



UNIEURO S.P.A.

REGISTERED OFFICE IN FORLÌ, VIA SCHIAPARELLI N. 31

SHARE CAPITAL EURO 4,000,000.00, FULLY PAID-UP

REGISTRATION NUMBER WITH THE COMPANIES' REGISTER OF FORLÌ'-CESENA, AND TAX CODE NO. 00876320409

BOARD OF DIRECTORS' EXPLANATORY REPORT ON THE PROPOSAL UNDER ITEM NO. 2 OF THE AGENDA OF THE SHAREHOLDERS 'MEETING OF UNIEURO S.P.A., CONVENED ON JUNE 5, 2018, IN SINGLE CALL.



Allocation of financial year net profits and allocation of reserves to cover losses and the so called “negative reserves”; distribution of dividends to be collected from available reserves.

Dear Shareholders,

During the financial year, the Company completed analysis activities concerning the composition and nature of the reserves composing the Company’s equity, as resulting from the financial statements as at 28 February 2017. Such analysis activities were found appropriate after a growth and consolidation phase of the Company. In particular, such growth phase was characterized by events connected to the following elements: (i) extraordinary transactions concerning the Company; (ii) transition to international accounting principles by other companies merged in Unieuro, prior to, or simultaneously with, their merger into the Company; and (iii) recording of reserves arising from the change of the accounting principles. Following the analysis activities, it has emerged that certain items of the Company’s equity needed to be rationalized.

In particular, it has been found appropriate to proceed to the integral coverage of the losses carried forward from the previous financial years together with certain so called “negative reserves”. For this reason, the Board of Directors has made a proposal that consists of the use of net profits, resulting from the financial statements as at 28 February 2018 (equal to Euro 8,521,310), and profits and capital reserves.

Please note that the so called “negative reserves” may be definitively covered by applying essentially the same coverage criteria applicable in order to cover the operating losses.

Furthermore, since the items of the Company’s equity are subject to different accounting discipline, the sequence followed in using the available reserves for the coverage of the carried forward losses and the so called “negative reserves” complied with a criteria that provided for the use of the only available voluntary profit reserves which use was not restricted by the Shareholders’ Meeting or the By-laws of the Company and voluntary capital reserves.

In particular, it is proposed that:

- (i) the item “Profits/ losses carried-forward - Other” equal to Euro (51,924,101) is integrally covered by using:
 - (a) FY 2018 operating profits equal to Euro 8,521,310; and
 - (b) profits reserve “Extraordinary reserve” up to the amount of Euro 43,402,791.
- (ii) Negative reserve “FTA Other Reserves”, equal to Euro (3,336,484) is integrally covered by using the profits reserve “Extraordinary Reserve” up to the amount of Euro 3,336,484;
- (iii) negative reserve “Profits/losses carried forward- IAS Adjustments”, equal to Euro (22,105,902) is integrally covered by using:
 - (a) profits reserve “Extraordinary Reserve” up to the amount of Euro 70,644;
 - (b) profits reserve “Reserve pursuant to Law 121/87”, equal to Euro 74,906;



- (c) capital reserve “Share Premium Reserve”, equal to Euro 68,892;
- (d) profits reserve “Profits/losses carried forward– Call Option Agreement”, equal to Euro 7,644,176;
- (e) capital reserve “Other Capital Reserves”, up to the amount of Euro 14,247,284.

Please note that should the above mentioned proposal be approved, the Company’s equity – following the coverage of the losses carried forward from previous financial years and the so called “negative reserves” – will be composed as follows.

- A. Share capital equal to Euro 4,000,000;
- B. Profits Reserves composed of the following items:
 - (i) “Legal Reserve” equal to Euro 800,000;
 - (ii) “Profits/losses carried forward– FTA Other Reserves” equal to Euro 23,320,944;
 - (iii) “TFR (severance pay) Actuarial Valuation Reserve”, negative reserve for Euro (813,005);
 - (iv) “Cash flow hedge reserve”, negative reserve for Euro (190,878);
 - (v) “Profits/losses carried forward - LTIP”, negative reserve for Euro (672,664);
- C. Capital reserves composed of the following items:
 - (i) “Other capital reserves” equal to Euro 46,943,676;
 - (ii) “Reserves for share-based payments - LTIP”, equal to Euro 1,351,967.

Please be informed that following the coverage of losses and negative reserves as illustrated above, the distributable portion of the Company’s equity, in light of the netting-off of the remaining negative reserves, will be equal to Euro 45,267,129 and it will be composed of capital reserves, for both statutory and fiscal purposes.

In this regard, we propose you to approve the distribution of a dividend – deriving from the reserve “Other Capital reserves” equal to Euro 46,943,676 – equal to Euro 1.00 (one/00) for each ordinary share entitled to the dividend, for a total of Euro 20,000,000, and to establish that the dividend will be paid on June 13, 2018, record date June 12, 2018 and no. 2 coupon detachment date June 11, 2018.

In case you agree with the contents and the reasons illustrated in this explanatory report, we propose to you to adopt the following resolutions:



“The Shareholders’ Meeting of Unieuro S.p.A., having acknowledged the contents and reasons illustrated in the Explanatory Report of the Board of Directors,

Resolves

1. *to approve the integral coverage of the item “Profits/(Losses) carried forward - Other”, equal to Euro (51,924,101) by using:*
 - (i) *Financial Year 2018 net profits, equal to 8,521,310; and*
 - (ii) *profits reserve “Extraordinary Reserve” up to the amount of Euro 43,402,791;*
2. *to approve the integral coverage of the negative reserve “FTA Other Reserves”, equal to Euro (3,336,484), by using the profits reserve “Extraordinary Reserve” up to the amount of Euro 3,336,484;*
3. *to approve the integral coverage of the negative reserve “Profits/(Losses) carried forward - IAS Adjustments”, equal to Euro (22,105,902), by using:*
 - (i) *profits reserve “Extraordinary Reserve” up to the amount of Euro 70,644;*
 - (ii) *profits reserve “Reserve pursuant to Law 121/87”, equal to Euro 74,906;*
 - (iii) *capital reserve “Share Premium Reserve” equal to Euro 68,892;*
 - (iv) *profits reserve “Profits/(Losses) carried forward – Call Option Agreement” equal to Euro 7,644,176;*
 - (v) *capital reserve “Other Capital Reserves” up to the amount of Euro 14,247,284;*
4. *to approve the distribution of a dividend – deriving from the reserve “Other Capital reserves” equal to Euro 46,943,676 – equal to Euro 1.00 (one/00) for each ordinary share entitled to the dividend, for a total of Euro 20,000,000;*
5. *to establish that the dividend will be paid on June 13, 2018, record date June 12, 2018 and no. 2 coupon detachment date June 11, 2018.”*

THE CHIEF EXECUTIVE OFFICER

GIANCARLO NICOSANTI MONTERASTELLI