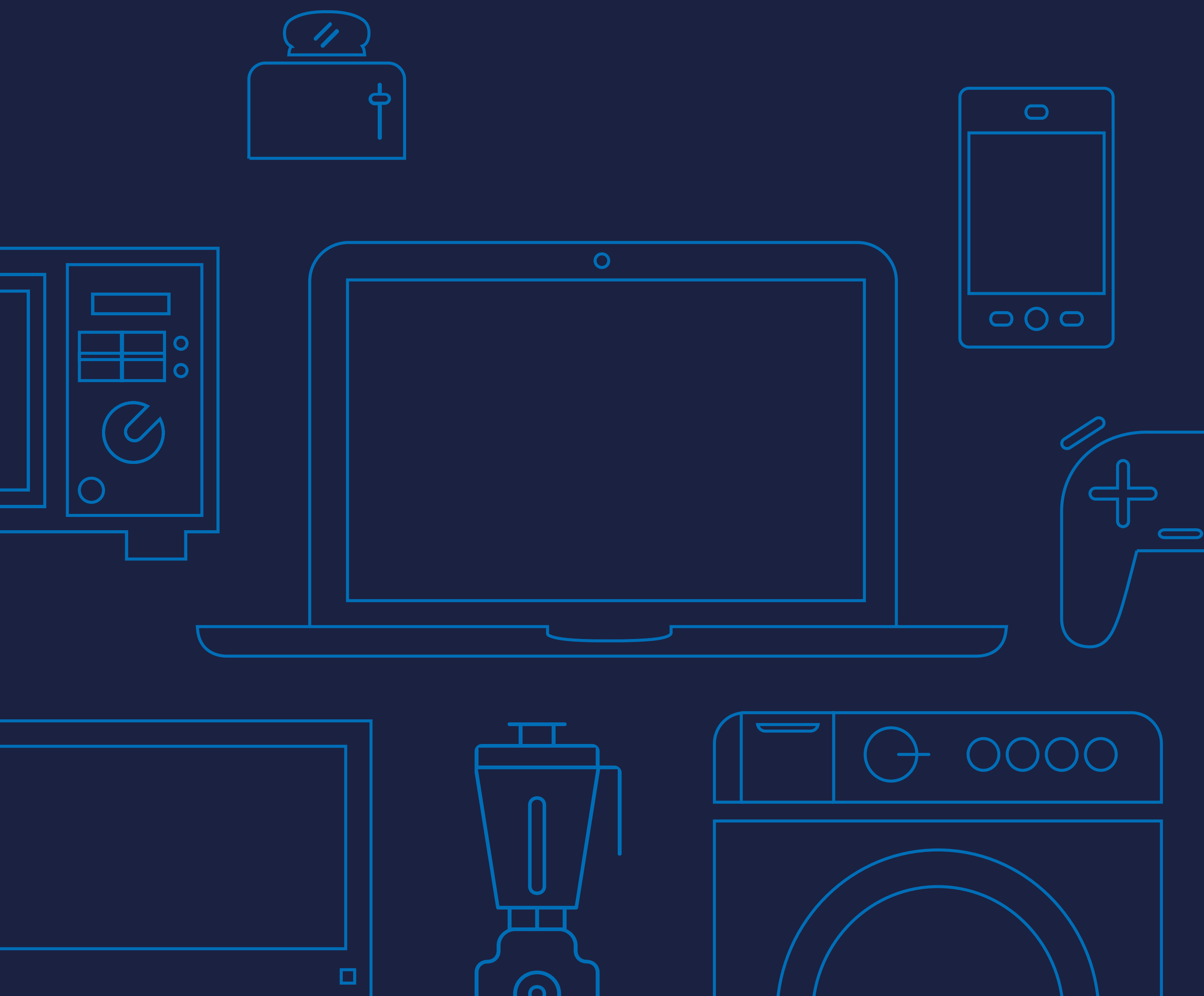
unieuro

Consolidated Interim Financial Report

as at 31 August 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

Registered in the Company Register

of Forlì-Cesena: 177115

INTERIM MANAGEMENT REPORT

1. Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Bernd Erich Beetz
- Chief Executive Officer	Giancarlo Nicosanti Monepantel
- Non-executive Director	Robert Frank Agostinelli
- Non-executive Director	Gianpiero Lenz
- Non-executive Director	Nancy Arlene Cooper
- Independent Director	Stefano Meloni
- Independent Director	Marino Marin

CONTROL AND RISK COMMITTEE

- Non-executive Director	Gianpiero Lenza
- Director possessing the requirements of independence indicated by the TUF ("Consolidated Finance Law") and the Corporate Governance Code	Marino Marin
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF ("Consolidated Finance Law") and the Corporate Governance Code	Stefano Meloni

NOMINATIONS AND REMUNERATION COMMITTEE

- Non-executive Director	Gianpiero Lenza
- Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code	Marino Marin
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code	Stefano Meloni

RELATED PARTY TRANSACTIONS COMMITTEE	
- Independent Director	Marino Marin
- Independent Director	Stefano Meloni
BOARD OF STATUTORY AUDITORS	
- Chairman	Maurizio Voza
- Statutory Auditor	Giorgio Gavelli
- Statutory Auditor	Luigi Capitani
- Alternate Auditor	Sauro Garavini
- Alternate Auditor	Giancarlo De Marchi
SUPERVISORY BODY	
- Chairman	Giorgio Rusticali
- Members	Chiara Tebano
	Raffaella Folli
AUDIT COMPANY	KPMG S.p.A.

2. Introduction

The company Unieuro S.p.A. (hereinafter referred to as "Unieuro") is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, operating in the retail and online distribution of electric appliances and consumer electronics.

On 4 April 2017, Italian Electronics Holdings S.r.l. (hereinafter referred to as "Italian Electronics Holdings") placed on the MTA (telematic stock market) – STAR Segment of Borsa Italiana S.p.A. 31.8% of the share capital of Unieuro, equal to 6,363,637 ordinary shares at a price of Euro 11.00 per share.

On 3 May 2017, the *greenshoe* option was partially exercised, granted by Italian Electronics Holdings, for 537,936 shares compared to the 636,363 shares that had been the subject of *over-allotment*. The purchase price of the shares that were the subject of the *greenshoe* option was Euro 11.00 per share, which corresponds to the offer price that was set for the placement, totalling Euro 5,917 thousand. The share settlement relative to the *greenshoe* option took place on 8 May 2017.

Therefore, the placement covered a total of 6,901,573 ordinary shares of Unieuro S.p.A, equal to 34.51% of the share capital, for a total value of approximately Euro 75,917 thousand.

On 6 September 2017, Italian Electronics Holdings placed, under the *accelerated bookbuilding* procedure, 3,500 thousand ordinary shares, corresponding to 17.5% of the share capital of Unieuro, at the price of Euro 16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was Euro 56,000 thousand. After the conclusion of the transaction, Italian Electronics Holdings held a shareholding in Unieuro equal to 47.99% maintaining, considering the shareholders' composition on 31 August 2017, the *de facto* control of Unieuro S.p.A.

On 23 February 2017 Unieuro, as the purchaser, 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 amounted to Euro 10,000 thousand and the acquisition of the shares by the Unieuro was subject to the following conditions precedent: (a) obtaining all authorisations from the relevant antitrust authorities, none of which containing conditions or obligations for Unieuro or Monclick and (b) obtaining the consent of the Financing Banks to the execution of the acquisition transaction. The completion of the contract took place on 9 June 2017. Through its acquisition of Monclick, Unieuro 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.

Following the Unieuro's acquisition transaction, it is required to prepare consolidated financial statements. These Condensed Interim Consolidated Financial Statements are therefore the first consolidated financial statements of the Unieuro Group (hereinafter also the "Group" or the "Unieuro Group"). The financial statements of the subsidiary Monclick were included in the consolidated financial statements starting from 1 June 2017. The directors assessed that there were no significant changes in the fair value of the assets acquired between the date on which Unieuro took control (9 June 2017) and the date of first consolidation (1 June 2017).

The comparative figures presented relate solely to Unieuro's half-yearly financial statements for the income statement, the comprehensive income statement, the cash flow statement and the individual financial statements of Unieuro for the statement of financial position and the statement of changes in shareholders' equity since, as indicated above, the Group was formed on 1 June 2017, the date Unieuro assumed control of Monclick.

3. Procedural notes

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

4. Accounting policies

This Interim Management Report at 31 August 2017 was prepared in accordance with the provisions of Article 154 *ter*, paragraph 5, of Legislative Decree No. 58/98 – TUF – and subsequent amendments and supplements – and in compliance with Article 2.2.3 of the Stock Exchange Regulations.

The Interim Management Report as at 31 August 2017 was prepared in compliance with the provisions of Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act - TUF) and subsequent amendments and supplements and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Unieuro Financial Statements as at 28 February 2017. The Interim Management Report was prepared in compliance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and to the related interpretations (SIC/IFRIC) adopted by the European Union.

To facilitate the understanding of the Group's economic and financial progress, some Alternative Performance Indicators ("APIs") are indicated. For a correct interpretation of the APIs, note the following: (i) these indicators are constructed exclusively from the Group's historical data and are not indicative of future trends, (ii) the APIs are not provided for by the IFRS and, despite being derived from the Condensed Interim Consolidated Financial Statements, are not subject to audit, (iii) the APIs should not be regarded as substitutes for the indicators provided for in the International Financial Reporting Standards (IFRS), (iv) the interpretation of these APIs should be carried out together with that of the Group's financial information drawn from the Condensed Interim Consolidated Financial Statements; (v) the definitions and criteria adopted for the determination of the indicators used by the Group, since they do not derive from the reference accounting standards, may not be homogeneous with those adopted by other companies or groups and, therefore, may not be comparable with those potentially presented by such entities, and (vi) the APIs used by the Group are prepared with continuity and homogeneity of definition and representation for all the financial periods for which information is included in the Condensed Interim Consolidated 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 Group's Condensed Interim Consolidated Financial Statements to assess their consolidated operating performance and related consolidated financial position.

Certain indicators are referred to as *"Adjusted"*, to represent the Group's management and financial performance, net of non-recurring events, non-characteristic events and events related to extraordinary transactions, as identified by Group. 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 the 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 Group's performance in a more standardised manner in the periods reported in the Interim Management Report.

5. Main financial and operating indicators[1]

(in millions of Euro)	**Period ended**	
	31 August 2017	**31 August 2016**
Operating indicators		
Revenues	813.7	761.5

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

Adjusted EBITDA[2]	14.7	13.6
Adjusted EBITDA margin[3]	1.8%	1.8%
Profit (loss) for the period	(12.6)	(4.8)
Adjusted profit (loss) for the period[4]	3.1	2.4
Cash flow	-	
Adjusted Levered Free Cash Flow[5]	(26.8)	(49.6)
Investments for during the period	(23.0)	(11.9)

(in millions of Euro)	**Period ended**	**Financial year ended**
	31 August 2017	**28 February 2017**
Equity indicators for the financial year		
Net working capital	(147.2)	(149.7)
Net financial debt	(75.8)	(2.0)
Net financial debt/*Adjusted EBITDA LTM* [6]	1.14	0.03

	Period ended	**Financial year ended**
	31 August 2017	**28 February 2017**
Operating indicators for the period		
Like-for-like growth (as a %)[7]	(2.3%)	n/a

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, because of the change in the business model for directly managed assistance services. See section 7.2 for additional details.

3 The Adjusted Margin is the ratio between Adjusted EBITDA and revenues.

4 The Adjusted Profit for the period is calculated as the profit for the period adjusted by the adjustments incorporated in the Adjusted EBITDA commented on in the previous footnote 2 and (ii) of the theoretical tax impact of such adjustments.

5 Adjusted Levered Free Cash Flow is defined as the 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 section 7.5 for additional details.

6 To ensure the comparability of the Net financial debt/Adjusted EBITDA LTM indicator, it was considered to use the figure of the Adjusted EBITDA that refers to the last twelve months.

7 Like-for-like growth: a way of comparing sales of direct stores including click and collect sales, for the current year with those of the previous period at the same number of stores, with the criterion of the stores being operational for at least 26 months.

Direct points of sale (number)	203	180
Affiliated points of sale (number)	273	280
Direct pick-up Points (number)[8]	192	169
Affiliated pick-up Points (number)[8]	203	212
Total area of direct points of sale (in m^2)	302,800	276,000
Sales density[9] (Euros/m^2)	4,618	4,630
Full-time-equivalent employees[10] (number)	3,818	3,395

[8] Physical pick-up points for customer orders using the online channel.
[9] 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.
[10] Average number of equivalent full-time employees in the period.

6. Market performance[11]

In line with the evolutionary trends recorded in the last year, in the first half of the 2018 financial year there is an increase in the online penetration that grew by a point in about six months. Due to the structural fragmentation to which the market is subjected and the changes in consumer buying behaviour - after a growth trend recorded last year - there was a slowdown in the first six months of the 2018 financial year.

Although the structure of economic operators remains substantially unchanged (see table at the bottom), at competition level there is an increase in online penetration in some areas and the entry of specialists into the Brown segment.

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

The Unieuro Group operates in the *Retail* market of consumer electronics. It is present in both the *Tech Superstore* channel, with its sales outlets of a size exceeding 800 m^2 and with a turnover of at least Euro 2.5 million, as well as in the *Electrical Specialist* channel, with sales outlets smaller than 800 m^2 and/or with a turnover of less than Euro 2.5 million and – thanks to the acquisition of Monclick – has entered the *Mass Merchandiser* segment in which the *Pure Player* turnover is converged. In addition to sales in the *consumer* segment, it also operates in the following segments: B2B, B2B2C and marketing services (warranties, deliveries, installations, etc.) and products that are outside the consumer electronics area.

Its main *competitors* in the *Consumer Tech Superstore* and *Electrical Specialist* segments are

[11] Market data were processed by the Group's management based on the analysis as at 31 August 2017.

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 cope with the changes in the *trend* of the segments, the Unieuro offer has, on the one hand, consolidated its multi-channel strategy to strengthen its competitive advantage. On the other hand, it continues its consolidation strategy through the growth of external lines by performing various acquisition transactions in both the *offline* and *online* segments. The acquisition from the Andreoli Group has allowed greater penetration into areas that were not covered or only partially covered, and that of Monclick strengthens the positioning in the *online consumer* segment and allows entry into the B2B2C segment.

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 could maintain market *leadership* by adopting strategies based on redefining the store's role to encourage the shopping experience of the growing number of omni-channel customers, by integrating the physical and *online* channels and focusing on the service component.

More specifically, the half-year closes with a total downturn in the consumer market of 0.7%; the *offline* segment registered the largest decline with a -1.8%, while online recorded 8% growth, mitigating the performance of the offline channel and leading to an online sales penetration of about 13.0%.

Regarding the *trends* related to the individual sectors during the first half of the year, the positive performance recorded by *White* was in line with the previous year. Driving this *performance* was the small appliance sector, but also the kitchen category, especially in the *online* channel. Following the negative *performance* of *Brown* – after the stabilisation effect of the previous year – there was a decrease in volumes linked mainly to mid-range TVs that offset the growth of large-scale TV sales that were not able to mitigate the volume reductions.

The *Grey* sector remains stable thanks to the performance of the Telecom sector. The growth in value is attributable mainly to the positive results of some models of *smartphones,* which are positioned in a medium-high price range, that were launched in recent months. On the computer front, the segment recorded a contraction of certain products in the sector, in particular *tablet*s and fixed PCs that offset the competition of new products such as *Slate Tablet* PCs. However, the new product mix is not enough to keep the value of the sector stable.

Unieuro's growth strategy for internal and external lines has made it possible to consolidate and strengthen its shares in all market segments. Like the previous year, in fact, the company could seize the opportunities offered by products with a higher growth trend. In fact, both channels recorded performance improvements compared to the market. More specifically, thanks to the growth of the unieuro.it *brand* and the entry of the Monclick.it brand, the Group is increasingly positioned as a *player* of reference also in the online sector (+ 52.0% vs + 8.0% market), driven by the *performances* of *White* (+ 61.0%) and Brown (+ 50.0%).

7. Group operating and financial results

7.1. Consolidated revenues[12]

Revenues for the half-year closed at 31 August 2017 were Euro 813.7 million, an increase of 6.9% compared to the half-year closed at 31 August 2016, with an increase of Euro 52.2 million.

During the three months ended 31 August 2017, the Monclick subsidiary generated revenues of Euro 20.5 million.

It should be noted that the market in which the Group operates is characterised by the typical seasonal trends of the consumer electronics market. More specifically, sales are higher in the final part of each financial year, with a peak demand near and during the Christmas period; also, the cost of obtaining goods from suppliers is mainly concentrated in this period.

7.1.1 Revenues by distribution channel

(in millions of Euro and as a percentage of revenues)	**Period ended**				**Changes**	
	31-Aug-17	**%**	**31-Aug-16**	**%**	**2017 vs 2016**	**%**
Retail	572.3	70.3%	553.4	72.7%	18.9	3.4%
Wholesale	99.3	12.2%	102.4	13.4%	(3.1)	(3.0%)
B2B	58.6	7.2%	52.4	6.9%	6.2	11.8%
Online	71.6	8.8%	47.0	6.2%	24.6	52.3%
Travel	11.9	1.5%	6.3	0.8%	5.6	88.9%
Total revenues by channel	**813.7**	**100.0%**	**761.5**	**100.0%**	**52.2**	**6.9%**

During the half-year, the Group continued the strategy of developing existing channels, strengthening and improving its portfolio of direct stores through new openings and acquisitions, and streamlining its affiliate network. This was in addition to significant growth in the online channel thanks to the success of the new site implemented 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.

The *Retail* channel saw an increase of 3.4% of its sales compared to an offline market that was substantially stable, mainly thanks to the opening of 21 new stores acquired from Andreoli S.p.A. and which began operating from 1 July 2017.

[12] The data relating to the market were prepared by the Group management based on analysis as of 31 August 2017.

The *Wholesale* channel recorded a decrease of its sales (approximately Euro 3.1 million, equal to 3.0%). This was mainly due to the streamlining of the affiliate network and the optimisation of the stocks operated by the affiliates in agreement with the Group.

The B2B channel saw an increase in sales of Euro 6.2 million, equal to 11.8%, positively influenced by the sales of the subsidiary Monclick S.r.l., consolidated from 1 June 2017, which had an influence on the channel of about Euro 10.0 million.

The growth of the *Online* channel is due to a favourable trend of the online market that showed an 8.0% growth during the period. The significant increase of Euro 24.6 million, equal to 52.3%, is attributable to: (i) the effect of the Group's strategic actions during the last 12 months, such as the restyling of the Internet site and the extension of the pick-up points network, as well as specific *Customer Relationship Management* (CRM) initiatives and personalisation of the commercial offer that met with consumer approval leading to an increase in sales of Euro 14.1 million, representing an organic growth of 30.0% and (ii) the acquisition of 100% of Monclick S.r.l., which is one of the leading online operators in Italy, and whose sales during the period from June to August 2017 amounted to approximately Euro 10.5 million.

Growth on a *like-for-like* basis, or the performance of the stores open for at least 26 months on the reporting date, and including both the retail and *Click-&-Collect* sales, contracted by 2.3%, reflecting a particularly challenging comparison base. In the first half of the previous financial year, the promotional activities resulting from the restructuring and the relaunch of numerous stores, in particular the flagship store of Roma Muratella, had driven the revenues of those stores. Adjusted for this effect, Unieuro's *life-for-like* revenue dynamics outperformed the consumer market, which fell by 0.7% during the first half of the year.

Finally, the *Travel* channel recorded an 88.9% growth for a value of about Euro 5.6 million, benefiting on the one hand by a new opening at the Orio al Serio airport, and also due to the point of sale located in the Turin Porta Nuova train station, opened in the last months of the previous financial period ending 28 February 2017.

7.1.2 Revenues by category

(in millions of Euro and as a percentage of revenues)	**Period ended**				**Change %**	
	31-Aug-17	**%**	**31-Aug-16**	**%**	**2017 vs 2016**	**%**
Grey	382.7	47.0%	376.6	49.5%	6.1	1.6%
White	225.7	27.7%	201.1	26.4%	24.6	12.2%
Brown	139.1	17.1%	128.3	16.8%	10.8	8.4%
Other products	37.5	4.7%	28.8	3.8%	8.7	30.2%
Services	28.7	3.5%	26.7	3.5%	2.0	7.5%

Total revenues by category	**813.7**	**100.0%**	**761.5**	**100.0%**	**52.2**	**6.9%**

The half-year that closed 31 August 2017 saw an increase in sales for each commodity category, more specifically in (i) *White* which increased by 12.2%, thanks to the strategy of expanding the product offering of the category and (ii) *Brown* which increased by 8.4%, and that, in the absence of innovations in the reference market, benefited from the positive contribution of the B2B sector sales of Monclick (iii) *Other Products*, a grouping which includes both sales of the entertainment sector as well as other products not included in the consumer electronics market, such as electric mobility, a strong growth segment in the period, thanks to product innovations in personal mobility, and the growth of the entertainment sector, (iv) *Grey*, which is affected by the foreseen reduction in sales of the B2B segment of Unieuro, more than offset by a strong consumer revenue performance and (v) Services, which saw a growth of 7.5% thanks to the continuous focus of the Group on the delivery of services to its customers, in particular on the warranty extensions.

7.2. Operating profit

The consolidated income statement tables present in this Interim Managements' Report on operations have been reclassified using presentation methods that management considered useful for reporting operating profit performance during the period. 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, because of the change in the *business* model for directly managed assistance services.

	Period ended						**Changes**	
	31/08/2017			**31/08/2016**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***[13]	**Adjusted amounts**	%	***Adjustments***	**2017 vs. 2016**	**%**
Revenues	813.7			761.50			52.2	6.9%
Sales revenues	**813.7**			**761.50**			**52.2**	**6.9%**
Purchase of goods and Changes in inventories	(635.5)	(78.1%)	*2.7*	(595.9)	(78.3%)	*0.1*	(39.6)	6.6%

[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 "Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services." Thus, the adjustment is aimed at reflecting, for each financial 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 the Group had always operated using the current business model. Specifically, the estimate of the profit margin 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 Group based on historical information on the nature, frequency and cost of assistance work.

Operating lease and building management	(29.9)	(3.7%)	*0.7*	(29.0)	(3.8%)	*(0.1)*	(0.9)	3.1%
Marketing costs	(24.8)	(3.0%)	*1.0*	(26.2)	(3.4%)	*0.3*	1.4	(5.3%)
Transport	(18.2)	(2.2%)	*0.7*	(15.3)	(2.0%)	*0.1*	(2.9)	19.0%
Other costs	(23.0)	(2.8%)	*5.7*	(20.8)	(2.7%)	*2.1*	(2.2)	10.6%
Personnel expenses	(68.7)	(8.4%)	*3.3*	(64.1)	(8.4%)	*1.5*	(4.6)	7.2%
Other operating income and costs	(1.8)	(0.2%)	*0.3*	(0.8)	(0.1%)	*(0.2)*	(1.0)	125.0%
Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services	2.9	0.4%	*2.9*	4.2	0.6%	*4.2*	(1.3)	(31.0%)
***Adjusted* EBITDA**	**14.7**	**1.8%**	***17.3***	**13.6**	**1.8%**	***8.0***	**1.1**	**8.1%**

Adjusted EBITDA during the half-year ended 31 August 2017 increased by 8.1%, equal to Euro 1.1 million, at Euro 14.7 million. The *Adjusted EBITDA* Margin remains the same at 1.8%.

Profitability is also influenced by the seasonal phenomena typical of the consumer electronics market, which records higher revenues and costs of purchasing goods during the final part of each financial year. On the other hand, operating costs show a more linear trend due to the presence of fixed cost components (staff, rentals and overheads) that have a uniform distribution throughout the year. Consequently, adjusted EBITDA was weaker during the first part of the financial year, and is thus not representative of the performance of the entire financial year.

During the period, the costs for the Purchase of goods and the Change of inventories increased by Euro 39.6 million, the effect on revenues was slightly improved compared to 31 August 2016.

Rental costs increased by Euro 0.9 million (about 3.1%) given the takeover of the rental contracts of the 21 outlets belonging to the business unit of Andreoli S.p.A. starting from July 2017, and because of the opening of new outlets during the period.

Marketing costs were reduced by 5.3% compared to 31 August 2016. This is mainly linked to a different promotional calendar between the two periods.

Transport costs increased by about Euro 2.9 million. This mainly attributable to the increase in *Retail* and *Web* sales compared to the same period of the previous financial year and the increase in home deliveries

The other costs show an increase of Euro 2.2 million compared to 31 August 2016, mainly related to the increase in consultancy costs. The effect of that item on revenues is substantially unchanged, equal to 2.8% at 31 August 2017 (2.7% at 31 August 2016).

Personnel expenses show an increase of Euro 4.6 million, mainly attributable to: (i) an increase in employees following the opening of new stores and the acquisition of the business unit from Andreoli S.p.A., (ii) adaptation of the central structure to stock market requirements and to the strengthening of certain strategic functions, (iii) seniority-linked salary increases and (iv) adaptation of current employee contracts.

Other different operating income and expenses increased by Euro 1.0 million. This is mainly because of greater costs for reward programmes due to the different promotional calendar.

Below is a reconciliation between the net operating profit reported in the Condensed Interim Consolidated Financial Statements and the *Adjusted EBITDA*.

(In millions of Euro and as a percentage of revenues)	Period ended				Changes	
	31/08/2017	**%**	**31/08/2016**	**%**	**2017 vs. 2016**	**%**
Net operating profit (loss)	(12.4)	(1.5%)	(3.0)	(0.4%)	(9.4)	313.3%
Amortisation, depreciation and impairment losses	9.8	1.2%	8.6	1.1%	1.2	14.0%
Non-recurring expenses /(income)	14.4	1.8%	3.8	0.5%	10.6	278.9%
Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services[14]	2.9	0.4%	4.2	0.6%	(1.3)	(31.0%)

[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 ended 29 February 2012 for *White* products sold by the Group and from the year ended 28 February 2015 for all warranty extension services sold by Unieuro S.r.l. (hereinafter "*Ex* Unieuro") (excluding telephony and peripherals), the Group modified the business model for the management of warranty extension services, internalising the management of the services sold by *Ex* Unieuro and the Group that were previously entrusted to third parties (the "Change in Business Model"). Because of the Change in Business Model, at the time of sale of extended warranty services, the Group suspends the revenue by creating a deferred income item 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 Group begins to gradually record revenues from 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 statements for the periods ending 31 August 2017 and 31 August 2016 only reflect a small portion of revenues from sales of extended warranty services completed before these years because most of such revenues was recorded immediately in the income statements for years prior to the year ending 28 February 2014 since the extended warranty service was sold to third parties. Because of this Change in the 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 the Business Model, because the Group will gradually record sales revenues from extended warranty services (already collected by the Group) starting at the end of the legally required two-year warranty period.

Thus, the adjustment is aimed at reflecting, for each financial 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 the Group had always operated using the current business model. Specifically, the estimate of the profit margin 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 Group based on historical information on the nature, frequency and cost of assistance work.

The adjustment will be gradually exhausted in the income statements of future years until being eliminated when the new business

***Adjusted* EBITDA**[15]	**14.7**	**1.8%**	**13.6**	**1.8%**	**1.1**	**8.1%**

Non-recurring charges/(income) increased in the interim financial statements at 31 August 2017 by Euro 10.6 million. This is mainly because of the costs incurred in: (i) the project for listing on the MTA (Telematic Stock Market) – STAR Segment of Borsa Italiana S.p.A. concluded on 4 April 2017, (ii) the acquisition of the 21 new outlets included in the Andreoli business unit; (iii) the business combination of Monclick and (iv) charges for exceptional accidental events.

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.

7.3. Non-recurring income and expenses

(in millions of Euro)	**Period ended**		**Changes**	
	31 August 2017	**31 August 2016**	**2017 vs 2016**	**%**
Mergers & Acquisition	6.1	0.1	6.0	6,000.0%
Costs incurred for listing process	2.7	0.7	2.0	285.7%
Accidents	2.7	-	2.7	100.0%
Costs for pre-opening, relocating and closing points of sales[16]	1.3	1.0	0.3	30.0%
Other non-recurring expenses	0.9	0.8	0.1	12.5%
Costs for *Call Option Agreement*	0.7	1.2	(0.5)	(41.7%)
Total Non-recurring income and expenses	**14.4**	**3.8**	**10.6**	**278.9%**

The half-year that ended at 31 August 2017 was marked by the presence of significant non-recurring expenses. The main item regards the costs incurred in the acquisition process of Monclick S.r.l. and of the Andreoli S.p.A. business unit with which the Group acquired 21 new stores. These costs, of approximately Euro 6.1 million, are reclassified in the item *Mergers & Acquisition* and mainly relate to consultancy and rental costs for the store employees from the closing of the transaction on 17 May 2017 to the date of opening to the public.

model is operational, i.e., for each product category, when the period has lapsed that starts on the first day of the legally required two-year warranty and ends on the last day of the extended warranty service.

[15] See note in the section "Main financial and operating indicators".

[16] The costs for "pre-opening, relocating and closing stores" include leasing fees, security and travel expenses for maintenance and marketing work incurred as a part of i) remodelling, downsizing and relocating stores, ii) opening stores (during the months immediately preceding and following the opening) and iii) closing stores.

Euro 2.7 million are related to the costs incurred by Unieuro regarding the project for listing on the MTA (Telematic Stock Market) – STAR Segment of Borsa Italiana S.p.A. concluded on 4 April 2017.

Euro 2.7 million for Accident refer to the theft that occurred in August 2017 at the central warehouse of Unieuro S.p.A. located in Piacenza. It is noted that the company has requested the insurance company to reimburse the damage suffered, but nothing has yet been received as of the date of the financial statements.

Euro 1.3 million are related to rental, security, travel and transfer costs, for maintenance and *marketing* operations incurred as part of: i) store openings (in the months immediately preceding and following the opening of the same) and (ii) store closures.

Other non-recurring residual charges for total Euro 0.9 million are mainly related to provisions for potential future liabilities linked to *Ex*-Unieuro points of sale.

Euro 0.7 million non-recurring charges consist of costs for the *Call Option Agreement* reserved to some managers and employees that ended during the first quarter following the successful completion of the listing project.

7.4. Profit (loss)

Below is a reconciliation of a restated consolidated income statement including items from *Adjusted EBITDA* to *Adjusted* consolidated profit (loss) for the period.

	Period ended				Changes	
(In millions of Euro and as a percentage of revenues)	**31 August 2017**		**31 August 2016**		**2017 vs. 2016**	**%**
***Adjusted* EBITDA**	**14.7**	**1.8%**	**13.6**	**1.8%**	**1.1**	**8.1%**
Amortisation, depreciation and impairment losses	(9.8)	(1.2%)	(8.6)	(1.1%)	(1.2)	14.0%
Financial income and expenses	(2.5)	(0.3%)	(2.9)	(0.4%)	0.4	(13.8%)
Income taxes	2.2	0.3%	1.1	0.1%	1.1	100.0%
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change to the business model	(1.5)	(0.2%)	(0.8)	(0.1%)	(0.7)	87.5%
for direct assistance service[17]						
Adjusted profit (loss) for the period[18]	**3.1**	**0.4%**	**2.4**	**0.3%**	**0.7**	**29.2%**

[17] No taxes were paid in the period ending 31 August 2017 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management is 8.7% at 31 August 2017 and 9.4% at 31 August 2016 which incorporates IRES respectively at 4.8% and 5.5% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

Amortisation, depreciation and impairment losses of fixed assets at 31 August 2017 amounted to Euro 9.8 million (Euro 8.6 million at 31 August 2016). The increase is related to the progressive growth of investments of the latest financial years.

Net financial expenses at 31 August 2017 totalled Euro 2.5 million (net financial expenses of Euro 2.9 million at 31 August 2016). The decrease was due to the total repayment to 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 half-year closed at 31 August 2017 were positive at Euro 2.2 million (positive at Euro 1.1 in the period ended at 31 August 2016). These taxes were calculated by applying the budget tax rate for the financial year, which will close at 28 February 2018, to the profit before taxes for the period as at 31 August 2017.

The *Adjusted Profit (loss) for the period* amounted to Euro 3.1 million (Euro 2.4 million in the period ended 31 August 2016) with an effect on revenues substantially constant and equal to 0.4%.

IRES tax losses, which were still available at 31 August 2017, totalled Euro 411.3 million (tax losses at 28 February 2017 totalled Euro 408.9 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 period.

	Period ended				**Changes**	
(In millions of Euro and as a percentage of revenues)	**31 August 2017**		**31 August 2016**		**2017 vs. 2016**	**%**
Adjusted profit (loss) for the period	**3.1**	**0.4%**	**2.4**	**0.3%**	**0.7**	**29.2%**
Non-recurring expenses/(income)	(14.4)	(1.8%)	(3.8)	(0.5%)	(10.6)	278.9%
Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services	(2.9)	(0.4%)	(4.2)	(0.6%)	1.3	(31.0%)
Theoretical tax impact of the above entries[19]	1.5	0.2%	0.8	0.1%	0.7	87.5%
Profit (loss) for the period	**(12.6)**	**(1.5%)**	**(4.8)**	**(0.6%)**	**(7.8)**	**162.5%**

[18] See note in the section "Main financial and operating indicators."
[19] No taxes were paid in the period ending 31 August 2017 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management is 8.7% at 31 August 2017 and 9.4% at 31 August 2016 which incorporates IRES respectively at 4.8% and 5.5% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

7.5. Cash flows

7.5.1 Adjusted Levered Free Cash Flow [20]

The Group 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.

	Period ended at		**Changes**	
(in millions of Euro)	**31 August 2017**	**31 August 2016**	**2017 vs 2016**	**%**
Gross operating profit	(2.6)	5.6	(8.2)	(146.4%)
Cash flow from /(used in) operating activities[21]	(7.4)	(45.1)	37.7	(83.6%)
Income taxes paid	0.0	0.0	0.0	0.0%
Interest Paid	(4.2)	(1.8)	(2.4)	133.3%
Other changes	0.8	1.2	(0.4)	(33.3%)
Net cash flow from /(used in) operating activities [22]	**(13.4)**	**(40.1)**	**26.7**	**(66.6%)**
Investments	(23.0)	(11.9)	(11.1)	93.3%
Investments for business combinations and business units	(12.9)	0.0	(12.9)	(100.0%)
Net cash contribution from acquisitions	0.2	0.0	0.2	100.0%
Adjustment for non-recurring investments (M&A)	12.9	0.0	12.9	100.0%
Non-recurring expenses /(income)	14.4	3.8	10.6	278.9%
Adjustment for non-monetary item of non-recurring expenses/(income)	(4.1)	(1.2)	(2.9)	241.7%
Theoretical tax effect of the above-mentioned items[23]	(0.9)	(0.2)	(0.7)	(350.0%)
Adjusted Levered free cash flow	**(26.8)**	**(49.6)**	**22.8**	**(46.0%)**

[20] See note in the section "Main financial and operating indicators".

[21] The item "Cash flows generated/(absorbed) by operating activity" 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.

[22] The item "Net cash flow generated/(absorbed) by 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 generated/(absorbed) by operating activity".

[23] In the Period closed at 31 August 2017, no taxes were paid as they were compensated with credits for advances paid in previous years. The theoretical rate deemed appropriate by the management is 8.7% to 31 August 2017 and 9.4% to 31 August 2016, which incorporates IRES of 4.8% and 5.5% respectively (obtained by 80% of the taxable IRES income, thanks to the possibility of using previous losses) and IRAP of 3.9%.

Net cash flow generated/(used) by operating activities was a negative figure of Euro 13.4 million (a negative figure of Euro 40.1 million in the first half-year of 2016). The improvement over the previous period is substantially linked to better management of Net Working Capital. This increase is attributable mainly to an increase in trade payables for Euro 73.8 million mitigated by the negative effect of the changes in inventories for Euro 48.1 million, of the trade receivables for Euro 14.1 million and the changes of other operating assets and liabilities for Euro 2.1 million. This trend is linked to the increase in the number of outlets because of the acquisition of the Andreoli S.p.A. business unit and the acquisition of Monclick, which has resulted in a temporary growth in the value of trade payables higher than that of inventories.

Investments for business combinations and business units for Euro 12.9 million relate to the amount paid of the purchase price of the Andreoli S.p.A. business unit for Euro 9.4 million and the Monclick company for Euro 3.5 million.

The net cash contribution from acquisition equal to Euro 0.2 million refers to the remnants in the current accounts of Monclick on the date of the first consolidation net of the financial liabilities acquired.

The non-recurring investment adjustment, equal to Euro 12.9 million, represents the outbound cash flow associated with the acquisition of the Andreoli business unit and the Monclick company.

The adjustment for non-monetary non-recurring expenses/(income) components consists mainly of the exceptional event related to the theft at the warehouse of Piacenza for Euro 2.7 million, given that, as of 31 August 2017, the payment for the goods that were the subject of the theft had not occurred, and for Euro 0.7 million related to the cost of the *Call Option Agreement* reserved to certain managers and employees.

Below are listed the main changes recorded in the Group's net financial indebtedness during the period ended 31 August 2017 and in the period ended 31 August 2016:

	Period ended		**Changes**	
(in millions of Euro)	**31-Aug-17**	**31-Aug-16**	**2017 vs 2016**	**%**
Gross operating profit	(2.6)	5.6	(8.2)	(146.4%)
Cash flow from/(used in) operating activities	(7.4)	(45.1)	37.7	(83.6%)
Income taxes paid	-	-	0.0	0.0%
Interest Paid	(4.2)	(1.8)	(2.4)	133.1%
Other Changes	0.8	1.2	(0.4)	(33.3%)
Net cash flow from /(used in) operating activities	**(13.4)**	**(40.1)**	**26.7**	**(66.6%)**
Investments	(23.0)	(11.9)	(11.1)	92.8%

Investments for business combinations and business units	(12.9)	0.0	(12.9)	100.0%
Cash contribution from acquisition	0.2	0.0	0.2	100.0%
Distribution of dividends	(20.0)	0.0	(20.0)	100.0%
Monclick acquisition debts	(6.5)	0.0	(6.5)	100.0%
Other changes	1.7	1.0	2.7	272.2%
Change in net financial debt	**(73.8)**	**(53.0)**	**(20.8)**	**39.2%**

7.6 Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital at 31 August 2017 and at 28 February 2017:

(in millions of Euro)	**Period ended at**	
	31-Aug-17	**28-Feb-17**
Trade Receivables	54.2	35.2
Inventories	312.4	269.6
Trade Payables	(388.5)	(334.5)
Net operating working capital	**(21.9)**	**(29.8)**
Other working capital items	(125.3)	(119.9)
Net working capital	**(147.2)**	**(149.7)**
Non-current assets	125.2	104.2
Goodwill	170.8	151.4
Non-current liabilities	(19.9)	(19.0)
Net invested capital	**128.9**	**86.9**
Net financial debt	(75.8)	(2.0)
Shareholders' equity	(53.1)	(85.0)

Total shareholders' equity and financial liabilities	**(128.9)**	**(86.9)**

Net Working Capital is substantially in line with the closing at February 2017, with a partial increase in operating working capital compensated by the reduction of the other parts of the working capital.

Net Invested Capital amounts to Euro 128.9 million, an increase of Euro 42.0 million compared to 28 February 2017. The increase is mainly attributable to: (i) an increase in Net Working Capital for Euro 2.5 million, (ii) the recording of goodwill and *intangible* assets deriving from the business combination of Andreoli and Monclick for Euro 26.5 million, (iii) net investments for Euro 13.2 million incurred in the development of the network of direct stores and some important maintenance on the network of existing stores and stores that were recently acquired.

Shareholders' equity decreased compared to 28 February 2017 by Euro 31.9 million. The reduction was mainly determined by: (i) the loss for the period incurred by the Group for Euro 12.6 million, (ii) the distribution of dividends for an amount equal to Euro 20.0 million and (iii) the recognition of the personnel cost for the payment plan based on shares called the *Call Option Agreement* for Euro 0.7 million.

Below is a detailed breakdown of the Group's net financial debt at 31 August 2017 and 28 February 2017 in accordance with Consob Communication No. 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(in millions of Euro)	**Period ended at**		**Changes**	
	31 August 2017	**28 February 2017**	**31 August 2017 vs 28 February 2017**	**%**
(A) Cash	29.1	36.7	(7.6)	(20.7%)
(B) Other cash equivalents	-	-	-	-
(C) Securities held for trading	-	-	-	-
(D) Liquidity (A)+(B)+(C)	**29.1**	**36.7**	**(7.6)**	**(20.7%)**
- of which: pledged	*0.0*	*0.7*	*(0.7)*	(100.0%)
(E) Current loan assets	-	-	-	-
(F) Current bank loans and borrowings	-	-	-	-
(G) Current portion of non-current financial debt	(32.2)	(6.0)	(26.2)	436.7%
(H) Other current loans and borrowings	(24.7)	(2.4)	(22.3)	929.2%
(I) Current financial debt (F)+(G)+(H)	**(56.9)**	**(8.4)**	**(48.5)**	**577.4%**
- of which: secured	*(30.0)*	*(6.8)*	*(23.2)*	*341.2%*

- of which: unsecured	*(26.9)*	*(1.7)*	*(25.2)*	*1,482.4%*
(J) Net current financial position (debt) (I)+(E)+(D)	**(27.8)**	**28.3**	**(56.1)**	**(198.2%)**
(K) Non-current bank loans and borrowings	(40.1)	(25.8)	(14.3)	55.4%
(L) Issued bonds	-	-	-	-
(M) Other non-current loans and borrowings	(7.9)	(4.4)	(3.5)	79.5%
(N) Non-current financial debt (K)+(L)+(M)	**(48.0)**	**(30.2)**	**(17.8)**	**58.9%**
- of which: secured	*(42.3)*	*(26.8)*	*(15.5)*	*57.8%*
- of which: unsecured	*(5.7)*	*(3.4)*	*(2.3)*	*67.6%*
(O) Net financial debt (J)+(N)	**(75.8)**	**(2.0)**	**(73.8)**	**3,690.0%**

Net financial indebtedness increased by Euro 73.8 million compared to 28 February 2017, mainly as a result of the increase in: (i) investments mainly supported by the development of the direct stores network and some important maintenance on the network of existing stores for Euro 23.0 million, (ii) distribution of dividends for Euro 20.0 million, (iii) investments for business combinations and business units for Euro 12.9 million net of the cash acquired in company aggregations and (iv) financial payables deriving from the acquisition of Monclick for Euro 6.5 million.

Gross financial debt totalled Euro 104.9 million, of which Euro 48.0 million was medium and long term, and Euro 56.9 million was short term.

The Group has available, committed, unused short-term lines of credit of Euro 50.8 million at 31 August 2017. It is noted that on 16 June 2017, there was signed the "*First Amendment to Euro Term and Revolving Facilities Agreement"* of 29 November 2013. Afterwards, also the "New Financing Agreement" was signed, which envisages obtaining a new line of credit, to be used for the acquisition/opening of new sales points, for Euro 50.0 million, called "Financing C". At 31 August 2017, the share of such financing provided by the banks amounts to Euro 20.0 million.

8. Information on related-party transactions and non-recurring, atypical or unusual transactions

Information relating to related party relations shall be presented in Note 6 of the Condensed Interim Consolidated Financial Statements.

9. Atypical and/or unusual transactions

It is noted that in the Group, in the first half of 2017, there are no investments or transactions arising from atypical and/or unusual transactions.

10. Share-based payment agreements

The information relating to share-based payment agreements is presented in the Note 5.27 of the Condensed Interim Consolidated Financial Statements.

11. Treasury shares and holding company shares

During the period ended 31 August 2017, Unieuro S.p.A. did not purchase or sell any treasury shares or shares of the holding company, directly or through an intermediary.

12. The main risks and uncertainties to which the Group is exposed

The information on the main risks and uncertainties is presented in Note 3 of the Condensed Interim Consolidated Financial Statements, to which reference is made.

13. Significant events of the period

The stock market listing

On 4 April 2017, Unieuro shares - with the ticker UNIR - made their début on the STAR segment of the MTA organised and managed by Borsa Italiana S.p.A., following a placement aimed at Italian and international institutional investors. As part of the transaction and considering the *greenshoe* option, 6,901,573 shares were allocated for sale by Italian Electronics Holding S.r.l.

At the allocation price, equal to Euro 11.00 per share, the total proceeds from the transaction amounted to Euro 75.9 million, which corresponded to a market capitalisation of the company equal to Euro 220.0 million.

The acquisition of 21 stores in central Italy from Andreoli S.p.A.

On 18 April 2017, Unieuro announced the acquisition of a business unit from Andreoli S.p.A., in an agreement among creditors, consisting of 21 direct sales outlets in central Italy, mainly located in commercial centres and with sizes between 1,200 and 1,500 m^2.

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 94.0 million at a profit, and it employs over 300 people.

The acquisition, valued at Euro 12.2 million, was completed on 17 May 2017. Following the payment of the debts to the store personnel, the total financial outlay was approximately Euro 9.4 million.

Apple Pay

On 16 May 2017 - with the aim of introducing new solutions to guarantee its customers the best shopping experience - Unieuro was among the first Italian companies to make the *Apple Pay* service available, a simple, secure and personal payment system that has simplified the system of payments via *iPhone* mobile devices.

The opening of the new Orio al Serio store

On 25 May 2017, Unieuro inaugurated a new store of approximately 1,750 square metres inside

Oriocenter, one of the busiest shopping centres in Italy located in Orio al Serio (Bergamo).

The closing of the Monclick acquisition

On 9 June 2017, Unieuro concluded the acquisition from Project Shop Land S.p.A. of 100% of Monclick S.r.l., one of the leading online operators in Italy, active in the consumer electronics market and in the *online* B2B2C market.

The acquisition, announced on 23 February 2017, has a strong strategic value for Unieuro as it allows it to significantly increase its turnover in the online segment, reinforcing its positioning in the domestic market and allowing entry into the promising B2B2C sector.

The value of the transaction is Euro 10.0 million, of which Euro 3.5 million was paid at the closing and the remainder deferred over 5 years.

The subscription of a new line of credit

On 16 June 2017, Unieuro signed a new credit line with a pool of banks for a maximum amount of Euro 50.0 million for a three-year period, aimed at equipping the company with additional resources to finance growth through acquisitions and the openings of new sales outlets, confirming the Company’s willingness to assert itself as a leader and consolidator in the Italian consumer electronics market.

The 2017 Shareholders’ Meeting

On 20 June 2017, the Unieuro Shareholders’ Meeting, which was convened in a single call, (i) approved the Financial Statements at 28 February 2017; (ii) resolved the destination of the operating profit and the distribution of the dividend of Euro 1 per share, totalling Euro 20.0 million; and (iii) expressed a favourable vote on the first section of the Remuneration Report.

The new flagship store in Rome

In June 2017, Unieuro announced an agreement with the owner of the Euroma2 shopping centre for the management of a store of about 3,000 square metres. The megastore, which previously operated under the Trony brand, was inaugurated on 20 September and will allow the strengthening of the presence of Unieuro in the highly strategic Roman market. When fully operational, annual revenues are estimated to be between Euro 20-25 million.

The reopening of the 21 Andreoli sales outlets

On 1 July 2017, following a decisive relaunch plan which included the adoption of the brand, the redevelopment of the spaces, the re-assortment of products and the adoption of new information systems, Unieuro reopened to the public the 21 outlets acquired from Andreoli S.p.A..

Theft of goods from the Piacenza warehouse

On 19 August 2017, Unieuro suffered the theft of a significant quantity of technological products stored at its warehouse in Piacenza. It is expected that the damage, quantifiable at more than Euro 2.7 million, will be covered by the insurance policies that the Company had stipulated at the time.

14. Significant events following the closure of the period

No events occurred after the reference date of the Condensed Interim Consolidated Financial Statements which require adjustments to the values set out in the Condensed Interim Consolidated Financial Statements.

Reported below are the important subsequent events.

Transaction of accelerated bookbuilding by the majority shareholder Italian Electronics Holdings S.r.l.

On 5 September 2017, Italian Electronics Holdings initiated an accelerated bookbuilding transaction on 3.5 million of Unieuro ordinary shares corresponding to 17.5% of the Company's share capital. The transaction was concluded the following day with the placement of shares with Italian and international institutional investors at a price of Euro 16.00 per share, equal to a total consideration of approximately Euro 56 million.

Following the conclusion of the offer, Italian Electronics Holdings continued to hold a relative majority stake of the company, corresponding to 47.99% of the existing share capital.

Distribution of the dividend of the 2016/2017 financial year

On 27 September 2017, Unieuro paid the dividend - equivalent to Euro 1 per share, for a total of Euro 20 million - approved by the Ordinary Shareholders' Meeting, held on 20 June 2017.

Litigation

On 27 September 2017, Unieuro received notification of an act of attachment brought by third parties in respect of a dispute related to a business unit lease agreement signed on 20 October 2011. The Court of First Instance has expressed itself in favour of the counterparty and issued a writ attachment order of a sum equal to the amount owed including the capital, interest and expenses for Euro 1.0 million.

The writ of attachment was addressed to 5 credit institutions which, in execution of the writ, rendered unavailable a total amount of Euro 4.3 million more than the subject of attachment. Unieuro has opposed the writ of attachment before the Court of Forlì, requesting the suspension of the execution, the reduction of the accounts seized (from 5 to 1 in view the capacity of each account) and in any case to dispute the substance of the claimed debt. Following this opposition, the Forlì Court set the hearing for 13 October 2017.

In any event, the claim is covered by a provision for risk and the attached sums have not had, and are not expected to have, any impact on the company's operation given that Unieuro's liquidity is still sufficient to cope with its obligations.

Acquisition of 19 sales outlets from Cerioni (Euronics)

On 4 October 2017, Unieuro acquired a business unit from Gruppo Cerioni S.p.A. consisting of 19 direct stores, currently operating under the Euronics brand. The Cerioni Group currently has 20 sales outlets and is the leading electronics distribution chain in Le Marche (13 stores), with a significant presence in Emilia Romagna (7 stores).

The acquired sales outlets, sized between 500 and 4,000 m^2 for a total sales area of over 25,000 m^2, will allow Unieuro to increase the expansion of its direct network in central Italy, generating limited and perfectly manageable overlaps.

The stores will be collected in several stages and will be reopened between November and December, in time to benefit from the favourable seasonality of the last quarter of the year, notably the most important for the consumer electronics sector.

The shops will be collected without merchandise and will be immediately subjected to a decisive relaunch plan. This will involve the immediate adoption of the Unieuro brand, the redevelopment of the spaces, the re-assortment of products, the training of the sales force and the adaptation of the information systems. Within a few weeks they will also be enabled for *click and collect*, that is, to pick up the products purchased on unieuro.it by the online customers, pursuant to the omni-channel strategy that aims at the complete integration of the sales channels.

The transaction, subject to the fulfilment of certain conditions precedent that are typical of these types of transactions, took place without the assumption of financial and/or supplier payables, for a total equivalent value of Euro 8 million, of which Euro 1.6 million is due at the closing and Euro 6.4 million is to be paid in half-yearly instalments over the next three years. The transaction will be funded with recourse to the cash and cash equivalents and to the lines of credit made available by lending institutions.

15. Foreseeable operating evolution

After two years of progress, the Italian consumer electronics and household appliances market experienced an unexpected slowdown in the first months of the financial year that will close on 28 February 2017, only partially offset by the recovery in the months of July, August and September. This phenomenon is also attributable to the persistent and exasperated competitiveness that characterises both the traditional and the e-commerce channels.

Thanks to a winning business model and the effectiveness of external growth actions undertaken during the current year, Unieuro expects a further and significant increase in turnover in the second half of the year. More specifically, a favourable revenue impact will come from the opening of the *megastore* in the Euroma2 shopping centre and the relaunch of the sales outlets acquired from Gruppo Cerioni S.p.A., whose re-opening under the new Unieuro brand is expected near the Christmas season, the most favourable from the point of view of the seasonality of the business.

The same effect of seasonality will also produce positive effects in terms of profitability. Given the current revenues, in particular during the last quarter of the financial year, and the fixed costs evenly distributed over the twelve months, the profitability of Unieuro is expected to significantly higher than that which characterised the first half-year, in line with the trend recorded in previous years.

16. The right to an exemption from the duty to publish in a disclosure document in cases of non-significant transactions

Please note that the Issuer has opted for the regime in derogation of Article 70, paragraph 6 and Article 71, paragraph 1 of the Issuers' Regulations, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1 *bis* of the Issuers' Regulations.

UNIEURO S.p.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ENDED 31 AUGUST 2017

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

Registered in the Forlì-Cesena Companies Register, Economic and Administrative Index (REA) registration number 177115

Tax ID and VAT No. 00876320409

Share capital Euro 4,000,000.00 fully paid up

Consolidated statement of financial position

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2017	28 February 2017
Plant, machinery, equipment and other assets	5.1	70,416	60,822
Goodwill	5.2	170,794	151,396
Intangible assets with a finite useful life	5.3	22,760	11,808
Deferred tax assets	5.4	28,800	29,438
Other non-current assets	5.5	3,178	2,156
Total non-current assets		**295,948**	**255,620**
Inventories	5.6	312,425	269,551
Trade receivables	5.7	54,175	35,203
Current tax assets	5.8	11,308	7,955
Other current assets	5.5	16,195	13,865
Cash and cash equivalents	5.9	29,068	36,666
Total current assets		**423,171**	**363,240**
Total assets		**719,119**	**618,860**
Share capital	5.10	4,000	4,000
Reserves	5.10	104,812	120,101
Profit/(loss) carried forward	5.10	(55,713)	(39,122)
Profit/(Loss) of third parties	5.10	-	-
Total shareholders' equity		**53,099**	**84,979**
Financial liabilities	5.11	40,062	25,796
Employee benefits	5.12	10,945	9,783
Other financial liabilities	5.13	7,921	4,427
Provisions	5.14	6,519	8,833
Deferred tax liabilities	5.4	2,408	322
Other non-current liabilities	5.15	26	21
Total non-current liabilities		**67,881**	**49,182**
Financial liabilities	5.11	32,220	5,984
Other financial liabilities	5.13	24,664	2,418
Trade payables	5.16	388,493	334,546
Provisions	5.14	5,208	1,424
Other current liabilities	5.15	147,554	140,327
Total current liabilities		**598,139**	**484,699**
Total liabilities and shareholders' equity		**719,119**	**618,860**

The explanatory notes are an integral part of these Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017

Consolidated income statement

(Amounts in thousands of Euros)		Period ended	
	Notes	**31 August 2017**	**31 August 2016**
Revenue	5.17	813,697	761,527
Other income	5.18	2,251	2,246
Total revenue		**815,948**	**763,773**
Purchases of materials and external services	5.19	(782,397)	(681,751)
Personnel expenses	5.20	(71,985)	(65,596)
Changes in inventories	5.6	40,090	(8,015)
Other operating costs	5.21	(4,225)	(2,821)
Gross operating profit		**(2,569)**	**5,590**
Amortization, depreciation and impairment losses	5.22	(9,816)	(8,602)
Operating profit		**(12,385)**	**(3,012)**
Financial income	5.23	212	117
Financial expenses	5.23	(2,679)	(3,045)
Pre-tax profit (loss)		**(14,852)**	**(5,940)**
Income taxes	5.24	2,204	1,111
Profit/(loss) for the period		**(12,648)**	**(4,829)**

Profit/(loss) for the period of the Group	5.10	**(12,648)**	**(4,829)**
Profit/(loss) for the period of third parties	5.10	-	-

Basic earnings per share (in Euros)	5.25	(0.63)	(0.24)
Diluted earnings per share (in Euros)	5.25	(0.63)	(0.24)

The explanatory notes are an integral part of these Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017

Consolidated statement of comprehensive income

(Amounts in thousands of Euros)

	Notes	31 August 2017	31 August 2016
Profit/(loss) for the period		**(12,648)**	**(4,829)**
Other items that will o may be reclassified to profit or loss:			
Gain (losses) on hedging instruments (cash flow hedges)	5.13	-	53
Income taxes		-	(15)
Total other components of comprehensive income (expenses) that will or may be reclassified to profit/(loss)	5.10	**-**	**38**
Other items that will not be subsequently reclassified to profit or loss:			
Actuarial gains (losses) on defined benefit plans	5.12	75	(2)
Income taxes		(13)	1
Total other components of comprehensive income that will not be subsequently be restated under profit/(loss) for the period:	5.10	**62**	**(1)**
Total statement of comprehensive income for the period		**(12,586)**	**(4,792)**
Total statement comprehensive income of third parties for the period		**-**	**-**

The explanatory notes are an integral part of these Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017

Statement of consolidated cash flows

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2017	Period ended 31 August 2016
Cash flow from operations			
Profit/(loss) for the period	5.10	(12,648)	(4,829)
Adjustments for:			
Income taxes	5.24	(2,204)	(1,111)
Net financial expenses (income)	5.23	2,467	2,928
Depreciation, amortisation and impairment losses	5.22	9,816	8,602
Other changes		706	1,170
		(1,863)	6,760
Changes in:			
- Inventories	5.6	(40,090)	8,015
- Trade receivables	5.7	4,337	(9,768)
- Trade payables	5.16	24,219	(49,574)
- Other changes in operating assets and liabilities	5.5-5.14-5.15	4,146	6,274
Cash flow from/ (used in) operating activities		(7,388)	(45,053)
Interest paid	5.23	(4,179)	(1,802)
Net cash flow from/(used in) from operations	**5.26**	**(13,430)**	**(40,095)**
Cash flow from investing activities			
Purchases of plant, equipment and other assets	5.1	(17,024)	(10,289)
Acquisition of intangible assets	5.3	(5,951)	(1,627)
Proceeds from the sale of plant, equipment and other assets	5.1	1	-
Investments for business combinations and business units	5.5	(12,881)	-
Net cash inflow from acquisition	5.9	233	-
Net cash flow from/(used in) investing activities	**5.26**	**(35,622)**	**(11,916)**
Cash flow from financing activities			
Increase/(Decrease) in financial liabilities	5.11	42,214	30,937
Increase/(Decrease) in other financial liabilities	5.13	(760)	342
Net cash flow from/(used in) financing equivalents	**5.26**	**41,454**	**31,279**
Increase/(decrease) in cash and cash equivalents		**(7,598)**	**(20,732)**
OPENING CASH AND CASH EQUIVALENTS		**36,666**	**35,441**
Increase/(decrease) in cash and cash equivalents		**(7,598)**	**(20,732)**
CLOSING CASH AND CASH EQUIVALENTS		**29,068**	**14,709**

The explanatory notes are an integral part of these Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017

Statement of changes in consolidated equity

(Amounts in thousands of Euros)	**Notes**	**Share capital**	**Legal reserve**	**Extraordinary reserve**	**Reserve for actuarial gains/(losses) on defined benefit plans**	**Share-based payments reserve**	**Other reserves**	**Profit/(loss) carried forward**	**Total Group shareholders' equity**	**Non-controlling interests**	**Total shareholders' equity**
Balance as at 28 February 2017	**5.10**	**4,000**	**800**	**55,223**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**	**-**	**84,979**
Profit/(loss) for the period		-	-	-	-	-	-	(12,648)	(12,648)	-	(12,648)
Other components of comprehensive income (expenses)		-	-	-	62	-		-	62	-	62
Total comprehensive income (expenses)		**-**	**-**	**-**	**62**	**-**	**-**	**(12,648)**	**(12,586)**	**-**	**(12,586)**
Distribution of dividends		-	-	(8,413)	-	-	-	(11,587)	(20,000)	-	(20,000)
Equity-settled share-based payment plans		-	-	-	-	(6,938)	-	7,644	706	-	706
Total owner transactions		**-**	**-**	**(8,413)**	**62**	**(6,938)**	**-**	**(16,591)**	**(31,880)**	**-**	**(31,880)**
Balance as at 31 August 2017	**5.10**	**4,000**	**800**	**46,810**	**(797)**	**-**	**57,999**	**(55,713)**	**53,099**	**-**	**53,099**

(Amounts in thousands of Euros)	**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 shareholders' equity**
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 period		-	-	-	-	-	-	-	(4,829)	(4,829)
Other components of comprehensive income (expenses)		-	-	-	38	(1)	-		-	37
Total comprehensive income (expenses)		**-**	**-**	**-**	**38**	**(1)**	**-**	**-**	**(4,829)**	**(4,792)**
Allocation of prior year result		-	-	10,642					(10,642)	-
Distribution of dividends		-	-	-	-	-	-	-	-	-
Equity-settled share-based payment plans		-	-	-	-	-	1,170	-	-	1,170
Total transactions with shareholders		**-**	**-**	**10,642**	**38**	**(1)**	**1,170**		**(15,471)**	**(3,622)**
Balance as at 31 August 2016	**5.10**	**4,000**	**800**	**59,103**	**(36)**	**(859)**	**4,342**	**57,999**	**(55,538)**	**69,811**

The explanatory notes are an integral part of these Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017

NOTES

1. INTRODUCTION

The company Unieuro S.p.A. (hereinafter referred to as "Unieuro") is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, operating in the retail and online distribution of electric appliances and consumer electronics.

On 4 April 2017, Italian Electronics Holdings S.r.l. (hereinafter referred to as "Italian Electronics Holdings") placed on the MTA (telematic stock market) – STAR Segment of Borsa Italiana S.p.A. 31.8% of the share capital of Unieuro, equal to 6,363,637 ordinary shares at a price of Euro 11.00 per share.
On 3 May 2017, the *greenshoe* option was partially exercised, granted by Italian Electronics Holdings, for 537,936 shares compared to the 636,363 shares that had been the subject of *over allotment*. The purchase price of the shares that were the object of the greenshoe option was Euro 11.00 per share, which corresponds to the offer price which was set for the placement, totalling Euro 5,917 thousand. The share settlement relative to the greenshoe option took place on 8 May 2017.
Therefore, the placement covered a total of 6,901,573 ordinary shares of Unieuro S.p.A, equal to 34.51% of the share capital, for a total value of approximately Euro 75,917 thousand.
On 6 September 2017, Italian Electronics Holdings placed, under the accelerated bookbuilding procedure, 3,500 thousand ordinary shares, corresponding to 17.5% of the share capital of Unieuro, at the price of Euro 16.00 per share. The settlement of the transaction took place on 8 September 2017. The total amount was Euro 56,000 thousand. After the conclusion of the transaction, Italian Electronics Holdings held a shareholding in Unieuro equal to 47.99% maintaining, considering the shareholders' composition on 31 August 2017, the de facto control of Unieuro S.p.A.

On 23 February 2017, Unieuro, as the purchaser, 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 amounted to Euro 10,000 thousand and the acquisition of the shares by the Unieuro was subject to the following conditions precedent: (a) obtaining all authorisations from the relevant antitrust authorities, none of which containing conditions or obligations for Unieuro or Monclick and (b) obtaining the consent of the Financing Banks to the execution of the acquisition transaction. The completion of the contract took place on 9 June 2017. Through its acquisition of Monclick, Unieuro 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.

Following the Unieuro's acquisition transaction, it is required to prepare consolidated financial statements. These Condensed Interim Consolidated Financial Statements are thus the first consolidated financial statements of the Unieuro group (the "Group" or "Unieuro Group"). The financial statements of the subsidiary Monclick were included in the consolidated financial statements starting from 1 June 2017. The directors assessed that there were no significant changes in the fair value of the assets acquired between the date on which Unieuro took control (9 June 2017) and the date of first consolidation (1 June 2017).
The comparative figures presented relate solely to Unieuro's half-yearly financial statements for the income statement, the comprehensive income statement, the statement of cash flow and the

individual financial statements of Unieuro for the statement of financial position and the statement of changes in equity since, as indicated above, the Group was formed on 1 June 2017, the date Unieuro assumed control of Monclick.

2. CRITERIA ADOPTED FOR PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AND SUMMARY OF ACCOUNTING PRINCIPLES

Below are the preparation criteria, the main accounting principles and evaluation criteria adopted in the preparation and drafting of the Condensed Interim Consolidated Financial Statements for the six months ended 31 August 2017 (the "Condensed Interim Consolidated Financial Statements"). These principles and criteria were applied consistently to all the years presented within this document**.**

2.1 Basis of preparation

The Condensed Interim Consolidated Financial Statements at 31 August 2017 were prepared in compliance with the provisions of Article 154-*ter* of Italian Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act - TUF) and subsequent amendments and supplements and with the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and should therefore be read in conjunction with the Unieuro financial statements dated 28 February 2017. The Condensed Interim Consolidated Financial Statements 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 Condensed Interim Consolidated Financial Statements is composed of the statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated cash flows and the statement of changes in consolidated equity relating to the Interim period of six months ended 31 August 2017 and its explanatory notes. The presentation of these statements provides the comparative data envisaged by IAS 34 (28 February 2017 for the statement of financial position and the statement of changes in equity and 31 August 2016, for the income statement, statement of comprehensive income and statement of cash flows), this comparative data is composed solely of the balances found in the individual financial statements of Unieuro given that the Group was formed on 1 June 2017.

2.2 Criteria for preparing the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated 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 over the next 12 months.

The Condensed Interim Consolidated Financial Statements were drafted based on the historical cost criteria, except for the derivative financial instruments which were measured at their fair value.

Please see the Interim Management Report for information regarding the nature of the company's operations and significant events after the close of the period.

The Condensed Interim Consolidated Financial Statements are presented in Euros, the functional currency of the Group. The amounts are expressed in thousands of Euros, 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 Condensed Interim Consolidated Financial Statements have been prepared in accordance with *IAS 34-Interim Financial Reporting* and must be read in conjunction with the latest financial statements of Unieuro S.p.A. as at 28 February 2017. Although it does not include all the information required for a complete financial statement disclosure, the explanatory notes are specifically included to explain any events and transactions that are important for understanding changes in the financial position and the financial performance of the Unieuro Group since the last financial statements.

In addition to these notes, the Condensed Interim Consolidated Financial Statements consist of the following schedules:

A) **Consolidated statement of financial position:** the presentation of the consolidated statement of financial position is shown by distinctly presenting current and non-current assets and current and non-current liabilities. This includes a description in the notes for each asset and liability item of the amounts that are expected to be settled or recovered within or later than 12 months from the reference date of the Condensed Interim Consolidated Financial Statements.

B) **Consolidated 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) **Consolidated statement of comprehensive income:** this statement includes the profit/(loss) for the period as well as the income and expenses recognised directly to shareholders' equity for transactions other than those with shareholders.

D) **Statement of consolidated cash flows:** the statement of consolidated 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 period 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 consolidated equity:** this statement includes, in addition to the results of the comprehensive consolidated 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 Condensed Interim Consolidated Financial Statements are presented in comparative form.

2.3 Consolidation principles and scope of consolidation

The Condensed Interim Consolidated Financial Statements include the financial statements of the parent company, Unieuro, and its subsidiary Monclick. The Group at 31 August 2017 is composed as follows:

(Amounts in thousands of Euros)	**Share Capital**	**% of ownership**	**Parent company**
Unieuro S.p.A.	4,000.00		
Monclick S.r.l.	100.00	100.00%	Unieuro S.p.A.

Subsidiaries

These are companies over which the Group exercises control as defined by IFRS 10. This control exists when the Group has the power, directly or indirectly, to determine the financial and operating standards of an enterprise to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control over it was assumed until this control ceases.

For the purposes of consolidation of the subsidiaries, the total integration method is applied, thus assuming the full amount of the financial assets and liabilities and all costs and revenues. The book value of the consolidated investment is then eliminated from the related shareholders' equity. The share of shareholders' equity and the result relating to the minority shareholders is shown respectively in a special item in shareholders' equity and in the consolidated income statement.

In accordance with IFRS 3, the subsidiary acquired by the Group is accounted for using the purchase method, whereby:
- the acquisition cost is the fair value of the divested assets, considering the issuance of equity instruments, and liabilities assumed, plus directly attributable transaction costs;
- the excess of the acquisition cost compared to the market value of the Group's share in the net assets is recorded as goodwill;
- if the acquisition cost is less than the fair value of the Group's share in the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

Transactions eliminated in the consolidation process

The preparation of the Condensed Interim Consolidated Financial Statements eliminated all the significant balances and transactions between Group companies, as well as unrealised gains and losses resulting from intragroup transactions. Unrealised gains and losses generated by transactions with jointly controlled entities and/or associated companies are eliminated depending on the percentage share of Unieuro Group's participation in that company.

2.4 The use of estimates and valuations in preparation of the Condensed Interim Consolidated Financial Statements

Preparation of the Condensed Interim Consolidated Financial Statements under the IFRS requires management to make estimates and assumptions that affect the values of assets and liabilities in the financial statements 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 of the Condensed Interim Consolidated Financial Statements, 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-downs, to recognise the deferred income on the sale of warranty extension services, to measure amortisation and depreciation and non-current assets, to test goodwill for impairment, to determine employee benefits on an actuarial basis and regarding call options, as well as to estimate the fair value of derivatives and calculate the recoverability of deferred tax assets.

The estimates and assumptions are reviewed periodically and the effects of any changes made to them are reflected in the income statement for the period when the estimates were revised if the same review only affects that period, or also at later times if the revision affects both the current financial year as well as future years.

In the context of the preparation of the Condensed Interim Consolidated Financial Statements, the relevant subjective assessments by management in its application of accounting standards and the key sources of estimation uncertainty were the same as those applied in preparing the financial statements for the year ended 28 February 2017 of Unieuro.

2.5 Accounting criteria and standards used in the preparation of the Condensed Interim Consolidated Financial Statements

The accounting standards used in the Condensed Interim Consolidated Financial Statements at 31 August 2017 were uniformly applied to all the periods presented for comparison.

The accounting criteria and standards adopted for the preparation of the Condensed Interim Consolidated Financial Statements were the same as those applied in preparing the Unieuro financial statements for the year ended 28 February 2017 apart from the consolidation standards described in note 2.3 and the new standards and/or supplements adopted which are listed below:

Business combinations

Business combinations are accounted for using the purchase method. This requires recognition of the fair value of identifiable assets (including intangible fixed assets which had previously not been recognised) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.

When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing at the acquisition date. This includes the audit to determine whether an embedded derivative must be separated from the primary contract.

Every contingent consideration is also recognised by the Group at its fair value on its acquisition date. Variation in the fair value of the contingent consideration classified as an asset or liability will be recognised, in accordance with IAS 39, in the income statement or in the statement of other components of the comprehensive income statement. If the contingent consideration is classified as equity, its value will not be recalculated until its extinction is accounted for in shareholders' equity. The next transaction will be accounted for in shareholders' equity. In cases where the contingent consideration does not fall within the provisions of IAS 39, it is measured in accordance with another standard that is deemed appropriate.

Goodwill acquired in a business combination is initially measured at cost represented by the excess of the cost for the business combination over the Group's share of the net fair value of assets, liabilities and the identifiable contingent liabilities (of the acquired business). For the purposes of analysing consistency, the goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other Group assets or liabilities are assigned to these units or CGUs at the acquisition date. Each unit to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- not be larger than the segments identified by primary or secondary format or presentation of segment information of the Group, determined according to IFRS 8 Operating Segments.

When goodwill forms part of a cash-generating unit and part of that internal activity and that unit is disposed of, the goodwill associated with that disposed activity should be included in the book value of the activity when determining the gain or loss on disposal. The goodwill disposed of in those circumstances is measured based on the relative values of the activity disposed of and the portion of the units retained. When the transfer regards a subsidiary, the difference between the sales price and the net assets, plus accumulated conversion differences and the unamortised goodwill, is recognised in the income statement. The Group submits the goodwill to an impairment check on an annual basis, or more frequently if events or changes in circumstances indicate that the book value may be subject to a loss of value. The impairment loss in goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill is attributable. If the recoverable amount of the cash-generating unit is less than the book value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. The Group performs the annual check for goodwill impairment loss on the last day of February each financial year.

If the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is shown using such provisional values. Any adjustments, resulting from the completion of the evaluation process are recognised within twelve months from the acquisition date, restating the comparative figures.

Key Money

Key Money paid for store openings is considered as a cost related to a real estate lease and is generally regarded as an asset with a finite useful life determined by the underlying contract period. These are initially capitalised at cost and after initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract.

2.6 New accounting standards

New accounting standards, amendments and interpretations endorsed by the European Union and applicable to financial years starting on or after 1 March 2017

There are no new documents that entered into force during the financial year which began on 1 March 2017.

New accounting standards, amendments and interpretations not adopted by the Group as they entered into force for financial years that will begin after 28 February 2018

Below are listed the documents, issued by the IASB, that are mandatorily applicable to the financial years subsequent to that closing on 28 February 2018.

Documents already endorsed by the European Union

Financial instruments – IFRS 9
Revenues – IFRS 15

Documents not yet endorsed by the European Union

- On 13 January 2016, the IASB issued IFRS 16 "*Leases*", (hereinafter IFRS 16) which replaces IAS 17 and its related interpretations. 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 in exchange for a consideration. The new accounting standard eliminates the classification of leases as being operating or financial for financial statement preparation purposes by companies that are lessees; for all leases with a term exceeding 12 months, the 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 both lessees and lessors. The provisions of IFRS 16 are effective starting 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 recognised 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 financial 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 financial years beginning on or after 1 January 2017.

- On 12 April 2016, the IASB issued amendments to IFRS 15 "*Clarification to IFRS 15 Revenue from contracts with customers*". The *IASB* along with the *FASB*, in order to facilitate the implementation phase of the new IFRS 15, have introduced the following clarifications: (i) to identify the performance obligations provided in the contract, the change to the standard makes it clear that for the purposes of recognising revenue, an analysis shall be carried out to determine whether the nature of the performance, in the context of the contract, is to transfer individual assets or provide individual services separately, or if the transfer/delivery of a '*unicum'* formed from the combination of the items with respect to which the individual assets and services represent an indivisible component. In particular, the description has been expanded and clarified for the factors to be considered in the context of this analysis, pointing out, for example, that when two or more components of a contract cannot be supplied separately from each other, there is an indicator that the components are significantly interrelated and, therefore, constitute a single performance, (ii) to the guidance contained in the *IFRS 15* which deals with licensing of intellectual property in order to determine whether the related revenues are to be reported at a point in time, or over the time, (iii) to the identification of so-called agency relationships (irrespective of the legal form of the contract), in order to distinguish the circumstances in which the recognition of revenues should be "gross" of costs, from those in which a clear representation in that performance similar to a commission is required, (iv) to the provisions of the first application of the standard, in particular two new simplifications are introduced that allow the non-application of the new standard to contracts that have already been completed at the beginning of the first of the financial years presented at the date of first application in case of retrospective application and contract changes that took place before the beginning of the earliest financial year presented on the date of first application, considering such changes as integral parts of the original contract. The amendments are applicable from 1 January 2018, but early application is allowed. The changes must be applied retrospectively as if they had been included in the IFRS 15 standard on the date of the first application.

- On 20 June 2016, the IASB issued amendments to IFRS 2 "*Classification and measurement of share-based payment transactions (Amendments to IFRS 2)*". The IASB has clarified the following application topics: (i) if the cash-settled share-based payment plan provides conditions for vesting of the plan, the liability shall be calculated on every closing date of the financial statements with the same logic followed for equity-settled plans. Therefore, also for cash-settled plans, the *fair value* of the assigned instruments must be calculated by considering only the conditions for achieving market objectives, while the terms of service and conditions for achieving non-market goals will be used to determine the number of instruments that are assigned during the vesting period, (ii) in the event that the equity-settled plan provides a mechanism by which the number of shares acquired is reduced by the amount of the withholding tax paid on behalf of the employee, then the entire plan is classified as *equity-settled* provided that the plan allows or requires the entity to adjust the plan, net of withholding tax to be paid on behalf of the employee, and that the entire plan, in the absence of the above mentioned clause, would be classified as *equity-settled*, and (iii) in the case of modification of a plan from "*cash-settled*" to " *equity-settled*", the accounting treatment to be followed at the date of the modification involves de-recognising the liability for the original *"cash-settled*" plan, recognising in shareholders' equity an amount equal to the *fair value* of the new "*equity-settled* " plan according to services and goods already received, and recognising the difference between these two previous amounts in the profit/(loss) for the financial year. The amendments to IFRS 2 Share-based payments should be applied retroactively starting with financial statements for financial years that begin on (or after) 1 January 2018.

- On 12 September 2016, the IASB issued amendments to IAS 9 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)".* The IASB decided to amend IFRS 4 Insurance Contracts to reduce the volatility in the income statement and the *accounting mismatch* potentially resulting from the application of IFRS 9 Financial Instruments before the entry into force of the new standard on insurance contracts.
- On 8 December 2016, the IASB issued amendments to IAS 40 - *Transfers of Investment Property.* The amendments refer to section 57 of IAS 40 and apply to financial statements covering periods beginning on (or after) 1 January 2018, but earlier adoption is permitted.
- On 8 December 2016, the IASB issued *Annual Improvements to IFRS Standards (2014-2016 Cycle).* The IFRS improvements involved the following *Standards*: IFRS 1 and IAS 28.
- On 8 December 2016, the IASB issued *IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration*, the new document provides clarifications regarding the accounting for foreign currency transactions.
- On 18 May 2017, the IASB issued *IFRS 17 Insurance Contracts*. The standard aims to improve understanding by investors, but not only them, of the risk exposure, the profitability and the financial position of the insurers. IFRS 17 replaces IFRS 4 issued in 2004 as interim Standard. It will enter into force as of 1 January 2021, but earlier adoption is permitted.
- On 7 June 2017, the IASB issued *IFRIC 23 Uncertainty over Income Tax Treatments* that provides accounting guidance on how to reflect any income tax uncertainties regarding the taxation of a given phenomenon. IFRIC 23 will enter into force on 1 January 2019.

Based on the facts and cases to which the new documents apply, and acknowledging the current accounting standards adopted by the Group, it is believed 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 recognise all leases in the financial statements, including those currently classified as operating leases, as financial liabilities for the obligation to pay the future instalments, and the rights of use arising from the leases must be recognised under non-current assets as offsetting entries. The estimate of the quantitative effects arising from application by the Group 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 Group arising from first time application of these new standards will not be significant.

2.7 Seasonality

The market in which the Group operates is characterised by the seasonality phenomena typical of the consumer electronics market. Specifically, sales are higher at the end of each financial year, with a peak demand close to and during the Christmas season; the costs of purchase of goods from suppliers are also concentrated mainly in that period. Otherwise, operating costs have a more linear trend, given the component of fixed costs (staff, rent and overhead) that have a uniform distribution over the year. Consequently, operating margins are also affected by this seasonality.

The trend in revenue and cost dynamics described above have an impact on the trend of net working capital and net financial debt, characterised structurally by cash generation at the end of the financial year.

Therefore, the analysis of interim results and financial indicators cannot be considered fully representative. It would therefore be wrong to consider the period's indicators as proportionate to the entire financial year.

3. INFORMATION ON FINANCIAL RISKS

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

- credit risk (both in relation to normal trading transactions with customers as well as financing activities);
- 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 Group 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 Group to the risk of default, subjecting it to potential lawsuits. By way of introduction, we note that the credit risk which the Group 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 19.41% of the Group's revenues as at 31 August 2017, require the Group to use strategies and instruments to reduce this risk. The Group 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. 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 recognised 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 its financial assets represents the Group'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 by:

- 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 Group 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 Group to ensure coverage of its liquidity needs.

3.3 Market Risk

3.3.1 Interest rate risk

The Group 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 Group'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 which had been concluded following the signing of a loan agreement with a pool of banks whose lead partner is Banca IMI S.p.A, expired on 28 February 2017.

On the approval date of the Condensed Interim Consolidated 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 recognised using the hedge accounting method.

3.3.2 Currency Risk

Exposure to currency risk 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 Group since the volume of the transactions in a foreign currency is not significant; in any case the Group 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 31 August 2017 is negative at Euro 35.0 thousand (positive for Euro 46.0 thousand at 28 February 2017). The effects of these derivative financial instruments used for hedging purposes were recognised in the income statement, as they do not comply with all the requirements set forth in IAS 39 for hedge accounting.

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 based on listed prices (not adjusted) on active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques that refer to variables that are observable on active markets;
- Level 3: fair value determined using valuation techniques that refer to variables that are not observable on active markets.

Financial instruments measured at fair value are classified at level 2 and the general criterion used to calculate them is the current value of future cash flows provided for the instrument constituting the object of the measurement.

The liabilities relative to the bank indebtedness are measured using the amortized cost criterion. Trade payables and receivables are measured at their book value, net of any provision for bad debts, as this is considered to be close to the current value.

4 INFORMATION ON OPERATING SEGMENTS

The Group has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. The Group’s view of itself as a single omnichannel business means that the company has identified a single Strategic Business Unit (“SBU”). Management has also identified three Cash Generating 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 management does not consider significant in decision-making. 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)	**Period ended**	
	31 August 2017	**31 August 2016**
Revenue	813,697	761,527
Gross operating profit	**(2,569)**	**5,590**

% of revenues	*(0.32%)*	*0.73%*
Amortization, depreciation and impairment losses	(9,816)	(8,602)
Operating profit	**(12,385)**	**(3,012)**
Financial income	212	117
Financial expenses	(2,679)	(3,045)
Pre-tax profit (loss)	**(14,852)**	**(5,940)**
Income taxes	2,204	1,111
Profit/(loss) for the period	**(12,648)**	**(4,829)**

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

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Grey	382,704	376,627
White	225,703	201,148
Brown	139,089	128,275
Other	37,482	28,761
Services	28,719	26,716
Total revenues by category	**813,697**	**761,527**

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

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Other Countries	5,196	3,722
Italy	808,501	757,805
Total	**813,697**	**761,527**

The revenues are attributed based on the invoicing in Italy/abroad.

The Group 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

The balance of the item "Plant, machinery, equipment and other assets" by category as at 31 August 2017 and 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**

	Historical Cost	Accumulated Depreciation	Net book value	Historical cost	Accumulated Depreciation	Net book value
Plant and machinery	112,788	(85,013)	27,775	107,488	(81,711)	25,777
Equipment	17,553	(14,064)	3,489	17,085	(13,622)	3,463
Other assets	152,458	(124,787)	27,671	147,436	(120,766)	26,670
Tangible assets under construction	11,481	-	11,481	4,912	-	4,912
Total plant, machinery, equipment and other assets	**294,280**	**(223,864)**	**70,416**	**276,921**	**(216,099)**	**60,822**

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2017 to 31 August 2017 is shown below:

(Amounts in thousands of Euros)	**Plant and machinery**	**Equipment**	**Other assets**	**Tangible assets under construction and payments on account**	**Total**
Balance as at 28 February 2017	**25,777**	**3,463**	**26,670**	**4,912**	**60,822**
First Monclick consolidation	2	-	136	-	138
Increases	5,242	468	4,746	8,443	18,899
Decreases	-	(5)	-	(1,874)	(1,879)
(Depreciation and impairment losses)/Reversals of impairment losses	(3,246)	(441)	(3,881)	-	(7,568)
Decrease Acc. depreciation	-	4	-	-	4
Balance as at 31 August 2017	**27,775**	**3,489**	**27,671**	**11,481**	**70,416**

The change in the item "Plant, machinery, equipment and other assets" for the period from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Plant and machinery**	**Equipment**	**Other assets**	**Tangible assets under construction and payments on account**	**Total**
Balance as at 29 February 2016	**21,891**	**3,605**	**23,210**	**2,817**	**51,523**

Increases	4,214	322	5,625	2,382	12,543
Decreases	-	-	(59)	(2,254)	(2,313)
(Depreciation and impairment losses)/Reversals of impairment losses	(2,597)	(435)	(3,540)	-	(6,572)
Decreases in Acc. depreciation	-	-	59	-	59
Balance as at 31 August 2016	**23,508**	**3,492**	**25,295**	**2,945**	**55,240**

With reference to the six months ended 31 August 2017, the Group made investments, including the effects of the first Monclick consolidation and net of decreases of the category "Assets under construction", amounting to Euro 17,163 thousand.

In particular, the investments were mainly: (i) investments relating to the opening of new stores in new user pool areas deemed strategic or insufficiently covered by the current portfolio of stores for Euro 6,790 thousand, (ii) operations relating to the restructuring of selected stores, restyling the layout and reducing the sales area and investments in relocating existing stores in user pool areas considered to be more strategic for Euro 4,026 thousand, (iii) projects for energy efficiency and other minor maintenance and renovation of furnishings in different stores for Euro 4,942 thousand, (iv) investments at headquarters for Euro 933 thousand and (v) leasing contracts for Euro 472 thousand of which financing Euro 62 thousand was for electronic equipment and Euro 410 thousand related to furniture.

The item "(Depreciation and impairment losses)/Reversals of impairment losses" of Euro 7,568 thousand includes Euro 7,551 thousand in depreciation and Euro 17 thousand of write-downs and write backs, net. The write-downs are mainly referred to stores for which onerous leases were identified while the write backs refer to stores with a significant improvement in their economic results, so that the rental lease was no longer considered onerous, and therefore the previously written down assets were written back.

The net assets under construction amounting to Euro 11,481 thousand mainly relate to investments in opening new stores in new user pool areas deemed to be strategic for the Group. Investments in question as at 31 August 2017 are not completed and therefore the item is not subject to depreciation.

With reference to the six months ended 31 August 2016, the Group made investments net of decreases of the category "Assets under construction" for Euro 10,289 thousand.

In particular, the investments were mainly: (i) operations relating to the restructuring of selected stores, restyling the layout and reducing the sales area and investments in relocating existing stores in user pool areas considered to be more strategic for Euro 5,533 thousand; (ii) projects for energy efficiency and other minor extraordinary maintenance and renovation of furnishings in different stores for Euro 1,992 thousand; (iii) investments at headquarters for Euro 953.0 thousand and (iv) new leasing contracts for Euro 1,811 thousand.

The item "(Depreciation and impairment losses)/Reversals of impairment losses" of Euro 6,572 thousand includes Euro 6,231 thousand in depreciation and Euro 341 thousand of write-downs and write backs, net. The write-downs mainly refer to stores for which onerous leases were identified while the write backs refer to stores with a significant improvement in their economic results, so that the lease was no longer considered onerous, and therefore previously written down 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 5.13 "Other financial liabilities."

5.2 Goodwill

The breakdown of the item "Goodwill" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Goodwill	170,794	151,396
Total Goodwill	**170,794**	**151,396**

The change in the "Goodwill" item for the period from 28 February 2017 to 31 August 2017 is shown below:

(Amounts in thousands of Euros)	**Goodwill**
Balance as at 28 February 2017	**151,396**
Acquisitions	19,398
Write-downs	-
Balance as at 31 August 2017	**170,794**

The change in the "Goodwill" item for the period from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Goodwill**
Balance as at 29 February 2016	**151,396**
Acquisitions	-
Write-downs	-
Balance as at 31 August 2016	**151,396**

The value of goodwill at 31 August 2017, equalling Euro 170,794 thousand, increased over the year ended 28 February 2017 by Euro 19,398 thousand. The increase relates to the following operations:

(i) for Euro 12,200 thousand, the acquisition of a business unit from Andreoli S.p.A., consisting of 21 stores located in Central Italy and (ii) for Euro 7,198 thousand the acquisition of Monclick S.r.l., a leading online operator in Italy, active in the consumer electronics market and online B2B2C market.

It should be noted that, at the time of acquisition, Unieuro availed itself of the right provided under (*revised*) IFRS 3 to carry out a provisional allocation of the cost of business combinations at fair value of the acquired assets, liabilities and contingent liabilities assumed. If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised. For more details about the transactions, see note 5.28.

The value of goodwill to 28 February 2017 refers to: (i) the contribution from the merger by incorporation of Unieuro S.r.l. (hereinafter "*Ex* Unieuro") which took place on 26 February 2016. The contribution of Euro 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 *Ex* Unieuro in the company's financial year ending 30 April 2004, and (ii) of Euro 194.0 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 unit consists of 8 stores, of which 5 are in the Rome-Fiumicino airport, 2 are in Milan-Malpensa and 1 inside Milan-Linate airport and deals with retail sale of electronic products and accessories, (iii) for Euro 94,993 thousand from the merger by incorporation of the Marco Polo S.r.l. in Marco Polo Holding S.r.l. and the simultaneous reverse merger of Marco Polo Holding S.r.l. into Unieuro, that took place during 2006, (iv) for Euro 9,925 thousand from mergers by incorporation of Rialto 1 S.r.l. and Rialto 2 S.r.l., which occurred during 2010, (v) for Euro 8,603 thousand from the merger of Marco Polo Retail S.r.l. into Unieuro during 2009, and (vi) for Euro 5,082 thousand from other minor mergers and acquisitions of business units.

It should also be noted that, in the previous six-month period ended 31 August 2016, no changes took place in the item in question.

5.2.1 *Impairment test*

The business dynamics recorded in the period and updates on forecasts on future trends are consistent with the assumptions made to verify the recoverability of goodwill occurring when preparing the Unieuro financial statements at 28 February 2017. The Unieuro market capitalisation at 31 August 2017 was greater than the Group's shareholders' equity. Therefore, no indicators were identified of possible impairment losses and therefore no specific impairment tests were done on goodwill following the one approved by the Unieuro Board of Directors on 10 February 2017.

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 31 August 2017 and as at 28 February 2017:

(Amounts in thousands of Euros)	**Period ended**			**Year ended**		
	Amounts as at 31 August 2017			**Amounts as at 28 February 2017**		
	Historical cost	**Accumulated Amortization**	**Net Carrying Amount**	**Historical cost**	**Accumulated Amortization**	**Net Carrying Amount**
Software	43,949	(33,426)	10,523	40,599	(31,540)	9,059
Concessions, licences and trademarks	13,332	(6,086)	7,246	7,407	(5,751)	1,656
Assets under development	4,991	-	4,991	1,093	-	1,093
Total intangible assets with a finite useful life	**62,272**	**(39,512)**	**22,760**	**49,099**	**(37,291)**	**11,808**

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2017 to 31 August 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Software**	**Concessions, licences and brands**	**Intangible fixed assets under construction**	**Total**
Balance as at 28 February 2017	**9,059**	**1,656**	**1,093**	**11,808**
First Monclick consolidation	1,295	5,954	-	7,249
Increases	2,051	2	4,765	6,818
Decreases	-	-	(867)	(867)
(Amortization and impairment losses)/Reversal of impairment losses	(1,882)	(366)	-	(2,248)
Decreases in Acc. amortization	-	-	-	-
Balance as at 31 August 2017	**10,523**	**7,246**	**4,991**	**22,760**

(Amounts in thousands of Euros)	**Software**	**Concessions, licences and brands**	**Intangible fixed assets under construction**	**Total**
Balance as at 29 February 2016	**8,673**	**2,340**	**184**	**11,197**
Increases	572	-	1,055	1,627
Decreases	-	-	-	-

(Amortization and impairment losses)/Reversal of impairment losses	(1,573)	(457)	-	(2,030)
Decreases in Acc. amortization	-	-	-	-
Balance as at 31 August 2016	**7,672**	**1,883**	**1,239**	**10,794**

Regarding the period of six months ended 31 August 2017, the increases, including the first Monclick consolidation and net of decreases in the category "Assets under construction", amount to a total of Euro 13,200 thousand. These investments are attributable to the "*Software*" category for Euro 3,346 thousand, the "Concessions, licences and brands" category for Euro 5,956 thousand, and the "Intangible assets in construction" category for Euro 3,898 thousand.

It should be noted that the acquisition of control of Monclick was configured as a business combination and fell within the scope of IFRS 3. As required by IFRS 3, the intangible assets were recorded separately from goodwill and recorded at their fair value on the acquisition date, which meets the requirements under IAS 38.

For the assessment of that fair value, the Group assigned external consultants with proven experience who, using evaluation methods in line with the best professional practice. These consultants estimated the value of the Monclick brand at Euro 4,641 thousand (with a useful life of 20 years), the value of customer lists at Euro 1,178 thousand (with a useful life of 4 years), and the value of internally produced software at Euro 1,284 thousand (with a useful life of 5 years).

The values and useful life estimates are reflected in the Condensed Interim Consolidated Financial Statements of Unieuro starting from 1 June 2017.

The value of the brand and the customer lists was attributed to the "Concessions, licences and trademarks" category, while the value of software was attributed to the "software" category.

Furthermore, the increases of assets under construction contain the Euro 3,200 thousand payment of *Key Money* on two leases, executed to take over a store located in Rome and a store located in Brescia in two shopping malls capable of providing strategic benefits. Amortisation commences on the date of operation of the stores, scheduled for September 2017, and will be calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract.

Regarding the six months ended 31 August 2016, the total increases of Euro 1,627 thousand relate to the "Software" category for Euro 572 thousand, and to the "Intangible fixed assets under construction" category for Euro 1,055 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. Increases in fixed assets under construction relate to the implementation and updating of new software.

On 2 December 2013, Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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 intellectual property rights. The pledge will extend to any renewal of the registration or patenting of intellectual property rights until all secured creditors are fully satisfied. Secured creditors shall have the right to exercise their special pledge when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement is verified. It is noted that at the date of these Condensed Interim Consolidated Financial Statements, none of the causes of enforcement has occurred.

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 2017 to 31 August 2017 and the period 29 February 2016 to 31 August 2016 is shown below:

Deferred tax assets

(Amounts in thousands of Euros)	**Allowance for impairment - amount due from suppliers**	**Obsolescence Provision**	**Tangible assets**	**Intangible assets**	**Other payables**	**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 2017	**838**	**1,610**	**886**	**4,736**	**-**	**843**	**1,126**	**6,647**	**16,686**	**12,752**	**29,438**
First Monclick consolidation	-	-	-	-	-	-	-	-	-	-	-
Accruals to/ Releases of provision to to profit or loss	23	(39)	(16)	941	-	-	220	(1,754)	(625)	-	(625)
Accruals to/Release of provision to Comprehensive Income Statement	-	-	-	-	-	(13)	-	-	(13)	-	(13)
Balance as at 31 August 2017	**861**	**1,571**	**870**	**5,677**	**-**	**830**	**1,346**	**4,893**	**16,048**	**12,752**	**28,800**

(Amounts in thousands of Euros)	**Allowance for impairment-amount due from suppliers**	**Obsolescence Provision**	**Tangible assets**	**Intangible assets**	**Other payables**	**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 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 to profit or loss	(101)	1,031	77	(273)	-	-	(372)	(1,674)	(1,312)	2,363	1,051
Accruals to/Release of provision to Comprehensive Income Statement	-	-	-	-	-	(15)	-	-	(15)	-	(15)
Balance as at 31 August 2016	**856**	**2,287**	**925**	**5,009**	**0**	**856**	**1,157**	**8,469**	**19,559**	**10,389**	**29,948**

The balance at 31 August 2017 of deferred tax assets equal to Euro 28,800 thousand, is composed mainly from deferred tax assets entered in tax losses for Euro 12,752 thousand, for Euro 4,893 thousand from deferred tax assets entered in other current liabilities, consisting of deferred liabilities from revenues already taxed, from deferred tax assets recorded in goodwill of Euro 5,677 thousand, for Euro 1,346 thousand from deferred taxes entered in risk provisions and for Euro 1,571 thousand from deferred tax assets entered in the inventory obsolescence fund.

The balance at 31 August 2016 of deferred tax assets equal to Euro 29,948 thousand, is composed mainly from deferred tax assets entered in tax losses for Euro 10,389 thousand, for Euro 8,469 thousand from deferred tax assets entered in other current liabilities, consisting of deferred liabilities from revenues already taxed, from deferred tax assets recorded in goodwill of Euro 5,009 thousand, for Euro 1,157 thousand from deferred taxes entered in risk provisions and for Euro 2,287 thousand from deferred tax assets entered in the inventory obsolescence fund.

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

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

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

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

Deferred tax liabilities

(Amounts in thousands of Euros)	**Intangible assets**	**Total net deferred taxes**
Balance as at 28 February 2017	**322**	**322**
First Monclick consolidation	1,982	1,982
Accruals to /(Releases) of provision to profit or loss	104	104
Accrual to /(Releases) of provision to comprehensive Income Statement	-	-
Balance as at 31 August 2017	**2,408**	**2,408**

(Amounts in thousands of Euros)	**Intangible assets**	**Total net deferred taxes**
Balance as at 29 February 2016	**269**	**269**
Contribution from merger	-	-
Accruals to /(Releases) of provision to profit or loss	31	31
Accrual to /(Releases) of provision to comprehensive Income Statement	-	-
Balance as at 31 August 2016	**300**	**300**

The increase in the item "Deferred tax liabilities" is mainly due to the contribution from the first consolidation of Monclick for Euro 1,982 thousand. This amount refers to the deferred tax effect on the values allocated to intangible assets as a result of the business combination of Monclick.

At 31 August 2016, the deferred tax liabilities result mainly from goodwill having 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 31 August 2017 and 28 February 2017:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Prepaid expenses	9,154	8,008
Accrued income	1,108	1,563
Tax credits	5,675	2,507
Other current assets	231	1,760
Advances to suppliers	27	27
Other current assets	**16,195**	**13,865**
Guarantee deposit	2,545	1,605
Deposits to suppliers	453	461
Other non-current assets	180	90
Other non-current assets	**3,178**	**2,156**
Total Other current assets and Other non-current assets	**19,373**	**16,021**

The item "Other current assets" mainly includes prepaid expenses 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 during the period ended 31 August 2017 compared to the financial year ended 28 February 2017 is primarily due to VAT credits for Euro 2,210 thousand.

The item "Other non-current assets" includes deposit assets and deposits to suppliers. The increase is mainly due to the acquisition of new stores and the expansion of existing ones.

5.6 Inventories

Inventories at 31 August 2017 and at 28 February 2017 are composed as follows:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**

	31 August 2017	28 February 2017
Goods	318,686	274,520
Consumables	687	801
Gross stock	**319,373**	**275,321**
Warehouse obsolescence fund	(6,948)	(5,770)
Total Inventories	**312,425**	**269,551**

The value of gross inventories went from Euro 275,321 thousand as at 28 February 2017 to Euro 319,373 thousand as at 31 August 2017, an increase of 16% in total gross inventories.

The significant increase recorded in inventories during the period ended 31 August 2017 compared to year ended 28 February 2017 is mainly due to: (i) the contribution from the first Monclick consolidation for a value of goods totalling Euro 2,784 thousand net of a provision for obsolete inventory amounting to Euro 399 thousand, (ii) the acquisition of a business unit from Andreoli S.p.A., consisting of 21 direct stores in Central Italy, (iii) satisfaction of requirements related to the operational management of Monclick which will become effective starting 1 October 2017; the inclusion of these stores within the distribution network of the Group therefore involved an increase in the volume of changes in stocks and (iv) the opening of new stores with related increase in volumes.

The change in the obsolescence fund for the period from 28 February 2017 to 31 August 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Warehouse obsolescence fund**
Balance as at 28 February 2017	**(5,770)**
First Monclick consolidation	(399)
Accruals	(789)
Reclassifications	-
Releases to profit or loss	10
Utilisation	-
Balance as at 31 August 2017	**(6,948)**

(Amounts in thousands of Euros)	**Warehouse obsolescence fund**
Balance as at 29 February 2016	**(4,000)**
Accruals	(2,447)
Reclassifications	-
Releases to profit or loss	-
Utilisation	-
Balance as at 31 August 2016	**(6,447)**

In addition to the provision for obsolete inventory, it should be noted that inventories were reduced by a write-down of Euro 3,834 thousand on 31 August 2017, Euro 4,892 thousand on 28 February

2017, Euro 3,083 thousand on 31 August 2016 and Euro 3,083 thousand at 29 February 2016. This additional write-down reflects the decline in the value of assets in cases where the cost exceeds the estimated recoverable amounts and allows adjusting the inventory value to the current market value. The obsolescence fund reflects the part of the write-down in excess of the direct write-down. The total write-down of inventories in the change in inventories in the income statement therefore was Euro 4,623 thousand as at 31 August 2017 and Euro 5,530 thousand as at 31 August 2016.

On 2 December 2013, Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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 Euro 128 million. Secured creditors shall have the right to exercise their special pledge when one of the causes of enforcement set out in Article 24 "Acceleration Event" of the Loan Agreement (as defined in note 5.12) is verified. It is noted that at the date of these Condensed Interim Consolidated Financial Statements, none of the causes of enforcement has occurred.

5.7 Trade receivables

A breakdown of the item "Trade receivables" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Trade receivables from third-parties	56,488	37,238
Trade receivables from related-parties	192	244
Gross trade receivables	**56,680**	**37,482**
Bad debt provision	(2,505)	(2,279)
Total Trade receivables	**54,175**	**35,203**

Trade receivables at 31 August 2017 increased by Euro 18,972 thousand compared to 28 February 2017. The increase is primarily due to: (i) new receivables contributed by the Monclick consolidation, (ii) and the growth in business operations following the introduction of new stores primarily resulting from the acquisition of the business unit from Andreoli S.p.A.

We report that at the date of its first consolidation, the Monclick contribution with reference to the item "Trade receivables" amounted to Euro 23,309 thousand. These receivables are mainly related to the Monclick B2B channel and are from an important customer of proven reliability.

The change in the bad debt provision for the period from 28 February 2017 to 31 August 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Bad debt provision**

Balance as at 28 February 2017	**(2,279)**
First Monclick consolidation	(250)
Accruals	-
Releases to profit or loss	-
Utilisation	24
Balance as at 31 August 2017	**(2,505)**

(Amounts in thousands of Euros)	**Bad debt provision**
Balance as at 29 February 2016	**(2,352)**
Accruals	-
Releases to profit or loss	-
Utilisation	26
Balance as at 31 August 2016	**(2,326)**

Bad 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 Euro 2,505 thousand as at 31 August 2017 and Euro 2,326 thousand as at 31 August 2016.

Credit risk represents the exposure to risk of potential losses resulting from the failure of the counterparty to comply with the obligations undertaken. Note, however, that in reference to Unieuro, for all 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. With reference to Monclick, it should be noted that the receivables outstanding at 31 August 2017 are mainly attributable to the B2B channel, and are from an important customer of proven reliability.

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

At 31 August 2017, no trade receivables are due after the financial year.

On 2 December 2013, Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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 pledge when one of the causes of enforcement set out in Article 24 “Acceleration Event” of the Loan Agreement (as defined in note 5.12) is verified. It is noted that at the date of these Condensed Interim Consolidated Financial Statements, none of the causes of enforcement has occurred.

5.8 Current tax assets

A breakdown of the item "Current tax assets" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	Period ended	Year ended
	31 August 2017	**28 February 2017**
IRAP	3,361	1,444
Other IRES	2,469	2,469
IRES	5,478	4,042
Total Current tax assets	**11,308**	**7,955**

As at 31 August 2017, IRES credits of Euro 5,478 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 referring to previous years for Euro 2,469 thousand and IRAP credits equalling Euro 3,361 thousand, primarily related to increased advance payments paid for taxes due and the IRAP credit accrued and relating to the six months ended 31 August 2017.

5.9 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	Period ended	Year ended
	31 August 2017	**28 February 2017**
Bank accounts	21,312	28,951
Petty cash	7,756	7,715
Total cash and cash equivalents	**29,068**	**36,666**

Cash and cash equivalents stood at Euro 29,068 thousand as at 31 August 2017 and Euro 36,666 thousand as at 28 February 2017. It should also be noted that cash contributed by Monclick during the first consolidation amounted to Euro 4,019 thousand.

The item consists of cash on hand, deposits and securities on demand or at short notice at banks that are available and readily usable.

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

On 27 September 2017, Unieuro received notification of an act of attachment brought by third parties in respect of a dispute related to a business unit lease agreement signed on 20 October 2011. The Court of First Instance has expressed itself in favour of the counterparty and issued a writ attachment order of a sum equal to the amount owed including the capital, interest and expenses for Euro 1.0 million.

The writ of attachment was addressed to 5 credit institutions which, in execution of the writ, rendered unavailable a total amount of Euro 4.3 million more than the subject of attachment. Unieuro has opposed the writ of attachment before the Court of Forlì, requesting the suspension of the execution, the reduction of the accounts seized (from 5 to 1 in view the capacity of each account) and in any case to dispute the substance of the claimed debt. Following this opposition, the Forlì Court set the hearing for 13 October 2017.

In any event, the claim is covered by a provision for risk and the attached sums have not had, and are not expected to have, any impact on the company's operation given that Unieuro's liquidity is still sufficient to cope with its obligations.

On 2 December 2013, Unieuro registered a special pledge in favour of Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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 Unieuro, to several current accounts specifically indicated in the agreement. 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 5.12) is verified. It is noted that at the date of these Condensed Interim Consolidated Financial Statements, none of the causes of enforcement has occurred.

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 thousands of Euros)	**Share capital**	**Legal reserve**	**Extraordinary reserve**	**Reserve for actuarial gains/(losses) on defined benefit plans**	**Share-based payments reserve**	**Other reserves**	**Profit/(loss) carried forward**	**Total Group shareholders' equity**	**Non-controlling interests**	**Total shareholders' equity**
Balance as at 28 February 2017	**4,000**	**800**	**55,223**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**	**-**	**84,979**
Profit/(loss) for the period	-	-	-	-	-	-	(12,648)	(12,648)	-	(12,648)
Other components of comprehensive income (expenses)	-	-	-	62	-	-	-	62	-	62
Total comprehensive income for the period	**-**	**-**	**-**	**62**	**-**	**-**	**(12,648)**	**(12,586)**	**-**	**(12,586)**
Distribution of dividends	-	-	(8,413)	-	-	-	(11,587)	(20,000)	-	(20,000)
Equity settled share-based payment plans	-	-	-	-	(6,938)	-	7,644	706	-	706

Total owner transactions	**-**	**-**	**(8,413)**	**62**	**(6,938)**	**-**	**(16,591)**	**(31,880)**	**-**	**(31,880)**
Balance as at 31 August 2017	**4,000**	**800**	**46,810**	**(797)**	**-**	**57,999**	**(55,713)**	**53,099**	**-**	**53,099**

The Group's Shareholder's equity totalling Euro 53,099 thousand as at 31 August 2017 (Euro 84,979 thousand) 29 February 2017, decreased during the period due to: (i) the loss for the period of Euro 12,648 thousand; (ii) the resolution for a dividend distribution of Euro 20,000 thousand through the use of the Unieuro profit for the year ended 28 February 2017 totalling Euro 11,587 thousand and, for the residual Euro 8,413 thousand, using part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting of the parent company and (iii) the provision for share-based payments for Euro 706 thousand related to the *Call Option Agreement* reserved for some managers and employees.

The Reserves of the Group are set out below:

- the legal reserve of Euro 800 thousand as at 31 August 2017 (Euro 800 thousand as at 28 February 2017), includes the financial provisions at a rate of 5% for each year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it as at 31 August 2017;

- the extraordinary reserve of Euro 46,810 thousand at 31 August 2017 (Euro 55,223 thousand at 28 February 2017); this reserve has been reduced to Euro 8,413 thousand during the period due to the Shareholders' Meeting's dividend resolution 20 June 2017;

- the reserve for actuarial gains and losses on defined-benefit plans of - Euro 797 thousand as at 31 August 2017 (- Euro 859 thousand as at 28 February 2017); it fell by Euro 62 thousand following the actuarial valuation relating to the TFR (severance pay);

- the reserve for share-based payments amounting to Euro 0 thousand at 31 August 2017 (Euro 6,938 thousand at 28 February 2017); the reserve has changed due to: (i) recognition of Euro 706 thousand as the offset of the personnel costs for the share-based payment plan called *Call Option Agreement* and (ii) following the successful outcome of the project of listing the share-based payment reserve under the item Profits/(losses) for Euro 7,644 thousand. For more details, please see Note 5.27.

The following table provides information on the origin, nature and possible uses of the items making up Group shareholders' equity at 31 August 2017:

(Amounts in thousands of Euros)

Nature / Description	**Amount**	**Possibility for use (*)**	**Amount Availabl e**	**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					-
Share premium reserve	69	A, B, C	69		
Other capital reserves	61,191	A, B, C	61,191		
Suspended tax reserves					
Reserve pursuant to Law No. 121/87	75	A, B, C	75		
Retained Earnings					
Legal Reserve	800	A, B	800		-
Extraordinary Reserve	46,810	A, B, C	46,810		3,880 (**)
Reserve for actuarial gains(losses) on defined benefit plans	(797)				-
Other FTA Reserves	(3,336)				
Profit (losses) carried forward - Other FTA Reserves	23,321				
Profit (losses) carried forward - IAS adjustments	(22,106)				-
Profit (losses) carried forward - Call option agreement	7,644	A, B, C	7,644		
Profit (losses) carried forward	(51,924)				
Profit (losses) for the period	(12,648)				
Total	**53,099**		**120,589**	**-**	**-**
Non-distributable portion			(82,963)		-
Remaining distributable portion			**37,626**	**-**	**-**

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

(**) Distribution of reserves

(Amounts in thousands of Euros)	**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 shareholders' equity**
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 period	-	-	-	-	-	-	-	(4,829)	(4,829)
Other components of comprehensive income (expenses)	-	-	-	38	(1)	-		-	37
Total comprehensive income for the period	**-**	**-**	**-**	**38**	**(1)**	**-**	**-**	**(4,829)**	**(4,792)**
Allocation of previous years profit (loss)	-	-	10,642					(10,642)	-
Distribution of dividends	-	-	-	-	-	-	-	-	-
Equity settled share-based payment plans	-	-	-	-	-	1,170	-	-	1,170
Total transactions with shareholders	**-**	**-**	**10,642**	**38**	**(1)**	**1,170**		**(15,471)**	**(3,622)**
Balance as at 31 August 2016	**4,000**	**800**	**59,103**	**(36)**	**(859)**	**4,342**	**57,999**	**(55,538)**	**69,811**

Shareholders' equity amounts to Euro 69,811 thousand at 31 August 2016 (Euro 73,433 thousand at 29 February 2016); the decrease for the period is mainly due to the combined effect of: (i) the recognition in the reserve for share-based payments of Euro 1,170 thousand related to the *Call Option Agreement* reserved for some managers and employees and (ii) the negative result of the period of Euro 4,829 thousand.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 31 August 2016 (Euro 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 Italian Civil Code and has maintained it to 31 August 2016;

- the extraordinary reserve of Euro 59,103 thousand as at 31 August 2016 (Euro 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 financial year of Euro 10,642 thousand;

- the cash flow hedge reserve, - Euro 36 thousand as at 31 August 2016 (- Euro 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 5.12). The positive change of Euro 38 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 - Euro 859 thousand as at 31 August 2016 (-Euro 858 thousand as at 29 February 2016); it fell by Euro 1 thousand following the actuarial valuation relating to the TFR (severance pay);

- the reserve for share-based payments of Euro 4,342 thousand as at 31 August 2016 (Euro 3,172 thousand as at 29 February 2016); this reserve includes the increase of Euro 1,170 thousand offsetting the personnel costs of the share-based payment plan called *Call Option Agreement* (as described in Note 5.27). It is also noted that there are no assets intended for specific transactions.

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 Corporate & Investment Banking 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 in Unieuro. Secured creditors shall have the right to exercise their special 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. It is noted that at the date of these Condensed Interim Consolidated Financial Statements, none of the causes of enforcement has occurred.

On 16 June 2017, the "*First Amendment to Euro Term and Revolving Credit Facilities Agreement* of 29 November 2013" was signed (the "New Loan Agreement"), amending the Loan Agreement, aligning it with the standards applicable to listed companies and market practices for financing transactions for listed companies. Based on the New Loan Agreement, a new facility was granted by the Company ("Facility C"), which facility was requested in order to finance acquisition and new openings, and amounts to Euro 50.0 milion. For of securing such new facility, the Company renewed and expanded the guarantees previously granted to the Banks.

On 15 August 2017, the financing banks (Banca IMI S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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. (now Banca Popolare dell'Alto Adige S.p.A.), (the "Financing Banks"), accepted the request for a waiver submitted by Unieuro aimed at realising the *accelerated bookbuilding* procedure.

5.11 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Current financial liabilities	32,220	5,984
Non-current financial liabilities	40,062	25,796
Total financial liabilities	**72,282**	**31,780**

On 29 November 2013, under the scope of the consolidation transaction that led to the acquisition of former Unieuro by the Group headed by the parent company Venice Holdings S.r.l., a loan agreement called "*Euro Term and Revolving Credit Facilities Agreement"* was signed with Banca IMI S.p.A., as financing bank and agent bank, UniCredit Corporate Banking S.p.A. (now UniCredit Corporate & Investment Banking 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 as financing banks, on the one side, and Unieuro on the other side as the beneficiary company (the "Loan Agreement"). Later, on 19 September 2014, Banca IMI S.p.A sold part of its stake in the loans granted to Unieuro to ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell'Alto Adige Soc. Coop.pa. (now Banca Popolare dell'Alto Adige S.p.A.).

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

The interest on the loans agreed under the scope of the Loan Agreement is a floating rate, calculated taking into consideration the Euribor plus a contractually-agreed spread. Simultaneously with the provision of funding, the then parent company Italian Electronics S.r.l. (now merged into Italian Electronics Holdings) agreed on contract clauses (*covenants*) typical for such types of funding in that they granted the lender the right to renegotiate or withdraw the credit if the events provided in the same clause take place.

On 16 June 2017, the "First Amendment to Euro Term and Revolving Credit Facilities Agreement of 29 November 2013" was signed (the "New Loan Agreement").

The New Loan Agreement acknowledged the request for a *waiver* submitted on 27 December 2016 from Unieuro to the Financing Banks that provided:

(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 Financing Banks on 27 January 2017. After the Financing Banks accepted the Amendment Proposal, the Group is no longer obliged to comply with the covenant for the "*fixed charge cover ratio*", but instead with 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 the 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 stores, 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 stores, as defined in the Loan Agreement), to be calculated annually.

(ii) request aimed at obtaining a new credit line to be used for acquisitions/new openings in the amount of Euro 50,000 thousand, called "Loan C". As of 31 August 2017, the portion of that loan provided by the banks amounted to Euro 20,000 thousand.

Verification of compliance with the *financial covenants* at 31 August 2017 was made by the Group in light of the New Loan Agreement, based on data from the Group's Condensed Interim Consolidated Financial Statements that closed on 31 August 2017.

As of 31 August 2017, based on calculations made, all the *covenants* are complied with.

The table below shows the *Senior Loan* repayment plans:

- Loan A

(Amounts in thousands of Euros)

Scheduled repayment date	Amount to be repaid
28/02/2018	1,500
31/08/2018	1,500
28/02/2019	750

02/12/2019	750
Total	**4,500**

- *Loan B*

(Amounts in thousands of Euros)	
Scheduled repayment date	**Amount to be repaid**
02/12/2020	13,300
Total	**13,300**

Loan C

(Amounts in thousands of Euros)	
Scheduled repayment date	**Amount to be repaid**
02/12/2020	20,000
Total	**20,000**

- *Capex Facility*

(Amounts in thousands of Euros)	
Scheduled repayment date	**Amount to be repaid**
28/02/2018	3,000
31/08/2018	3,000
28/02/2019	3,750
02/12/2019	3,750
Total	**13,500**

Financial liabilities as at 31 August 2017 and at 28 February 2017 are illustrated below:

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**As at 31 August 2017**		
				Total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	47,500	1.36% - 7.00%	3,563	3,563	-
Revolving Credit Facility	Dec-19	41,800	Euribor 1m+spread	21,000	21,000	
Current bank payables				**24,563**	**24,563**	**-**
Loan A	Dec-19	15,000	Euribor 6m+spread	4,500	3,000	1,500
Loan B	Dec-20	13,300	Euribor 6m+spread	13,300	-	13,300
Loan C	Dec-20	50,000	Euribor 6m+spread	20,000	-	20,000
Capex Facility	Dec-19	15,000	Euribor 6m+spread	13,500	6,000	7,500

Ancillary expenses on loans (2)	(3,581)	(1,343)	(2,238)
Non-current bank payables and current part of non-current debt	**47,719**	**7,657**	**40,062**
Total	**72,282**	**32,220**	**40,062**

(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 rate method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

(Amounts in thousands of Euros)	**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	1.36% - 7.00%	-	-	-
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 rate method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

The financial liabilities at 31 August 2017 total Euro 72,282 thousand with an increase of Euro 40,502 thousand compared to 28 February 2017. This variation is mainly due to the new line "Loan C" for Euro 20,000 thousand, the revolving line utilisation for Euro 21,000 thousand, and to the normal repayment on the principal portions of Loan A and the Capex Financing Facility concluded under the *Euro Term and Revolving Facilities Agreement*, respectively, for Euro 1,500 thousand and Euro 750 thousand.

The loans are evaluated using the amortised cost method based on the provisions of IAS 39. Their value increased by capitalising the ancillary expenses incurred for the conclusion of a new loan agreement

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

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Within 1 year	32,220	5,984

From 1 to 5 years	40,062	25,796
More than 5 years	-	-
Total	**72,282**	**31,780**

A breakdown of the net financial debt as at 31 August 2017 and as at 28 February 2017 is shown below. Note that the net financial debt is presented in accordance with the provisions of Consob Communication No. 6064293 of 28 July 2006 and in conformity with the recommendations of ESMA/2013/319.

(Amounts in thousands of Euros)	**Notes**	**Period ended 31 August 2017**	**Year ended 28 February 2017**
(A) Cash	5.9	29,068	36,666
(B) Other cash equivalents		-	-
(C) Securities held for trading		-	-
(D) Liquidity (A)+(B)+(C)		**29,068**	**36,666**
- of which: pledged		-	*650*
(E) Current loan assets		-	-
(F) Current bank loans and borrowings		-	-
(G) Current part of non-current financial debt	5.11	(32,220)	(5,984)
(H) Other current financial loans and borrowings	5.13	(24,664)	(2,418)
(I) Current financial debt (F)+(G)+(H)		**(56,884)**	**(8,402)**
- of which: secured		*(30,000)*	*(6,750)*
- of which: unsecured		*(26,884)*	*(1,652)*
(J) Net current financial position (debt) (I)+(E)+(D)		**(27,816)**	**28,264**
(K) Non-current bank loans and borrowings	5.11	(40,062)	(25,796)
(L) Issued bonds		-	-
(M) Other non-current loans and borrowings	5.13	(7,921)	(4,427)
(N) Non-current financial debt (K)+(L)+(M)		**(47,983)**	**(30,223)**
- of which: secured		*(42,300)*	*(26,800)*
- of which: unsecured		*(5,683)*	*(3,423)*
(O) Net financial debt (J)+(N)		**(75,799)**	**(1,959)**

The net debt increased by Euro 73,840 thousand compared to 28 February 2017, mainly due to the increase of: (i) investments made mainly for the development of the network of direct stores and some important work on the network of existing stores for Euro 22,975 thousand, (ii) the distribution of dividends for Euro 20,000 thousand, (iii) investments for business combinations and business units for Euro 12,648 thousand net of cash acquired in business combinations, (iv) financial liabilities stemming from the acquisition of Monclick for Euro 6,500 thousand and (v) cash flow absorbed by operations, net of interest paid, for Euro 11,717 thousand.

The table below summarises the breakdown of the items “Other current loans and borrowings” and “Other non-current financial payables” for the periods ending 31 August 2017 and 28 February 2017. See note 5.14 “Other financial liabilities” for more details.

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Other current financial liabilities	24,664	2,418
Other non-current financial liabilities	7,921	4,427
Total financial liabilities	**32,585**	**6,845**

5.12 Employee benefits

The change in the item “Employee benefits” for the period from 28 February 2017 to 31 August 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	
Balance as at 28 February 2017	**9,783**
First Monclick consolidation	611
Service cost	32
Interest cost	62
Settlements/advances	(304)
Transfers in/(out)	836
Actuarial (profits)/losses	(75)
Balance as at 31 August 2017	**10,945**

(Amounts in thousands of Euros)	
Balance as at 29 February 2016	**10,220**
Service cost	-
Interest cost	153
Settlements/advances	(474)
Transfers in/(out)	-
Actuarial (profits)/losses	2
Balance as at 31 August 2016	**9,901**

This item includes the TFR (severance pay) required by Law No. 297 of 25 May 1982 which guarantees statutory compensatory settlements to an employee when the employment relationship is ended. Severance pay, regulated by Article 2120 of the Italian Civil Code, 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.

It should be noted that the item "Transfers in/out" includes the severance indemnities accrued by employees incorporated with the purchase of the business unit from Andreoli S.p.A. equalling Euro 836 thousand. For further details see note 5.28. Under the item "First Monclick consolidation", the value of the severance pay is recorded, incorporated following the acquisition of 100% of the share capital in Monclick with effect from 1 June 2017. For further details see note 5.28.

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.

5.13 Other financial liabilities

A breakdown of the item "Other financial liabilities" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Lease liabilities	3,053	2,236
Fair value of derivative instruments	35	7
Factoring liabilities	76	175
Payables for investments in equity investments and business units	1,500	-
Payables to shareholders as dividends	20,000	-
Other current financial liabilities	**24,664**	**2,418**
Lease liabilities	2,921	4,427
Payables for investments in equity investments and business units	5,000	-
Other non-current financial liabilities	**7,921**	**4,427**
Total financial liabilities	**32,585**	**6,845**

Lease liabilities

Lease liabilities amount to a total of Euro 5,974 thousand at 31 August 2017 and Euro 6,663 thousand at 28 February 2017. The assets that are the subject of the finance lease agreement are furnishings, 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 are repayable through fixed instalment plans 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 secured to the lessor via rights on the leased assets. 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.

Fair value of derivative instruments

The financial hedging instruments, in existence as at 31 August 2017 and 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*. It should also be noted that the existing contracts with the Institute BNL S.p.A expired in the six months ended 31 August 2017.

Factoring liabilities

Payables to factoring companies stood at Euro 76 thousand as at 31 August 2017 (Euro 175 thousand as at 28 February 2017) and refer to transfers of trade payables to a financial counterparty through factoring with right of recourse.

Payables for investments in equity investments and business units

On 9 June 2017, Unieuro completed the acquisition from Project Shop Land S.p.A. for 100% of Monclick shares. The consideration for the transaction amounted to Euro 10,000 thousand of which Euro 3,500 thousand were paid at closing and the remainder will be paid to the vendor according to an instalment plan lasting 5 years.

Payables to shareholders as dividends

Payables to shareholders for dividends originated following the resolution of the Shareholders' Meeting of 20 June 2017, which approved the distribution of a dividend of Euro 1 per ordinary share for a total amount of Euro 20 million. The dividend payment was made on 27 September 2017.

5.14 Provisions

The change in the item "Provisions" for the period from 28 February 2017 to 31 August 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Provision for tax dispute**	**Provision for other disputes**	**Provision for onerous contracts**	**Provision for restructuring**	**Other provision for risks**	**Total**
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*
Provisions	22	966	325	-	996	**2,309**
Draw-downs/releases	-	(169)	(632)	(21)	(17)	**(839)**
Balance as at 31 August 2017	**5,671**	**2,539**	**1,221**	**245**	**2,051**	**11,727**
- of which current portion	*1,906*	*1,260*	*815*	*245*	982	*5,208*
- of which non-current portion	*3,765*	*1,279*	*406*	-	1,069	*6,519*

(Amounts in thousands of Euros)	**Provision for tax dispute**	**Provision for other disputes**	**Provision for onerous contracts**	**Provision for restructuring**	**Other provision for risks**	**Total**
Balance as at 29 February 2016	**4,668**	**2,291**	**1,201**	**1,199**	**980**	**10,339**
- of which current portion	-	-	*700*	*1,199*	*672*	*2,571*
- of which non-current portion	*4,668*	*2,291*	*501*	-	*307*	*7,767*
Provisions	*2,038*	*494*	-	-	*740*	*3,272*
Draw-downs/releases	*(395)*	*(703)*	*(336)*	*(693)*	*(64)*	*(2,191)*
Balance as at 31 August 2016	**6,311**	**2,084**	**865**	**506**	**1,655**	**11,421**
- of which current portion	*886*	-	*564*	*506*	1,319	*3,275*
- of which non-current portion	*5,425*	*2,084*	*301*	-	336	*8,146*

The "Provision for tax dispute", equal to Euro 5,671 thousand as at 31 August 2017 and Euro 5,649 thousand as at 28 February 2017, was set aside mainly to hedge the liabilities that could arise following disputes of a tax nature. The current portion of Euro 1,906 thousand relates to the definition of tax disputes pending under Article 11 of Decree Law 50 of 24 April 2017 whose regulation will effect later this financial year.

The "Provision for other disputes", equal to Euro 2,539 thousand as at 31 August 2017 and Euro 1,742 thousand as at 28 February 2017, refers to disputes with former employees, customers and suppliers. The current portion of Euro 1,260 thousand mainly refers to the legal dispute regarding a leasing contract of a business unit signed on 20 October 2011 for which Unieuro received notification of a writ of attachment on 27 September 2017. It should be noted that, Unieuro opposed this at the Court of Forli, requesting a stay of execution and in any event disputing the substance of the claimed debt. For more details, please see Note 5.9.

The "Provision for onerous contracts", equal to Euro 1,221 thousand as at 31 August 2017 and Euro 1,528 thousand as at 28 February 2017, 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 Euro 245 thousand as at 31 August 2017 and Euro 266 thousand as at 28 February 2017, refer mainly to the conclusion of the personnel restructuring and commercial network integration process of *Ex* Unieuro.

The "Other provision for risks", equal to Euro 2,051 thousand at 31 August 2017 and Euro 1,072 thousand as at 28 February 2017, 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 supplementary customer compensation fund and (iii) the Unieuro Club customer loyalty programme. Of the increase of Euro 979 thousand, Euro 880 thousand refers to the Unieuro Club fund; it should be noted that the programme of points accumulation ends on 28 February each financial year.

5.15 Other current liabilities and other non-current liabilities

A breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 31

August 2017 and 28 February 2017 is shown below:

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Deferred income and accrued liabilities	91,902	89,446
Payables to personnel	30,478	28,206
Payables for VAT	18,076	15,715
Payables for IRPEF (income tax)	945	2,010
Payables to welfare institutions	2,699	1,759
Payments on account from customers	3,239	3,017
Other current liabilities	89	82
Other tax payables	126	92
Total other current liabilities	**147,554**	**140,327**
Deposit liabilities	26	21
Total other non-current liabilities	**26**	**21**
Total other current and non-current liabilities	**147,580**	**140,348**

The item "Other current liabilities" increased by Euro 7,227 thousand in the period ended 31 August 2017 compared with the year ended 28 February 2017. The increase recorded in the item during the period under review was mainly attributable to higher deferred liabilities relating to the extended service warranty, to the increase in employee payables and social security payables related to the increased workforce following the acquisition of the business unit from Andreoli S.p.A., to adjust the central structure to the stock exchange requirements and to strengthening certain strategic functions.

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

- deferred income and accrued liabilities of Euro 91,902 thousand at 31 August 2017 (Euro 89,446 thousand as at 28 February 2017) due mainly to the deferrals for the extended warranty services. Revenue from sales is reported according to the term of the contract, or the period for which there is a performance obligation, thereby re-discounting sales pertaining to future periods.

- payables to employees for Euro 30,478 thousand at 31 August 2017 (Euro 28,206 thousand as at 28 February 2017) consisting of debts for outstanding wages, holidays, permissions, and thirteenth and fourteenth month pay. These payables refer to items accrued but not yet settled.

- VAT payables of Euro 18,076 thousand at 31 August 2017 (Euro 15,715 thousand at 28 February 2017) composed of payables resulting from the VAT settlement with regard to February 2017.

5.16 Trade payables

A breakdown of the item "Trade payables" as at 31 August 2017 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	Period ended	Year ended
	31 August 2017	**28 February 2017**
Trade payables to third-parties	386,338	332,504
Trade payables to related-parties	10	15
Gross trade payables	**386,348**	**332,519**
Bad debt provision - amount due from suppliers	2,145	2,027
Total Trade payables	**388,493**	**334,546**

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

Gross trade payables increased by Euro 53,829 thousand as at 31 August 2017 compared with 28 February 2017 due to: (i) new payables contributed by the Monclick consolidation and (ii) the growth of the business operations as a result of the introduction of new stores including through new acquisitions.

As at 31 August 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.

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

The change in the "Allowance for impairment - amount due from suppliers" for the period from 31 August 2017 to 28 February 2017 and from 29 February 2016 to 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Allowance for impairment- amount due from suppliers**
Balance as at 28 February 2017	**2,027**
First Monclick consolidation	130
Provisions	197
Draw downs	(209)
Balance as at 31 August 2017	**2,145**

(Amounts in thousands of Euros)	**Allowance for impairment- amount due from suppliers**
Balance as at 29 February 2016	**2,162**
Draw downs	(37)
Balance as at 31 August 2016	**2,125**

The “Allowance for impairment - amount due from suppliers” is related to the write-down of certain receivables from suppliers deemed of doubtful recoverability due to the opening of insolvency proceedings.

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

5.17 Revenue

A breakdown of the item “Revenue” for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(in thousands of EUR and as a percentage of revenues)	**Period ended**			
	31 August 17	**%**	**31 August 16**	**%**
Retail, Online, Travel (1)	655,792	80.59%	606,670	79.66%
Wholesale (2)	99,342	12.21%	102,479	13.46%
B2B (3)	58,563	7.20%	52,378	6.88%
Total	**813,697**	**100.00%**	**761,527**	**100%**

(1) The *Retail* sales channel refers to the sale of products to end users through stores 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 and *Click & Collect*. The *Travel* sales channel embodies the sale of products at major public transport hubs via direct stores.

(2) The *Wholesale* channel covers the sale of products to affiliated partners operating exclusively with 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 total item “Revenues” increased from Euro 761,527 thousand from the six-month period ended 31 August 2016 to Euro 813,697 thousand in the six months ended 31 August 2017. The increase in revenues is 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 stores and (ii) the positive performance of the sales volumes of the *Retail* channel as a result of the new openings, the restructurings carried out during the period in order to make the stores more attractive, and the investment in personnel training aimed at improving customer satisfaction and loyalty and (iii) the extension of the *pick up* *points* in addition to the effect of the special initiatives Customer Relationship Management (CRM)

5.18 Other income

A breakdown of the item "Other Revenues" for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(Amounts in thousands of Euros)	Period ended	
	31 August 2017	31 August 2016
Other income	829	628
Insurance claims	657	726
Rental and lease income	765	892
Total Other Income	**2,251**	**2,246**

The total of the item Other income remains virtually unchanged between the six-month period ended 31 August 2016 and the six-month period ended 31 August 2017. This item contains mainly revenues from active rentals, contributions from service providers and revenue from affiliates for the recharging of costs relating to the Unieuro Club loyalty programme.

5.19 Purchases of materials and external services

A breakdown of the item "Purchases of materials and external services" for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(Amounts in thousands of Euros)	Period ended	
	31 August 2017	31 August 2016
Purchase of goods	678,337	588,093
Building rental and expenses	30,640	28,884
Marketing	25,783	26,492
Transport	18,921	15,400
Utilities	6,095	5,986
Maintenance and rental costs	4,990	4,984
General sales expenses	3,790	3,684
Consultancies	5,872	2,614
Other costs	3,996	2,582
Purchase of consumables	2,107	1,783
Travel expenses	1,445	1,057
Payments to administrative and supervisory auditors	421	192
Total Purchases of materials and external services	**782,397**	**681,751**

Changes in inventories	(40,090)	8,015
Total, including the change in inventories	**742,307**	**689,766**

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from Euro 689,766 thousand as at 31 August 2016 to Euro 742,307 thousand in the period ended 31 August 2017, an increase of Euro 52,541 thousand or 7.6%.

The main increase is attributable to the items "Purchase of goods" and "Changes in inventories" for Euro 42,139 thousand due to the increase of the business volume due to the opening of new stores, with 21 stores added by the acquisition of the business unit from Andreoli S.p.A., and the acquisition of Monclick.

The item "Building rental and expenses," increased by Euro 1,756 thousand due to the signing new leases related to new stores.

The item "Transport" increased by Euro 3,521 thousand due to higher costs for delivery to customers resulting from increased Retail and Web sales compared to the same period of the previous year, in some cases also providing home delivery service.

The item "Marketing" decreased from Euro 26,492 thousand at 31 August 2016 to Euro 25,783 thousand at 31 August 2017, primarily due to a different promotional calendar between the two periods.

The item "Consultancies" increased by Euro 2,614 thousand at 31 August 2016 to Euro 5,872 thousand at 31 August 2017, mainly as a result of the costs incurred by Unieuro relating to the listing project on the Mercato Telematico Azionario – STAR segment of Borsa Italiana S.p.A. which was concluded on 4 April 2017, and due to the costs incurred for business combination and business unit investments.

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

Please refer to Note 5.6 for more details on "Changes in inventories".

5.20 Personnel expenses

A breakdown of the item "Personnel expenses" for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Salaries and wages	52,655	47,422
Welfare expenses	14,910	14,195
Severance pay	3,562	3,381
Other personnel expenses	858	598
Total personnel expenses	**71,985**	**65,596**

Personnel costs increased in the period from Euro 65,596 thousand at 31 August 2016 to Euro 71,985 thousand in the period at 31 August 2017, rising by 6,389 thousand. The increase in the item "Wages and salaries" was due primarily to (i) the increase of employees following the opening of new stores and acquiring the business unit from Andreoli S.p.A., (ii) the adjustment of the central structure to the requirements of the stock market and the strengthening of certain strategic functions, (iii) the adjustment of contracts of employees in effect and (iv) to seniority raises. It should be noted that the increase in "Social security" and "Severance pay" items is directly related to the increase mentioned above.

The item "Other personnel expenses" at 31 August 2017 increased by Euro 260 thousand. This item refers mainly to the cost for the financial year for the *Call Option Agreement*.

5.21 Other operating costs and expenses

A breakdown of the item "Other operating costs and expenses" for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Non-income based taxes	3,931	2,715
Suppliers account debit balance	197	-
Other operating expenses	97	106
Total other operating costs and expenses	**4,225**	**2,821**

The Other costs and operating expenses rose from Euro 2,821 thousand in the period 31 August 2016 to Euro 4,225 in the period ended 31 August 2017, registering an increase of Euro 1,404 thousand equal to 49.8%. The increase is primarily due to: (i) the increase in the period of the volume and value of the products offered to customers within rewards programme operations, therefore, related to the increase of the correlated non-deductible VAT and (ii) a different promotional calendar than the previous period.
The item "Non-income based taxes" mainly includes non-deductible VAT on transactions, charges for waste disposal, the communal tax on advertising, the SIAE tax, and stamp duties.

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

5.22 Amortisation, depreciation and impairment losses

A breakdown of the item "Amortisation, depreciation and impairment losses" for the financial years ended 31 August 2017 and 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Ammortization and depreciation of tangible fixed assets	7,551	6,231
Amortization and depreciation of intangible fixed assets	2,248	2,028

Impairment losses of tangible and intangible fixed assets	17	343
Total Amortisation depreciation and impairment losses	**9,816**	**8,602**

The item "Amortisation depreciation and impairment losses" changed from Euro 8,602 thousand in the period at 31 August 2016 to Euro 9,816 thousand in the period ended 31 August 2017, an increase of Euro 1,214 thousand, or 14.1%. The increase was due primarily to purchases of fixed assets that took place during the reporting period and during the second half of the period ending 28 February 2017. The item "Impairment losses of tangible and intangible fixed assets" decreased in the period ending 31 August 2017 compared to the period ended 31 August 2016 due to (i) lower losses on fixed assets during the period following the reduction of store closings and (ii) a reassessment of a store written-down in previous periods. 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.

5.23 Financial income and Financial expenses

A breakdown of the item "Financial income" for periods of six months ended at ended 31 August 2017 and 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Interest income	16	16
Other financial income	196	101
Total financial income	**212**	**117**

The item "Financial income" increased from Euro 117 thousand from the six-month period ended 31 August 2016 to Euro R 212 thousand in the six months ended 31 August 2017, an increase of Euro 95 thousand. The increase is attributable to higher "Other financial income" related primarily to an increased profit from foreign exchange gains.

A breakdown of the item "Financial expenses" for periods of six months ended 31 August 2017 and 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Interest expense on bank loans	1,832	2,137
Interest expense from parent company	-	531
Other financial expense	847	377
Total Financial Expenses	**2,679**	**3,045**

The item "Financial expenses" decreased from Euro 3,045 thousand for the six months ended 31 August 2017 to Euro 2,679 thousand for the six months ended 31 August 2016, lower by Euro 366 thousand or 12.02%.

The item “Interest expense on bank loans” fell as at 31 August 2017 by Euro 305 thousand compared with the previous period; this decrease was due to lower drawings on the Revolving Line during the year ended 31 August 2017 compared with the six months ended 31 August 2016, 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 “Other financial espenses” increased by Euro 470 thousand; the increase was mainly due to increased loss in foreign exchange due to the increased business operations in the six months ended 31 August 2017 and to a more unfavourable trend in exchange rates during the period.

5.24 Income taxes

A breakdown of the item “Income taxes” for periods of six months ended at 31 August 2017 and at 31 August 2016 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Current taxes	(3,028)	(2,129)
Deferred taxes	729	(1,020)
Accrual to/(release of) the provision for taxes	95	2,038
Total	**(2,204)**	**(1,111)**

The table below contains the reconciliation of the theoretical tax burden with the actual one:

(In thousands of Euros and as a percentage of the profit before tax)	**Period ended**			
	31 August 2017	**%**	**31 August 2016**	**%**
Pre-tax result for period	(14,852)		(5,940)	
Theoretical income tax (IRES)	3,564	24.0%	1,426	24.0%
IRAP	1,818	(12.2%)	2,129	(35.8%)
Tax effect of permanent differences and other differences	(3,083)	20.8%	(406)	6.8%
Tax for the period	**2,299**		**3,149**	
Accrual to the provision for taxes	(95)		(2,038)	
Total taxes	**2,204**		**1,111**	
Actual tax rate		**(14.8%)**		**(18.7%)**

The charge for income taxes is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period. In the periods ended at 31 August 2017 and at 31 August 2016, the effect of tax on profit before taxes is 14.8% and 18.7%, respectively.

The item "Accruals to/(release from) tax provision" went from Euro 2,038 thousand in the period ended 31 August 2016 to Euro 95 thousand in the period ended 31 August 2017.

It should be noted that tax losses that are still available at 31 August 2017 equal Euro 411,296 thousand, out of those losses, deferred taxes of Euro 12,752 thousand are recognised at 31 August 2017.

5.25 Basic and diluted earnings per share

On 12 December 2016, the Shareholders' Meeting approved the transformation into a joint stock company and the change of the company name to Unieuro. The share capital of Unieuro, fully subscribed and paid up, was defined as Euro 4,000 thousand and is represented by 20,000,000 ordinary shares.

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 thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Result for the period/financial year [A]	(12,648)	(4,829)
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]	**(0.63)**	**(0.24)**

(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.

5.26 Statement of cash flows

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

Cash flows from/ (used in) by operating activities

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Cash flow from operations		
Profit/(loss) for the period	(12,648)	(4,829)
Adjustments for:		
Income taxes	(2,204)	(1,111)
Net financial expenses (income)	2,467	2,928
Depreciation, Amortisation and impairment losses	9,816	8,602
(Gains)/losses on the sale of property, plant and machinery	-	-
Other changes	706	1,170
	(1,863)	6,760
Changes in:		
- Inventories	(40,090)	8,015

- Trade receivables	4,337	(9,768)
- Trade payables	24,219	(49,574)
- Other changes in operating assets and liabilities	4,146	6,274
Cash flow from/(used in) operating activities	(7,388)	(45,053)
Income taxes paid	-	-
Interest paid	(4,179)	(1,802)
Net cash flow from/(used in) operations	**(13,430)**	**(40,095)**

The net cash flow generated/(absorbed) by operating activities went from cash flow absorbed for Euro 40,095 thousand for the period ended at 31 August 2016 to cash flow absorbed for Euro 13,430 thousand in the period ended 31 August 2017, an increase of Euro 26,665 thousand The larger cash flows generated were mainly influenced by the combined effect resulting from:

- lower gross operating profit for the period of Euro 8,159 thousand;

- increased liquidity generated by changes in operating working capital of Euro 37,665 thousand;

- the higher financial expenses paid of Euro 2,377 thousand.

Specifically, in the year ended 31 August 2017, the cash flow 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 Euro 37,665 thousand, passing from a negative flow of Euro 45,053 thousand in the period ended 31 August 2016 to a negative flow of Euro 7,388 thousand in the period ended 31 August 2017. This increase was due primarily to an increase in trade payables for Euro 73,793 thousand and trade receivables for Euro 14,105 thousand, mitigated by the negative effect of the change in inventories for Euro 48,105 thousand and the change in other operating assets and liabilities for Euro 2,128 thousand. This performance is linked to the increase in the number of stores as a result of the acquisition of the business unit from Andreoli S.p.A. and of Monclick, which resulted in an increase in the value of trade payables greater than that of the inventories. Also the cash flow generated/(absorbed) by operating activities was affected by the payment of higher borrowing costs for Euro 2,377 thousand regarding expenditures incurred for the subscription of the New Loan Agreement.

Cash flow from/ (used in) by investment activities

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2017	**31 August 2016**
Cash flow from investing activities		
Purchases of plant, equipment and other assets	(17,024)	(10,289)
Acquisition of intangible assets	(5,951)	(1,627)
Proceeds from the sale of plant, equipment and other assets	1	-
Investments for business combinations and business units	(12,881)	-
Net cash inflow from acquisition	233	-
Net cash flow from/(used in) investing activities	**(35,622)**	**(11,916)**

Investment activities absorbed liquidity of Euro 35,622 thousand and Euro 11,916 thousand, respectively, in the years ended 31 August 2017 and 31 August 2016.

With reference to the period ended 31 August 2017, the main needs of the Group regarded investments in:

- property, plant and equipment of Euro 17,024 thousand, mainly relating to the purchase of plant in connection with opening, relocating or renovating stores during the year as well as to the energy efficiency project already launched in the previous financial year;

- intangible assets for Euro 5,951 thousand, primarily related to intangible assets of which Euro 3,200 thousand is *Key Money* paid upon concluding two leases to take over stores to ensure strategic benefits. The residual change relates primarily to the implementation of new software and licences;

- investments and business units for Euro 12,881 thousand, partially offset by net cash acquired at the time of acquisition of Euro 233 thousand. The investments in question refer to the purchase price for the business unit bought from Andreoli S.p.A. for Euro 9,381 thousand and Euro 3,500 thousand for Monclick. The contribution of net cash from acquisition refers to the remnants in Monclick current accounts at the first consolidation date net of the current financial liabilities acquired.

Cash flow from/ (used in) by financing activities

	Period ended	
(Amounts in thousands of Euros)	**31 August 2017**	**31 August 2016**
Cash flow from financing activities		
Increase/(Decrease) in financial liabilities	42,214	30,937
Increase/(Decrease) in other financial liabilities	(760)	342
Increase/(Decrease) in shareholder loans	-	-
Distribution of dividends	-	-
Net cash flow from/(used in) financing activities	**41,454**	**31,279**

Financial activities generated cash of Euro 41,454 thousand in the period ended 31 August 2017 and Euro 31,279 thousand for period ended 31 August 2016.

The cash flow from financing activities as at 31 August 2017 mainly reflects:

- an increase in financial liabilities for Euro 11,277 thousand mainly due to the combined effect of using the new financing "Loan C" for Euro 20,000 thousand partially offset by: (i) a decrease in the use of the *Revolving Credit Facility* line to Euro 1,800 thousand and (ii) decreased use of short-term credit lines for Euro 7,297 thousand;

- a decrease in other liabilities by Euro 1,102 thousand mainly due to the repayment of the debts of assets subject to financial leasing.

5.27 Share-based payment agreements

Call Option Agreement

On 22 October 2014, the shareholders of Venice Holdings S.r.l. ("**Shareholders of Venice Holdings**") signed a *Call Option Agreement* lasting 5 years which provides the commitment of shareholders to resolve – if a sale is finalised of the majority of the shares held by the same in the share capital of Venice Holdings S.r.l. (hereinafter "Venice Holdings") – a share capital increase of Venice Holdings, to be released in two *tranches* (tranche A and tranche B), reserved for certain managers and employees of Unieuro and *Ex* Unieuro, who hold shares in Venice Holdings. 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) to the two tranches of the Venice Holdings share capital increase which is the subject of the commitment undertaken by the shareholders themselves. The right of pre-emption does not have a deadline.

Specifically, in the Call Option Agreement, these options give the right to subscribe to 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 S.r.l., 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 S.r.l. if the change of control takes place pursuant to the Call Option Agreement.

During the financial year ended 28 February 2017, Unieuro launched all the internal preparatory activities for the listing of the Unieuro'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 the listing project, in order to confirm the incentive of the assignees of the *Call Option Agreement*, the shareholder (Italian Electronics Holdings S.r.l.) decided to change the original options plan at the beginning of February 2017 by a renunciation to the previous *Call Option Agreement* and a simultaneous assigning of a new options plan called *Transaction Bonus* lasting 5 years which involved the commitment of Italian Electronics Holdings S.r.l. (i) in the case of success of the project for admission to listing, assigning certain managers of Unieuro, on the day of the setting the issue price, by Italian Electronics Holdings S.r.l., a number of shares in Unieuro, at no charge, with the obligation to sell the shares assigned on the placement date, and to other managers an amount in Euros equal to the value of a predetermined number of shares at the issue price, (ii) in case of a sale to a third party of all or part of the shares of Unieuro, the assignment to certain managers and employees of Unieuro, before the transfer to the third party, by Italian Electronics Holdings S.r.l., a number of shares of Unieuro, at no charge, with obligation to sell the shares assigned to the third party. 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 S.r.l. 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 Euro 70 million. From 3 May 2017, the greenshoe option granted by

Italian Electronics Holdings S.r.l. was partially exercised for 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 Euro 11.00 per share, which corresponds to the offer price which was set for the placement, totalling Euro 5,917 thousand. The share settlement relative to the greenshoe option took place on 8 May 2017. Therefore, the placement covered a total of 6,901,573 ordinary shares of Unieuro S.p.A, equal to 34.51% of the share capital, for a total value of approximately Euro 75,917 thousand.

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.

To define the length of the vesting period, the new deadline considered for the service 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 Condensed Interim Consolidated Financial Statements, the evaluation of the probable market price of the options is recorded using the binomial method (Cox – Ross – Rubinstein). 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), and 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.

In determining 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	Euro 610.00	Euro 278.00
Price of options at grant date	Euro 8.55	Euro 1.01
Exercise price	Euro 792 + 8% per year	Euro 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 options 31 August 2017	Number of options 28 February 2017	Number of options 31 August 2017	Number of options 28 February 2017
Outstanding at start of the period	-	**9,305**	-	**4,653**
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Withdrawn during the period (*bad leaver*)	-	-	-	-
Plan amendment (*Transaction Bonus*)	-	(9,305)	-	(4,653)
Outstanding at period end	-	-	-	-
Not granted at the start of the period	-	4,902	-	2,451
Exercisable at end of period	-	-	-	-
Plan amendment (*Transaction Bonus*)	-	(4,902)	-	(2,451)
Not granted at the end of the period	-	-	-	-

Note that, as mentioned above, the *Transaction Bonus* constitutes a change to the existing plan which caused an acceleration event in the vesting period.

Long Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan ("*Long Term Incentive Plan", "*LTIP") reserved for Executive Directors, associates and employees (executives and others) of Unieuro (the "Recipients"). The *Long Term Incentive Plan* calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code approved by Unieuro's Shareholders' Meeting on the same date.

The *Long Term Incentive Plan* has the following objectives: *(i)* focusing the Recipients on the strategic factors of Unieuro and the Group, *(ii)* retaining the Recipients of the plan and encouraging their remaining with Unieuro and/or other companies of the Group, *(iii)* increasing the competitiveness of Unieuro and the Group in their medium-term objectives and identifying and facilitating the creation of value both for Unieuro and the Group and for its shareholders, and *(iv)* ensuring that the total remuneration of Recipients of the Long Term Incentive Plan remains competitive in the market.

The implementation and definition of specific features of the *Long Term Incentive Plan* were referred to the same Shareholders' Meeting for specific definition by the Unieuro Board of Directors. On 29 June 2017, the Board of Directors approved the plan regulations for the plan ("Regulations") whereby the terms and conditions of implementation of *Long Term Incentive Plan* were determined.

The Regulations also provide for the terms and conditions described below:

- *Condition*: the *Long Term Incentive Plan* and the grant of the options associated with it will be subject to the conclusion of the listing of the Unieuro by 31 July 2017 ("IPO");
- *Recipients*: the *Long Term Incentive Plan* is addressed to Directors with executive type

positions, associates and employees (managers and others) of Unieuro that were identified by the Board of Directors within those who have an ongoing employment relationship with Unieuro and/or other companies of the Group. Identification of the Recipients was made on the basis of a discretionary judgment of the Board of Directors that, given the purpose of *Long Term Incentive Plan*, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

- *Object*: the *object of the Long Term Incentive 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 be increased up to 1,032,258. A share capital increase was approved for this purpose for a nominal maximum of Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro'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;

- *Exercise of rights*: the subscription of the shares can only be carried out after 31 August 2020 and within the final deadline of 31 July 2025;

- *Vesting*: the extent and existence of the right of every person to exercise options will happen on 31 August 2020 provided that: (i) the working relationship with the Recipient persists until that date, and (ii) the objectives are complied with, in terms of distributable profits, as 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 issue price on the day of the IPO amounting to Euro 11.00 per share;

- *Monetary bonus*: the recipient who wholly or partly exercises their subscription rights shall be entitled to receive an extraordinary bonus in cash of an amount equal to the dividends that would have been received at the date of approval of this *Long Term Incentive Plan* until completion of the vesting period (29 February 2020) with the exercise of company rights pertaining to the Shares obtained during that year with the exercise of Subscription Rights

- *Duration*: the Plan covers a time horizon of five years, from 31 July 2020 to 31 July 2025.

The subscription and subsequent acceptance of the *Long Term Incentive Plan* by Recipients has not yet occurred.

5.28 Business combinations

Acquisition of Monclick S.r.l.

On 9 June 2017, Unieuro completed the acquisition from Project Shop Land S.p.A. for 100% of Monclick shares. ("Monclick"), a leading online operator in Italy, is active in the consumer electronics market and in the B2B2C online market. Monclick represents a "pure player" in the Italian panorama of e-commerce, that is, a company that sells products only through the web channel, without having physical sales or pick-up points.
The acquisition, announced on 23 February 2017, is of great strategic value because it enables Unieuro to significantly increase sales in the online segment, thereby reinforcing its positioning in the domestic market and allowing entry into the promising field of B2B2C.

The transaction value is Euro 10 million, of which Euro 3.5 million was paid at the closing and the remainder spaced out over 5 years.

The financial statements of the subsidiary Monclick were included in the consolidated financial statements starting from 1 June 2017. The Directors estimated that no significant changes have occurred in the fair value of the assets acquired between the date when Unieuro took control (9 June 2017) and the date of first consolidation (1 June 2017).

The amounts reported with reference to the assets acquired and liabilities assumed at the acquisition date are summarised below:

(Amounts in thousands of Euros)	**Acquired assets (liabilities)**	**Identifiable assets (liabilities)**	**Recognised assets (liabilities)**
Plant, machinery, equipment and other assets and intangible assets with finite useful life	284	-	284
Other non-current assets	44	-	44
Deferred tax assets	630	(630)	0
Inventories	3,154	(370)	2,784
Trade receivables	23,542	(233)	23,309
Trade payables	(29,354)	(376)	(29,730)

Other current assets/liabilities	1,368	-	1,368
Employee benefits	(491)	-	(491)
Financial liabilities	(3,784)	-	(3,784)
Cash and cash equivalents	4,019	-	4,019
Total net identifiable assets	**(588)**	**(1,609)**	**(2,197)**

The identifiable assets (liabilities) were determined on a provisional basis as provided by (*revised*) IFRS 3, and refer to: (i) write-downs of deferred tax assets considered not recoverable on the basis of actual tax results expected at Euro 630 thousand, (ii) write-down of obsolete inventories for Euro 370 thousand, (iii) write-down of receivables held in bad debts at the acquisition date for Euro 233 thousand and (iv) write-down of receivable notes from suppliers deemed non-collectable at the acquisition date for Euro 376 thousand.

The following table briefly describes the preliminary goodwill recognised at the time of acquisition:

(Amounts in thousands of Euros)	**31 May 2017**
Transaction consideration	(10,000)
% Acquired	100%
Shareholders' Equity of Monclick	(588)
Fair Value adjustment of acquired assets (liabilities)	**(1,609)**
Inventories	(370)
Trade receivables	(233)
Trade payables	(376)
Deferred tax assets	(630)
IFRS Transition	**(123)**
Employee benefits	(123)
Excess Price to be Allocated	**(12,320)**
Software	1,284
Monclick brand	4,641
Customer List	1,178
Deferred tax liabilities	(1,982)
Residual goodwill	7,199

The *intangible assets* in Monclick are classified according to IFRS 3, in three main categories:

- *Marketing-related intangible assets*: these are intangible assets that are used primarily for marketing and promoting the company's products and services (brands, etc.);
- *Customer-related intangible assets*: this category includes a number of *intangible assets* (*customer relationship, database*, etc.) characterised by the presence of a relationship between the company and its customer base, actual or potential;
- *Technology-related intangible assets*: this category contains technology in the broad sense (*patented* and *unpatented*), including *software*, that are essential to the functioning of the business.

Monclick operates in two *business* lines that appeal to the same consumers, while reaching them through two different channels: (i) *Online*, which includes online sales of consumer products directly to the final consumer through "Monclick" website, and (ii) *B2B2C*, that is, the channel for products and services sold to the final consumer through partnerships with large companies.

These channels, while still using a common platform of shared resources, differ by the type of customers, a factor that determines a differentiation, both for a specific management approach as well as in growth prospects.

The management believes that, based on the highlighted Monclick business lines, it can therefore be respectively be placed in the following Unieuro CGU: (i) *Retail* CGU, relating to all cash flows from distribution channels *Retail, Online* and *Travel*, and the *B2B* CGU, relating to the wholesale supply of products within the framework of the *business-to-business* channel.

Residual goodwill measured during the business combination for Euro 7,199 thousand was respectively allocated in an amount equal to 85% (Euro 6,151 thousand) in the *Retail* CGU, and in an amount equal to 15% (Euro 1,048 thousand) in the *B2B* CGU.

It should be noted that, at the time of acquisition, Unieuro availed itself of the right provided under (*revised*) IFRS 3 to carry out a provisional allocation of the cost of the business combination at the fair value of the assets, liabilities and contingent liabilities (of the acquired business). If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised.

Acquisition of Andreoli S.p.A.

On 17 February 2017, Unieuro completed the acquisition of a business unit from Andreoli S.p.A., in an agreement among creditors, consisting of 21 stores located mainly in central Italy, situated in shopping centres and sized between 1,200 and 1,500 square metres. The acquired chain previously operated under the brand name Euronics in southern Lazio, Abruzzo and Molise.

The acquisition is of great strategic value for Unieuro because it enables significantly increasing sales thereby strengthening its position in the domestic market.

The consideration for the sale of the company is Euro 12,200 thousand and is adjusted as follows:

- Euro 3,900 thousand were paid by Unieuro as a deposit for the submission of the tender offer within the competitive procedure under Article 163-*bis* of the Italian Bankruptcy Law;
- Euro 2,819 thousand through the assumption of the debt owed by Andreoli S.p.A to its transferred employees;
- Euro 5,481 thousand by bank transfer executed on 17 May 2017.

The cost of the business combination was provisionally allocated to goodwill. Unieuro availed itself of the right provided under (*revised*) IFRS 3 to carry out a provisional allocation of the cost of the business combination at the fair value of the assets, liabilities and contingent liabilities (of the acquired business). If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised.

The Group incurred costs related to the acquisition of Monclick S.r.l. and the business unit of Andreoli S.p.A. for Euro 6,053 thousand, entered under "Purchases of materials and external services" in the consolidated income statement.

6 RELATED-PARTY TRANSACTIONS

The following tables summarise the Group's Credit and debt relations with related parties during the six months ended 31 August 2017 and 28 February 2017:

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 31 August 2017										
Type	**International Retail Holding**	**Silvestrini Family**	**Italian Electronics Holdings S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2017											
Trade receivables	-	-	179	13	-	-	-	-	**192**	**54,175**	**0.4%**
Current tax assets	-	-	4,042	-	-	-	-	-	**4,042**	**11,308**	**35.6%**
Other current liabilities	-	-	-	-	(40)	(40)	(172)	(436)	**(688)**	**(147,555)**	**0.5%**
Other current financial liabilities	-	-	(9,598)	-	-	-	-	-	**(9,598)**	**(24,664)**	**38.92%**
Total	**-**	**-**	**(5,377)**	**13**	**(40)**	**(40)**	**(172)**	**(436)**	**(6,052)**		

(Amounts in thousands of Euros)	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 item**	**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**		

The following table summarises the economic relations of the Group to related parties at 31 August 2017 and 31 August 2016:

(Amounts in thousands of Euros)	**Economic relations with related-parties as at 31 August 2017**										
Type	**International Retail Holding**	**Silvestrini Family**	**Italian Electronics Holdings S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2017											
Purchases of materials and external services	-	(6)	-	(559)	(40)	(151)	(262)	-	**(1,018)**	**(782,397)**	**0.1%**
Personnel costs	-	-	-	-	-	-	-	(1,750)	**(1,750)**	**(71,985)**	**2.4%**
Other operating costs and expenses	-	-	-	(17)	-	-	-	-	**(17)**	**(4,225)**	**0.4%**
Total	**-**	**(6)**	**-**	**(576)**	**(40)**	**(151)**	**(262)**	**(1,750)**	**(2,785)**		

(Amounts in thousands of Euros)	**Economic relations with related-parties as at 31 August 2016**										
Type	**Venice Holdings**	**Italian Electronics**	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital L.L.C.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2016											
Other income	3	3	3	-	-	-	-	-	**9**	**2,246**	**0.3%**
Purchases of materials and external services	-	-	-	(573)	(30)	(503)	(138)	-	**(1,244)**	**(681,751)**	**0.2%**
Other operating costs and expenses	-	-	-	(15)	-	-	-	-	**(15)**	**(2,821)**	**0.5%**
Personnel costs	-	-	-	-	-	-	-	(1,250)	**(1,250)**	**(65,596)**	**1.9%**
Financial expenses	-	(531)	-	-	-	-	-	-	**(531)**	**(3,045)**	**17.4%**
Total	**3**	**(528)**	**3**	**(588)**	**(30)**	**(503)**	**(138)**	**(1,250)**	**(3,031)**		

With regard to the periods under consideration, the credit/debt relations and economic relations with related-parties mainly refer to:

- rental fees relating to Unieuro's registered office and several stores 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);

- a receivable arising during the previous years relating to the bookkeeping service by employees of Unieuro for Italian Electronics Holdings;

- the national tax consolidation scheme, the option for which was exercised in 2015 and that generated an issuer receivable from the holding company and consolidator Italian Electronics S.r.l.; The option for consolidating tax was valid until 28 February 2017 and was not renewed;

- distribution of a dividend of Euro 20,000 thousand through the use of Unieuro profits for the year ended 28 February 2017, totalling Euro 11,587 thousand and, for the remaining part Euro 8,413 thousand, through the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting of the parent; the share for Italian Electronics Holdings is Euro 9,598 thousand;

- *service agreement* contract with Rhône Capital II, which provides for the provision of specialised services for: (i) *advisory services* : strategic and financial planning, forecasting, consulting for preparing financial reports for clients, and support for signing loan agreements with banks and with third party professionals; (ii) *insurance service*: advice in order to determine an appropriate level and type of insurance contracts already concluded or to be concluded by the company; (iii) *corporate communications services* : advice and assistance in public relations with the press and with investors; (iv) *employee services* : advice for senior human resources management and incentive systems reserved for top management; (v) other services. It should be noted that the *service agreement* with Rhône Capital II was discontinued during the period, following the success of the listing project.

- a cost relating to leasing or letting of real property for guest use, located on via Focaccia in Forlì, owned by Giuseppe Silvestrini recorded following the definition of the new perimeter of related parties, signed on 8 August 2017;

- relations with the directors and main managers, summarised in the table below:

Main managers	
Period ended 31 August 2017	**Year ended 28 February 2017**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	*Chief Executive Officer* - Giancarlo Nicosanti Monterastelli
Chief Financial Officer - Italo Valenti	*Chief Financial Officer* - Italo Valenti
Chief Corporate Development Officer - Andrea Scozzoli	*Chief Corporate Development Officer* - Andrea Scozzoli
*Chief Omnichannel Office*r - Bruna Olivieri	*Chief Omnichannel Office*r - Bruna Olivieri
*Chief Operations Office*r - Luigi Fusco	*Chief Operations Office*r - Luigi Fusco

The gross pay of the main managers includes all remuneration components (benefits, bonuses, gross remuneration and long-term incentive plans).

The following table summarises the cash flows of the Group with related parties relating to the periods of six months ended 31 August 2017 and 31 August 2016:

(Amounts in thousands of Euros)	Related-parties									
Type	**Silvestrini Family**	**Italian Electronics Holdings S.r.l.**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance heet item**	**Impact on balance sheet item**

Period from 1 March 2017 to 31 August 2017										
Cash flow from/(used in) operating activities	(6)	-	(539)	(29)	(191)	(3,571)	(5,813)	**(10.140)**	**(13,430)**	**75.6%**
Total	**(6)**	**-**	**(539)**	**(29)**	**(191)**	**(3,571)**	**(5,813)**			
Period from 1 March 2016 to 31 August 2016										
Cash flow from/(used in) operating activities	-	-	(604)	-	(600)	(942)	(1,695)	**(3,841)**	**(45,095)**	**85.2%**
Cash flow generated/(absorbed) by financing activities	-	(998)	-	-	-	-	-	**(998)**	**31,279**	**(31.9%)**
Total	**-**	**(998)**	**(604)**	**0**	**(600)**	**(942)**	**(1,695)**			

7 OTHER INFORMATION

Contingent liabilities

Based on the information available to date, the directors of the Group consider that, at the date of approval of these Condensed Interim Consolidated Financial Statements, the funds set aside are enough to ensure the correct representation of financial information.

Guarantees granted in favour of third-parties

(Amounts in thousands of Euros)	**Period ended**	**Year ended**
	31 August 2017	**28 February 2017**
Guarantees and sureties in favour of:		
Third parties	21,883	25,362
Total	**21,883**	**25,362**

Guarantees and sureties related mainly to store leases.

Operating lease assets

The Group 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 31 August 2017, the amount of future operating lease payment is given below:

(Amounts in thousands of Euros)	**Period ended 31 August 2017**			
	Within the period of 1 year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Future operating lease payment	50,546	35,159	921	86,626

Subsequent events

No events occurred after the reference date of the of the Condensed Interim Consolidated Financial

Statements that require adjustments to the values reported in the Condensed Interim Consolidated Financial Statements.

We note the following subsequent important events.

Accelerated bookbuilding operation by the majority shareholder of Italian Electronics Holdings S.r.l.

On 5 September 2017, Italian Electronics Holdings initiated an accelerated bookbuilding transaction on 3.5 million of Unieuro ordinary shares corresponding to 17.5% of the Company's share capital. The transaction was concluded the following day with the placement of shares with Italian and international institutional investors at a price of Euro 16.00 per share, equal to a total consideration of approximately Euro 56 million.

Following the conclusion of the offer, Italian Electronics Holdings continued to hold a relative majority stake of the company, corresponding to 47.99% of the existing share capital.

Distribution of dividends for the year 2016/2017

On 27 September 2017, Unieuro paid the dividend - equivalent to Euro 1 per share, for a total of Euro 20 million -- approved by the Ordinary Shareholders' Meeting, held on 20 June 2017.

Litigation

On 27 September 2017, Unieuro received notification of an act of attachment brought by third parties in respect of a dispute related to a business unit lease agreement signed on 20 October 2011. The Court of First Instance has expressed itself in favour of the counterparty and issued a writ attachment order of a sum equal to the amount owed including the capital, interest and expenses for Euro 1.0 million.

The writ of attachment was addressed to 5 credit institutions which, in execution of the writ, rendered unavailable a total amount of Euro 4.3 million more than the subject of attachment. Unieuro has opposed the writ of attachment before the Court of Forlì, requesting the suspension of the execution, the reduction of the accounts seized (from 5 to 1 in view the capacity of each account) and in any case to dispute the substance of the claimed debt. Following this opposition, the Forlì Court set the hearing for 13 October 2017.

In any event, the claim is covered by a provision for risk and the attached sums have not had, and are not expected to have, any impact on the company's operation given that Unieuro's liquidity is still sufficient to cope with its obligations

Acquisition of 19 Cerioni stores (Euronics)

On 4 October 2017, Unieuro acquired a business unit from Gruppo Cerioni S.p.A. consisting of 19 direct stores, currently operating under the Euronics brand. The Cerioni Group currently has 20 sales outlets and is the leading electronics distribution chain in Le Marche (13 stores), with a significant presence in Emilia Romagna (7 stores).

The acquired sales outlets, sized between 500 and 4,000 m2 for a total sales area of over 25,000 m2, will allow Unieuro to increase the expansion of its direct network in central Italy, generating limited and perfectly manageable overlaps.

The stores will be collected in several stages and will be reopened between November and December, in time to benefit from the favourable seasonality of the last quarter of the year, notably the most important for the consumer electronics sector.

The shops will be collected without merchandise and will be immediately subjected to a decisive relaunch plan. This will involve the immediate adoption of the Unieuro brand, the redevelopment of the spaces, the re-assortment of products, the training of the sales force and the adaptation of the information systems. Within a few weeks they will also be enabled for click and collect, that is, to pick up the products purchased on unieuro.it by the online customers, pursuant to the omni-channel strategy that aims at the complete integration of the sales channels.

The transaction, subject to the fulfilment of certain conditions precedent that are typical of these types of transactions, took place without the assumption of financial and/or supplier payables, for a total equivalent value of Euro 8 million, of which Euro 1.6 million is due at the closing and Euro 6.4 million is to be paid in half-yearly instalments over the next three years. The transaction will be funded with recourse to the cash and cash equivalents and to the lines of credit made available by lending institutions.

Forlì, 12 October 2017

Attestation of the half-year abbreviated consolidated financial statements pursuant to article 81-ter of the Consob regulation 11971 of May 14, 1999 as from time to time amended.

1. 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 half-year abbreviated consolidated financial statements of the Company, during the period from March 1, 2017 to August 31, 2017.

2. In respect thereof, no issues are to be reported.

3. It is also certified that the half-year abbreviated consolidated financial statements of the Company:

a) have been drawn up in accordance with the international accounting standards recognized in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
b) are consistent with the entries in the accounting books and records;
c) provide an accurate and fair view of the assets and liabilities, profits and losses and financial position of the Company and of the other entities belonging to the Group.

3.2 The interim management report includes a reliable analysis of the significant events that occurred during the first six months of the financial year, and of their impact on the abbreviated half-year consolidated financial statements, along with a description of the main risks and uncertainties in the remaining six months.

Furthermore, the Interim Management Report contains a reliable analysis of significant related-parties transactions.

Forlì, 12 October 2017

Chief Executive Officer	*Executive Responsible for the preparation of the Company's accounting documentation*
Giancarlo Nicosanti Monterastelli	**Italo Valenti**

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Unieuro S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Unieuro Group (the "group"), comprising the statement of financial position, the income statement, the statements of comprehensive income, cash flows and changes in equity and notes thereto, as at and for the six months ended 31 August 2017. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the group's condensed interim consolidated financial statements as at and for the six months ended 31 August 2017 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 13 October 2017

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

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