 5 years	-	-
Total	**31,780**	**34,984**

Below is a breakdown of the net financial debt as at 28 February 2017 and as at 29 February 2016. Note that the net financial debt is presented in accordance with the provisions of Consob Communication 6064293 of 28 July 2006 and in conformity with the recommendations of ESMA/2013/319.

(Amounts in euro thousand)		**as at 28 February 2017**		**as at 29 February 2016**	
	Ref		*of which with Related-Parties*		*of which with Related-Parties*
(A) Cash	5.9	36,666	-	35,441	-
(B) Other cash		-	-	-	-
(C) Securities held for trading		-	-	-	-
(D) Liquidity (A)+(B)+(C)		**36,666**	**-**	**35,441**	**-**
- of which: pledged		*650*	-	-	-
(E) Current loans assets		**-**	**-**	**-**	**-**
(F) Current bank loans and borrowings	5.11	-	-	(13)	-
(G) Current part of non-current financial debt	5.11	(5,984)	-	(3,191)	-
(H) Other current loans and borrowings	5.12-5.14	(2,418)	-	(2,469)	(998)
(I) Current financial debt (F)+(G)+(H)		**(8,402)**	**-**	**(5,673)**	**(998)**
- of which: secured		*(6,750)*	-	*(4,125)*	-
- of which: unsecured		*(1,652)*	-	*(1,548)*	-
(J) Net current financial position (debt) (I)+(E)+(D)		**28,264**	**-**	**29,768**	**(998)**
(K) Non-current bank loans and borrowings	5.11	(25,796)	-	(31,780)	-
(L) Issued bonds		-	-	-	-
(M) Other non-current loans and borrowings	5.12-5.14	(4,427)	-	(23,923)	(19,444)
(N) Non-current financial debt (K)+(L)+(M)		**(30,223)**	**-**	**(55,703)**	**(19,444)**
- of which: secured		*(26,800)*	-	*(33,550)*	-
- of which: unsecured		*(3,423)*	-	*(22,153)*	-

(O) Net financial debt (J)+(N)	**(1,959)**	**-**	**(25,935)**	**(20,442)**

The table below summarises the breakdown of the items "Other current loans and borrowings " and "Other non-current loans and borrowings" for the years ending 28 February 2017 and 29 February 2016. Refer to Notes 5.12 “Shareholders' loan” and 5.14 “Other financial liabilities”, for more details.

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Other financial liabilities	2,418	1,471
Shareholder funding	-	998
Other current loans and borrowings	**2,418**	**2,469**
Other financial liabilities	4,427	4,479
Shareholder funding	-	19,444
Other non-current loans and borrowings	**4,427**	**23,923**
Total other loans and borrowings	**6,845**	**26,392**

5.12 Shareholders' loan

Below is a breakdown of the item current and non-current "Shareholders' loan" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
(Current) Shareholders' loan	-	998
(Non-current) Shareholders' loan	-	19,444
Total Shareholders' loan	**-**	**20,442**

The item "Shareholders' loan" refers to the payable for the funding received from the parent company Italian Electronics (later merged by incorporation into Italian Electronics Holdings), including the interest expense accrued and net of advances on interest paid.

On 24 October 2016, the Company, as set out in the Loan Agreement, sent the lending banks (Banca IMI S.p.A., Unicredit Corporate Banking S.p.A. (now Unicredit S.p.A.), Banca Popolare di Milano S.p.A. and Monte dei Paschi di Siena Capital Service, Banca per le Imprese S.p.A., ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell’Alto Adige Soc. Coop.pa.., the "Lending Banks"), a waiver request, which was received on 4 November 2016, aimed at obtaining the consent of the latter with regard to the distribution of (accrued and approved) dividends and the repayment of the shareholders' loan, for an amount not exceeding €25,000 thousand in total, in one or more tranches and within the calendar year 2016/2017, by the Company in favour of its shareholder, albeit the Company not having accrued the requirements laid down in the Loan Agreement in order to automatically allow these payments.

On 28 November 2016 the Shareholders' Meeting approved: (i) the repayment in full of the shareholders' loan of €21,120 thousand and (ii) the distribution of an extraordinary dividend of

€3,880 thousand through using part of the reserves, resulting from the financial statements ending 29 February 2016.

On 28 and 29 November 2016 the Company made payments in compliance with the above-mentioned resolutions.

On 2 December 2013 the parent company Italian Electronics (which later merged by incorporation into Italian Electronics Holdings) registered a pledge, in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit S.p.A.), Banca Popolare di Milano S.c.a.r.l. and Monte dei Paschi di Siena Capital Service Banca per le Imprese S.p.A. on the present and future receivables that Italian Electronics (which later merged by incorporation into Italian Electronics Holdings) claimed with regard to the Company pursuant to the above-mentioned loan. Secured creditors had the right to exercise their special privilege when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.11) is verified. Note that, until the date of the full repayment of the "Shareholders' loan" none of the causes of enforcement was verified.

5.13 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2015 to 28 February 2017 is broken down below:

Balance as at 28 February 2015	**4,069**
Contribution from merger	8,273
Service cost	-
Interest cost	104
Settlements/advances	(1,557)
Actuarial (profits)/losses	(669)
Balance as at 29 February 2016	**10,220**
Service Cost	-
Interest Cost	153
Settlements/advances	(592)
Actuarial (profits)/losses	2
Balance as at 28 February 2017	**9,783**

This item includes the severance pay required by Law 297 of 25 May 1982 which guarantees statutory compensation to an employee when the employment relationship is ended. Severance pay, regulated by the legislation in the Civil Code in Article 2120, is recalculated in accordance with the provisions of IAS 19, expressing the amount of the actual value of the final obligation as a liability, where the actual value of the obligation is calculated through the "projected unit credit" method.

Settlements recorded in the financial year ended 28 February 2017 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

The contribution from the merger during the year ended 29 February 2016 was €8,273 thousand and relates to the former Unieuro. Settlements recorded during the year ended 29 February 2016 relate mainly to the reduction in the number of employees following the restructuring procedure involving the personnel of the former Unieuro.

Below is a breakdown of the economic and demographic recruitment used for the purpose of the actuarial evaluations:

	Year ended	
Economic recruitment	**28 February 2017**	**29 February 2016**
Inflation rate	1.50%	from 1.5% to 2% increasing over the years
Actualisation rate	1.19%	1.59%
Severance pay increase rate	2.625%	from 2.625% to 3% increasing over the years

Demographic recruitment	Year ended	
	28 February 2017	**29 February 2016**
Fatality rate	Demographic tables RG48	Demographic tables RG48
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the iBoxx Eurozone Corporates *AA* index with a duration of 10+ years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 28 February 2017, relating to the main actuarial hypotheses in the calculation model taking into consideration the above and increasing and decreasing the average annual turnover rate, the early request rate, the average inflation and actualisation rate, respectively of 1%, 1%, 0.25% and 0.25%. The results are summarised in the table below:

(Amounts in euro thousand)	**Year ended 28 February 2017**
Change to the parameter	**Impact on employee benefits**
1% increase in turnover rate	(66)
1% decrease in turnover rate	75
1% increase in advance request rate	(197)
1% decrease in advance request rate	313
0.25% increase in inflation rate	141
0.25% decrease in inflation rate	(138)
0.25% increase in actualisation rate	(220)
0.25% decrease in actualisation rate	229

5.14 Other financial liabilities

Below is a breakdown of the item "Other financial liabilities" as at 28 February 2017 and as at 29

February 2016:

(Amounts in euro thousand)	Year ended	
	28 February 2017	29 February 2016
Lease liabilities	2,236	771
Other financial payables	-	235
Fair value of derivative instruments	7	103
Factoring liabilities	175	344
Payables for investments in equity investments and business units	-	18
Other current financial liabilities	**2,418**	**1,471**
Lease liabilities	4,427	4,479
Other non-current financial liabilities	**4,427**	**4,479**
Total financial liabilities	**6,845**	**5,950**

Lease liabilities

Lease liabilities totalled €6,663 thousand as at 28 February 2017 and €5,250 as at 29 February 2016. The assets that are the subject of the finance lease agreement are furniture, LEDs, climate control systems, servers, computers and printers. Interest rates are fixed at the date of the signing of the agreements and are indexed to the 3-month Euribor. All lease agreements can be repaid through a fixed instalments plan with the exception of the initial down payment and the redemption instalment and there is no contractual provision for any rescheduling of the original plan. The above payables to the leasing company are guaranteed to the lessor via rights on the assets leased out. There are no hedging instruments for the interest rates.

The assets subject to financial leasing are reported using the method set out in international accounting standard IAS 17. The breakdown by due date of the minimum payments and the capital share of the finance leases are given below:

(Amounts in euro thousand)	Minimum payments due for financial leasing as at		Capital share as at	
	28 February 2017	29 February 2016	28 February 2017	29 February 2016
Within 1 year	2,462	874	2,236	771
From 1 to 5 years	4,587	5,074	4,427	4,479
More than 5 years	-	-	-	-
Total	**7,049**	**5,948**	**6,663**	**5,250**

The reconciliation between the minimum payments due from the financial leasing company and the current value is as follows:

(Amounts in euro thousand)	Year ended	
	28 February 2017	29 February 2016
Minimum payments due for financial leasing	7,049	5,948
(Future financial expense)	(386)	(698)
Total	**6,663**	**5,250**

Other financial payables

Other financial payables stood at €235 thousand as at 29 February 2016, the item mainly related to the acquisition of the equity investment in Expert Società Consortile per Azioni (the “Expert consortium”) which took place in 2013 for €184 thousand. Note that on 7 April 2015 the Company sold all the shares held in the Expert consortium following the Company's strategic decision to leave the purchasing group. On 26 April 2016 the residual debt related to the purchase of the equity investment was extinguished.

Fair value of derivative instruments

The financial hedging instruments, in existence as at 28 February 2017, refer to agreements signed with BPER Banca S.p.A and with BNL S.p.A to hedge future purchase transactions involving goods in other currencies (USD). The effects of these hedging derivative financial instruments are reported in the income statement because they do not comply with all the requirements of IAS 39 for hedge accounting.

The hedging financial instruments, in existence as at 29 February 2016, refer to the agreements signed with Banca Monte dei Paschi di Siena S.p.A., Intesa Sanpaolo S.p.A., UniCredit S.p.A. and Banca Popolare di Milano S.p.A., to hedge the fluctuations in the financial expenses related to the Loan. These derivative financial transactions on the interest rates are designated as hedge accounting in accordance with the requirements of IAS 39 and are therefore dealt with under hedge accounting.

Factoring liabilities

Payables to factoring companies stood at €175 thousand as at 28 February 2017 (€344 thousand as at 29 February 2016) and refer to transfers of trade payables to a financial counterparty through factoring without recourse.

5.15 Provisions

The change in the item "Provisions" for the period from 28 February 2015 to 28 February 2017 is broken down below:

(Amounts in euro thousand)	**Provision for tax disputes**	**Provision for other disputes**	**Provision for onerous contracts**	**Provision for restructuring**	**Other provision for risks**	**Total**
Balance as at 28 February 2015	**4,957**	**546**	**1,021**	**285**	**803**	**7,612**
- of which current portion	*368*	*143*	*657*	*285*	*186*	*1,639*
- of which non-current portion	*4,589*	*403*	*364*	*-*	*617*	*5,973*
Contribution from merger	142	*1,282*	1,991	1,570	401	**5,386**
Provisions	836	1,097	-	1,320	238	**3,491**
Draw-downs/releases	(1,267)	(634)	(1,811)	(1,976)	(463)	**(6,151)**
Balance as at 29 February 2016	**4,668**	**2,291**	**1,201**	**1,199**	**979**	**10,338**
- of which current portion	-	-	*700*	*1,199*	*672*	*2,571*
- of which non-current portion	*4,668*	*2,291*	*501*	*-*	*307*	*7,767*
Provisions	2,339	664	327	-	199	**3,529**
Draw-downs/releases	(1,358)	(1,213)	-	(933)	(106)	**(3,610)**
Balance as at 28 February 2017	**5,649**	**1,742**	**1,528**	**266**	**1,072**	**10,257**

- of which current portion	*37*	*188*	*882*	*266*	*51*	*1,424*
- of which non-current portion	*5,612*	*1,554*	*646*	*-*	*1,021*	*8,833*

The " Provision for tax disputes", equal to €5,649 thousand as at 28 February 2017 and €4,668 thousand as at 29 February 2016, was set aside mainly to hedge the liabilities that could arise following disputes of a tax nature.

The "Provision for other disputes", equal to €1,742 thousand as at 28 February 2017 and €2,291 thousand as at 29 February 2016, refers to disputes with former employees, customers and suppliers.

The "Provision for onerous contracts", equal to €1,528 thousand as at 28 February 2017 and €1,201 thousand as at 29 February 2016, refer to the provision allocated for non-discretionary costs necessary to fulfil the obligations undertaken in certain rental agreements.

The "Provision for restructuring", equal to €266 thousand as at 28 February 2017 and €1,199 thousand as at 29 February 2016, refer mainly to the conclusion of the personnel restructuring and commercial network integration process of the former Unieuro.

The “Other provisions for risks”, equal to €1,072 as at 28 February 2017 and €979 thousand as at 29 February 2016, mainly include: i) the provision for expenses for the restoration of stores to their original condition set aside to cover the costs for restoring the property when it is handed back to the lessor in cases where the contractual obligation is the responsibility of the tenant; ii) the additional customer compensation fund.

5.16 Other current liabilities and other non-current liabilities

Below is a breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 28 February 2017 and 28 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Deferred income and accrued liabilities	88,694	71,055
Payables to personnel	28,206	26,977
Payables for VAT	15,715	8,516
Payments on account from customers	3,017	3,234
Payables for IRPEF (income tax)	2,010	1,944
Payables to welfare institutions	1,759	566
Accrued liabilities on building rental and expenses	752	532
Other tax payables	92	100
Other current liabilities	82	255
Total other current liabilities	**140,327**	**113,179**
Deposit liabilities	21	26
Other liabilities	-	-
Total other non-current liabilities	**21**	**26**
Total other current and non-current liabilities	**140,348**	**113,205**

The item "Other current liabilities" increased by €27,148 thousand in the year ended 28 February 2017 compared with the year ended 29 February 2016. The increase in the item recorded in the period in question is mainly due to greater deferred income relating to the servicing of the extended warranty.

The balance of the item "Other current liabilities" is mainly composed of:

- deferred income and accrued liabilities of €88,694 thousand as at 28 February 2017 (€71,055 thousand as at 29 February 2016) due mainly to the deferrals for the extended warranty services. Revenue from sales is reported according to the duration of the contract, or the period for which there is a performance obligation thereby rediscounting sales pertaining to future periods. Moreover, note that the methods for managing warranty services for the periods after the legally-required periods were changed with regard to sales of extended warranty services made by the former Unieuro (from the financial year ended 28 February 2015) and to sales of extended warranty services in certain categories of goods (white goods) made by Unieuro (from the financial year ended 29 February 2012), handling activities that were previously outsourced internally;

- payables to personnel of €28,206 thousand as at 28 February 2017 (€26,977 thousand as at 29 February 2016) composed of payables for salaries, holidays, leave and thirteenth and fourteenth month pay. These payables refer to items accrued but not yet settled.

- VAT payables of €15,715 thousand as at 28 February 2017 (€8,156 thousand as at 29 February 2016) composed of payables resulting from the VAT payment with regard to February 2017.

5.17 Trade payables

Below is a breakdown of the item "Trade payables" as at 28 February 2017 and as at 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Trade payables to third-parties	332,504	331,193
Trade payables to related-parties	15	17
Gross trade payables	**332,519**	**331,210**
Allowance for impairment - amount due from suppliers	2,027	2,162
Total Trade payables	**334,546**	**333,372**

The balance includes payables relating to carrying out normal trade activities involving the supply of goods and services.

Gross trade payables increased by €1,309 thousand as at 28 February 2017 compared with 29 February 2016.

As at 28 February 2017 there were no disputes with suppliers, or suspensions to supplies, with the exception of several compensation claims and payment injunctions which refer to legal actions in the form of applications for orders for payment of insignificant amounts.

The change in the "Allowance for impairment - amount due from suppliers" for the period from 28 February 2015 to 28 February 2017 is given below:

Balance as at 28 February 2015	**440**
Provisions	1,001
Contribution from merger	731
Releases to the Income Statement	-
Draw downs	(10)
Balance as at 29 February 2016	**2,162**
Provisions	-
Releases to the Income Statement	-
Draw downs	(135)
Balance as at 28 February 2017	**2,027**

There are no payables for periods of more than 5 years or positions with a significant concentration of payables.

5.18 Revenue

Below is a breakdown of the item "Revenue" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Retail, Online and Travel (1)	1,329,973	1,267,926
Wholesale (2)	227,864	206,362
B2B (3)	102,658	82,922
Total Revenue	**1,660,495**	**1,557,210**

(1) The Retail sales channel refers to the sale of products to end users through DOS located throughout Italy, with the exception of airports. The Online sales channel represents the sale of products to end users through the web channel with the option of home delivery or click and collect. The Travel sales channel embodies the sale of products at major public transport hubs via direct sales points.

(2) The Wholesale channel covers the sale of products to partners operating exclusively through the "Unieuro" brand as well as the wholesale supply to hypermarkets and other retailers.

(3) The B2B sales channel represents the wholesaling of products to customers who, in turn, sell electronic items to hotels and banks.

The Retail, Online and Travel revenue went from €1,267,926 thousand in the year ended 29 February 2016 to €1,329,973 thousand in the year ended 28 February 2017, an increase of €62,047 thousand or 4.9%. The increases are related to (i) the development of the new digital platform, designed both to help users when buying products and to increase entries and revenue at sales points and (ii) the positive performance of the sales volumes of the Retail channel as a result of the new openings, the restructurings carried out in the period in order to make the sales points more attractive and the investment in personnel training aimed at improving customer satisfaction and loyalty.

Wholesale revenue went from €206,362 thousand in the year ended 29 February 2016 to €227,864 thousand in the year ended 28 February 2017, an increase of €21,502 thousand or 10.4%. The increase is related to the positive performance of sales volumes of partners as a result of the commercial policies implemented by Unieuro, as well as the restructuring of numerous partner sales points to create a more modern and attractive layout.

B2B revenue went from €82,922 thousand in the year ended 29 February 2016 to €102,658 thousand in the year ended 28 February 2017, an increase of €19,736 thousand or 23.8%. The increase is mainly due to the Company's ability to take advantage of market opportunities.

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Other income	3,468	8,918
Insurance claims	1,181	1,645
Rental and lease income	1,711	1,833
Total other income	**6,360**	**12,396**

The item mainly includes rental income relating to the sub-leasing of spaces for other activities, and insurance claims relating to theft or damage caused to stores. The decrease is due to the presence, during the year ended 29 February 2016, of positive elements relating to the closing of old debit entries resulting from the former Unieuro.

5.20 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Purchase of goods	1,295,389	1,238,978
Buildings rental and expenses	58,289	59,000
Marketing	51,613	48,748
Transport	32,482	30,242
Utilities	12,017	13,091
Consultancies	10,904	6,408
Maintenance and rental charges	10,745	10,827
General sales costs	7,497	7,894
Other costs	6,126	5,383
Purchase of consumables	4,377	4,325
Travel expenses	2,143	2,077
Fees of directors and statutory auditors	356	431
Total purchases of materials and external services	**1,491,938**	**1,427,404**
Changes in inventories	(5,177)	(41,067)
Total, including the change in inventories	**1,486,761**	**1,386,337**

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from €1,386,337 thousand as at 29 February 2016 to €1,486,761 thousand in the financial year ended 28 February 2017, an increase of €100,424 thousand or 7.2%.
The main increase is attributable to the item "Purchase of goods" for €56,411 thousand resulting

from the increase in turnover.

The item “Marketing” increased from €48,748 thousand as at 29 February 2016 to €51,613 thousand as at 28 February 2017, the increase is due to the greater investments made in co-marketing activities and promotional activities supporting new products.

The item “Transport” increased from €30,242 thousand as at 29 February 2016 to €32,482 thousand as at 28 February 2017, mainly as a result of the increase in turnover, the impact on revenue was in line with the previous year, equal to 2.0% as at 28 February 2017 (1.9% as at 29 February 2016).

The item “Consultancies” increased from €6,408 thousand as at 29 February 2016 to €10,904 thousand as at 28 February 2017, mainly as a result of the costs incurred by the Company relating to the listing of the Company's shares on the STAR Segment of the Mercato Telematico Azionario of Borsa Italiana S.p.A..

The item “Utilities” fell by €1,074 compared with 29 February 2016, equal to an 8.2% drop, this decrease was mainly due to the energy efficiency measures implemented at the sales points which led to a significant reduction in consumption.

The items “Building rental and expenses" fell by €711 thousand compared with 29 February 2016, a drop of 1.2%; this fall is due to the renegotiation of several rental agreements with landlords.

The item "Other costs" mainly includes costs for vehicles, hiring, cleaning, insurance and security.

5.21 Personnel expenses

Below is a breakdown of the item "Personnel expenses" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Salaries and wages	97,630	94,828
Welfare expenses	29,165	28,133
Severance pay	6,833	6,735
Restructuring fund provisions/(releases)	-	1,320
Other personnel expenses	3,005	2,945
Total personnel expenses	**136,633**	**133,961**

Personnel expenses went from €133,961 thousand in the year ended 29 February 2016 to €136,633 thousand in the year ended 28 February 2017, an increase of €2,672 thousand or 2.0%.

The increase in the item "Salaries and wages", equal to approximately 2.0%, is mainly due to increases in national collective agreements, seniority increases and to the increase in employees at the headquarters.

The balance of the item “Restructuring fund provisions/(releases)" in the year ended 29 February 2016 was €1,320 thousand and relates to provisions allocated for the launch of redundancy schemes for surplus personnel at several sales points.

The item “Other personnel expenses” as at 28 February 2017 and as at 29 February 2016 refers mainly to the cost for the year of the Call Option Agreement, equal to €3,766 thousand as at 28 February 2017 and €2,321 thousand as at 29 February 2016. Refer to Note 5.28 for more details about the share-based payment agreements.

5.22 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Non-income based taxes	5,160	4,833
Suppliers account debit balance	-	1,001
Other operating expenses	217	724
Total other operating costs and expenses	**5,377**	**6,558**

"Other operating costs and expenses" went from €6,558 thousand in the year ended 29 February 2016 to €5,377 thousand in the year ended 28 February 2017, a decrease of €1,181 thousand or 18.0%.

The decrease is mainly due to the suppliers account debit balance of €1,001 thousand recorded in the year ended 29 February 2016, which refers to the write-down of existing positions with suppliers due to the opening of insolvency proceedings.

The item "Non-income based taxes" mainly includes levies for waste disposal, the municipal advertising tax, the SIAE tax and registration duty.

The item “Other operating costs” includes costs for charities, customs and capital losses.

5.23 Amortization, depreciation and impairment losses

Below is a breakdown of the item "Amortization, depreciation and impairment losses" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Amortization and depreciation of tangible fixed assets	13,312	13,345
Amortization and depreciation of intangible fixed assets	3,794	3,517
Impairment losses of tangible and intangible fixed assets	852	1,858
Total amortization, depreciation and impairment losses	**17,958**	**18,720**

The item "Amortization, depreciation and impairment losses" went from €18,720 thousand in the year ended 29 February 2016 to €17,958 thousand in the year ended 28 February 2017, a fall of €762 thousand or 4.1%.

The item “Impairment losses of tangible and intangible fixed assets” fell in the year ended 28 February 2017 compared with the year ended 29 February 2016 as a result of the conclusion of the rebranding and integration of the former Unieuro which began in the previous financial years and was partly offset by the write-down of existing assets at the Oderzo (TV) sales point following the fire which took place on 25 February 2017. The item also includes the write-down of the assets relating to the stores for which onerous contracts were identified, in other words rental agreements in which the non-discretionary costs necessary for fulfilling the obligations undertaken outweigh the economic benefits expected to be obtained from the contract.

5.24 Financial income and Financial expenses

Below is a breakdown of the item "Financial income" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Interest income	27	92
Other financial income	331	194
Total financial income	**358**	**286**

"Financial income" went from €286 thousand in the year ended 29 February 2016 to €358 thousand in the year ended 28 February 2017, an increase of €72 thousand. The change is mainly due to the increase in income for exchange rate gains and the decrease in bank interest income.

The breakdown of the item "Financial expenses" is given below:

(Amounts in euro thousand)	Year ended	
	28 February 2017	**29 February 2016**
Interest expense on bank loans	3,708	5,137
Interest expense from parent company	788	1,068
Other financial expense	1,726	970
Total financial expenses	**6,222**	**7,175**

"Financial expenses" went from €7,175 thousand in the year ended 29 February 2016 to €6,222 thousand in the year ended 28 February 2017, a decrease of €953 thousand or 13.3%.

The item “Interest expense on bank loans” fell as at 28 February 2017 by €1,429 thousand compared with the previous period; this decrease was due to lower drawings on the Revolving Line during the year ended 28 February 2017 compared with the previous financial year and less interest expense on the Loan Agreement due to the fall recorded in margins applied as a result of the improvement recorded in the leverage ratio at the measurement dates. The interest rate applied to the loan is equal to the sum of (i) the Euribor parameters and (ii) a margin with a different annual percentage for each individual line. The Loan Agreement includes a variation mechanism for the above-mentioned margin depending on the level of a given contractual index (leverage ratio), calculated at the measurement dates of the financial covenants set out in the Loan Agreement, as explained in more detail in the previous paragraph 5.11.

The item “Interest expense from the parent company" includes the interest accrued relating to the shareholders' loan of 28 November 2016 (see Note 5.12 for more details).

The item “Other financial expense” increased by €756 thousand; this increase was due mainly to the costs incurred for: (i) the waiver request to the Lending Banks aimed at obtaining the latter's consent for the distribution of dividends and the repayment of the shareholders' loan made in the nine-month period ended 30 November 2016 and (ii) the Amendment Proposal for the Loan Agreement aimed at bringing the contract into line with the rules applicable to listed companies and market practices for financing transactions in favour of listed companies (for more details, please see Note 5.11).

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Current taxes	1,309	1,374
Deferred taxes	(501)	4,644
Accruals to/(releases of) the provision for taxes	1,867	481
Total	**2,675**	**6,499**

A reconciliation of the statutory and effective tax expense is provided below:

(In euro million and as a percentage of the result for the pre-tax period)	**Year ended**			
	28 February 2017	**%**	**29 February 2016**	**%**
Pre-tax result for the period	14,262		17,141	
Theoretical income tax (IRES)	(3,922)	27.5%	(4,714)	27.5%
IRAP	(1,309)	(9.2%)	(322)	(1.9%)
Tax effect of permanent differences and other differences	4,423	31.0%	(982)	(5.7%)
Taxes for the period	**(808)**		**(6,018)**	
Accrual to the provision for taxes	(1,867)		(481)	
Total taxes	**(2,675)**		**(6,499)**	
Actual tax rate		**(18.8%)**		**(37.9%)**

The impact of taxes on income is calculated gross of allocations to the tax provision for tax disputes. In the financial years 2017 and 2016 the impact of taxes on the pre-tax result was 18.8% and 37.9%, respectively; the fall was due to the recording of deferred tax income on tax losses of €4,726 thousand. For more details, please see Note 5.4.

The item “Allocation to tax provision” went from €481 thousand in the financial year ended 29

February 2016 to €1,867 thousand in the financial year ended 28 February 2017. The item is composed of allocations of €2,339 thousand and €836 thousand, respectively, as at 28 February 2017 and 29 February 2016 and releases of €472 thousand and €355 thousand, respectively, as at 28 February 2017 and 29 February 2016.

Note that the tax losses still available as at 28 February 2017 are equal to €408,940 thousand (tax losses available as at 29 February 2016 stood at €417,895 thousand). These losses include deferred tax income of €12,752 thousand as at 28 February 2017 (€8,026 thousand as at 29 February 2016).

5.26 Basic and diluted earnings per share

The basic earnings per share are calculated by dividing the result for the period by the number of ordinary shares. The details of the calculation are given in the table below:

(Amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Result for the period/financial year [A]	11,587	10,642
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic and diluted earnings per share [B] (1)	20,000	20,000
Basic and diluted earnings per share (*in Euro*) [A/B]	**0.58**	**0.53**

(1) The number of shares (in thousands) considered for the purpose of calculating the basic and diluted earnings per share was defined using the number of Unieuro S.p.A. shares issued on 12 December 2016.

As at 28 February 2017 and as at 29 February 2016 there were no dilutive effects so therefore the diluted earnings per share are the same as the basic earnings.

5.27 Statement of cash flows

The key factors that affected cash flows in the three years are summarised below:

Net cash flow from (used in) operating activities

(amounts in euro thousand)	**Year ended**	
	28 February 2017	**29 February 2016**
Profit (loss) for the year	11,587	10,642
Adjustments for:		
Income taxes	2,675	6,499
Net financial expenses (income)	5,864	6,889
Amortization, depreciation and impairment losses	17,958	18,720
(Gains)/losses on the sale of property, plant and machinery	(31)	(35)
Other changes	3,766	2,357
	41,819	45,072
Changes in:		
-Inventories	(5,178)	(41,067)
-Trade receivables	151	(2,399)
-Trade payables	1,174	29,607
-Other changes in operating assets and liabilities	23,488	32,445
Cash flows from (used in) operating activities	19,635	18,586
Income taxes paid	-	(4,206)
Interest paid	(4,931)	(4,765)

Net cash flow from (used in) operating activities	**56,523**	**54,687**

Year ended 28 February 2017

The net cash flow from (used in) operating activities went from €54,687 thousand in the year ended 29 February 2016 to €56,523 thousand in the year ended 28 February 2017, an increase of €1,836 thousand. The larger cash flows generated were mainly influenced by the combined effect resulting from:

- the greater liquidity generated by the changes in the cash flows from (used in) operating activities of €1,049 thousand;

- the lower income flows for the year (composed of the changes that took place in the adjusted result for the period of income taxes, net financial expense/(income) and other non-monetary changes) of €3,253 thousand;

- the lower tax payment of €4,206 thousand. In 2017 the Company did not pay tax offsetting the tax due with the credit from previous financial years. The figure which refers to the year ended 29 February 2016 was mainly due to the payments on account during the year;

- the higher financial expenses paid of €166 thousand.

Specifically, in the year ended 28 February 2017, the cash flows from (used in) operating activities (composed of the changes in warehouse inventories and trade receivables and payables and in other operating assets and liabilities) and the related cash flows, generated greater liquidity compared with the previous year of €1,049 thousand, going from a cash flow of €18,586 thousand in the year ended 29 February 2016 to a positive flow of €19,636 thousand in the year ended 28 February 2017. In the year ended 28 February 2017 the increase in the cash flows from (used in) operating activities was mainly due to a significant fall in inventories of €35,889 thousand, mitigated by the negative effect of the change in trade payables of €28,433 thousand and other operating assets and liabilities of €8,957 thousand. Note that in February 2016 commercial policies for the purchasing of goods were implemented aimed at promotions which took place in March 2016.

In addition, the net cash flows from (used in) operating activities benefited the payment of lower taxes for €4,206 compared with the previous year for the reasons explained above.

Cash flow generated (absorbed) by investment activities

	Year ended	
(amounts in euro thousand)	**28 February 2017**	**29 February 2016**
Purchases of plant, equipment and other assets	(23,479)	(24,468)
Purchases of intangible assets with a finite useful life	(4,419)	(3,024)
Goodwill acquired against payment	-	(193)
Collections from the sale of plant, equipment and other assets	61	131
Collections from the sale of assets held for sale	-	924
Equity investments and investments in business units	-	(881)

Cash contribution from merger	-	6,270
Cash flow generated (absorbed) by investment activities	**(27,837)**	**(21,241)**

Investment activities absorbed liquidity of €27,837 thousand and €21,241 thousand, respectively, in the years ended 28 February 2017 and 29 February 2016.

With reference to the year ended 28 February 2017, the Company's main requirements involved:

- investments in property, plant and equipment of €23,479 thousand, mainly relating to the purchase of plant with regard to the energy efficiency project already launched in the previous financial year and to interventions at sales points opened, relocated or renovated during the year;

- investments in intangible fixed assets of €4,419 thousand relating to the development of the website www.unieuro.it and IT systems at the Forlì headquarters.

Cash flow generated/ (absorbed) by financing

	Year ended	
(amounts in euro thousand)	**28 February 2017**	**29 February 2016**
Cash flow from investment activities		
Repayment of financial liabilities	(4,137)	(14,218)
Increase/(Decrease) in other financial liabilities	998	4,419
Increase/(Decrease) in shareholder loans	(20,442)	(1,172)
Distribution of dividends	(3,880)	-
Cash flow generated/ (absorbed) by financing	**(27,461)**	**(10,971)**

Financing absorbed liquidity of €27,461 thousand in the year ended 28 February 2017 and €10,971 thousand for the year ended 29 February 2016.

The cash flow from financing as at 28 February 2017 mainly reflects:

- a decrease in financial liabilities of €4,137 thousand mainly due to the repayment of the capital shares of Loan A and the Capex Facility Loan agreed under the scope of the Euro Term and Revolving Facilities Agreement, respectively of €3,375 thousand and €750 thousand;

- an increase in other financial liabilities of €998 thousand mainly due to the increase in payables for assets subject to financial leasing of €1,413 thousand partly offset by the repayment of the payable relating to the acquisition of the equity investment in Expert Società Consortile per Azioni (the "Expert consortium") which took place in 2013 of €184 thousand and the decrease in the payable to factoring companies of €169 thousand;

- the repayment in full of the shareholders' loan of €20,442 thousand;

- the distribution of an extraordinary dividend of €3,880 thousand by using part of the reserves, resulting from the financial statements for the financial year ended 29 February 2016.

5.28 Share-based payment agreements

On 22 October 2014 the shareholders of Venice Holdings ("**Shareholders of Venice Holdings**") signed a 5-year Call Option Agreement which involves the undertaking of shareholders - if the sale of the majority of shares held by the latter in the share capital of Venice Holdings takes place - to approve a share capital increase for Venice Holdings, to be released in two tranches (tranche A and tranche B) reserved for certain managers and employees of the Company and the former Unieuro, owners of Venice Holdings shares. The beneficiaries, who should be in office when the sale takes place, have been allocated a right of pre-emption that is conditional (at the change of control of Venice Holdings) on subscribing (in full or in part) the two tranches of the Venice Holdings share capital increase which is the subject of the commitment undertaken by the shareholders. The right of pre-emption does not have a deadline.

Specifically, in the Call Option Agreement these options give the right to subscribe a certain portion of the share capital of Venice Holdings at a fixed issue price equal to: 792 Euro units for the first tranche (tranche A and tranche B) plus 8% per year from 30 November 2013 until the time the option is exercised and 792 Euro units for the second tranche (tranche B) plus 25% per year from 30 November until the time the option is exercised.

Following the merger by incorporation of Venice Holdings into Italian Electronics Holdings, the commitments undertaken pursuant to the Call Option Agreement were confirmed. Therefore the managers and employees who signed the agreement had the right to subscribe shares in the capital increase which will be approved by the shareholders' meeting of Italian Electronics Holdings if the change of control takes place pursuant the Call Option Agreement.

During the financial year ended 28 February 2017 the Company launched all the internal preparatory activities for the listing of the Company's shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A.. The listing project was formally ratified by the Shareholders' Meeting of 12 December 2016. Following the launch of this listing process, in order to confirm the promotion of the Call Option Agreement recipients the reference shareholder (Italian Electronics Holdings) sought, at the beginning of February 2017, to change the original option plan by renouncing the previous Call Option Agreement and, at the same time, assigning a new option plan called the Transaction Bonus lasting 5 years which included the commitment of Italian Electronics Holdings (i) if the result of the admission to listing process is positive, the allocation to certain Company managers, on the day of the establishment of the placement price, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted on the day of the placement and to other managers of a sum in Euros equal to the value of a pre-established number of shares at the placement price; (ii) in the case of the sale to a third-party of all or some of the Company shares, the granting to certain Company managers and employees, before the transfer to third-parties, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted to the third-party buyer. The realisation of events was mutually exclusive therefore, as the first event is realised in terms of time, the possibility of the second event automatically becomes ineffective. On 4 April 2017, the parent company Italian Electronics Holdings completed the process of listing Unieuro S.p.A. shares on the STAR Segment of the Mercato Telematico Azionario of Borsa Italiana S.p.A., placing 31.8% of the Company's share capital for a total value of €70 million.

The revision of the granting mechanism, which took place through the renunciation of the previous Call Option Agreement and the simultaneous signing of the Transaction Bonus by the recipients was configured as a change to the existing plan which caused an acceleration event in the vesting period.

At the date that these financial statements were prepared, the new deadline considered for the servicing period of the recipients for the purpose of the definition of the vesting period, was 4 April 2017, the placement date of the shares on the Mercato Telematico Azionario. The amount of personnel costs to be allocated to the income statement with the offsetting item being the specific reserve for share-based payments was therefore revised in the light of the new vesting deadline.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method (Cox – Ross – Rubinstein). Taking into account that the time at which the transfer of control of Venice Holdings will take place is not known, management identified various dates and, later on, allocated each of them a probability rate. The other theories underlying the calculation were volatility, risk rate (equal to the return of securities in the Eurozone (AAA) maturing close to the date on which the exercising of the options is scheduled), the amount of dividends anticipated. Lastly, consistent with the provisions of IFRS 2, for the purpose of estimating the fair value of the options, the value was adjusted applying a discount for lack of liquidity.

When measuring the fair value at the allocation date of the share-based payment, the following data was used:

	Tranche A	**Tranche B**
Fair value at grant date	€610.00	€278.00
Price of options at grant date	€8.55	€1.01
Exercise price	€792 + 8% per year	€792 + 25% per year
Anticipated volatility	30%	30%
Duration of the option	5 years	5 years
Expected dividends	0%	0%
Risk-free interest rate	ECB return Eurozone government bonds (AAA)	ECB return Eurozone government bonds (AAA)
Illiquidity discount	33.3%	33.3%

The number of outstanding options is as follows:

	Tranche A		**Tranche B**	
	Number of 2017 options	**Number of 2016 options**	**Number of 2017 options**	**Number of 2016 options**
Existing at the start of the financial year	**9,305**	**7,671**	**4,653**	**3,836**
Exercised during the financial year	-	-	-	-
Granted during the financial year	-	-	-	-
Contribution from merger	-	1,989	-	995
Withdrawn during the financial year (bad leaver)	-	(355)	-	(178)
Plan amendment (Transaction Bonus)	(9,305)	0	(4,653)	

Existing at the end of the financial year	**-**	**9,305**	**-**	**4,653**
Not granted at the start of the financial year	4,902	4,902	2,451	2,451
Exercisable at the end of the financial year	-	-	-	-
Contribution from merger	-	-	-	-
Plan amendment (Transaction Bonus)	(4,902)	-	(2,451)	-
Not granted at the end of the financial year	**-**	**4,902**	**-**	**2,451**

Note that, as mentioned above, the Transaction Bonus constitutes a change to the existing plan which caused an acceleration event in the vesting period.

On 6 February 2017 the Company's Extraordinary Shareholders' Meeting approved the adoption of a stock option plan (the "Plan") reserved for executive directors, contractors and employees (senior managers and otherwise) of the Company. The Plan envisages the grant of ordinary shares deriving from a capital increase with no pre-emption right pursuant to Article 2441, paragraphs 5 and 8, Italian Civil Code, resolved upon by the Shareholders' Meeting on the same date.

The Plan has the following objectives: (i) to focus the attention of people covered by the plan on matters of strategic importance to the Company, (ii) to increase loyalty among people covered by the plan and incentivise them to remain with the Company, (iii) to increase the competitiveness of the company by identifying medium-term objectives and promoting the creation of value both for the company and its shareholders, and (iv) to ensure that the overall remuneration of the people covered by the plan remains competitive on the market.

The implementation and determination of the specific characteristics of the Plan were delegated by the same Shareholders' Meeting to the company's Board of Directors, which will take place after the start date of trading in the Company's shares.

The Plan is also subject to the terms and conditions described below:

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of the Company by 31 July 2017 (“IPO”);

- *Recipients:* the Plan is aimed at directors with executive duties, collaborators and employees (managers and otherwise) of the Company (“Recipients”) to be identified by the Board of Directors;

- *Object:* the object of the Plan is to grant the Recipients option rights that are not transferable by act inter vivos for the purchase or subscription against payment of ordinary shares in the Company for a maximum of 860,215 options, each of which entitling the bearer to subscribe one newly issued ordinary share (“Options”). If the target is exceeded with a performance of 120%, the number of Options will increased up to 1,032,258. A share capital increase was approved for this purpose for a nominal maximum of €206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which the Company's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

- *Granting:* the options will be granted in one or more tranches and the number of Options in each tranche will be decided by the Board of Directors following consultation with the

Remuneration Committee;

- *Exercising of the rights*: the Board of Directors is empowered to set the terms, conditions and procedures for the grant, implementation and exercise of the option rights, defining these in the regulations (the “Regulations”), however the shares can only be subscribed after 31 July 2020 and within the final deadline of 31 July 2025;

- *Vesting:* the existence and extent of each recipient's right to exercise the options will be verified on 31 July 2020 in relation to the achievement of the objectives, in terms of distributable profits, indicated in the business plan on the basis of the following criteria:

    - in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;

    - if 85% of the expected results are achieved, only half the options will be eligible for exercise;

    - if between 85% and 100% of the expected results are achieved, the number of options eligible for exercise will increase on a straight line between 50% and 100%;

    - if between 100% and 120% of the expected results are achieved, the number of options eligible for exercise will increase proportionally on a straight line between 100% and 120% – the maximum limit.

- *Exercise price:* the exercise price of the Options will be equal to the placement price on the day of the IPO;

- *Duration:* the Plan covers a time horizon of five years, from 31 July 2020 to 31 July 2025.

Also on 6 February 2017, the Shareholders' Meeting authorised the Board of Directors to determine criteria for identifying beneficiaries and a number of Options to assign to the beneficiaries of the Plan, based on objective and predetermined criteria in the interest of the Company, to be indicated in the relevant Regulations. The Board of Directors must also determine a maximum number of Options for each beneficiary, to be decided in accordance with the terms and conditions set out in the Regulations, also considering the role performed within the company's organisation.

6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Company's credit and debt relations with related-parties as at 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Credit and debt relations with related-parties as at 28 February 2017								
Type	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet items**	**Impact on balance sheet item**
As at 28 February 2017									
Trade receivables	179	65	-	-	-		**244**	**35,203**	**0.7%**
Trade payables	-	(15)	-	-	-		**(15)**	**(334,546)**	**0.0%**

Current tax assets	4,042	-	-	-	-		**4,042**	**7,955**	**50.8%**
Other current liabilities	-	-	(29)	(80)	(417)	(624)	**(1,150)**	**(140,327)**	**0.8%**
Other non-current liabilities	-	-	-	-	-		**-**	**(21)**	**0.0%**
Total	**4,221**	**50**	**(29)**	**(80)**	**(417)**	**(624)**	**3,121**		

(Amounts in euro thousand)	**Credit and debt relations with related-parties as at 29 February 2016**									
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni.Ma S.r.l.**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet items**	**Impact on balance sheet item**
As at 29 February 2016										
Trade receivables	24	6	116	82	-	-	-	**228**	**35,354**	**0.6%**
Trade payables	-	-	-	(17)	-	-	-	**(17)**	**(333,372)**	**0.0%**
Current tax assets	-	-	3,195	-	-	-	-	**3,195**	**8,082**	**39.5%**
(Current portion) of Shareholders' loan	-	-	(998)	-	-	-	-	**(998)**	**(998)**	**100.0%**
(Non-current portion) of Shareholders' loan	-	-	(19,444)	-	-	-	-	**(19,444)**	**(19,444)**	**100.0%**
Other current liabilities	-	-	-	-	(100)	(942)	(628)	**(1,670)**	**(113,179)**	**1.5%**
Total	**24**	**6**	**(17,131)**	**65**	**(100)**	**(942)**	**(628)**	**(18,706)**		

The table below summarises the Company's economic relations with related-parties as at 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	**Economic relations with related-parties as at 28 February 2017**								
Type	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet items**	**Impact on balance sheet item**
As at 28 February 2017									
Other income	12	-	-	-	-	-	**12**	**6,360**	**0.2%**
Purchases of materials and external services	-	(1,159)	(60)	(964)	(252)	-	**(2,435)**	**(1,491,938)**	**0.2%**
Other operating costs and expenses	-	(6)	-	-	-	-	**(6)**	**(5,377)**	**0.1%**
Personnel costs	-	-	-	-	(2,331)	(3,954)	**(5,925)**	**(136,633)**	**4.3%**
Financial expenses	(788)	-	-	-	-	-	**(788)**	**(6,222)**	**12.7%**
Total	**(776)**	**(1,165)**	**(60)**	**(964)**	**(2,583)**	**(3,594)**	**(9,142)**		

(Amounts in euro thousand)	**Economic relations with related-parties as at 29 February 2016**										
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet items**	**Impact on balance sheet item**
As at 29 February 2016											
Other income	5	5	5	3	-	-	-	-	**18**	**12,396**	**0.1%**
Purchases of materials and external services	-	-	-	(1,185)	(120)	(914)	(311)	-	**(2,530)**	**(1,427,404)**	**0.2%**
Personnel costs	-	-	-	-	-	-	(1,984)	(2,728)	**(4,712)**	**(133,961)**	**3.5%**
Financial expenses	-	-	(1,068)	-	-	-	-	-	**(1,068)**	**(7,175)**	**14.9%**
Total	**5**	**5**	**(1,063)**	**(1,182)**	**(120)**	**(914)**	**(2,295)**	**(2,728)**	**(8,292)**		

With regard to the periods under consideration, credit/debit and economic relations with related-parties mainly refer to:

- rental fees relating to the Company's registered office in Forlì, several sales points and the debiting of insurance costs invoiced by Ni.Ma S.r.l., a company with its registered office in Forlì and invested in by several members of the Silvestrini family (Giuseppe Silvestrini, Maria Grazia Silvestrini, Luciano Vespignani and Gianpaola Gazzoni, respectively who each own 25% of the share capital, who are also shareholders of Italian Electronics Holdings);

- bookkeeping services by employees of the Company with regard to the parent companies Venice Holdings S.r.l., Italian Electronics Holdings and Italian Electronics;

- national tax consolidation scheme, where the option was exercised in 2015 and generated receivables for the Company from the parent and consolidating company Italian Electronics;

- borrowings from Italian Electronics, granted on 2 December 2013 and interest-bearing. On 21 November 2016 the Company's Board of Directors approved the repayment in full of the residual debt of the Intercompany Loan for a total amount of €21,120 thousand. Therefore the Intercompany Loan was repaid in full and extinguished on 28 November 2016;

- distribution of an extraordinary dividend of €3,880 thousand by using part of the reserves, resulting from the financial statements for the financial year ended 29 February 2016 approved on 28 November 2016 by the Shareholders' Meeting;

- relations with Directors and Main Managers, summarised in the table below:

Main managers	
Year ended 28 February 2017	**Year ended 29 February 2016**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	*Admin & Control Director*- Nicola Sautto
Chief Financial Officer - Italo Valenti	CRM Director – Luca Rosetti
Chief Corporate Development Officer - Andrea Scozzoli	*Chief Omnichannel Officer*- Bruna Olivieri
Chief Omnichannel Officer - Bruna Olivieri	*Chief Financial Officer*- Andrea Scozzoli
Chief Operations Officer - Luigi Fusco	*Chief Operations Officer* - Luigi Fusco *ICT Director*- Massimo Cova
	Supply Chain Director- Claudio Marchionni
	Marketing Director- Marco Titi *Property Director*- Gabriele Miti
	Direct Channel Director – Rosario Gambardella
	HR Director- Paolo Botticelli
	Technical Office Facility Director – Fabio Crapanzano

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration).

The table below summarises the Company's cash flows with related-parties as at 28 February 2017 and 29 February 2016:

(Amounts in euro thousand)	Related-parties										
Type	**Venice Holdings S.r.l.**	**Italian Electronics Holdings S.r.l.**	**Italian Electronics S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet items**	**Impact on balance sheet item**
Period from 1 March 2015 to 29 February 2016											
Cash flow from (used in) operating activities	5	5	(2,381)	(1,070)	(120)	(1,048)	(972)	(1,024)	**(6,605)**	**54,687**	**(12.1%)**
Cash flow from (used in) financing activities	-	-	(104)	-	-	-	-	-	**(104)**	**(10,971)**	**0.9%**
Total	**5**	**5**	**(2,485)**	**(1,070)**	**(120)**	**(1,048)**	**(972)**	**(1,024)**			
Period from 1 March 2016 to 28 February 2017											
Cash flow from (used in) operating activities	-	(1,656)	-	(1,150)	(31)	(984)	(1,483)	(1,457)	**(6,761)**	**57,042**	**(11.9%)**
Cash flow from (used in) financing activities	-	(24,322)	-	-	-	-	-	-	**(24,322)**	**(27,461)**	**88.6%**
Total	**-**	**(25,978)**	**-**	**(1,150)**	**(31)**	**(984)**	**(1,483)**	**(1,457)**			

7 OTHER INFORMATION

Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

Guarantees granted in favour of third-parties

(Amounts in euro thousand)	Year ended	
	28/02/2017	**29/02/2016**
Guarantees and sureties in favour of:		
Third parties	23,532	25,362
Total	**23,532**	**25,362**

Operating lease assets

The Company has commitments mainly resulting from lease agreements for premises where sales activities are conducted (stores) and administration and control activities (corporate functions at the Forlì offices) and logistics warehouses for the management of inventories.

As at 28 February 2017 the amount of future operating lease payments is given below:

(Amounts in euro thousand)	Period ended 28 February 2017			
	Within one year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Future operating lease payments	45,559	33,839	823	80,221

As at 29 February 2016 the amount of future operating lease payments is given below:

(Amounts in euro thousand)	Year ended 29 February 2016			
	Within one year	**Between 1 and 5 years**	**More than 5 years**	**Total**

Future operating lease payments	47,600	54,248	2,015	103,863

Future operating lease payments fell by €23,642 thousand in the year ended 28 February 2017 compared with the year ended 29 February 2016, mainly as a result of the renegotiation with several tenants of the main contractual conditions with special reference to the early withdrawal clause, which led to a reduction in the medium- and long-term exposure.

Payments to the independent auditors

Payments to the independent auditors and its network for legally-required audits and other services as at 28 February 2017 are highlighted below:

(Amounts in euro thousand)		**Year ended 28 February 2017**
KPMG S.p.A.	Legally-required audit	270
KPMG S.p.A.	Audit	425
KPMG S.p.A.	Other attestation services	1,383
KPMG S.p.A.	Other services	45
KPMG Advisory S.p.A.	Other services	505
Total		**2,628**

Subsequent events

No events occurred after the reference date of the financial statements that require adjustments to the values reported in the financial statements.

On 23 February 2017 Unieuro, as the buyer, signed an agreement with Project Shop Land S.p.A., as the vendor, for the purchase of 100% of the share capital of Monclick S.r.l. ("**Monclick**"). The price agreed by the parties was €10,000 thousand and the acquisition of the shares by Unieuro is conditional on the verification of the following conditions: (a) obtaining all the authorisations from the competent antitrust authorities which do not contain conditions or obligations for the Company or for Monclick; (b) obtaining the consent of the Lending Banks for the execution of the purchase transaction. The contract is expected to be concluded in June 2017. Through the acquisition of Monclick, the Company intends to strengthen its position in the online sales sector (exploiting Monclick's competitive position) and to launch and develop, as the leading specialist operator, the marketing of electronic consumer goods in the B2B2C channel.

On 4 April 2017 the Company was admitted to listing of its ordinary shares on the STAR Segment of the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A.. The listing project launched in 2017 was formally ratified by the Shareholders' Meeting of 12 December 2016.

On 18 April 2018 the Company bought a business unit from Andreoli S.p.A. in an arrangement with creditors. The business unit is composed of 21 direct sales points, mainly located in shopping malls and between 1200 and 1500 m^2 in size. The chain purchased currently operates through the Euronics brand in south Lazio, Abruzzo and Molise, and in 2015 its retail turnover was approximately €94 million with positive margins, employing more than 300 people.
The stores will be taken over without warehouses and subjected to a hard-hitting relaunch plan, which, from the early weeks of adopting the Unieuro brand, will involve the refitting of the spaces,

the restocking of products and the adoption of new information systems, with the goal of reaching sales and profitability targets over the space of 18-24 months.
The acquisition of the Andreoli business unit took place following participation in the competitive tender procedure launched by the Court of Latina pursuant to Article 163 *bis* of the Bankruptcy Law.
The value of the transaction, which took place without the assumption of the financial debts and/or with regard to suppliers, was 12.2 million, of which €3.9 million was already paid in the form of a deposit and €8.3 million to be paid as the balance on the completion of the transaction, expected to be within 30 days of the awarding of the business abstract. The transaction will be funded with recourse to the cash and cash equivalents and to the lines of credit made available by lending institutions.

From 3 May 2017, the greenshoe option granted by Italian Electronics Holdings was partially exercised by 537,936 shares compared to the 636,363 shares that had been the object of the Over Allotment. The purchase price of the shares that were the object of the greenshoe option was €11.00 per share, which corresponds to the offer price which was set for the institutional placement, totalling €5,917 thousand. The share settlement relative to the greenshoe option took place on 8 May 2017.
The institutional placement as at the date of this report therefore refers to a total of 6,901,573 ordinary shares of Unieuro S.p.A., or 35% of the share capital, totalling approximately €75,917 thousand.

Draft resolution of the Board of Directors submitted to the Shareholders' Meeting

Dear Shareholders,

We should therefore like to propose the following:

- the approval of the Company's financial statements for the business year ended 28 February 2017, which recorded a profit of €11,586,818.08 and the Director's Report on Operations;

- the distribution of a unit dividend on €1 (one) per ordinary share for a total sum of €20,000,000.00, including: €11,586,818.08 in respect of the 2017 profit and €8,413,181.92 by using the distributable reserves.

Forlì, 10 May 2017.

The Chief Executive Officer, Giancarlo Nicosanti Monterastelli,

APPENDIX 1

Statement of Financial Position as at 28/02/2017 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(amounts in euro thousand)	**28 February 2017**	**Of which with Related-Parties**	**% Weighting**	**29 February 2016**	**Of which with Related-Parties**	**% Weighting**
Plant, machinery, equipment and other assets	60,822			51,523		
Goodwill	151,396			151,396		
Intangible assets with a finite useful life	11,808			11,197		
Deferred tax assets	29,438			28,912		
Other non-current assets	2,156			2,035		
Total non-current assets	**255,620**			**245,063**		
Inventories	269,551			264,373		
Trade receivables	35,203	244	0.7%	35,354	228	0.6%
Current tax assets	7,955	4,042	50.8%	8,082	3,195	39.5%
Other current assets	13,865			13,900		
Cash and cash equivalents	36,666			35,441		
Assets held for sale	-			-		
Total current assets	**363,240**	**4,286**	**1.2%**	**357,150**	**3,423**	**1.0%**
Total Assets	**618,860**	**4,286**	**0.7%**	**602,213**	**3,423**	**0.6%**
Share capital	4,000			4,000		
Reserves	120,101			109,500		
Profit/(loss) carried forward	(39,122)	(9,142)	23.4%	(40,067)	(8,292)	20.7%
Total shareholders' equity	**84,979**	**(9,142)**	**(10.8%)**	**73,433**	**(8,292)**	**(11.3%)**
Financial liabilities	25,796			31,780		
Shareholders' loan	-			19,444	19,444	100.0%
Employee benefits	9,783			10,220		
Other financial liabilities	4,427			4,479		
Provisions	8,833			7,767		
Deferred tax liabilities	322			269		
Other non-current liabilities	21	-		26		
Total non-current liabilities	**49,182**	**-**		**73,985**	**19,444**	**26.3%**
Financial liabilities	5,984			3,204		
Shareholder loan	-			998	998	100.0%
Other financial liabilities	2,418			1,471		
Trade payables	334,546	15	0.0%	333,372	17	0.0%
Current tax liabilities	-			-		
Provisions	1,424			2,571		
Other current liabilities	140,327	1,150	0.8%	113,179	1,670	1.5%
Total non-current liabilities	**484,699**	**1,165**	**0.2%**	**454,795**	**2,685**	**0.6%**
Total liabilities and shareholders' equity	**618,860**	**(7,977)**	**(1.3%)**	**602,213**	**13,837**	**2.3%**

APPENDIX 2

Income Statement as at 28/02/2017 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(amounts in euro thousand)	**28 February 2017**	**Of which with Related-Parties**	**% Weighting**	**29 February 2016**	**Of which with Related-Parties**	**% Weighting**
Revenue	1,660,495			1,557,210		
Other income	6,360	12	0.2%	12,396	18	0.1%
Total revenue	**1,666,855**	**12**	**0.0%**	**1,569,606**	**18**	**0.0%**
Purchases of materials and external services	(1,491,938)	(2,435)	0.2%	(1,427,404)	(2,530)	0.2%
Personnel expenses	(136,633)	(5,925)	4.3%	(133,961)	(4,712)	3.5%
Changes in inventories	5,177			41,067		
Other operating costs	(5,377)	(6)	0.1%	(6,558)		
Gross operating profit	**38,084**	**(8,354)**	**(21.9%)**	**42,750**	**(7,224)**	**(16.9%)**
Amortization, depreciation and impairment losses	(17,958)			(18,720)		
Operating profit	**20,126**	**(8,354)**	**(41.5%)**	**24,030**	**(7,224)**	**(30.1%)**
Financial income	358			286		
Financial expenses	(6,222)	(788)	12.7%	(7,175)	(1,068)	14.9%
Pre-tax profit (loss)	**14,262**	**(9,142)**	**(64.1%)**	**17,141**	**(8,292)**	**(48.4%)**
Income taxes	(2,675)			(6,499)		
Profit (loss) for the year	**11,587**	**(9,142)**	**(78.9%)**	**10,642**	**(8,292)**	**(77.9%)**

APPENDIX 3

Cash Flow Statement as at 28/02/2017 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(amounts in euro thousand)	**28 February 2017**	**Of which with Related-Parties**	**% Weighting**	**29 February 2016**	**Of which with Related-Parties**	**% Weighting**
Cash flow from operations						
Profit (loss) for the year	11,587	(9,142)	(78.9%)	10,642	(8,292)	(77.9%)
Adjustments for:						
Income taxes	2,675			6,499		
Net financial expenses (income)	5,864			6,889		
Amortization, depreciation and impairment losses	17,958			18,720		
(Gains)/losses on the sale of property, plant and machinery	(31)			(35)		
Other changes	3,766	3,766	100.0%	2,357	2,321	98.5%
	41,819	(5,376)	(12.9%)	45,072	(5,971)	(13.2%)
Changes in:						
-Inventories	(5,178)			(41,067)		
-Trade receivables	151	(16)	(10.6%)	(2,399)	75	(3.1%)
-Trade payables	1,174	(2)	(0.2%)	29,607	17	0.1%
-Other changes in operating assets and liabilities	23,488	(1,367)	(5.8%)	32,445	(726)	(2.2%)
Cash flows from (used in) operating activities	19,635	(6,761)	(34.4%)	18,586	(6,605)	(35.5%)
Income taxes paid	-			(4,206)		
Interest paid	(4,931)			(4,765)		
Net cash flow from (used in) operating activities	**56,523**	**(6,761)**	**(12.0%)**	**54,687**	**(6,605)**	**(12.1%)**
Cash flow from investing activities						
Purchases of plant, machinery, equipment and other assets	(23,479)			(24,468)		
Acquisition of intangible assets	(4,419)			(3,024)		
Goodwill acquired against consideration	-			(193)		
Proceeds from the sale of plant, machinery, equipment and other assets	61			131		
Proceeds from the sale of assets held for sale	-			924		
Investments in equity and business units	-			(881)		
Cash contributed as part of the merger	-			6,270		
Net cash flow from (used in) investing activities	**(27,837)**	**-**		**(21,241)**	**-**	
Cash flows from financing activities						
Increase in financial liabilities	(4,137)			(14,218)		
Increase/(Decrease) in other financial liabilities	998			4,419		
Increase/(Decrease) in shareholder loans	(20,442)	(20,442)	100.0%	(1,172)	(104)	8.9%
Distribution of dividends	(3,880)	(3,880)	100.0%	-		
Net cash flows from (used in) financing equivalents						
Cash flow from operations	**(27,461)**	**(24,322)**	**88.6%**	**(10,971)**	**(104)**	**0.9%**
Increase/(Decrease) in cash and cash equivalents	**1,225**	**(31,083)**	**(2,537.4%)**	**22,475**	**(6,709)**	**(29.9%)**
OPENING CASH AND CASH EQUIVALENTS	**35,441**			**12,966**		
Net increase/(Decrease) in cash and cash equivalents	**1,225**			**22,475**		
CLOSING CASH AND CASH EQUIVALENTS	**36,666**			**35,441**		

APPENDIX 4

Income Statement as at 28/02/2017 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(amounts in euro thousand)	**28 February 2017**	**Of which non-recurring**	**% Weighting**	**29 February 2016**	**Of which non-recurring**	**% Weighting**
Revenue	1,660,495			1,557,210		
Other income	6,360	2,414	38.0%	12,396	6,940	56.0%
Total revenue	**1,666,855**	**2,414**	0.1%	**1,569,606**	**6,940**	0.4%
Purchases of materials and external services	(1,491,938)	(14,231)	1.0%	(1,427,404)	(7,238)	0.5%
Personnel expenses	(136,633)	(4,695)	3.4%	(133,961)	(5,046)	3.8%
Changes in inventories	5,177	(1,062)	(20.5%)	41,067		
Other operating costs	(5,377)			(6,558)		
Gross operating profit	**38,084**	**(17,574)**	**(46.1%)**	**42,750**	**(5,344)**	**(12.5%)**
Amortization, depreciation and impairment losses	(17,958)			(18,720)		
Operating profit	**20,126**	**(17,574)**	**(87.3%)**	**24,030**	**(5,344)**	**(22.2%)**
Financial income	358			286		
Financial expenses	(6,222)			(7,175)		
Pre-tax profit (loss)	**14,262**	**(17,574)**	**(123.2%)**	**17,141**	**(5,344)**	**(31.2%)**
Income taxes	(2,675)			(6,499)		
Profit (loss) for the year	**11,587**	**(17,574)**	**(151.7%)**	**10,642**	**(5,344)**	**(50.2%)**

ATTESTATION OF THE FINANCIAL STATEMENTS OF THE UNIEURO S.P.A. AS AT FEBRUARY 28, 2017, PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

The undersigned, Giancarlo Nicosanti Monterastelli, in his capacity as the Chief Executive Officer of Unieuro S.p.A. and Italo Valenti, as Chief Financial Officer and executive responsible for the preparation of the Company's financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the full-year financial statements of the Company, during financial year 2017.

It is also certified that the full-year Financial Statements of the Company:

- have been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
- are consistent with the entries in the accounting books and records;
- provide an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer.

The directors' report includes a reliable analysis of how the business has been carried out and of its results, along with a description of the main risks and uncertainties for the Company.

Managing director and Chief Executive Officer

Giancarlo Nicosanti Monterastelli

Executive Officer Responsible for the preparation of the financial statements of the company

Italo Valenti

Statutory Auditors's report to the benefit of the Shareholders' Meeting of "Unieuro S.p.A." Pursuant to Section 153 of D.Lgs. 58/1998 ("T.U.F.") and Section 2429, par. 3, of the Italian Civil Code

Dear Shareholders,

In accordance with the regulations in force, regarding joint stock companies listed on regulated markets, and in compliance with the Articles of Association of the Company, we conducted, during the financial year ending on 28 February 2017, as from the date of appointment (i.e. December 12, 2016), the supervision activities required of us by (i) the rules of conduct of the Board of Statutory Auditors of listed companies, as such rules are issued by the National Council of Accountants; (ii) Consob's Recommendations on Corporate Governance and on the activities of the Board of Statutory Auditors; and (iii) the guidelines set forth in the Code of Conduct.

The structure and content of this Report are in accordance with Recommendation Q.7.1 of the National Council of Accountants.

Monitoring the Company's compliance with the Law and the Articles of Association.

The Board of Statutory Auditors exercised the supervision of the Company's activities through specific audits and by attending the Shareholders' Meetings as well as the meetings of the Board of Directors. It, also, participated, at least in the person of the Chairman, to the meetings of the Remuneration and Appointments Committee, the Control and Risk Committee, the Related Parties Transactions Committee and the Supervisory Board as per Legislative Decree 231/2001.

While carrying out its duties, the Board of Statutory Auditors convened 4 times during the relevant financial year, from the date of its appointment. It attended meetings of the Shareholders' Meeting and the Board of Directors as well as the meetings of the Remuneration and Appointments Committee, of the Control and Risk Committee, of the Related Parties Transactions Committee and the Supervisory Board pursuant to Legislative Decree 231/2001.

The Board of Statutory Auditors acknowledges that it has obtained from the Directors information on the overall performance of the Company and its foreseeable evolution, as well as the most significant information regarding the economic and financial situation of the Company, as well as its assets. The Board of Statutory Auditors regards this information as compliant with the Law and the Company's Articles of Association.

In particular, please see, listed below, the transactions and circumstance that the Board of Statutory Auditors believes as the most significant and of interest during the relevant financial year.

- On November 21, 2016, the Board of Directors resolved upon: (i) reimbursement of shareholders' loan; (ii) proposal to distribute certain reserves; (iii) conversion of the Company into a joint-stock company; (iv) review and approval of IPO project; (vi) appointment of a new Board of Directors and a new Board of Statutory Auditors, and (vi) ratification of appointment of new Chief Financial Officer.
- On December 12, 2016, the Company appointed a new Managing Director and approved 2018-2022 business plan.

Supervision on compliance with the principles of sound administration.

The Board of Statutory Auditors supervised compliance with the principles of sound administration. While doing so, it ensured that the actions deliberated and implemented by the Directors were based on principles of economic rationality, were not manifestly imprudent, risky, atypical or unusual, or potentially conflicting with the Company's interests, or with the resolutions adopted by the Shareholders, or such as to jeopardize the integrity of the Company's assets.

Particularly, the Board of Statutory Auditors points out that, as indicated in the Board of Directors' Management Report, when listing the most significant events occurred during the relevant financial year and after its end, the IPO process was successfully completed on April 4, 2017 and the Company's shares admitted to trading on the MTA- STAR Segment.

Supervision on organizational structure's adequacy

The Board of Statutory Auditors reviewed the organizational structure of the Company and considers that, as far as it is concerned, this structure, although rapidly evolving following the recent listing process, is, as a whole, appropriate.

Supervision of the adequacy of the internal control system

The Board of Statutory Auditors reviewed the Company's internal control system and notes that:

- On May 17, 2016, the Company approved and adopted a Compliance Program as per Legislative Decree 231/2001, along with the Code of Ethics, which is an integral part thereto. On even date, a Supervisory Board was appointed. Its members possess the requirements of autonomy, independence, professionalism and continuity of action.
- On December 12, 2016, in accordance with Consob's Regulation 17221/2010, the Board of Directors approved a draft Regulation for Related Parties Transactions; its final version was approved on April 12, 2017. On the former date, the Company adopted an Internal Dealing Regulation as well as the Insider Register Regulation.
- On February 7, 2017, the Board of Directors appointed the Remuneration and Appointments Committee, the Control and Risk Committee, the Related Parties Transactions Committee. On February 9, 2017, the Board of Directors appointed the Director in charge of the Internal Control and Risk Management System, by entrusting him with the tasks and duties set forth in Application Criterion 7.C.4 of the Code of Conduct.

- On February 7 2017, in compliance with the provisions of art. 154-bis of T.U.F., and with the appointment procedures provided for by Section. 20 of the Articles of Association, the Board of Directors appointed the Manager responsible for the preparation of the company's accounting documents, and granted him all the powers and means necessary for the exercise of the functions attributed to him.
- On April 12, 2017, the Board of Directors revised and approved a new version of the Compliance Program as per D.Lgs. 231/2001, in order to make it consistent with the new legislation in form and

the newly acquired status of listed company. On the same date, the Company appointed the person in charge of the Internal Auditing Department, and approved the annual audit plan. The Internal Auditor's Office was created on July 13, 2016.

The Board of Statutory Auditors acknowledges that the roles and responsibilities of the persons involved in the internal control and risk management system are distinct in order to avoid overlapping operations of their respective areas of activity and competence, as well as duplication of controls.

Supervisory activities on the adequacy of the accounting administration system and on the auditing of accounts

The Board of Statutory Auditors supervised, in respect of the areas of its responsibility, the Company's administrative and accounting system and its reliability to properly represent management events, by gathering information from the heads of each functions, examining business documentation and analyzing the results of the Audit firm's activities. The Board of Statutory Auditors believes that such a system is substantially adequate and reliable for the purpose of correctly reporting the management facts and notes that each body of the Company has complied with the information requirements provided for by applicable law.

The Board of Statutory Auditors acknowledges that on February 7, 2017, it provided its opinion on the Memorandum of Management Control System, during the IPO process, and believes that the Management Control System reflects what the Memorandum describes.

We reminds you that, on December 12, 2016, the Shareholders' Meeting conferred on the Independent Auditors KPMG S.p.A., the mandate for the statutory audit of financial statements for the years from February 28, 2017 to February 28, 2025. The Board of Statutory Auditors met the managers of the Audit Firm in order to share data and relevant information. This Board has not received communications of facts or anomalies, which are worth reporting.

The Board of Statutory Auditors notes that the report on the financial statements issued by the Independent Auditors on May 25, 2017 does not contain any qualifications and / or requests for disclosure.

It believes that the financial statements have been drawn up in such a way as to provide a fair and accurate view of the Company's financial position, assets, financial results and cash flows.

The Board of Statutory Auditors notes that during the year ended on February 28, 2017, the Company granted the Company KPMG S.p.A., and other companies belonging to its network, assignments regarding auditing services and other services. Such assignments mainly pertain to services rendered in connection with the IPO process. The aggregate amount of such assignments is equal to Euro 2.628k (including 695k for auditing services and 1,933k for other services).

In view of the above, and in particular of the conclusion of the listing process, and having taken due note of the statement regarding the absence of incompatibility issues, released by the Audit firm on May 25, 2017, this Board considers that there is no issue of independence in relation to the assignment to the Audit firm.

Methods for implementing corporate governance rules and initiatives undertaken.

The corporate governance structure of the Company is characterized by a set of rules, behaviors and processes aimed at ensuring an efficient and transparent corporate governance system and the efficient functioning of its corporate organs and control systems.

In particular, the corporate governance structure adopted by the Company is based on a "traditional" organizational model, consisting of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The above-mentioned audit firm is in charge of auditing the accounts of the Company. The same firm is duly registered in the register maintained by Consob.

The Corporate Governance is complemented by the Compliance Program under Legislative Decree 231/2001, the Remuneration and Appointments Committee, the Control and Risk Committee and the Related Parties Transactions Committee, and by the system of powers and delegations. The Company adheres to the Code of Conduct for listed companies, by adapting it to its own characteristics.

The Board of Statutory Auditors notes that the financial year ended on February 28, 2017 was characterized by the IPO, completed on April 4, 2017; on such a date, the Company became a listed company pursuant to Section 119 of T.U.F., and its shares were admitted to trading on the Stock Market - STAR segment.

On February 7, 2017, the Board of Directors ascertained that the Statutory Auditors possessed the requirements of professionalism and independence, as per Section 148, paragraph 4 of the T.U.F., and the Code of Conduct. Following the admission to listing on the Stock Market - STAR segment, the Board of Statutory Auditors has carried out its first self-assessment as to its composition and independence, on May 5, 2017.

On May 10, 2017, the Board of Directors approved the Report on remuneration as per Section 123-ter of TUF.

Please refer to the Corporate Governance and Ownership Report for further details on the Company's corporate governance, for which the Board has no issues to report back to the Shareholders' Meeting.

Supervision of transactions with Group companies and related parties

The Board of Statutory Auditors did not detect during the year ended 28 February 2017 the existence of atypical and / or unusual transactions with related parties. Ordinary transactions with related parties, as described in the Directors' Management Report, are fair and consistent with the Company's interests.

Omissions and questionable conducts detected

During the financial year ending on February 28, 2017 and until today's date, no complaints were received pursuant to art. 2408 of the Italian Civil Code.

The Board of Statutory Auditors is not aware of other complaints to be reported herein.

Proposal regarding annual financial statements

Based on the above, the Board of Statutory Auditors has no comment to formulate, as a result of its supervisory activity, pursuant to Section 153 of Legislative Decree 58/1998, in respect of the Financial Statements as at February 28, 2017, and the Management Report.

Hence, in this Board's opinion, there are no reasons why the Shareholders should not approve the proposed Financial Statements, as approved by the Board of Director on May 10, 2017.

This Board believes the proposal for the allocation of operating profit to be consistent with what is contemplated in the "Issuer Registration Document" and in the relevant notes approved by Consob upon listing.

Milan, May 25 2017

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Unieuro S.p.A.

Report on the financial statements

We have audited the accompanying financial statements of Unieuro S.p.A. (the "company"), which comprise the statement of financial position as at 28 February 2017, the income statement, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 28 February 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the financial statements. In our opinion, the directors' report and the information presented in the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Unieuro S.p.A. as at and for the year ended 28 February 2017.

Bologna, 25 May 2017

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director