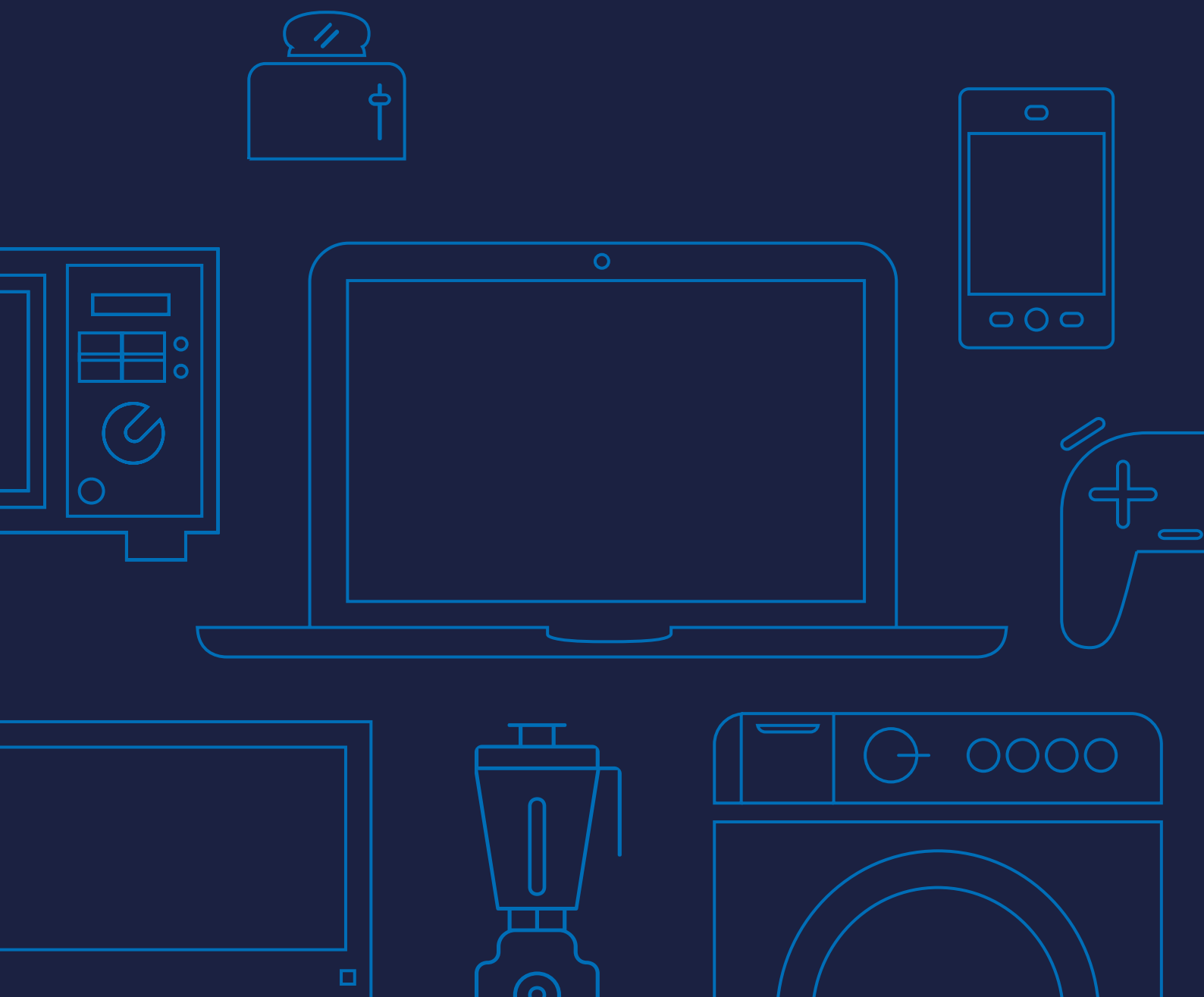




# Annual Financial Report

as at 28 February 2018



**UNIEURO S.p.A.**

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

**ANNUAL FINANCIAL REPORT AS AT 28 FEBRUARY 2018**

## Index

Letter of the Chief Executive Officer to shareholders .....	8
Corporate Bodies.....	10
<b>RELATION ON THE PERFORMANCE OF UNIEURO GROUP .....</b>	<b>11</b>
<b>1. Introduction.....</b>	<b>12</b>
<b>2. Procedural note .....</b>	<b>14</b>
<b>3. Accounting policies.....</b>	<b>15</b>
<b>4. Profile of the Unieuro Group .....</b>	<b>18</b>
<b>5. Strategy and business model .....</b>	<b>20</b>
<b>a. Local presence .....</b>	<b>20</b>
<b>c. Retail mix.....</b>	<b>23</b>
<b>6. Market performance.....</b>	<b>25</b>
<b>7. Group operating and financial results .....</b>	<b>27</b>
7.1. Consolidated revenues .....	27
7.1.1 Consolidated revenues by channel .....	27
7.1.2 Consolidated revenues by category.....	30
7.2. Consolidated operating profit.....	31
7.3. Non-recurring income and expenses .....	34
7.4. Net income .....	35
7.5. Cash flows.....	37
7.5.1.Consolidated Adjusted Levered Free Cash Flow .....	37
<b>9. Performance of Unieuro .....</b>	<b>44</b>
<b>10. Reconciliation statement of shareholders' equity and net result of the parent company with shareholders' equity and net result pertaining to the group .....</b>	<b>46</b>
<b>11. Investments.....</b>	<b>47</b>
<b>12. Corporate governance and ownership structures .....</b>	<b>48</b>
<b>13. Information on related-party transactions and non-recurring, atypical or unusual transactions.....</b>	<b>49</b>
<b>14. Information on corporate bodies .....</b>	<b>53</b>
14.1 Stock option plans.....	53

14.2	Treasury shares and holding Unieuro shares .....	56
<b>15.</b>	<b>Staff-related information.....</b>	<b>57</b>
<b>16.</b>	<b>Management and coordination activities .....</b>	<b>59</b>
<b>17.</b>	<b>The main risks and uncertainties to which the Group is exposed.....</b>	<b>60</b>
17.1	Strategic and operational risks .....	60
17.2	Financial risks .....	62
17.3	Legal and non-compliance risks.....	63
<b>18.</b>	<b>Significant events during and after the year .....</b>	<b>65</b>
<b>19.</b>	<b>Foreseeable operating evolution .....</b>	<b>70</b>
<b>20.</b>	<b>Consolidated non-financial statement of the Unieuro Group .....</b>	<b>71</b>
<b>1.</b>	<b>How to read the consolidated non-financial statement of the Unieuro Group .....</b>	<b>71</b>
	Reporting scope.....	71
	Relevant issues for Unieuro .....	72
	Involvement of <i>stakeholders</i> .....	74
<b>2.</b>	<b>Group Profile.....</b>	<b>75</b>
	Shareholding and corporate structure.....	78
	Dialogue with shareholders.....	78
	Main risks of a non-financial nature .....	79
<b>3.</b>	<b>Governance.....</b>	<b>82</b>
	Board of Directors.....	82
	Members of the Board of Directors.....	83
	CONTROL AND RISK COMMITTEE.....	83
	Remuneration and Appointments Committee .....	84
	Committee for Transactions with Related Parties .....	84
	Board of Statutory Auditors .....	84
	Organisation, Management and Control Model and corporate regulatory system .....	85
	The fight against corruption .....	86
	Performance indicators.....	86
<b>4.</b>	<b>Employees .....</b>	<b>87</b>
	Personnel Management .....	87
	Performance indicators.....	88
	Diversity, equal opportunities and respect for human rights .....	89
	Performance indicators.....	90
	Staff training and career development .....	93
	Performance indicators.....	94
	Performance evaluation.....	95
	Performance indicators.....	95

Health & Safety.....	96
Performance indicators.....	96
Relationship with the trade unions.....	98
Performance indicators.....	98
<b>5. Company.....</b>	<b>99</b>
Customers.....	99
Quality of services and customer centricity.....	100
Health and safety of consumers.....	100
Transparency of product information and commercial offers to customers.....	101
Consumer data security.....	102
Management of complaints.....	103
Selection and management of suppliers.....	103
Activities in support of the local community.....	104
<b>6. Environment.....</b>	<b>106</b>
Waste management.....	106
Performance indicators.....	107
Energy consumption and emissions.....	107
Performance indicators.....	108
Consumption of resources.....	109
Performance indicators.....	109
<b>7. GRI Content Index.....</b>	<b>110</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS OF UNIEURO GROUP.....</b>	<b>113</b>
<b>2.1 Basis of preparation of the consolidated financial statements.....</b>	<b>119</b>
<b>2.2 Preparation criteria for the consolidated financial statements.....</b>	<b>119</b>
<b>2.3 Statement of compliance with IFRS.....</b>	<b>120</b>
<b>2.4 Consolidated financial statement schedules.....</b>	<b>120</b>
<b>2.5 Consolidation policies and scope of consolidation.....</b>	<b>121</b>
<b>2.6 The use of estimates and valuations in the preparation of the consolidated financial statements.....</b>	<b>122</b>
<b>2.7 Significant accounting policies.....</b>	<b>126</b>
<b>2.8 New accounting standards.....</b>	<b>142</b>
<b>3 INFORMATION ON FINANCIAL RISKS.....</b>	<b>147</b>
<b>3.1 Credit Risk.....</b>	<b>147</b>
<b>3.2 Liquidity Risk.....</b>	<b>148</b>
<b>3.3 Market Risk.....</b>	<b>149</b>
<b>3.3.1 Interest rate risk.....</b>	<b>149</b>
<b>3.3.2 Currency Risk.....</b>	<b>150</b>
<b>3.4 Fair value estimates.....</b>	<b>151</b>
<b>4 INFORMATION ON OPERATING SEGMENTS.....</b>	<b>153</b>
<b>5 NOTES TO THE INDIVIDUAL CONSOLIDATED BALANCE SHEET ITEMS.....</b>	<b>154</b>
<b>5.1 Plant, machinery, equipment and other assets.....</b>	<b>154</b>
<b>5.2 Goodwill.....</b>	<b>157</b>

5.2.1	<i>Impairment test</i> .....	158
5.3	<b>Intangible assets with a finite useful life</b> .....	164
5.4	<b>Deferred tax assets and deferred tax liabilities</b> .....	166
5.5	<b>Other current assets and other non-current assets</b> .....	168
5.6	<b>Inventories</b> .....	169
5.7	<b>Trade receivables</b> .....	170
5.8	<b>Current tax assets</b> .....	172
5.9	<b>Cash and cash equivalents</b> .....	172
5.10	<b>Shareholders' equity</b> .....	173
5.11	<b>Financial liabilities</b> .....	176
5.12	<b>Employee benefits</b> .....	180
5.13	<b>Other financial liabilities</b> .....	182
5.14	<b>Provisions</b> .....	184
5.15	<b>Other current liabilities and other non-current liabilities</b> .....	185
5.16	<b>Trade payables</b> .....	186
5.17	<b>Revenues</b> .....	188
5.18	<b>Other income</b> .....	189
5.19	<b>Purchases of materials and external services</b> .....	189
5.20	<b>Personnel expenses</b> .....	191
5.21	<b>Other operating costs and expenses</b> .....	192
5.22	<b>Depreciation amortisation and write-downs</b> .....	193
5.23	<b>Financial income and Financial expenses</b> .....	193
5.24	<b>Income taxes</b> .....	194
5.25	<b>Basic and diluted earnings per share</b> .....	195
5.26	<b>Statement of cash flows</b> .....	196
5.27	<b>Share-based payment agreements</b> .....	198
	<i>Call Option Agreement</i> .....	199
	<i>Long Term Incentive Plan</i> .....	201
5.28	<b>Business unit combinations</b> .....	204
<b>6</b>	<b>RELATED-PARTY TRANSACTIONS</b> .....	<b>210</b>
<b>7</b>	<b>OTHER INFORMATION</b> .....	<b>214</b>
	<b>Contingent liabilities</b> .....	214
	<b>Guarantees granted in favour of third-parties</b> .....	214
	<b>Operating lease assets</b> .....	214
	<b>Payments to the independent auditors</b> .....	215
	<b>Subsequent events</b> .....	215
	<b>Appendix 1</b> .....	<b>216</b>
	<b>Appendix 2</b> .....	<b>217</b>
	<b>Appendix 3</b> .....	<b>218</b>
	<b>Appendix 4</b> .....	<b>219</b>
	<b>ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIEURO GROUP AS AT FEBRUARY 28, 2018, PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED</b> .....	<b>220</b>

<b>SEPARATE FINANCIAL STATEMENTS OF UNIEURO S.p.A.</b> .....	<b>231</b>
2.1 Basis of preparation of the financial statements .....	236
2.2 Preparation criteria .....	237
2.3 Statement of compliance with IFRS .....	237
2.4 Financial statement schedules .....	237
2.5 The use of estimates and valuations in the preparation of the financial statements .....	238
2.6 Significant accounting policies .....	241
2.7 New accounting standards .....	255
<b>3 INFORMATION ON FINANCIAL RISKS</b> .....	<b>258</b>
3.1 Credit Risk .....	258
3.2 Liquidity Risk .....	259
3.3 Market Risk .....	260
3.3.1 Interest rate risk .....	260
3.3.2 Currency Risk .....	261
3.4 Fair value estimates .....	262
<b>4 INFORMATION ON OPERATING SEGMENTS</b> .....	<b>263</b>
<b>5 NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS</b> .....	<b>264</b>
5.1 Plant, machinery, equipment and other assets .....	264
5.2 Goodwill .....	266
5.2.1 <i>Impairment test</i> .....	267
5.3 Intangible assets with a finite useful life .....	272
5.4 Deferred tax assets and deferred tax liabilities .....	274
5.5 Other current assets and other non-current assets .....	275
5.5.1 Impairment test on the value of the equity investment .....	277
5.6 Inventories .....	279
5.7 Trade receivables .....	280
5.8 Current tax assets .....	282
5.9 Cash and cash equivalents .....	282
5.10 Shareholders' equity .....	282
5.11 Financial liabilities .....	286
5.12 Employee benefits .....	289
5.13 Other financial liabilities .....	291
5.14 Provisions .....	292
5.15 Other current liabilities and other non-current liabilities .....	293
5.16 Trade payables .....	294
5.17 Revenues .....	295
5.18 Other income .....	296
5.19 Purchases of materials and external services .....	297
5.20 Personnel expenses .....	298
5.21 Other operating costs and expenses .....	299
5.22 Depreciation, amortisation and write-downs .....	299
5.23 Financial income and Financial expenses .....	300
5.24 Income taxes .....	301
5.25 Basic and diluted earnings per share .....	302
5.26 Statement of cash flows .....	302
5.27 Share-based payment agreements .....	304
<i>Call Option Agreement</i> .....	304

	<i>Long Term Incentive Plan</i> .....	306
	<b>5.28 Business unit combinations</b> .....	309
<b>6</b>	<b>RELATED-PARTY TRANSACTIONS</b> .....	<b>312</b>
<b>7</b>	<b>OTHER INFORMATION</b> .....	<b>315</b>
	Contingent liabilities .....	315
	Guarantees granted in favour of third-parties .....	315
	Operating lease assets .....	315
	Payments to the independent auditors .....	315
	Subsequent events .....	316
	Draft resolution of the Board of Directors submitted to the Shareholders' Meeting.....	316
	Appendix 1 .....	317
	Appendix 2 .....	318
	Appendix 3.....	319
	Appendix 4.....	320
	<b>ATTESTATION OF THE SEPARATE FINANCIAL STATEMENTS OF UNIEURO S.P.A. AS AT FEBRUARY 28, 2018, PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED</b> .....	<b>321</b>



## Letter of the Chief Executive Officer to shareholders

Dear Shareholders,

I am delighted on behalf of the Board of Directors and the entire management to submit to you the extraordinary results recorded by Unieuro in the year ended 28 February 2018, the first year as a listed company following joining the Stock Exchange in April 2017.

Consolidated revenues now close to €1.9 billion, a rise of 12.8% year on year and one step closer to being the market leader, driven by the acquisition made during the year, the opening of new sales outlets, as well as the growth of the online business, in the context of the good performance of the network of stores.

Unequalled profitability in the segment, which has led Unieuro to generate an Adjusted Consolidated EBIDTA of €68.9 million, equal to 3.7% of consolidated revenues, albeit in a context of extensive online and offline promotions, with resulting pressure on margins.

An impressive capacity to generate cash, demonstrated by a *Consolidated Adjusted Levered Free Cash Flow* of €66.7 million, which has enabled the Company to self-finance growth and distribute €20 million to shareholders in the form of dividends, while maintaining a Net Financial Position almost at parity, essentially stable compared with the end of the previous financial year and despite significant investments in acquisitions and in direct stores network.

These excellent economic and financial results were achieved in an extremely challenging market context, shaken by profound changes which are affecting retail distribution in general and the consumer electronics and electrical appliances retail segment in particular. The excessive fragmentation and competition of pure online players, coupled with an unexpected setback in the growth rate of sector revenues, is actually placing historic operators in crisis and accelerating a natural selection among those which had the courage to innovate and those which have not accepted the challenge of digitalisation, ending up having to undergo it.

While many players are facing difficulties that are sometimes devastating and that they have usually not experienced until now, Unieuro is on the fast track going against the prevailing trend, leveraging a centralised and winning business model and a wholeheartedly omnichannel approach, totally benefiting customers and their increasingly personalised shopping experiences.

Our strategy, which is forward-looking because it is based on market growth and proactive consolidation, translated into reaching new and important industrial targets: direct and indirect sales outlets, located throughout the mainland, reached 497 thanks to both 7 newly opened stores and the significant acquisitions completed during the financial year, involving a total of 40 former Euronics stores, a former Trony flagship store and the e-tailer Monclick.

An expansion process that is by no means over, given that, in continuity with a corporate history dotted with successful acquisitions, there are many opportunities for growth that we must and want to take advantage of: today Unieuro is the only Italian organisation able to play the role of protagonist in the consolidation of the sector, the only one able to selectively integrate smaller entities throughout

Italy, with the aim of replicating what other leading companies have done abroad: an expansionist and omnichannel approach is actually the only possible response to the transformation of consumer habits.

Alongside this we will continue to invest in innovation to digitalise our stores and develop advanced features for the online platforms with the goal of making each customer's omnichannel experience increasingly more practical and pleasant. The level of service will gain a further impetus from the inauguration, planned for the end of summer, of the new Piacenza logistics platform: a structure that is twice the size of the current one, with cutting-edge technology and capable of synergically supporting the growth of all channels. People will remain at the centre of our development initiatives, in the awareness that a motivated, prepared team can make a difference, nowadays even more than in the past.

In the light of income and financial dynamics that are positive in all aspects, good growth prospects and a strategy that has proved itself to be successful, we can confirm that we are satisfied and confident of being able to continue to create value for all our stakeholders, starting with our shareholders to whom this year too we plan to distribute a particularly generous dividend.

The financial market, currently the majority shareholder of Unieuro by virtue of a free float consistently above 50%, has demonstrated that it appreciates our equity story and believes in the ambitious strategic goals we have set ourselves, as confirmed by the good liquidity of the stock and the success of the two share placements in 2017. Our aim is to continue to reward this confidence, demonstrating that we are worthy of the faith placed in us.

26 April 2018

Giancarlo Nicosanti Monterastelli  
Chief Executive Officer



## **Corporate Bodies**

### **BOARD OF DIRECTORS**

- Chairman of the Board of Directors
- Chief Executive Officer  
Monterastelli
- Non-Executive Director
- Non-Executive Director
- Non-Executive Director
- Independent Director
- Independent Director

Bernd Erich Beetz  
Giancarlo Nicosanti  
  
Robert Frank Agostinelli  
Gianpiero Lenza  
Uwe-Ernst Bufe  
Stefano Meloni  
Marino Marin

### **CONTROL AND RISK COMMITTEE**

- Non-Executive Director
- Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF (“Consolidated Finance Law”) and the Corporate Governance Code

Gianpiero Lenza  
  
Marino Marin  
  
Stefano Meloni

### **NOMINATIONS AND REMUNERATION COMMITTEE**

- Non-Executive Director
- Director possessing the requirements of independence indicated by the TUF and the Corporate Governance Code
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF (“Consolidated Finance Law”) and the Corporate Governance Code

Gianpiero Lenza  
  
Marino Marin  
  
Stefano Meloni

### **RELATED PARTY TRANSACTIONS COMMITTEE**

- Independent Director
- Independent Director

Marino Marin  
Stefano Meloni

### **BOARD OF STATUTORY AUDITORS**

- Chairman
- Statutory Auditor
- Statutory Auditor
- Alternate Auditor
- Alternate Auditor

Maurizio Voza  
Giorgio Gavelli  
Luigi Capitani  
Sauro Garavini  
Giancarlo De Marchi

### **SUPERVISORY BODY.**

- Chairman
- Members:

Giorgio Rusticali  
Chiara Tebano  
Raffaella Folli

### **AUDIT COMPANY**

KPMG S.p.A.

**UNIEURO S.p.A.**

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

**RELATION ON THE PERFORMANCE OF UNIEURO GROUP**

## 1. Introduction

The Unieuro Group (hereinafter also the “Group” or “Unieuro Group”) came into existence following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017.

The company Unieuro S.p.A. (hereinafter referred to as the "Company" or “Unieuro” or "UE") 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.

The company Monclick S.r.l. (hereinafter also “Monclick” or “MK”) wholly-owned by Unieuro, is a company under Italian law with its registered office at Vimercate in Via Energy Park 22, which is active in selling online I.T. products, electronic, telephone system products and appliances in Italy through its website [www.monclick.it](http://www.monclick.it).

On 4 April 2017, Italian Electronics Holdings S.r.l. placed on the MTA (telematic stock market) – STAR Segment of Borsa Italiana S.p.A. 31.8% of the share capital of Unieuro S.p.A., equal to 6,363,637 ordinary shares at a price of €1 per share.

From 3 May 2017, the greenshoe option granted by Italian Electronics Holdings S.r.l. was partially exercised by 537,936 shares compared with the 636,363 shares that had been the object of the Over Allotment. The purchase price of the shares that were the subject of the *greenshoe* option was €1.00 per share, which corresponds to the offer price that was set for the placement, totalling €5.9 million. 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 €75.9 million.

On 6 September 2017, Italian Electronics Holdings S.r.l. placed, under an *accelerated bookbuilding* procedure, 3,500 thousand ordinary shares, corresponding to 17.5% of the share capital of Unieuro, at the price of €16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was €56.0 million.

On 17 October 2017, the partial demerger of Italian Electronics Holdings S.r.l. in favour of eight newly incorporated companies became effective. Subsequently, Italian Electronics Holdings S.r.l. transferred its registered office to Luxembourg, changing its company name to Italian Electronics Holdings S.à.r.l. (hereinafter also “**Italian Electronics Holdings**”) and has entered into a reverse merger with International Retail Holdings S.à.r.l.. Following the above transactions, it is 100% indirectly owned by the private equity fund Rhône Capital.

As at the date of this Annual Report, Italian Electronics Holdings owns a shareholding of 33.82% in Unieuro, which, in the light of the shareholding structure, means it maintains ex art. 93 TUF control of Unieuro.

## **2. Procedural note**

Below in this Directors' Report on operations is information on consolidated revenues, consolidated profitability and balance sheet and cash flows of the Unieuro Group as at 28 February 2018 compared with the figures of Unieuro S.p.A. for the previous financial year ended 28 February 2017.

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

### 3. Accounting policies

This Annual Report, as at 28 February 2018, was prepared in compliance with the provisions of Article 154-ter, paragraph 5 of Legislative Decree 58/98 – T.U.F. – as amended and supplemented – and in compliance with Article 2.2.3. of the Stock Exchange Regulation.

The accounting standards used by the Group are the *International Financial Reporting Standards* endorsed by the European Union (“IFRS”) and the application of Legislative Decree 38/2005 and other CONSOB provisions on financial statements, in accordance with the amortized cost criterion (with the exception of derivative financial instruments valued at current value) as well as the assumption of business continuity.

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

The APIs reported (Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA margin, consolidated adjusted profit (loss) for the year, net working capital, consolidated adjusted levered free cash flow, net financial debt and net financial debt/consolidated 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 financial statements to assess their operating performance and related 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 the Group. The *Adjusted* indicators indicated consist of: *Consolidated Adjusted EBITDA*, *Consolidated Adjusted EBITDA Margin*, *Consolidated Adjusted profit (loss) for the year*, *Adjusted Levered Free Cash Flow* and *Net financial debt/Consolidated Adjusted EBITDA*. These indicators reflect the main operating and financial measures adjusted for non-recurring income and expenses that are not strictly related to the core business and operations and for the effect from the change in business model for extended warranty services (as more fully described below in the API



“Consolidated adjusted EBITDA”) and, thus, they make it possible to analyse the Group's performance in a more standardised manner in the years reported in the annual report.

## Main financial and operating indicators<sup>1</sup>

<i>(Amounts in euro million)</i>	Year ended	
	28 February 2018	28 February 2017
<b>Operating indicators</b>		
Consolidated revenues	1,873.8	1,660.5
<i>Consolidated Adjusted EBITDA</i> <sup>2</sup>	68.9	65.4
<i>Consolidated Adjusted EBITDA margin</i> <sup>3</sup>	3.7%	3.9%
Consolidated profit (loss) for the year	11.0	11.6
Adjusted Consolidated Profit (Loss) for the year <sup>4</sup>	39.4	36.3
<b>Indicators from statement of financial position</b>		
Net working capital	(205.3)	(149.7)
Net financial debt	(4.5)	(2.0)
Net financial debt/Adjusted Consolidated LTM EBITDA <sup>5</sup>	0.07x	0.03x
<b>Cash flows</b>		
<i>Consolidated Adjusted levered free cash flow</i> <sup>6</sup>	66.7	39.7
Investments for the year	(37.3)	(27.9)

<i>(Amounts in euro million)</i>	Year ended	
	28 February 2018	28 February 2017
<b>Operating indicators for the year</b>		
Like-for-like growth (as a %) <sup>7</sup>	(1.9%)	3.3%

<sup>1</sup> 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.

<sup>2</sup> Consolidated Adjusted EBITDA is Consolidated EBITDA adjusted (i) for non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services. See paragraph 7.2 for additional details.

<sup>3</sup> The *Consolidated Adjusted Margin* is the ratio of *Consolidated Adjusted EBITDA* to revenues.

<sup>4</sup> The Adjusted Consolidated Profit (Loss) for the year is calculated as the Consolidated Profit (Loss) for the year adjusted by (i) the adjustments incorporated in the *Consolidated Adjusted EBITDA*, (ii) the adjustments of the non-recurring financial expenses/(income) and (iii) the theoretical tax impact of these adjustments.

<sup>5</sup> In order to guarantee the comparability of the Net financial debt/Adjusted Consolidated LTM EBITDA indicator the *Consolidated Adjusted EBITDA* figure for the last twelve months was taken into consideration.

<sup>6</sup> Consolidated adjusted levered free cash flow is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and net of their non-cash component and the related tax impact. See paragraph 7.5 for additional details.

Direct points of sale (number)	225	180
of which Pick Up Points <sup>8</sup>	214	169
Affiliated points of sale (number)	272	280
of which Pick Up Points <sup>6</sup>	181	212
Total area of direct points of sale (in square metres)	about 333,000	about 276,000
<i>Sales density</i> <sup>9</sup> (Euros per square metre)	4,659	4,630
Full-time-equivalent employees <sup>10</sup> (number)	4,018	3,395

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<sup>7</sup> Like-for-like growth: method for comparing sales of direct points of sale including click-and-collect sales for the current year, with sales for the previous year for the same number of points of sale and, thus, in accordance with the criterion of being operational for at least 26 months.

<sup>8</sup> Physical pick-up points for customer orders using the online channel.

<sup>9</sup> 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.

<sup>10</sup> Average annual number of full-time-equivalent employees.

#### **4. Profile of the Unieuro Group**

The Unieuro Group came into existence following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017.

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

Monclick S.r.l. sells I.T., electronic and telephone system products and appliances online in Italy through its website [www.monclick.it](http://www.monclick.it), offering a catalogue with over 70,000 items and guaranteeing a comprehensive purchasing experience, completed through the home delivery and installation of the chosen product. It also operates in the segment known as B2B2C, where the customers are operators which need to purchase electronic products to distribute to their regular customers or employees to accumulate points or participate in competitions or incentive plans.

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

The Group adopts an omnichannel approach for this, placing a variety of integrated purchasing methods at the disposal of customers in order to accommodate increasingly destructured and personal purchasing processes. In addition to the extensive network of direct sales outlets (Retail and Travel channels<sup>11</sup>) and indirect (Wholesale channel) which, as at 28 February 2018, numbered 497 sales outlets including 225 direct and 272 branches, Unieuro has an online channel operating through the digital platform [unieuro.it](http://unieuro.it) - which allows customers to order products and opt for home delivery or collection at a direct sales outlet of branch – and the e-tailer Monclick. The Group's products are completed by the B2B channel, targeting professional domestic and foreign customers that operate in industries other than those where the Group operates, such as banks and hotel chains, including the B2B2C segment.

Unieuro operates using the same name brand, which was revitalised in 2014 with a new graphic identity and new positioning and which reached a 99% brand awareness level also thanks to the unique and memorable pay-off, “Batte. Forte. Sempre”.

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<sup>11</sup> The Travel sales channel sells products through major public transportation hubs through direct points of sale.

Buoyed by a distinctly centralised business model which is a distinctive element in the Italian scenario, Unieuro S.p.A. has unique headquarters in Forlì and a single logistics centre in Piacenza, at the service of all the sales channels.

The Group has a staff of more than 4,600 employees and consolidated revenues which, in the year to 28 February 2018, reached €1.9 billion. This has been possible thanks to both the organic growth, especially in e-commerce and, thanks to the consolidation strategy undertaken, that led to Unieuro acquiring a total of 41 stores during the year previously managed by competitors, confirming it as the main omnichannel consolidator of consumer electronics in Italy.

Since April 2017, Unieuro's shares have been listed on the STAR segment of the Milan Stock Exchange, with a free punctual float equal to 52% of the Company's share capital.

## 5. Strategy and business model

The financial year ended 28 february 2018 saw the strengthening of the Group's Omnichannel strategy. In this year, the focus was also on the profitable growth of the business, increasing the market share in product categories supporting market trends and developing the key importance of customers thanks to the opportunities offered by the Omnichannel approach.

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

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

### a. Local presence

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

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

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

In this regard - to support its market expansion and consolidation strategy - continuing the analysis of activities in Italy - in this financial year too new sales outlets were opened (21 sales outlets purchased from Andreoli S.p.A., in composition with creditors, operational since 1 July 2017; 1 flagship store in the Euroma2 shopping centre, 19 sales outlets purchased from Gruppo Cerioni S.p.A plus the new openings in the period in question, totalling 5 retail sales outlets in Bergamo, Novara, Genoa, Rome Trastevere and, most recently, on 8 December, in Modena).

The Travel segment was also expanded with new openings at the airports of Capodichino and Orio al Serio as well as the sales outlet located at the Turin Porta Nuova railway station, which opened at the end of the previous financial year.

The concept of a local presence, i.e., integration in the digital ecosystem (from search engines to the major social networks) was also introduced in the online segment. In addition, the position of the digital channel was strengthened during the year thanks to the acquisition of Monclick S.r.l..

Unieuro's widespread physical network has therefore become a fundamental asset in the omnichannel context, making it effectively possible to offer its customers the option of ordering products at [www.unieuro.it](http://www.unieuro.it) and picking up products at the closest physical point of sale. During the year, the number of pick-up points increased by 3.7% from 381 to 395.

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

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

#### **b. Maximising the customer experience**

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

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

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

The Unieuro Group's commitment to spread this efficient and unique layout is also reflected in the work programme for stores that each year includes the remodelling and relocation of its points of sale to maintain their popularity.

During the year, 11 direct and 19 indirect points of sale were also remodelled, and 3 points of sale were relocated to structures that better meet customer needs.

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

The process of developing the e-commerce division has in fact leveraged the concept of a flexible approach to using media and various touchpoints involving the affirmation of several devices in the process of searching for information and closing the purchase. The restructuring of the communications strategy involving the revamped site and the new App (900,000 downloads) made it possible to optimise sales performance with a growth rate greater than that of the entire online sector. The user experience tends to emphasize product research and maximise conversion rate by facilitating the purchase process on a site that had 72 million visitors in the year ended 28 February 2018.

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

The goal is therefore to offer an increasingly personalised purchasing experience, based on the analysis of customer behaviour and preferences. Specifically, with the goal of becoming the leader in customer experience in the consumer electronics segment the Group launched a process of continuous improvement for the service offered based on listening to customer feedback (Voice of Customer Project). This made it possible to analyse the insights that emerged to maximise customer base engagement opportunities segmented according to the journey (pure digital, smart, multichannel, pure traditional, careful multichannel). The project included:

- The involvement of 362 stores (both direct and indirect channels)
- The sending of 380,000 emails
- The analysis of data from 34,300 one-off customers who gave their assessment (an average score of 8.2 out of 10)
- Breakdown of the direct channel overall NPS score<sup>12</sup> (40%) per individual point of sale

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<sup>12</sup> *Net Promoter Score* (NPS) is an indicator of *customer experience*, based on customer surveys using a single question: "How likely would you recommend Unieuro to a friend or

- Implementation of corporate and local projects with feedback to improve the customer experience based on the insights that emerged

The strong trust built with its customer base is reflected in the high number of members in the UnieuroClub loyalty programme, which has also made it possible to support the personalisation of the strategy to sign up customers.

### **c. Retail mix**

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

- continue to optimise product assortment, pricing policies and promotions to enhance synergies between channels in order to encourage the further strengthening of the brand including through exclusive agreements with suppliers;
- focus growth on product lines in merchandise categories supporting market trends allowing for an increase in its share;
- expand the availability of additional services currently offered to customers (e.g. installation and set-up services, extended warranty services, consumer credit services and the signing of phone contracts) to increasingly augment customer satisfaction.

The diversification of the distribution structure and the business model as a function of the customer base (direct or indirect point of sale, local stores or megastores) is also emphasized by diversifying assortment. The product range is specialised on the basis of the store structure; for example, travel points of sale have a greater focus on telephone systems and

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colleague? The assumed value of the NPS ranges from -100 (in the case of all customers being brand detractors) to +100 (in the opposite case, all customers are brand promoters). In view of its nature, NPS also assumes a predictive value with reference to the future development of the *business*.



accessories. Over the years, Unieuro has been able to select a mix of points of sale suited to its various customer bases and it will continue to carefully select distribution structures and from time to time will assess the distribution structure most suitable for specific locations.

## 6. Market performance<sup>13</sup>

The durable goods market in Italy has undergone a process of profound change in recent years. The establishment of new buying behaviour and the flexibility of the touchpoints that customers come into contact with are the main drivers of the change in consumer trends which, together with the structural fragmentation of operators, are a feature of the sector in Italy. The success of new promotional forms such as Black Friday have changed the seasonality of the market, at the expense of performance in December and partly in October.

The structure of players operating in the market allows segmentation into the channels indicated in the following table.

<b>Mass Merchandiser</b>	Large area, <b>Multi-category</b> Retailers; consumer electronics is not necessarily the core business <b>Hypermarkets; Supermarkets; Multi-category stores; Internet Pure Player</b>
<b>Tech Superstores</b>	<b>Consumer Electronics Is The Core Business</b> Large format shops (over 800 sqm and with a minimum turnover of 2.5 million Euros) Predominantly Specialised Chains and Purchasing Groups
<b>Electrical Specialist</b>	<b>Consumer Electronics Is The Core Business</b> Small format shops (under 800 sqm and with a turnover of less than 2.5 million Euros) Predominantly Specialised Chain or Purchasing Group Affiliates and above all Independent Entrepreneurs
<b>Telecom Retailers</b>	<b>Consumer electronics is not the core business</b> but specialises in the <b>Telecom</b> category They offer telephony products in combination with other services.
<b>Altri Specialisti</b>	<b>Consumer electronics is the core business</b> , specialising in the following segments: <b>IT; Photography; Entertainment</b> Small format shops often found in city centres

Last year, the Unieuro Group redefined its competitive arena thanks to operations that reinforced its positioning in the retail market. In the Consumer segment its presence in the Tech Superstore and the Electrical Specialist channel was strengthened thanks to the opening of 7 new points of sale and the acquisition of 41 points of sale taken over by Buying Group (an association of businesses operating under the same banner but independent in entrepreneurial terms) while in the Online segment thanks to the acquisition of Monclick S.r.l. the Unieuro Group reinforced its competitive position. The Unieuro Group also operates in the B2B segment and markets services (warranties, financing, etc.) and products which do not come under the scope of consumer electronics.

<sup>13</sup> The data relating to the market were prepared by the Group management based on analyses as of 28 February 2018.

The Omnichannel consolidation strategy rewarded the Group which, despite a decline in the expectations of the sector, achieved a performance that was better than the average market growth rates in both the online and offline channels. This vision is supported by findings of older markets in terms of e-commerce penetration in which retailers which also operate via physical stores have been capable of maintaining market leadership positions by adopting strategies based on redefining the role of stores. The integration of the physical and online channels not only supports the purchasing experience but it also empowers the satisfaction of a growing number of omnichannel customers enabling the integration of added value services.

Specifically, the year ended with a fall of 0.7% in the Consumer market which affected the performance of the Unieuro Group offline segment which experienced a decrease of 1.9%. The online segment recorded a slowdown in the growth rate which stood at +10.8% bringing online penetration to around 13% (+1pp vs LY).

As far as trends relating to individual sectors are concerned, note the slowdown in the growth of White goods (-0.1%) due mainly to the fall of the average price. This effect is mainly related to the Large Appliances segment where the bundles which include an appliance as a gift have raised the number of items handled without, however, being offset in the growth in value. Home Comfort has made a large contribution to the sector, mainly due to a particularly hot summer season. The Small Appliances segment on the other hand has remained essentially unchanged both in terms of volumes and sales. With regard to Brown goods, there was a decline in the market (-9.1%) related to the lack of disruptive innovation in the world of TVs where sales are linked to increasingly bigger sets. In the sphere of Grey goods (+1.3%) Telecom is the main contributor to the growth of the sector absorbing the negative performance of the IT sector, where the fall was mainly connected to the convergence between PCs and tablets as well as online competitive pressure. Telephone systems is the main sector in terms of importance with a trend exceeding 4%. The main producers of telephone systems, taking advantage of demand for smart phones which has been essentially inelastic, are focusing increasingly on the launch of top of the range models with a positive effect on the average market price. Also note the increase in online penetration where a volume effect was also recorded over the total value of the Telecom market.

In this scenario the Unieuro Group was capable of strengthening its shares in all product and service lines offered. The Online channel, now close to 10% of consolidated revenues (9.9%) recorded, taking into account the effects of the acquisition of Monclick S.r.l., revenues of €185.0 million, up 66.2% compared with €11.3 million in the previous year, a performance even more significant in the context of the slowdown of the market trend.

The digital platform unieuro.it, relaunched in October 2016, contributed to the growth generating €40.6 million in incremental revenue within the 12-month period, equal to +36.5%. The success is ascribed to the continuous expansion of the pick-up point network - also the result of the acquisition of sales outlets by Unieuro and their relaunch in the omnichannel - as well as the positive results of the growth strategy in the high-margins categories, specifically large and small appliances. Added to this is the constant release of

new functions and improvements to the platform, also aimed at improving the safeguarding of the important mobile segment, vital for increasing the loyalty of existing customers and attracting new ones at the same time. The acquisition of Monclick, one of the main Italian pure players specialised in consumer electronics and appliances, consolidated from 1 June 2017, contributed to consolidated revenues in the channel of €33.1 million.

The over-performance in both sales channels was driven in particular by the *White sector*<sup>14</sup> (+17.0%) and the *Brown sector*<sup>15</sup> (+12.2%). In the latter sector which, despite of the fall in demand and increase in the competitive pressure of specialists, the Unieuro Group reported growth totally against the prevailing market trend. Specifically, note the over-performance in the online segment of all sectors: *White*<sup>15</sup> +54.8%; *Brown*<sup>15</sup> +85.2%, *Grey*<sup>15</sup> 61.8%, *Entertainment*<sup>15</sup> +98.5%.

## 7. Group operating and financial results

### 7.1. Consolidated revenues<sup>15</sup>

For the year ended 28 February 2018, consolidated revenues totalled €1,873.8 million, a 12.8% increase over the previous year, with an increase of €213.2 million.

#### 7.1.1 Consolidated revenues by channel

<i>(in millions of Euros and as a percentage of consolidated revenues)</i>	Year ended				Changes	
	28 February 2018	%	28 February 2017	%	2018 vs. 2017	%
<i>Retail</i>	1,327.9	70.9%	1,202.5	72.4%	125.4	10.4%
<i>Wholesale</i>	218.5	11.7%	227.9	13.7%	(9.4)	(4.1%)
<i>Online</i>	185.0	9.9%	111.3	6.7%	73.7	66.2%
<i>B2B</i>	118.9	6.3%	102.7	6.2%	16.2	15.8%
<i>Travel</i>	23.6	1.3%	16.2	1.0%	7.4	45.7%
<b>Total consolidated revenues by channel</b>	<b>1,873.8</b>	<b>100.0%</b>	<b>1,660.5</b>	<b>100.0%</b>	<b>213.3</b>	<b>12.8%</b>

During the year, the Unieuro Group continued its strategy to develop existing channels by streamlining and improving the portfolio of direct stores through new openings and

<sup>14</sup> The growth figures by category and by individual channel of the Unieuro Group refer to the Consumer segment only excluding Services and B2B and products outside of the scope of consumer electronics and also include Travel sales to make them comparable with the market data which excludes these components.

<sup>15</sup> The data relating to the market were prepared by the Group management based on analyses as of 28 February 2018.

acquisitions. The positive performance as well as the 7 new openings and the unbridled organic growth of the online sector (+36.5% excluding the Monclick B2C contribution) was positively affected by the 3 acquisitions made during the year: Monclick, the 21 former Andreoli/Euronics stores, the former-Edom/Trony flagship store in the Euroma2 shopping centre and the 19 former Cerioni/Euronics sales outlets, making a total contribution of €175.4 million.

The Retail channel reported a 10.4% increase in sales mainly as a result of: (i) the reopening of the 21 sales outlets purchased from Andreoli S.p.A., operational from 1 July 2017; (ii) the acquisition of the flagship store in the Euroma2 shopping centre, which opened on 20 September 2017; (iii) the gradual reopening, from 16 November 2017 onwards, of the 19 sales outlets bought from Gruppo Cerioni S.p.A. and (iv) the new openings which took place in the financial year in question, a total of 5 Retail sales outlets in Bergamo, Novara, Genoa, Rome Trastevere and, most recently, on 8 December, in Modena.

The like-for-like growth of the distribution network or the performance of the stores open for at least 26 months since the year-end, which include both retail sales and Click & Collect sales, fell by 1.9%, also as a result of the anticipated impact of the new stores (not coming under the scope of like-for-like) on the existing network. On the other hand, excluding the points of sale affected by this from the scope of the analysis because they are adjacent to the stores acquired or stores which underwent exceptional relaunches (in particular Rome Muratella, revamped in May 2016), like-for-like sales rose by 0.4%.

The Wholesale channel recorded a decrease in sales (around €9.4 million or 4.1%). The continued and physiological action of streamlining the network has led to a fall of 8 sales outlets compared with the 28 February 2017, plus the anticipated impact of the new direct stores on the Wholesale network. However, taking into consideration the sales developed by the channel through the *pick&pay* arrangement, the affiliate network recorded a positive performance significantly better than the reference market.

The consolidated revenues of the Online channel stand at €185.0 million, growth of 66.2% compared with €111.3 million in the same period of the previous year. A performance that is even more significant in the light of the slowdown in the growth trends of the online market for consumer electronics and appliances in 2017. The digital platform unieuro.it, relaunched in October 2016, contributed to the growth generating €40.6 million in incremental revenue within the 12-month period, equal to +36.5%. The success is ascribed, among other things, to commercial initiatives relating to Black Friday, to the continuous expansion of the pick-up point network - also the result of the acquisition of sales outlets by Unieuro and their relaunch in the omnichannel - as well as the positive results of the growth strategy in the high-margins categories, specifically large and small appliances. Added to this is the constant release of new functions and improvements to the platform, also aimed at improving the safeguarding of the important mobile segment, vital for increasing the loyalty of existing customers and attracting new ones at the same time. The acquisition of Monclick S.r.l., one of the main Italian pure players specialised in consumer electronics and appliances, consolidated from 1

June 2017, contributed to consolidated revenues in the channel of €33.1 million.

The B2B channel recorded a strong increase in sales compared with the year ended 28 February 2017, also courtesy of the contribution of the subsidiary Monclick S.r.l., consolidated since 1 June 2017. The B2B channel targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment).

Finally, the *Travel* channel recorded growth of 45.7% for a value of about €7.4 million, benefiting on the one hand from the new openings at the airports of Capodichino and Orio al Serio and the point of sale located in the Turin Porta Nuova train station, opened at the end of the previous financial year.

### 7.1.2 Consolidated revenues by category

<i>(in millions of Euros and as a percentage of consolidated revenues)</i>	Year ended				% Change	
	28 February 2018		28 February 2017		2018 vs. 2017	%
		%		%		
<i>Grey</i>	862.5	46.0%	798.8	48.1%	63.7	8.0%
<i>White</i>	494.3	26.4%	421.9	25.4%	72.4	17.2%
<i>Brown</i>	348.4	18.6%	301.4	18.1%	47.0	15.6%
Other products	102.8	5.5%	79.9	4.8%	22.9	28.7%
Services	65.8	3.5%	58.6	3.5%	7.2	12.3%
<b>Total consolidated revenues by category</b>	<b>1,873.8</b>	<b>100.0%</b>	<b>1,660.5</b>	<b>100.0%</b>	<b>213.3</b>	<b>12.8%</b>

In the financial year ended 28 February 2018, an increase in sales was recorded in every product category.

The Grey category, namely cameras, video cameras, smart phones, tablets, computers and laptops, monitors, printers, phone system accessories, as well as all wearable technological products, saw an increase in consolidated revenues of 8.0% as a result of the good performance of consumer revenues despite the weakness of the IT market.

The White category, composed of large appliances (MDA) such as washing machines, tumble driers, refrigerators or freezers and ovens, small appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, recorded a 17.2% increase in consolidated revenues thanks to the success of the strategy of focusing on high-margin categories promoted by the Unieuro Group, the expansion of the product range, as well as the good performance of washing machines, tumble driers and refrigerators. Specifically, in Italy the tumble drier and dishwasher segments were still under-penetrated and therefore the Group has been taking significant commercial measures.

The Brown category, including televisions and accessories, devices for smart TVs and car accessories, as well as memory systems such as CDs/DVDs or USB memory sticks, recorded an increase in consolidated revenues of 15.6%. The category benefited from the increasing success of high-end televisions, particularly Ultra HD and OLED, as well as the positive contribution by the Monclick B2B2C sales sector.

The Other products category recorded an increase in consolidated revenues of 28.7%; this group includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as e-mobility. The performance was driven by the strong growth in the personal mobility segment, hover boards in particular and by sales of video game consoles.

The Services category recorded growth of 12.3% in consolidated revenues thanks to the

Group's continued focus on the provision of services to its customers, specifically extended warranties.

## 7.2. Consolidated operating profit

The income statement tables presented below in this Directors' Report on operations were reclassified using presentation methods that management deemed useful for reporting the operating profit performance of the Unieuro Group during the year. 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.

(in millions and as a percentage of consolidated revenues)	Year ended						Changes	
	28 February 2018			28 February 2017			2018 vs. 2017	%
	Adjusted amounts	%	Adjustments <sup>16</sup>	Adjusted amounts	%	Adjustments		
Consolidated revenues	1,873.8			1,660.5			213.3	12.8%
<b>Consolidated sales revenues</b>	<b>1,873.8</b>			<b>1,660.5</b>			<b>213.3</b>	<b>12.8%</b>
Purchase of goods and Change in inventories	(1,456.4)	(77.7%)	2.8	(1,289.2)	(77.6%)	1.1	(167.3)	13.0%
Lease and rental expense	(63.4)	(3.4%)	0.7	(57.5)	(3.5%)	0.8	(5.9)	10.3%
Marketing costs	(48.2)	(2.6%)	2.2	(48.7)	(2.9%)	3.0	0.5	(1.0%)
Logistics costs	(41.5)	(2.2%)	1.3	(32.5)	(2.0%)	0.0	(9.1)	27.9%
Other costs	(50.5)	(2.7%)	7.3	(43.8)	(2.6%)	10.3	(6.7)	15.2%
Personnel expenses	(150.4)	(8.0%)	5.9	(131.9)	(7.9%)	4.7	(18.5)	14.0%
Other operating income and costs	(2.5)	(0.1%)	(0.3)	(1.3)	(0.1%)	(2.3)	(1.1)	84.5%

<sup>16</sup> The item "Adjustments" includes both non-recurring income/(expenses) and the adjustment for the change in the business model for warranties, which was posted in the item "Change in business model for directly managed assistance services." Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the change in the business model, as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by the Group on the basis of historical information on the nature, frequency and cost of assistance work.



Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services		8.0	0.4%	8.0	9.7	0.6%	9.7	(1.7)	(17.6%)
<b>Consolidated EBITDA</b>	<b>Adjusted</b>	<b>68.9</b>	<b>3.7%</b>	<b>27.9</b>	<b>65.4</b>	<b>3.9%</b>	<b>27.3</b>	<b>3.5</b>	<b>5.4%</b>

Consolidated *Adjusted EBITDA* during the financial year 2018 increased by 5.4%, equal to €3.5 million, standing at €8.9 million.

During the period costs for the purchase of goods and changes in inventories increased by €167.3 million. The impact on consolidated revenues stood at 77.7% (77.6% in the period ended 28 February 2017).

Costs for rental and leases rose by €5.9 million (around 10.3%) as a result of: (i) taking over the rental agreements of 21 sales outlets belonging to the Andreoli S.p.A. business unit from July 2017; (ii) taking over the rental agreements of 19 sales outlets belonging to the Cerioni S.p.A. business unit from November 2017, (iii) taking over the rental agreement of the flagship store in the Euroma2 shopping centre from 20 September 2017 and (iv) new sales outlet openings during the financial year. The cost of like-for-like rentals, on the other hand, is down compared with the previous year.

Marketing costs fell by 1.0% compared with 28 February 2017. Marketing and advertising were structured and planned to direct potential customers to physical points of sale and to the Online channel. There was a fall in traditional marketing activities in the year ended 28 February 2018, partly offset by the increase in digital marketing activities.

Logistics costs increased by around €0.1 million mainly attributable to the increase in volumes sold and the increasing weight of home deliveries related to online orders.

Other costs rose by €6.7 million compared with the previous year ended 28 February 2017 with the trend attributable to: (i) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017 with a new insurance contract signed with a new pool of insurers which led to an increase in the premium and (ii) the increase recorded in support activities for listed companies. The effect of that item on consolidated revenues is substantially unchanged, equal to 2.7% as at 28 February 2018 (2.6% as at 28 February 2017).

Personnel costs show an increase of €18.5 million, mainly attributable to: (i) the acquisition of Monclick S.r.l. and the acquisition of the business units from Andreoli S.p.A., Cerioni S.p.A. and the Euroma2 flagship store, (ii) the increase in employees following the opening of 7 new stores, (iii) the adaptation of the central structure to meet stock exchange requirements and the

reinforcement of several strategic functions and (iv) the adaptation of the existing employment contract which was renewed on 30 March 2015 which included, among other things, a contractual increase valid from 1 August 2017.

Other operating income and costs rose by €1.1 million. The increase was mainly due to the rise in non-income-based taxes as a result of the increase recorded in the number of points of sale and the impairment of receivables whose recovery was deemed doubtful.

Below is a reconciliation between the Consolidated Operating Profit reported in the Consolidated Financial Statements and the Consolidated *Adjusted EBITDA*.

<i>(In millions of Euros and as a percentage of revenues)</i>	Year ended				Changes	
	28 February 2018	%	28 February 2017	%	2018 vs. 2017	%
Consolidated Operating Profit	19.3	1.0%	20.1	1.2%	(0.8)	(4.2%)
Depreciation, amortisation and write-downs	21.7	1.2%	18.0	1.1%	3.8	21.0%
Non-recurring expenses /(income)	19.9	1.1%	17.6	1.1%	2.3	13.2%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services <sup>17</sup>	8.0	0.4%	9.7	0.6%	(1.7)	(17.6%)

<sup>17</sup> 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 Unieuro and from the year ended 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter the “Former Unieuro”) (excluding telephone systems and peripherals) and from the financial year ended February 28, 2018 for all extension of warranty services sold by point of sales acquired from the Andreoli S.p.A. and Cerioni S.p.A., Unieuro changed its business model for the management of extended warranty services, in-sourcing the management of the services sold by the Former Unieuro and by Unieuro which were previously outsourced to third parties and extended the internalised model for the management of warranty extension services for services sold by the points of sale acquired during the year ended February 28, 2018 from the Andreoli S.p.A. and Cerioni S.p.A. (the “**Change in Business Model**”). As a result of the Change in Business Model, at the time of sale of extended warranty services, Unieuro suspends the revenue by creating a deferred income item in order to recognise the revenue over the life of the contractual obligation, which starts on the expiration of the two-year legally required warranty. Thus, Unieuro 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).

As a result of this Change in Business Model, the income statements do not fully reflect the revenues and profit of the business described in this note. In fact, the income statements for the years ended 28 February 2018 and 28 February 2017 only partially report revenues from sales generated starting with the Change in Business Model because Unieuro will gradually record sales revenues from extended warranty services (already collected by it) starting at the end of the legally required two-year warranty period.

Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the Change in Business Model as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by Unieuro on the basis of historical information on the nature, frequency and cost of assistance work.

<i>Consolidated Adjusted EBITDA</i> <sup>18</sup>	68.9	3.7%	65.4	3.9%	3.5	5.4%
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Non-recurring charges/(income) increased in the financial statements as at 28 February 2018 by €2.3 million. This is mainly because of the costs incurred in: (i) the acquisition of the new sales outlets included in the Andreoli S.p.A. and Cerioni S.p.A. business units, (ii) the acquisition of the flagship store in the Euroma2 shopping centre, (iii) the business combination of 'Monclick and (iv) expenses for exceptional accidental events partly offset by the fall in costs incurred for listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana S.p.A.

Finally, the adjustment due to the change in business model for directly managed services was down by €1.7 million compared to 28 February 2017.

### 7.3. Non-recurring income and expenses

<i>(In millions of Euros)</i>	Year ended		changes	
	28 February 2018	28 February 2017	2018 vs. 2017	%
<i>Mergers&amp;Acquisitions</i>	10.0	-	10.0	100.0%
Costs for pre-opening, relocating and closing points of sale <sup>19</sup>	3.5	3.3	0.2	4.8%
Costs incurred for the listing process	2.8	6.1	(3.3)	(54.8%)
Exceptional accidental events	1.9	1.1	0.8	76.2%
Other non-recurring expenses	1.0	0.2	0.8	412.5%
Costs for the Call Option Agreement	0.7	3.8	(3.1)	(81.4%)
Implementation and launch of the new website	-	1.1	(1.1)	(100%)
Corporate management activity supplied by Rhone Capital	-	1.0	(1.0)	(100%)
Rebranding costs	-	0.6	(0.6)	(100%)
Efficiency and reorganisation of the organisational and corporate structure	-	0.5	(0.5)	(100%)
Integration of the Former Unieuro	-	(0.1)	0.1	(100%)
<b>Total</b>	<b>19.9</b>	<b>17.6</b>	<b>2.3</b>	<b>13.2%</b>

Non-recurring expenses and income recorded in the year rose by €2.3 million. This growth is mainly attributable to *Mergers&Acquisitions* activity and exceptional accidental events which

<sup>18</sup> See note in the section "Main financial and operating indicators".

<sup>19</sup>The costs for "pre-opening, relocating and closing points of sale" include lease, security and travel expenses for maintenance and marketing work incurred as a part of i) remodelling work for downsizing and relocating points of sale of the Former Unieuro, ii) opening points of sale (during the months immediately preceding and following the opening) and iii) closing points of sale.

amount to €1.9 million in total. Excluding these effects, non-recurring expenses and income in the period fell by €8.0 million.

The main item in non-recurring expenses and income relates to the costs incurred for the process of acquiring the business units Andreoli S.p.A. and Cerioni S.p.A., the flagship store in the Euroma2 shopping centre and the company Monclick S.r.l.. These costs of €10.0 million were reclassified under *Mergers&Acquisitions* and mainly relate to rental costs and personnel expenses for points of sale incurred from the date of the completion of the acquisition to the date of the opening to the public, greater costs for education and training of employees at points of sale and, lastly, consulting costs and other minor costs incurred for the completion of the acquisition transactions.

Costs for the pre-opening, repositioning and closure of points of sale of €3.5 million in the year ended 28 February 2018 (€3.3 million in the year ended 28 February 2017) are essentially in line with the previous period, despite the greater number of openings that took place. This item includes: rental, personnel, 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.

The costs for listing on the STAR Segment of the Mercato Telematico Azionario managed by Borsa Italiana S.p.A. which concluded on 4 April 2017, were €2.8 million.

Costs for exceptional accidental events of €1.9 million refer to: (i) the theft that occurred in August 2017 at the central warehouse of Unieuro S.p.A. located in Piacenza for €2.7 million. Note that Unieuro asked the insurance companies to compensate them for the damage suffered, but this compensation has not yet been received at the date of these Financial Statements and (ii) insurance compensation of €0.8 million, received with regard to the fire that took place on 25 February 2017 at the Oderzo (TV) store.

Costs for Call Option Agreements of €0.7 million break down into costs for the share-based payment plan for certain managers and employees, which ended in the first quarter of the year following the positive outcome of the listing project.

#### 7.4. Net income

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

<i>(In millions of Euros and as a percentage of consolidated revenues)</i>	Year ended				Changes	
	28 February 2018	%	28 February 2017	%	2018 vs. 2017	%
<b>Consolidated Adjusted EBITDA</b>	<b>68.9</b>	<b>3.7%</b>	<b>65.4</b>	<b>3.9%</b>	<b>3.5</b>	<b>5.4%</b>
Amortisation, depreciation and impairment losses	(21.7)	(1.2%)	(18.0)	(1.1%)	(3.8)	21.0%
Financial income and expenses	(7.6)	(0.4%)	(5.9)	(0.4%)	(1.8)	30.1%

Non-recurring financial expenses /(income)	3.1	0.2%	-	0.0%	3.1	100.0%
Income taxes	(0.7)	0.0%	(2.7)	(0.2%)	2.0	(73.9%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income) and the change in business model <sup>20</sup>	(2.6)	(0.1%)	(2.6)	(0.2%)	0.0	0.4%
<b>Consolidated Adjusted Profit (Loss) for the Year<sup>21</sup></b>	<b>39.4</b>	<b>2.1%</b>	<b>36.3</b>	<b>2.2%</b>	<b>3.1</b>	<b>8.5%</b>

Amortisation, depreciation and write-downs of fixed assets as at 28 February 2018 amounted to €1.7 million (€18.0 million as at 28 February 2017). The increase relates to the progressive increase in investments made in recent years also related to new acquisitions.

Net financial expenses as at 28 February 2018 totalled €7.6 million (net financial expenses of €5.9 million as at 28 February 2017). The rise compared with the previous year is due to the repayment of the existing loans as a result of the signing, on 22 December 2017, of new lines of credit totalling €190 million from a syndicate of banks including Intesa Sanpaolo S.p.A., Banco BPM S.p.A. and Gruppo Crédit Agricole, with Banca IMI S.p.A. acting as the agent. The cancellation of the residual debt from the statement of financial position involved the transfer to the income statement of the related amortised cost of €3.1 million.

Non-recurring expenses/(income) include, as indicated above, €3.1 million relating to the cost of the transfer to the income statement of the amortised cost of existing loans as a result of the agreement of new lines of credit.

Income taxes for the consolidated year ended 28 February 2018 totalled €0.7 million (€2.7 million in the year ended 28 February 2017). The decrease is due to the recording of deferred tax income on tax losses of €3.1 million and the release of the tax provision.

The Adjusted Consolidated Profit/(Loss) for the Year was €39.4 million (€36.3 million in the year ended 28 February 2017), with an impact of 2.1% on consolidated revenues (2.2% in the year ended 28 February 2017), the increase in the *Adjusted Consolidated Profit/(Loss)* for the Year was due to the positive performance of operations, the improvement in financial management and the reduction in the tax burden compared with the same period of the previous year.

Note that IRES tax losses from the estimated taxes for the year and still available as at 28 February 2018 for Unieuro are €399.2 million (tax losses as at 28 February 2018 stood at €408.9 million) while for Monclick they are €6.3 million. These tax losses guarantee a

<sup>20</sup>No taxes were paid in the year ended 28 February 2018 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management was 8.7% as at 28 February 2018 and 9.4% as at 28 February 2017, which, respectively, incorporates IRES 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%.

<sup>21</sup> See note in the section “Main financial and operating indicators”.

substantial benefit in the payment of taxes in future years.

Below is a reconciliation between the adjusted consolidated net profit (loss) for the year and the consolidated net profit (loss) for the year.

<i>(In millions of Euros and as a percentage of consolidated revenues)</i>	Year ended				Changes	
	28 February 2018	%	28 February 2017	%	2018 vs. 2017	%
<b>Adjusted consolidated profit (loss) for the year</b>	39.4	2.1%	36.3	2.2%	3.1	8.5%
Non-recurring expenses/income	(19.9)	(1.1%)	(17.6)	(1.1%)	(2.3)	13.2%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(8.0)	(0.4%)	(9.7)	(0.6%)	1.7	(17.6%)
Non-recurring financial expenses /(income)	(3.1)	(0.2%)	-	0.0%	(3.1)	100.0%
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model	2.6	0.1%	2.6	0.2%	0.0	0.4%
<b>Consolidated Profit (Loss) for the year<sup>22</sup></b>	<b>11.0</b>	<b>0.6%</b>	<b>11.6</b>	<b>0.7%</b>	<b>(0.6)</b>	<b>(5.4%)</b>

## 7.5. Cash flows

### 7.5.1. Consolidated Adjusted Levered Free Cash Flow <sup>23</sup>

The Group considers the *Consolidated 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.

<i>(Amounts in euro million)</i>	Year ended		Changes	
	28 February 2018	28 February 2017	2018 vs. 2017	%
Consolidated Operating Profit	41.0	38.1	2.9	7.6%
Cash flow generated /(absorbed) by operating activities <sup>24</sup>	46.0	19.6	26.4	134.3%
Taxes paid	-	-	-	0.0%
Interest paid	(8.8)	(4.9)	(3.9)	79.0%

<sup>22</sup>No taxes were paid in the year ended 28 February 2018 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management was 8.7% as at 28 February 2018 and 9.4% as at 28 February 2017, which, respectively, incorporates IRES 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%.

<sup>23</sup> See note in the section “Main financial and operating indicators”.

<sup>24</sup>The item “Cash flow generated/(absorbed) by operating activities” refers to cash generated/(absorbed) by the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.

Other changes	1.4	3.7	(2.3)	(62.9%)
<b>Consolidated Net cash flow from (used in) operating activities<sup>25</sup></b>	<b>79.6</b>	<b>56.5</b>	<b>23.0</b>	<b>40.7%</b>
Investments	(37.3)	(27.9)	(9.4)	33.6%
Investments for business combinations and business units	(14.5)	0.0	(14.5)	100.0%
Net cash inflow from acquisition	0.2	0.0	0.2	100.0%
Adjustment for non-recurring investments (M&A)	25.8	0.0	25.8	100.0%
Non-recurring expenses /(income)	19.9	17.6	2.3	13.2%
Adjustment for non-cash components of non-recurring expenses/(income)	(1.5)	(5.4)	3.9	(72.0%)
Other non-recurring operating cash flows	(4.0)	0.0	(4.0)	100.0%
<b>Theoretical tax impact of the above entries<sup>26</sup></b>	<b>(1.6)</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>45.6%</b>
<b>Consolidated Adjusted levered free cash flow</b>	<b>66.7</b>	<b>39.7</b>	<b>26.9</b>	<b>67.8%</b>

The Consolidated net cash flow generated/(absorbed) by operating activities was a positive figure of €79.6 million (a positive figure of €56.5 million in the year ended 28 February 2017). The improvement compared with the previous year is linked to the Group's improved Net Working Capital management and is mainly attributable to the generation in the period of cash flows from the change in trade payables of €45.9 million and trade receivables of €18.8 million mitigated by the negative effect of the change in inventories of €36.0 million and the change in other operating assets and liabilities of €2.3 million.

Specifically, the positive performance of the Group's Net Working Capital is associated, with reference to trade payables, to: (i) promotions in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of sales outlets as a result of the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units, the Monclick company and the flagship store in the Euroma2 shopping centre and the new openings during the year which had a positive impact on the development of trade payables more than offsetting the increase in inventories. As far as trade receivables are concerned, the change is mainly related to the collection of receivables for the Monclick B2B sector which offset the increase in Unieuro trade receivables.

The investing activity in the year was particularly significant and totalled €37.3 million (€27.9 million as at 28 February 2017). The relaunching of the stores acquired in the period had a weighting of €12.1 million and refers to the costs for rebuilding and refurbishing the stores. Other investments refer to: (i) operations for the development of the network of direct stores

<sup>25</sup>The item "Net cash flow from (used in) operating activities" refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item "Cash flow generated/(used) by operating activities."

<sup>26</sup>No taxes were paid in the year ended 28 February 2018 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management was 8.7% as at 28 February 2018 and 9.4% as at 28 February 2017, which, respectively, incorporates IRES 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%.

and the refurbishment of existing network stores and (ii) costs incurred to purchase new software and licences and for the development of existing applications.

Investments for business combinations and business units for €4.5 million relate to the amount paid of the purchase price of the Monclick of €3.5 million and the business units of Andreoli S.p.A. for €0.4 million and Cerioni S.p.A. for €1.6 million. The part not yet paid for the acquisitions is €1.2 million and refers for €6.3 million to Monclick and the remainder to Cerioni and is guaranteed by bank sureties issued.

The net cash contribution from acquisition equal to €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 €5.8 million, represents the outgoing cash flow associated with: (i) the acquisition of Monclick, (ii) the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units for €4.5 million and the cash flow associated with what was already paid for investments in tangible and intangible fixed assets incurred for the relaunching of the sales outlets acquired (including the opening of Euroma2) for €1.3 million.

The adjustment for the non-monetary components of non-recurring expenses/(income) of €1.5 million is composed mainly for €0.8 million of costs which have not yet been shown financially as at 28 February 2018 and for €0.7 million they refer to the cost of the Call Option Agreement for some managers and employees.

The other non-recurring operating cash flows of €4.0 million refer to the collection of the receivable from the tax consolidation with Italian Electronics Holdings, which took place following the break in the consolidation scheme relating to amounts generated in previous years which could not be repeated in the future. On 6 September 2017, Italian Electronics Holdings sold some Unieuro shares on the market thereby losing control over Unieuro while maintaining ex art. 93 TUF control.

Below are the main changes recorded in the Group's net financial debt during the years ending 28 February 2018 and 28 February 2017:

<i>(In millions of Euros)</i>	Year ended		Changes	
	28 February 2018	28 February 2017	2018 vs. 2017	%
Consolidated Operating Profit	41.0	38.1	2.9	7.7%
Cash flow generated /(absorbed) by operating activities	46.0	19.6	26.4	134.3%
Taxes paid	0.0	0.0	0.0	
Interest paid	(8.8)	(4.9)	(3.9)	79.0%
Other changes	1.4	3.7	(2.3)	(62.9%)



<b>Net cash flow from (used in) operating activities</b>	<b>79.6</b>	<b>56.5</b>	<b>23.1</b>	<b>40.8%</b>
Investments	(37.3)	(27.9)	(9.4)	33.6%
Other cash flow generated by investment activities	0.0	0.1	(0.1)	(100.0%)
Investments for business combinations and business units	(14.5)	0.0	(14.5)	100.0%
Cash contribution from merger	0.2	0.0	0.2	100.0%
Distribution of dividends	(20.0)	(3.9)	(16.1)	415.5%
Payables from the acquisition of Monclick and business units	(11.6)	0.0	(11.6)	100.0%
Other changes	1.0	(0.8)	1.8	(225.5%)
<b>Change in net financial debt</b>	<b>(2.5)</b>	<b>24.0</b>	<b>(26.6)</b>	<b>(110.5%)</b>

## 8. Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 28 February 2018 and as at 28 February 2017:

<i>(Amounts in euro million)</i>	Year ended	
	28 February 2018	28 February 2017
Trade receivables	39.6	35.2
Inventories	313.5	269.6
Trade payables	(4141.54)	(334.5)
<b>Net operating working capital</b>	<b>(58.4)</b>	<b>(29.8)</b>
Other working capital items	(147.0)	(119.9)
<b>Net working capital</b>	<b>(205.3)</b>	<b>(149.7)</b>
Non-current assets	132.3	104.2
Goodwill	174.7	151.4
Non-current liabilities	(20.0)	(19.0)
<b>Net invested capital</b>	<b>81.7</b>	<b>86.9</b>
Net financial debt	(4.5)	(2.0)
Shareholders' equity	(77.2)	(85.0)

The Group's Net Operating Working Capital as at 28 February 2018 was negative by €8.4 million (negative by €29.8 million as at 28 February 2017). The performance for the year of the Group's Net Operating Working Capital is attributable to: (i) promotions in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units, the acquisition of the Monclick company and the flagship store in the Euroma2 shopping centre and the new openings during the year which involved an increase in the value of trade payables which was higher than that of inventories.

The Group's Net Working Capital was negative by €205.3 million as at 28 February 2018 (negative by €149.7 million as at 28 February 2017). The decrease is due to the reduction in the Group's Net Operating Working Capital of €28.6 million, and to the increase in other current liabilities mainly due to the increase in deferred income for warranty extension services.

The Net Invested Capital of the Group amounts to €1.7 million as at 28 February 2018, a fall of €5.2 million compared with 28 February 2017. The decrease is mainly attributable to: (i) the reduction in the Group's Net Working Capital of €55.6 million, (ii) the recording of the goodwill and assets from the business combination of Andreoli, Cerioni and Monclick for €35.1 million, (iii) the recording of the intangible assets resulting from the accounting of the taking over of the Euroma2 rental agreement for €3.0 million and (iv) net investments mainly for relaunching of the stores acquired in the year, for the development of the direct stores network and the costs incurred for buying new software and licences and for developing existing applications for €12.5 million.

It should be noted that, at the time of acquisition, the Group 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. No significant changes are expected in relation to the existing accounts.

Shareholders' equity amounts to €77.2 million (€85.0 million as at 28 February 2017), with the decrease mainly caused by: (i) the distribution of a dividend on €20.0 million, as approved on 20 June 2017 by the Unieuro Shareholders' Meeting, (ii) the recording of a profit for the year of €11.0 million and other components of the income statement negative by €0.1 million and (iii) the recording in the reserve of share-based payments of €1.4 million which refer to

the Long-Term Incentive Plan<sup>27</sup> for some managers and employees from 29 June 2017 the grant date of the options to the recipients of the plan, a payable relating to the monetary bonus provided for in the Long Term Incentive Plan regulation for €0.7 million and recognition of the reserve for share-based payments and €0.7 million relating to the Call Option Agreement concluded following listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana which took place on 4 April 2017.

Below is a detailed breakdown of the Group's net financial debt as at 28 February 2018 and 28 February 2017 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

<i>(Amounts in euro million)</i>	Year ended		Changes	
	28 February 2018	28 February 2017	2018 vs. 2017	%
(A) Cash	61.4	36.7	24.7	67.5%
(B) Other liquid assets	-	-	-	-
(C) Securities held for trading	-	-	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>61.4</b>	<b>36.7</b>	<b>24.7</b>	<b>67.5%</b>
<i>- of which is subject to a pledge</i>	<i>0.0</i>	<i>0.7</i>	<i>(0.7)</i>	<i>(100.0%)</i>
<b>(E) Current financial receivables</b>	-	-	-	-
(F) Current bank payables	(0.1)	0.0	(0.1)	100.0%
(G) Current part of non-current debt	(6.9)	(6.0)	(0.9)	(15.0%)
(H) Other current financial payables	(6.3)	(2.4)	(3.8)	158.7%
<b>(I) Current financial debt (F)+(G)+(H)</b>	<b>(13.2)</b>	<b>(8.4)</b>	<b>(4.8)</b>	<b>57.3%</b>
<i>- of which is secured</i>	<i>0.0</i>	<i>(6.8)</i>	<i>6.8</i>	<i>(100.0%)</i>
<i>- of which is unsecured</i>	<i>(13.2)</i>	<i>(1.7)</i>	<i>(11.5)</i>	<i>677.54%</i>
<b>(J) Net current financial position (I)+(E)+(D)</b>	<b>48.2</b>	<b>28.3</b>	<b>19.9</b>	<b>70.5%</b>
(K) Non-current bank payables	(40.5)	(25.8)	(14.7)	57.1%
(L) Issued bonds	-	-	-	-

<sup>27</sup>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. On 29 June 2017, the Board of Directors approved the plan regulations (“Regulations”) whereby the terms and conditions of implementation of the Long-Term Incentive Plan were determined. The conclusion and subsequent acceptance of the Long-Term Incentive Plan by the Recipients took place in October 2017 and was effective from 29 June 2017.

(M) Other non-current financial payables	(12.2)	(4.4)	(7.8)	175.5%
<b>(N) Non-current financial debt (K)+(L)+(M)</b>	<b>(52.7)</b>	<b>(30.2)</b>	<b>(22.5)</b>	<b>74.4%</b>
- of which is secured	0.0	(26.8)	26.8	(100.0%)
- of which is unsecured	(52.7)	(3.4)	(49.3)	1,450.4%
<b>(O) Net financial debt (J)+(N)</b>	<b>(4.5)</b>	<b>(2.0)</b>	<b>(2.5)</b>	<b>125.8%</b>

Net financial indebtedness increased by €2.5 million compared with 28 February 2017, mainly as a result of the combined effect of: (i) the positive net cash flow generated by operating activities of €79.6 million, (ii) investments of €37.3 million made mainly for the development of the network of direct stores, acquisitions, several important interventions on the network of existing stores and the purchase of software and licences, (iii) the distribution of dividends of €20.0 million, (iv) investments for business combinations and business units of €4.5 million excluding the cash acquired during the business combination and related payables to personnel, (v) the recording of financial payables resulting from the acquisition of Monclick and Cerioni S.p.A. of €1.6 million.

Gross financial debt totalled €65.9 million, of which €2.7 million was medium and long term and €3.2 million was short term.

Note that, on 22 December 2017, Unieuro took out new lines of credit totalling €190.0 million from a syndicate of banks including Intesa Sanpaolo S.p.A., Banco BPM S.p.A. and Gruppo Crédit Agricole, with Banca IMI S.p.A. acting as the agent.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. Existing loans were repaid in full in January 2018.

The new lines, including a €100.0 million amortizing term loan and €90.0 million in revolving facilities, are at significantly better conditions compared with the previous loans, particularly with regard to (i) a reduction in the interest rate; (ii) the extension of the duration by five years; (iii) greater operational flexibility related to the reduction in the number of funding institutions, covenants and contractual restraints; as well as (iv) the removal of collateral in favour of the lending banks.

## 9. Performance of Unieuro

The Unieuro S.P.A. reclassified Income Statement as at 28 February 2018 is illustrated below:

(In millions of Euros and as a percentage of revenues)	Year ended				Change	
	28 febbraio 2018	%	28 febbraio 2017	%	2018 vs 2017	%
Revenue	1,835.5		1,660.5		175.0	10.5%
<b>Gross Operating Profit</b>	<b>44.3</b>	<b>2.4%</b>	<b>38.1</b>	<b>2.3%</b>	<b>6.3</b>	<b>16.5%</b>
Non-recurring expenses /(income)	19.6	1.1%	17.6	1.1%	2.0	11.2%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	8.0	0.4%	9.7	0.6%	(1.7)	(17.6%)
<b>Adjusted EBITDA</b>	<b>71.9</b>	<b>3.9%</b>	<b>65.4</b>	<b>3.9%</b>	<b>6.5</b>	<b>10.0%</b>
Depreciation, amortisation and write-downs	(27.3)	(1.5%)	(18.0)	(1.1%)	(9.4)	52.3%
Financial income and expenses	(7.6)	(0.4%)	(5.9)	(0.4%)	(1.8)	30.0%
Non recurring depreciation, amortisation and write-downs	6.3	0.3%	-	--	6.3	100.0%
Non-recurring financial expenses /(income)	3.1	0.2%	-	--	3.1	100.0%
Income taxes	(0.9)	(0.0%)	(2.7)	(0.2%)	1.8	(67.8%)
<i>Effetto fiscale teorico delle imposte per oneri/(proventi) non ricorrenti oneri/(proventi) finanziari non ricorrenti e cambiamento del modello di business</i>	(3.1)	(0.2%)	(2.6)	(0.2%)	(0.5)	20.5%
<b>Adjusted Profit (Loss) for the Year</b>	<b>42.4</b>	<b>2.3%</b>	<b>36.3</b>	<b>2.2%</b>	<b>6.1</b>	<b>16.7%</b>
Non-recurring expenses /(income) , non-recurring financial expenses /(income), non-recurring depreciation, amortisation and write-downs	(29.0)	(1.6%)	(17.6)	(1.1%)	(11.4)	64.7%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(8.0)	(0.4%)	(9.7)	(0.6%)	1.7	(17.6%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non recurring depreciation, amortisation and write-downs and the change in business model,	3.1	0.2%	2.6	0.2%	0.5	20.5%
<b>Profit (Loss) for the Year</b>	<b>8.5</b>	<b>0.5%</b>	<b>11.6</b>	<b>0.7%</b>	<b>(3.1)</b>	<b>(26.5%)</b>

Unieuro's revenues for the year ended 28 February 2018 amounted to €1,835.5 million, up 10.5% compared to €1,660.5 million for the year ended 28 February 2017. In addition to the 7 new openings and growth of the online channel, the performance was positively influenced by the 3 acquisitions made during the year, the 21 former Andreoli/Euronics stores, the former Edom/Trony flagship store in the Euroma2 shopping centre and the 19 former Cerioni/Euronics stores.

The higher revenues, together with the continuous attention to the cost structure, allowed the achievement of an Adjusted EBITDA of €71.9 million in the year ended 28 February 2018,

up 10.0% compared to €65.4 million in the year ended 28 February 2017. Adjusted EBITDA Margin is 3.9%.

Adjusted Profit (Loss) for the Year amounted to €42.4 million in the year ended 28 February 2018 (€36.3 million in the year ended 28 February 2017), representing 2.3% of consolidated revenue; the increase in Adjusted Profit (Loss) for the Year was due to the positive performance of operations, the improvement in financial management and the reduction in the tax burden compared to the same period of the previous year.

As at 28 February 2018, Unieuro's net financial indebtedness amounted to €6.9 million (€2.0 million as at 28 February 2017). The slight increase of €4.9 million recorded during the year is due to the combined effect of the strong cash generation generated by the operating management of €84.4 million due to the continuous and careful management of working capital, the increase in sales volumes and recently implemented acquisitions, mainly offset by the investments made during the year for acquisitions in equity investments and company divisions for €20.3 million, interventions in the network of points of sale and information systems for €37.3 million and dividend distribution for €20.0 million.

**10. Reconciliation statement of shareholders' equity and net result of the parent company with shareholders' equity and net result pertaining to the group**

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2018 is illustrated below:

<i>(Amounts in euro million)</i>	<b>Shareholders' equity as at 28 February 2018</b>	<b>Net result as at 28 February 2018</b>
<b>Balances from the Parent Company's Annual Financial Statements</b>	<b>74.7</b>	<b>8.5</b>
Difference between the carrying amount of equity investments and the profit/(loss) for the year	(9.4)	(2.9)
Allocation of goodwill, brand, software and customer list, excluding the tax effect	11.9	(0.4)
<b>Shareholders' equity and profit/(loss) for the year from the Consolidated Financial Statements</b>	<b>77.2</b>	<b>11.0</b>

## **11. Investments**

Net investments during the year totalled €37.3 million (€27.9 million in the year ended 28 February 2017). The increase of €9.4 million mainly relates to the increase in the number of stores as a result of the acquisition of the business units Andreoli S.p.A. and Cerioni S.p.A. and the acquisition of the flagship store in the Euroma2 shopping centre. The relaunching of the stores acquired in the period had a weighting of €12.1 million and refers to the costs for rebuilding and refurbishing the points of sale.

In particular, the investments for the year were mainly attributable to: (i) interventions for restructuring of selected points of sale costing €6.1 million through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening and acquisition of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores costing €16.5 million; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing €0.8 million (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing €6.9 million; and (v) investments in a new data centre and other tangible infrastructures costing €7.0 million.



## **12. Corporate governance and ownership structures**

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

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

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

The main shareholders of the Company as at 28 February 2018 are:

1. Italian Electronics Holdings, (attributable to the funds managed by Rhone Capital) which owns 33.8% of the Company's shares;
2. DSG European Investments Limited (Dixons Carphone) which owns 7.2% of the Company's shares;
3. the Silvestrini Family which owns 4.7% of the Company's shares;
4. the top management of Unieuro which owns 2.3% of the Company's shares.

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

The tables below summarise the Group's credit and debt relations with related parties as at 28 February 2018 and as at 28 February 2017:

<i>(Amounts in thousands of Euros)</i>						
<b>Credit and debt relations with related parties (as at 28 February 2018)</b>						
<b>Type</b>	<b>Statutory Auditors</b>	<b>Board of Directors</b>	<b>Main managers</b>	<b>Total</b>	<b>Total balance sheet item</b>	<b>Impact on balance sheet item</b>
<i>As at 28 February 2018</i>						
Other current liabilities	(75)	(190)	(365)	(630)	(163,342)	0.4%
Other non-current liabilities	-	-	(487)	(487)	(718)	67.8%
<b>Total</b>	<b>(75)</b>	<b>(190)</b>	<b>(852)</b>	<b>(1,117)</b>		

<i>(Amounts in thousands of Euros)</i>									
<b>Receivable and payable positions with related parties as at 28 February 2017</b>									
<b>Type</b>	<b>Italian Electronics Holdings</b>	<b>Ni.Ma S.r.l.</b>	<b>Statutory Auditors</b>	<b>Rhône Capital II L.P.</b>	<b>Board of Directors</b>	<b>Main managers</b>	<b>Total</b>	<b>Total balance sheet item</b>	<b>Impact on balance sheet item</b>
<i>As at 28 February 2017</i>									
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%
<b>Total</b>	<b>4,221</b>	<b>50</b>	<b>(29)</b>	<b>(80)</b>	<b>(417)</b>	<b>(624)</b>	<b>3,121</b>		

The following table summarises the economic relations of the Group to related parties as at 28 February 2018 and as at 28 February 2017:

<i>(Amounts in thousands of Euros)</i>							
<b>Economic relations with related parties (as at 28 February 2018)</b>							
<b>Type</b>	<b>Statutory Auditors</b>	<b>Rhône Capital II L.P.</b>	<b>Board of Directors</b>	<b>Main managers</b>	<b>Total</b>	<b>Total balance sheet item</b>	<b>Impact on balance sheet item</b>
<i>At 28 February 2018</i>							
Purchases of materials and external services	(87)	(151)	(571)	-	(809)	(1,7145,540)	0.0%
Personnel costs	-	-	-	(4,608)	(4,608)	(156,296)	2.9%
<b>Total</b>	<b>(87)</b>	<b>(151)</b>	<b>(571)</b>	<b>(4,608)</b>	<b>(5,417)</b>		

<i>(Amounts in thousands of Euros)</i>									
<b>Economic relations with related parties as at 28 February 2017</b>									
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
<i>As at 28 February 2017</i>									
Other income	12	-	-	-	-	-	12	6,360	0.2%
Purchases of materials and external services	-	(1,159)	(60)	(964)	(252)	-	(2,435)	(1,491,938)	0.2%
Other operating costs and expenses	-	(6)	-	-	-	-	(6)	(5,377)	0.1%
Personnel costs	-	-	-	-	(2,331)	(3,954)	(5,925)	(136,633)	4.3%
Financial expenses	(788)	-	-	-	-	-	(788)	(6,222)	12.7%
<b>Total</b>	<b>(776)</b>	<b>(1,165)</b>	<b>(60)</b>	<b>(964)</b>	<b>(2,583)</b>	<b>(3,594)</b>	<b>(9,142)</b>		

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

- distribution of a dividend of €20,000 thousand through the use of Unieuro profits for the year ended 28 February 2017, totalling €1,587 thousand and, for the remaining part €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 was €9,598 thousand;
- national tax consolidation scheme, where the option was exercised in 2015 and generated receivables for Unieuro from the consolidating company Italian Electronics. Following the loss of control of Italian Electronics Holdings which took place on 6 September 2017, the national tax consolidation scheme was interrupted and Italian Electronics Holdings as the consolidating party exercised its option with effect from the year ended 28 February 2015;
- The stock option plan known as the Long-Term Incentive Plan for Executive directors, contractors and employees of Unieuro. The 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;
- a service agreement contract with Rhône Capital II, which involves 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 Unieuro; (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.

- rental fees relating to Unieuro's registered office in Forlì, several sales points and the debiting of insurance costs invoiced by Ni.Ma S.r.l., a company with its registered office in Forlì and invested in by several members of the Silvestrini family (Giuseppe Silvestrini, Maria Grazia Silvestrini, Luciano Vespignani and Gianpaola Gazzoni, respectively who each own 25% of the share capital, who are also shareholders of Italian Electronics Holdings); Note that, on 17 October 2017, the partial demerger of Italian Electronics Holdings into eight newly established companies took place. Following the transaction, at the date of these Financial Statements, Ni.Ma S.r.l. is no longer a related party;
- 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; Following the transaction, at the date of these Financial Statements, Ni.Ma S.r.l. is no longer a related party;
- borrowings from Italian Electronics, granted on 2 December 2013 and interest-bearing. On 21 November 2016, Unieuro's Board of Directors approved the full repayment of the remaining amount owed on the inter-company loan in an amount totalling €21,120 thousand. Therefore, the Intercompany Loan was repaid in full and extinguished on 28 November 2016;
- account keeping service by Unieuro employees with regard to Italian Electronics Holdings interrupted following the positive outcome of the listing which took place on 4 April 2017;
- relations with Directors and Main Managers, summarised in the table below:

<b>Main managers</b>	
<b>Year ended 28 February 2018</b>	<b>Year ended 28 February 2017</b>
<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli	<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli
<i>Chief Financial Officer</i> - Italo Valenti	<i>Chief Financial Officer</i> - Italo Valenti
<i>Chief Corporate Development Officer</i> - Andrea Scozzoli	<i>Chief Corporate Development Officer</i> - Andrea Scozzoli
<i>Chief Omnichannel Officer</i> - Bruna Olivieri	<i>Chief Omnichannel Officer</i> - Bruna Olivieri
<i>Chief Operations Officer</i> - Luigi Fusco	<i>Chief Operations Officer</i> - Luigi Fusco

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration).

The table below summarises the Group's cash flows with related parties as at 28 February 2018 and as at 28 February 2017:

Type	Related parties						Total	Total balance sheet item	Impact on balance sheet item
	Italian Electronics Holdings S.r.l.	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers			
<b>Period from 1 March 2016 to 28 February 2017</b>									
Cash flow generated/(absorbed) by operating activities	(1,656)	(1,150)	(31)	(984)	(1,483)	(1,457)	(6,761)	56,523	(12.0%)
Cash flow generated/(absorbed) by financing activities	(24,322)	-	-	-	-	-	(24,322)	(27,461)	88.6%
<b>Total</b>	<b>(25,978)</b>	<b>(1,150)</b>	<b>(31)</b>	<b>(984)</b>	<b>(1,483)</b>	<b>(1,457)</b>			
<b>Period from 1 March 2017 to 28 February 2018</b>									
Cash flow generated/(absorbed) by operating activities	4,221	50	(25)	(231)	(798)	(3,428)	(227)	79,576	(0.3%)
Cash flow generated/(absorbed) by financing activities	(9,598)	-	-	-	-	-	(9,598)	(3,317)	289.4%
<b>Total</b>	<b>(5,377)</b>	<b>50</b>	<b>(25)</b>	<b>(231)</b>	<b>(798)</b>	<b>(3,428)</b>			

## **14. Information on corporate bodies**

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

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

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

### **14.1 Stock option plans**

#### *Call option agreement and transaction bonus*

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 this listing process, in order to confirm the promotion of the Call Option Agreement recipients the reference shareholder (Italian Electronics Holdings) sought, at the beginning of February 2017, to change the original option plan by renouncing the previous Call Option Agreement and, at the same time, assigning a new option plan called the Transaction Bonus lasting 5 years which included the commitment of Italian Electronics Holdings (i) if the result of the admission to listing process is positive, the allocation to certain Company managers, on the day of the establishment of the placement price, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted on the day of the placement and to other managers of a sum in Euros equal to the value of a pre-established number of shares at the placement price; (ii) in the case of the sale to a third-party of all or some of the Company shares, the granting to certain Company managers and employees, before the transfer to third parties, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted to the third-party buyer.

The realisation of events was mutually exclusive therefore, as the first event is realised in terms of time, the possibility of the second event automatically becomes ineffective. On 4 April 2017, the holding company Italian Electronics Holdings completed the listing process for the shares of Unieuro S.p.A. on the Electronic Stock Exchange - STAR Segment of Borsa Italiana S.p.A. and placed 31.8% of the Company's capital valued at €70 million.

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

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.

The cost for the Call Option Agreement included in the financial statements as at 28 February 2018 was €0.7 million.

#### *Long-Term Incentive Plan*

On 6 February 2017, the Extraordinary Shareholders' Meeting of Unieuro approved the adoption of a stock option plan (the "Plan" or "Long-Term Incentive Plan" or "LTIP") reserved for Executive Directors, associates and employees (executives and others) of Unieuro. The 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 Plan specifies the following objectives: (i) to focus the attention of people covered by the plan on matters of strategic importance to Unieuro, (ii) to increase loyalty among people covered by the plan and incentivise them to remain with Unieuro, (iii) to increase the competitiveness of the company by identifying medium-term objectives and promoting the creation of value both for Unieuro and its shareholders and (v) to ensure that the overall remuneration of the people covered by the plan remains competitive on the market.

The implementation and definition of specific features of the 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 ("Regulations") whereby the terms and conditions of implementation of the Plan were determined.

The Recipients subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date of approval of the regulations by the Board of Directors.

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

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of Unieuro by 31 July 2017 ("IPO");

- *Recipients*: the Plan is addressed to Directors with executive type positions, associates and employees (managers and others) of Unieuro (the "Recipients") 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 judgement of the Board of Directors that, given the purpose of the 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 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 Unieuro 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 €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 July 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 July 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:
  - o in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;
  - o if 85% of the expected results are achieved, only half the options will be eligible for exercise;
  - o 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%;
  - o 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 €1 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 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 cost for the Long-Term Incentive Plan included in the financial statements as at 28 February 2018 was €1.4 million.

## **14.2 Treasury shares and holding Unieuro shares**

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

## 15. Staff-related information

### *Composition of workforce*

Below is a breakdown of employees by classification.

	28 February 2018		28 February 2017
	Unieuro S.p.A.	Monclick S.r.l.	Unieuro S.p.A.
Executives	17	3	10
Middle managers	57	1	56
Office workers	4,444	35	3,787
Factory workers	1	-	48
Apprentices	17	-	-
Temporary staff	-	-	-
<b>Total</b>	<b>4,536</b>	<b>39</b>	<b>3,901</b>

### *Gender equality and work environment*

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

### *Search and selection*

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

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

### *Training, organisation and compensation policies*

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

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

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

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

This document is available at the Unieuro website at <http://www.unieurocorporate.it/>.

#### *Protection of health and safety*

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

## **16. Management and coordination activities**

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

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

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

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

### 17.1 Strategic and operational risks

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

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

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

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

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

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

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

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

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

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

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

products and ultimately its ability to meet customer demand with potential significant negative repercussions on the Group's income statement, cash flows and balance sheet.

**Other operational risks:** this category includes risks typical of the consumer electronics sector connected with: opening new points of sale, seasonality, failure to implement or the delayed implementation of its business strategy, the technological development of electronic products and the perception of new trends, the availability of products and inventory obsolescence, the operations of the logistics centre and procurement of products marketed, possible restrictions on imports, product liability, the operation of IT systems, management of post-sale customer assistance services, e-commerce fraud and services provided by third parties. The Group manages and measures these risks and they are reflected in the financial statements in items related to inventories, with respect to provisions for obsolescence and in provisions for risks and charges. For additional information on provisions and write-downs made during the year ended 28 February 2018, see the related notes to the consolidated financial statements.

## 17.2 Financial risks

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

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

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

Unieuro has a revolving line of €0.0 million, which is generally fully utilised in the first half of each year to meet the related financial requirements and is instead repaid during periods of

the greatest cash generation (typically the last half of each year).

The Company believes that existing lines of credit and loans as at 28 February 2018 are sufficient to cover requirements from its operating and investment activities and to repay maturing debt.

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

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

**Credit risk:** this is related to the Group's exposure to potential losses resulting from the failure of financial or commercial counterparties to fulfil their obligations. The Group has receivable monitoring processes that call for analysing the customers' reliability, assigning a credit line and controlling exposure using reports that break down maturities and average collection periods. There are no significant concentrations of risk as at 28 February 2018.

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

### **17.3 Legal and non-compliance risks**

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

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

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



confirm or issue such authorisations or licences could have a potential negative effect on Unieuro's operations or outlook, or on its income statement, balance sheet and cash flows.

**Risks associated with compliance with occupational health and safety and environmental regulations:** the Group is subject to laws and regulations protecting the environment and health; therefore, any violations of the above-mentioned regulations could involve limitations to the activities of the Group or significant additional costs.

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

## 18. Significant events during and after the year

### *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. ("IEH").

At the allocation price, equal to €1.00 per share, the total proceeds from the transaction amounted to €75.9 million, which corresponded to a market capitalisation of the company equal to €20 million.

### *The acquisition of 21 stores in central Italy from Andreoli S.p.A. (Euronics)*

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<sup>2</sup>.

The acquired chain previously operated under the brand name Euronics in southern Lazio, Abruzzo and Molise. The acquisition, valued at €2.2 million, was completed on 17 May 2017. Following the payment of the debts to the store personnel, the total financial outlay was approximately €0.4 million.

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 outlets acquired.

### *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 €10 million, of which €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 €50 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 Unieuro's willingness to assert itself as a leader and consolidator in the Italian consumer electronics market. The line of credit was repaid early in January 2018 under the scope of the general redefinition of Unieuro's lines of credit, which led to three new lines of credit with significantly better conditions being taken out.

#### *The 2017 Shareholders' Meeting*

On 20 June 2017, the Unieuro Shareholders' Meeting, which was convened in a single call, (i) approved the Separate Financial Statements as at 28 February 2017; (ii) resolved the destination of the operating profit and the distribution of the dividend of €1 per share, totalling €20 million paid later on 27 September 2017; 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 2017 and allowed the strengthening of the presence of Unieuro in the highly strategic Roman market. When fully operational, annual revenues are estimated to be between €20-25 million.

#### *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 around €2.7 million, will be covered by the insurance policies that Unieuro had stipulated at the time.

#### *Transaction of accelerated bookbuilding by the majority shareholder Italian Electronics Holdings*

On 5 September 2017, IEH initiated an accelerated bookbuilding transaction on 3.5 million of Unieuro ordinary shares corresponding to 17.5% of Unieuro'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 €6.00 per share, equal to a total consideration of approximately €56 million.

Following the conclusion of the offer, IEH continued to hold a relative majority stake in Unieuro corresponding to 47.99% of the existing share capital.

#### *The resignation of a member of the BoD and the co-opting of a new board member*

On 25 September 2017, the non-executive director of Unieuro Nancy Arlene Cooper resigned from office for personal reasons. The Board of Directors, which met on 12 October 2017 to

approve the Half-Year Financial Report, co-opted Uwe-Ernst Bufe as a new non-executive director.

#### *Acquisition of 19 sales outlets from Cerioni (Euronics)*

On 4 October 2017, Unieuro acquired a business unit from Cerioni S.p.A. composed of 19 direct stores, operating under the Euronics brand in Marche (12 stores) and in Emilia Romagna (7 stores).

The acquired sales outlets, sized between 500 and 4,000 m<sup>2</sup> for a total sales area of over 25,000 m<sup>2</sup>, allowed Unieuro to increase the expansion of its direct network in central Italy.

The transaction took place without the assumption of financial and/or supplier payables, for a total equivalent value of €8 million, of which €1.6 million is due at the closing and €6.4 million is to be paid in half-yearly instalments over the next three years. The transaction was funded with recourse to the cash and cash equivalents and to the lines of credit made available by lending institutions.

The completion of the acquisition took place in three tranches: a first business unit composed of 11 stores was definitively acquired on 31 October 2017 with the reopening to the public on 16 November; a further 6 sales outlets went to Unieuro on 21 November (and reopened on 8 December); the closing of the last two sales outlets finally took place on 21 December and reopened on 27 January.

#### *The demerger of Italian Electronics Holdings*

On 17 October 2017, the partial demerger of Italian Electronics Holdings S.r.l. into eight newly established companies took place. Following the transaction, at the date of this Annual Report, Italian Electronics Holdings S.r.l. is indirectly invested in 100% by the private equity fund Rhône Capital and owns a 33.82% stake in Unieuro thereby maintaining ex art. 93 TUF control of the company in the light of the current shareholding structure.

The table below illustrates the Unieuro shares owned by Italian Electronics Holdings S.r.l. and the beneficiary companies of the demerger:

Socio	Azioni ordinarie	% sul totale dei diritti di voto delle azioni ordinarie in circolazione
IEH	6.763.088	33,82%
Alfa S.r.l.	1.436.028	7,18%
Alexander S.r.l.	379.729	1,90%
Victor S.r.l.	567.433	2,84%
GNM Investimenti S.r.l.	136.977	0,68%
Giufra S.r.l.	119.807	0,60%
Gami S.r.l.	79.083	0,40%
MT Invest S.r.l.	79.083	0,40%
Theta S.r.l.	37.197	0,19%

Subsequently, Italian Electronics Holdings S.r.l. transferred its registered office to Luxembourg, changing its company name to Italian Electronics Holdings S.à.r.l. and has entered into a reverse merger with International Retail Holdings S.à.r.l.. Following the above transactions, it is 100% indirectly owned by the private equity fund Rhône Capital.

*The reorganisation of the lines of credit*

On 22 December 2017, Unieuro took out new lines of credit totalling €190 million from a syndicate of banks including Intesa Sanpaolo S.p.A., Banco BPM S.p.A. and Gruppo Crédit Agricole, with Banca IMI S.p.A. acting as the agent.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. Existing loans were repaid in full in January.

The new lines, including a €100 million amortizing term loan and €90 million in revolving facilities, are at significantly better conditions compared with the previous loans, particularly with regard to (i) a reduction in the interest rate; (ii) the extension of the duration by five years; (iii) greater operational flexibility related to the reduction in the number of funding institutions, covenants and contractual restraints; as well as (iv) the removal of collateral in favour of the lending banks.

## **19. Foreseeable operating evolution**

In the 2018/2019 tax year the Unieuro Group expects the market to grow slightly, driven by growth in the online sector with a slight contraction of the offline sector. The combined provisions of these trends could bring further consolidation opportunities during the year in a still challenging market context.

In 2018/2019, the Unieuro Group expects further expansion of sales, mainly thanks to the contribution of the Retail channel driven by 12 months of fully operational stores acquired during the previous tax year, as well as the intervention plan for the store portfolio and new openings. As far as the Online channel is concerned, sales are forecast to increase also thanks to the full contribution of the subsidiary Monclick over 12 months.

Added to this, hopefully, will be further acquisitions of minor entities to increase the widespread network, support the omnichannel strategy of the Unieuro Group and allow better absorption of fixed costs.

In order to support the increased sales volumes, the Unieuro Group will inaugurate a new logistics hub next year, twice the size of the current one, with cutting-edge technological systems which will enable a further improvement in service levels.

In terms of financial management, the operating cash flow is expected to be essentially in line, with investments up as a result of the construction of the new logistics hub. Investments will be directed at improving the network of stores, their expansion and innovation to digitise our stores and develop advanced functions for online platforms, with the objective of making the omnichannel experience of each customer increasingly more practical and pleasant.

## 20. Consolidated non-financial statement of the Unieuro Group

### 1. How to read the consolidated non-financial statement of the Unieuro Group

The Consolidated Non-Financial Statement of the Unieuro S.p.A. Group (hereinafter also "**Statement**"), drafted pursuant to Legislative Decree no. 254/2016 implementing Directive 2014/95/EU, presents information and data on the policies practised and the management of environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption, useful to ensure the understanding of the activities carried out by the Group in these areas, its performance, the results achieved and the impacts deriving from them.

The drafting of the Statement is based on specific principles and methodologies foreseen by the most recent standards published in 2016 by the Global Reporting Initiative (**GRI Standards** – “core” option), authoritative Independent Body<sup>28</sup> dedicated to defining models for non-financial reporting. In particular, the Statement refers to the 2016 GRI Standards indicated in the GRI Content Index table presented on para. 37.

The extent and quality of the reporting reflect the principle of materiality, an element foreseen by the relevant legislation and characterising the GRI Standards: the topics dealt with in the Statement are those that, after careful evaluation, have been considered relevant as able to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

As required by Legislative Decree 254/2016, the Statement will be published annually and is subject to a judgement of conformity of the information provided with respect to the requests of the afore-mentioned Decree and the standard used by the statutory auditor of the statutory financial statements.

### Reporting scope

The qualitative and quantitative information contained in the Statement refers to the *performance* of the Unieuro Group (hereinafter also the "Group") for the year ended 28 February 2018. Below, the terms "Unieuro" or "Group" shall mean the group of companies consisting of the parent company Unieuro S.p.A. and the subsidiary Monclick S.r.l., whereas by the terms "Unieuro S.p.A." or "Company" we refer exclusively to the parent company Unieuro S.p.A.

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<sup>28</sup> The Global Reporting Initiative is a non-profit organisation founded in Boston in 1997 with the aim of creating a useful support to the reporting of the sustainable performance of organisations of any size, belonging to any sector and country in the world. In 2001 it was recognised as an Independent Body by the United Nations and in 2002 the UNEP (United Nations Environment Program) formally recognised and shared its principles by inviting all UN Member States to identify an official headquarters as a body recognised by the United Nations.



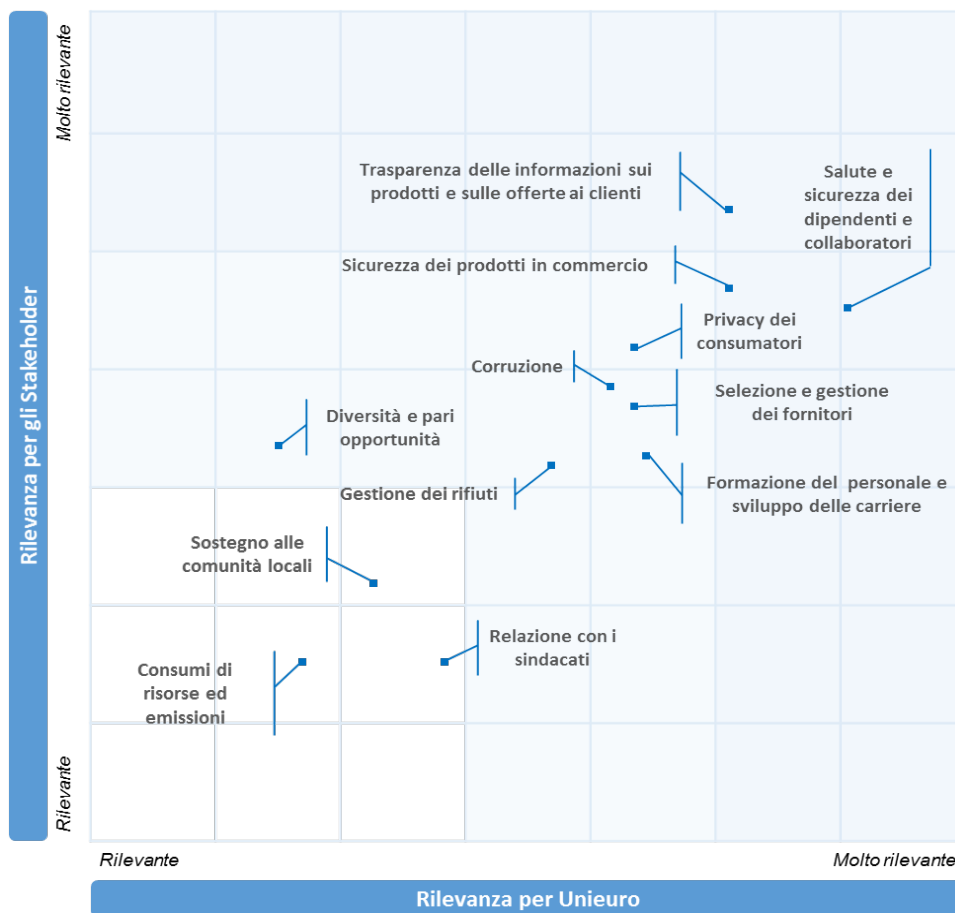
Where available, as from this first reporting year, a comparison is made with the previous year to make data and information comparable and to facilitate the understanding of *performance* trends. Finally, it should be noted that some issues and indicators may have a different reporting scope compared to the one relating to the Group, if these have been assessed by *management* as not relevant for a company in consideration of the specific activities carried out. In this case, in the text, the reference scope of the topic/indicator is clearly explained.

In order to be able to provide a picture as up-to-date as possible with respect to the reference company scope for the drafting of the Statement, it should be noted that the subsidiary Monclick S.r.l. was acquired during the year ended 28 February 2018 and entered the consolidation perimeter on 9 June 2017, with retroactive accounting effect at 1 June 2017.

### **Relevant issues for Unieuro**

Based on what is governed by the regulations and defined by the GRI Standards, an analysis of materiality (significance) of the Group's non-financial issues was carried out, which allowed the set of aspects to be reported in the Statement to be defined.

The materiality analysis process can be divided into three main phases: preliminary identification, evaluation and definition of the relevant issues. Considering as a starting point the indications provided by Legislative Decree 254/2016, the potentially relevant issues were first identified on the basis of an analysis of the activities carried out by Unieuro, the characteristics of the sector, the approaches adopted by comparable companies at national and international level and the themes suggested by the GRI for each economic sector. Subsequently, the issues that emerged were discussed and evaluated by *management* in dedicated meetings so as to allow the definition of those that are most representative of the socio-environmental impacts generated by the Group. At the end of the analysis, a series of material issues related to the aspects governed by the Legislative Decree 254/2016 were identified.



**Matrix of materiality**

The following table summarises the scope of each material topic, highlighting the entities within the Group and the external stakeholders (*stakeholder*) that are involved in the possible impacts that these imply. Furthermore, it should be noted that, where the issue does not concern the entire Group, the company excluded from the scope of consolidation was considered irrelevant in consideration of the type of activity performed.

Relevant topics	Internal perimeter	Stakeholder
Consumption of resources and emissions	Group	Community, Environment
Waste management	Group	Community, Environment
Selection and management of suppliers	Group	Providers
Consumer privacy	Group	Clients

Safety of products on the market	Group	Clients
Support for local communities	Unieuro S.p.A.	Community
Transparency of information on products and offers to customers	Group	Users
Diversity and equal opportunities	Group	-
Staff training and career development	Group	Customers, Users
Relations with the trade unions	Group	Labour unions
Health and safety of employees and collaborators	Group	-
Corruption	Group	Communities, organisations and institutions, suppliers

### **Involvement of *stakeholders***

The involvement of *stakeholders* is an opportunity for the Group to listen and exchange a dialogue that is essential to understand the level of satisfaction with their work. In 2017, Unieuro initiated a process for identifying *stakeholders*, also aimed at identifying the issues relevant to the preparation of the first consolidated statement of a non-financial nature. In particular, a mapping of the *stakeholders* was carried out, starting from those identified in the Code of Ethics, selecting: the categories whose interests are relevant based on direct and indirect relationships with the Group, the categories whose interests may be directly or indirectly conditioned or influenced by the company's activities and, finally, those on which the effects of the activities carried out by the Group would be most affected. Unieuro develops its own process of *stakeholder* engagement starting from the values of honesty, transparency and open dialogue and it is thanks to this approach that it is able to pursue the dual objective of creating economic value and shared value for its *stakeholders*.



## 2. Group Profile

Unieuro's *mission* is to combine the needs of today's customers with tomorrow's technological solutions, thanks to the convenience of its products and services and the acceptance of its people, the widespread presence, the vast assortment, as well as the ability to organise the offer in a clear and relevant way. The corporate values that inspire the Group's activities are:

- PASSION in the desire to do, to grow, to anticipate;
- CLOSENESS both territorial and in the timely and accurate understanding of its customers' needs;
- EXPERIENCE inherent in the history and tradition of Unieuro;
- COMMITMENT in activities, actions and towards the community.

Unieuro is today the largest omnichannel distributor of consumer electronics and home appliances in Italy, thanks to a capillary network of 497 stores between direct (225) and affiliates (272) throughout the national territory, to the digital platform, unieuro.it and to the Monclick-*e-tailer*. Listed on the STAR segment of the Italian Stock Exchange since April 2017, the company has a staff of 4,573 employees, is based in Forlì and has a logistic centre centralised in Piacenza, with approximately 190 employees managing the warehouse at dependencies of external cooperatives.

### Employees by geographical region

Employees by geographical region	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<i>Valle d'Aosta</i>	N°	7	10	17	7	10	17
<i>Lombardy</i>		371	311	682	331	291	622
<i>Piemonte</i>		213	275	488	205	266	471
<i>Trentino Alto Adige</i>		18	12	30	18	16	34
<i>Veneto</i>		262	189	451	266	199	465
<i>Friuli Venezia Giulia</i>		49	57	106	49	57	106
<i>Liguria</i>		102	118	220	92	109	201
<i>Emilia Romagna</i>		418	370	788	348	317	665
<i>Toscana</i>		84	108	192	94	114	208
<i>Abruzzo</i>		28	31	59	7	6	13
<i>Marche</i>		134	113	247	48	51	99
<i>Umbria</i>		17	14	31	15	15	30
<i>Molise</i>		25	15	40	12	5	17
<i>Lazio</i>		421	365	786	265	252	517
<i>Sardinia</i>		57	62	119	59	62	121
<i>Campania</i>		19	9	28	15	10	25

<i>Puglia</i>	84	55	<b>139</b>	84	54	<b>138</b>
<i>Basilicata</i>	32	16	<b>48</b>	32	16	<b>48</b>
<i>Calabria</i>	11	15	<b>26</b>	11	15	<b>26</b>
<i>Sicilia</i>	33	43	<b>76</b>	34	45	<b>79</b>
<b>Total</b>	2,385	2,188	<b>4,573</b>	<b>1,992</b>	<b>1,910</b>	<b>3,902</b>

All the stores, both direct and affiliated, are distinguished by the Unieuro brand, one of the most recognisable and established in the sector, which presents itself as the sole interlocutor of a coherent communication ecosystem on all channels, *online* and *off-line*.

Through the various distribution channels - integrated and converging - in which it operates, Unieuro markets a wide range of products conventionally divided into five product categories:

- **GREY:** includes products belonging to consumer electronics such as telephones, *smartphones*, *tablets*, desktop or portable computers, cameras and video cameras;
- **WHITE:** includes both large domestic appliances such as washing machines and refrigerators, and small appliances such as blenders and vacuum cleaners, as well as products related to "home comfort", mainly fixed and mobile air conditioners;
- **BROWN:** consisting of televisions and related accessories, smart-TV devices and car accessories, as well as memory systems such as CDs/DVDs or USB sticks.
- **Other products:** include entertainment-related products such as consoles and video games, as well as all items sold by Unieuro that do not belong to the macro-categories of consumer electronics and home appliances such as drones, bicycles and *hover boards*;
- **Services:** including home delivery, installation, collection of used items, extended warranty, consumer credit services through financial intermediaries and after-sales assistance.

In addition to the sale of products from third-party suppliers, Unieuro S.p.A. also markets products with proprietary brands. This is particularly some lines of appliances, large and small, produced by third-party suppliers that are marketed under the "Electroline" brand.

The subsidiary Monclick S.r.l. however, mainly deals with consumer electronics, home appliances and *home entertainment* through two *business* lines: on the one hand direct sale to the final consumer through the *e-commerce* platform and on the other hand the management of online platforms of partner companies (e.g. banks and phone companies) for which Monclick oversees the entire process that goes from the definition of the technological structure of their *e-commerce* site connected to the main Monclick site, to the procurement of products and the delivery and management of after-sales services.

Unieuro is a member of the Aires Association (Italian Association of Retailer Specialised Appliances), which brings together the main companies and distribution groups specialised in consumer electronics and home appliances, in turn joining Confcommercio Imprese per l'Italia.

Unieuro is also associated with Confimprese, which groups primary operators with direct and franchised distribution networks, regardless of the product sector in which they operate.

At a local level, it is finally associated with Confindustria Forlì, Ascom Forlì and Confapi of Piacenza, to protect its interests in the territories in which the head office and the logistics hub are located respectively.

## Shareholding and corporate structure

Until then wholly owned by the holding company Italian Electronics Holdings S.r.l. (IEH), Unieuro S.p.A. was listed on the Stock Exchange on 4 April 2017 following an initial public offering (IPO) through which the majority shareholder placed 35% of the share capital with institutional investors, including the exercise of the *greenshoe* option.

The début in the Business Market represented an important step in the Company's history, which set the conditions for continuing the expansion process in traditional and digital channels, thanks to renewed visibility on the financial markets and the prestige and transparency deriving from the listing on the STAR segment of the Italian Stock Exchange.

On 5 September 2017, IEH launched an *accelerated bookbuilding* transaction on a further 17.5% of Unieuro's share capital, after which IEH continued to maintain a relative majority stake in Unieuro, corresponding to 47.99% of existing share capital.

Following the non-proportional demerger of IEH, announced on 17 October 2017, the share capital at the end of the year is as follows:

### Share capital of Unieuro S.p.A.

Share capital	%
Rhône Capital (through Italian Electronics Holdings S.à.r.l.)	33.8
Dixons Carphone plc (through Alfa S.r.l.)	7.2
Silvestrini family (through Alexander S.r.l. and Victor S.r.l.)	4.7
Management Unieuro	2.3
Floating	52.0

The Unieuro Group, created following the acquisition of Monclick, consists of a parent company (Unieuro S.p.A.) and the wholly owned subsidiary Monclick S.r.l, consolidated starting from 1 June 2017.

## Dialogue with shareholders

Following its Stock Exchange floatation, Unieuro guaranteed constant willingness for dialogue and discussion with shareholders and potential investors thanks to the Investor Relations function, structured and adapted to the needs of a company of its size.

In the first year of listing, Unieuro S.p.A. has been called to demonstrate that it can realise its *vision* (continue to grow profitably enhancing the centrality of the customer and the omnichannel opportunities), illustrated during the IPO and promotional activities were organised to boost the largest possible coverage of the Unieuro stock by financial analysts and maximum interest from institutional investors.

In 2017/18, these activities resulted in the organisation of two half-yearly *conference calls* for a public and direct comparison with the management on the half-yearly and annual results, in the organisation of four *roadshows* in Italy and abroad and in the participation in four *investor conferences* organised by financial intermediaries to promote the direct relationship between companies and market operators.

The main issues that emerged in the talks with investors concerned the sustainability of the *business* in light of a highly competitive market and the growing penetration of *e-commerce*, with the consequent pressure on operators' margins. Great interest was placed on the Company's external growth transactions, as well as on its ability to generate profits and cash, thus rewarding capital.

For the benefit of a wide range of external stakeholders, the unieurospa.com corporate website was also launched, focusing on the description of the Unieuro business and strategies and the collection point for the mandatory corporate documentation. This was in addition to the activity of institutional communication on the social media LinkedIn.

### **Main risks of a non-financial nature**

In consideration of the activities carried out by Unieuro and the characteristics of the reference market, the non-financial risks currently encountered are mainly attributable to the areas presented below. In the individual chapters of the Statement the policies adopted and the activities carried out by the Group for their correct management will be described.

#### Environment

The Group companies operate in the *retail* sector of small and large household appliances, mainly through the retail and *e-commerce* channel, where there are environmental risks related above all to compliance with the relevant legislation, which could imply limitations on business activity or significant additional costs. Among these, there is the risk of incorrect disposal of waste, in particular of the so-called WEEE (Waste Electrical and Electronic Equipment). Unieuro is in fact among the subjects that are obliged to the free collection of WEEE, as well as the possession of the technical requirements for carrying out the activities of preliminary deposit, collection, subsequent transport and conferment.

#### Clients

As a retail distributor of consumer goods, the Group is exposed to the risk of actions for product liability pursuant to the provisions of the Consumer Code (Legislative Decree no. 205/2006). The sale by suppliers of products harmful to the health of citizens or not in line with European standards in terms of safety or quality of products, albeit governed by framework agreements and subject to certification by third parties, could in fact expose Unieuro to the risk of claims for compensation for damages caused by defects in products sold and negative repercussions on the Group's reputation with possible negative effects on



its economic, asset and financial situation. Likewise, Unieuro could be exposed to reports to consumer associations or the Competition and Market Authority (AGCM) for complaints on various accounts.

Being particularly active in *online* sales, further potential risks are related to *online* attacks and the cloning of customer credit cards or personal data, but also from malfunctions or interruptions of computer systems. Unieuro is in fact exposed to the risk of negative repercussions on the perception of the quality of the *e-commerce* service offered, caused by potential cyber frauds perpetrated by third parties. Likewise, it is exposed to the risk that the personal data of customers and subjects with whom the Company entertains relationships might be damaged, stolen, lost, disclosed or processed for purposes other than those permitted.

### Personal

The Group's results and success depend, among other things, on the ability to attract and retain qualified personnel and those who have held key positions in the *business* development stages. The loss of some of these resources could in fact affect, at least temporarily, Unieuro's competitive ability, activity and prospects, with possible negative effects on its *business*.

Further risks are related to the performance of the work in line with the Group's *business*, which can therefore be attributed to accidents, mainly deriving from manual handling of warehouse loads at the goods storage sites (central warehouse located in Piacenza, for employees of external cooperatives, or individual stores of the various stores) and/or occupational diseases.

Other risks related to the health and safety of personnel may derive from malicious events, structural problems of the buildings where the Company's stores are located or environmental pollution.

### Corruption

Among the activities identified by the Company as potentially susceptible to corruption, we highlight the relationships that the company may have with the authorities and public officials for the opening of new stores, for the organisation of promotional events or during tax audits. There may also be incidents of corruption during inspections on health and safety at work, on the protection of personal data or on the correct disposal of waste.

Risks of corruption among individuals can instead be generated in the relationships established for the identification of the properties for the sales outlets and in the definition of the related contractual conditions, in relations with third parties in situations of litigation undertaken against the Company as well as in the negotiation of contracts of purchase with suppliers, to obtain advantageous conditions as well as during the verification of customs formalities.

### Supply chain

Unieuro markets a wide range of products supplied by a large number of third parties, including the leading global manufacturers of home appliances and consumer electronic goods. Almost all the products marketed by the Group, as widely happens in the reference market, are produced in countries at risk of political, economic and social instability or potentially subject to possible import restrictions. The Group's success also depends on its ability to maintain lasting commercial relationships with these suppliers: otherwise, it could have an impact on the company's reputation and operations, with possible negative repercussions on its economic, equity and financial situation. For the risks related to the products sold, please refer to the "Customers" section of the aforementioned paragraph.

### **3. Governance**

Unieuro has adopted a so-called traditional management system, which enhances the role of the Board of Directors as an executive body while the audit function is delegated to the Board of Statutory Auditors. The Company's corporate bodies are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors, whose powers and operating methods are governed by law, by the Articles of Association and by the resolutions adopted by the appropriate bodies, as the case may be.

The Board of Directors has set up three internal committees with consultative and proposing functions, the Remuneration and Appointments Committee and the Control and Risk Committee, as well as a Related Party Transaction Committee that is assigned the tasks and functions provided for by the Consob Related Parties Regulation.

On 12 December 2016, the Company's Shareholders approved the adoption of a new company by-laws; for more information on the Governance system, please refer to the Corporate Governance Report and ownership structure as of 28.02.2018.

#### **Board of Directors**

The management of the Company is entrusted to a Board of Directors, pursuant to art. 12 of the Articles of Association, consisting of an odd number of members of not less than seven and not more than fifteen. The meeting determines the number of members of the Board of Directors from time to time, before their appointment, and within the limit indicated above may increase during the term the number of directors who terminate their mandate together with those in office. Directors remain in office for the term set by the shareholders' resolution appointing them, subject to a maximum of three financial years and are re-eligible for office. The members of the Board of Directors must possess the requisites of professionalism and honourableness provided for by the regulations, also regulatory, in force and a minimum number, not less than that established by the pro tempore legislation in force, must meet the independence requisites prescribed by the applicable provisions.

The Company's Articles of Association provide that the appointment of directors takes place through the list voting mechanism and that the current Board of Directors as well as the shareholders who alone or in concert represent the percentage of share capital required by applicable laws or regulations are entitled to submit lists. Art. 14 of the Articles of Association also provides that if, after the vote and the application of the preceding paragraph a gender balance is not achieved as provided for by the applicable legislation and regulations, the candidate from the most represented gender elected last in order from the list with the highest number of votes will be excluded and replaced by the first unelected candidate in numerical order on the same list and from the least represented gender. If fewer candidates are elected based on the lists submitted than there are directors to be elected, the remainder will be elected by the shareholders' meeting, which will ensure that the minimum number of

independent directors are elected and that the gender balance required under applicable legislation and regulations is achieved.

If no lists are submitted or if the directors are not appointed for any reason in accordance with the procedures established herein, the shareholders' meeting will act according to the statutory majority, in compliance with any minimum allotment ratio between genders (male and female) provided by law and regulations.

### ***Members of the Board of Directors***

Currently, the Board of Directors of Unieuro S,p,A., appointed on 12 December 2016 and subsequently supplemented on 6 February 2017, is made up of 7 directors including one executive director and six non-executive directors who will remain in office until the Shareholders' Meeting to be called for the approval of the Company's financial statements for the year ended 28 February 2019. In relation to its composition and representation of both genders, it should be noted that, only starting from its first renewal, the voting provisions contained in the Articles of Association will apply.

#### **Members of the Board of Directors**

Assignment	Age	Gender	Type	Independence	Membership of groups of stakeholder
Chairman	67	M			
Chief Executive Officer	58	M	Executive		
Director	64	M	Non-Executive		Rhone Capital
Director	41	M	Non-Executive		Rhone Capital
Director	73	M	Non-Executive		
Director	69	M	Non-Executive	Independent	
Director	49	M	Non-Executive	Independent	

#### **Members of the Board of Directors by age group**

Age range	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<i>under the age of 30</i>	N°	-	-	-	-	-	-
<i>Between 30 and 50 years</i>		2	-	2	2	-	2
<i>age over 50 years</i>		5	-	5	4	1	5
<b>Total</b>		<b>7</b>	<b>0</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>7</b>

### ***CONTROL AND RISK COMMITTEE***

The Control and Risk Committee, appointed by the Board of Directors, has the task of assisting the Board of Directors with preparatory, advisory and consultative functions, in

evaluations and decisions relating to the internal control and risk management system, as well as those concerning the approval of periodic financial reports.

### ***Remuneration and Appointments Committee***

As a Remuneration Committee, the task is to assist the Board of Directors with preparatory, advisory and consultative functions, in evaluations and decisions relating to the remuneration policy of directors and managers with strategic responsibilities, evaluating periodically the adequacy, the overall consistency and the concrete application of the remuneration policy.

As an Appointment Committee, the task is instead to assist the Board of Directors in preparing the criteria for the designation of its members and to formulate opinions on the size and composition of the same. The Committee also formulates assessments on the designations of the managers and members of the corporate bodies and bodies.

The members and the Chairman of the Committee are appointed by the Board of Directors.

### ***Committee for Transactions with Related Parties***

The Related Parties Committee, appointed by the Board of Directors, mainly has the task of formulating specific reasoned opinions on the interest of Unieuro in the performance of Transactions with Related Parties, whether these are of greater or lesser importance, expressing a judgement regarding the convenience and substantial correctness of the relative conditions, upon receipt of timely and adequate information flows.

### **Board of Statutory Auditors**

The Board of Statutory Auditors is appointed by the ordinary Shareholders' Meeting of the Company, pursuant to articles 21 and 22 of the Articles of Association, through a transparent procedure that guarantees, among other things, adequate and timely information on the personal and professional characteristics of the candidates for the position. As long as the Company's shares are listed on an Italian regulated market or other member states of the European Union, the board of statutory auditors is elected by the ordinary shareholders' meeting on the basis of lists presented by shareholders and ensuring gender balance according to the provisions of legal and regulatory provisions pro tempore in force. If the balance between the genders is not insured according to the provisions of current legislation, the necessary substitutions will be carried out according to the progressive order in which the candidates are listed.

Statutory Auditors remain in office for three financial years. Their term of office expires on the date of the shareholders' meeting convened to approve the financial statements for their third year in office.

### **Members of the Board of Statutory Auditors**

Currently the Board of Statutory Auditors is composed of 5 statutory auditors including the Chairman, two standing statutory auditors and two alternate auditors. As for the Board of Directors, the new voting forecasts contained in the Articles of Association will be applied starting from its first renewal.

**Compensation of the Board of Statutory Auditors**

Assignment	Age	Gender
Chairman	42	M
Statutory Auditor	52	M
Statutory Auditor	51	M
Alternate auditor	45	M
Alternate auditor	67	M

**Members of the Board of Statutory Auditors by age group**

Age range	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<i>under the age of 30</i>	N°	-	-	0	-	-	0
<i>Between 30 and 50 years</i>		4	-	4	4	-	4
<i>age over 50 years</i>		1	-	1	1	-	1
<b>Total</b>		<b>5</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>5</b>

**Organisation, Management and Control Model and corporate regulatory system**

Unieuro S.p.A. is sensitive to the need to ensure fairness and transparency in the conduct of business and related business activities, to protect its image and reputation, the expectations of its *stakeholders* and the work of its employees.

The Company therefore has an Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 (hereinafter also "Model 231"), suitable for preventing unlawful conduct on the part of its directors, employees and collaborators subject to management or supervision by the Company. Although the adoption of the Model 231 at the time of its adoption did not constitute an obligation, but an optional choice assigned to each individual body, the Company decided to adapt by launching a project to analyse its organisational, management and control tools, verify the correspondence of the behavioural principles and of the existing safeguards with respect to the requisites envisaged by Legislative Decree no. 231/2001 and, where necessary, proceed with the integration of the system in force. Through the adoption of the Model 231, Unieuro S.p.A. intends to prevent and combat the commission of crimes and to promote a corporate culture based on legality, compliance with regulations and internal regulations.

To guarantee the effective implementation of the models, a Supervisory Body (SB) has been appointed that verifies the implementation and effectiveness of Model 231. An *e-mail* address was also set up to send any reports of non-compliance or violation of Model 231: odv@unieuro.com.

To share values, principles and behavioural rules with their collaborators and communicate them to all other stakeholders in order to build a transparent reality geared towards compliance with ethical and behavioural standards, the Company has also adopted a Code of Ethics in which it requires its employees and collaborators to operate in compliance with the laws in force, professional ethics and internal regulations, in no way justifying conduct contrary to the principles of fairness and honesty. Unieuro's success cannot be separated from ethics in the conduct of business and, consequently, the competitive context in which it operates must be inextricably linked with ethical sensitivity, social involvement and respect for the environment.

### **The fight against corruption**

As required by the Code of Ethics, no employee must directly or indirectly accept, solicit, offer or pay sums of money or other benefits, even as a result of illicit pressures. Unieuro does not tolerate any kind of bribery of public officials, or any other party connected with public officials, in any form or manner, in any relevant jurisdiction, including those where such activities are permitted in practice or not prosecuted.

In addition to the principles and rules of conduct outlined in the Code of Ethics, the Organisational, Management and Control Model identifies the so-called "sensitive" activities to the offences referred to in Legislative Decree no. 231/2001, including the crime of corruption, and defines specific control measures to support the instrumental processes deemed to be exposed to the potential risk of commission of offences. A system of sanctions is also adopted aimed at ensuring the effective implementation of Model 231 and outlining information and training activities on the contents of the same which in the last financial year involved 2,390 employees, excluding the members of the Board of Directors. The training course is provided in the classroom with regard to the top managers (Directors and Area Managers) and through the *e-learning* platform for the remaining employees.

### ***Performance indicators***

During the *risk assessment* activities carried out by the Company during the 2016/17 financial year in order to identify "sensitive" activities and processes deemed to be exposed to the potential risk of commission of offences, ten processes were mapped, of which seven were at risk of commission of the crime of corruption. At the same time, the related procedures and controls were defined.

During the 2017/18 financial year, no reports were found for the Group that concerned incidents involving corruption.

## 4. Employees

### Personnel Management

The Unieuro Group employs 4,573 resources, up 17.2% compared to the previous year following the acquisition of Monclick, the acquisition and subsequent relaunch of a total of 41 stores previously managed by competitors, as well as the opening of 7 new direct sales outlets.

Employees are divided between *business* activities (clerks, cashiers, storekeepers and store managers), amounting to 4,237 employees, and support activities (employees, specialists, coordinators, managers, director of headquarters functions (Finance and Control, Commercial, Omnichannel, Marketing, Property, Technical Office, Human Resources, IT, Logistics, Service, Customer Care and Sales), equal to 336 employees. The majority of the resources, 86%, are employed on permanent contracts, guaranteeing the Group the possibility to retain qualified personnel within the company.

Effective employee management is central to Unieuro's success. The competence and commitment that every single individual dedicates to company activity are at the base of the competitive advantage achieved by the Group, to the point of considering the costs for professional growth and training among the most significant investments in intangible capital. This and other essential aspects for the dissemination of a real shared culture are conveyed by the Code of Ethics, addressed to all employees and approved by the Board of Directors, in which the Group establishes the principles of equal opportunities and non-discrimination, health and safety of workers, prevention of corruption risk and conflict of interest, correct remuneration policies and, finally, the centrality of employee orientation towards the client. All personnel management policies are also defined in the utmost compliance with the applied National Collective Labour Contract and of the current labour regulations.

In particular, the Company requires all the functions responsible for processes or procedures concerning personnel management to:

- adopt selection criteria based on merit and competence;
- select, hire, train and remunerate employees without discrimination;
- comply with employment laws and standards.
- guarantee the physical and moral integrity of the collaborators;
- guarantee the right to working conditions that respect the dignity of the person.

Through the *e-mail* address established with the Supervisory Body as the recipient, communicated to all employees, it is possible to send reports for violations of the Code of Ethics or Model 231. This tool allows to establish a direct dialogue with the supervisors and guarantees the anonymity of the reporter.



Unieuro has formalised a system that provides annual assessment interviews and direct interviews with store personnel by store managers and, informally, the Area Managers, during which employees can report any problems in a climate of open dialogue and mutual exchange.

### *Performance indicators*

#### Employees divided by age group, gender and function

Employees	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>Employees employed in support functions</b>	N°	188	148	<b>336</b>	<b>152</b>	<b>122</b>	<b>274</b>
<i>under the age of 30</i>		10	22	<b>32</b>	7	15	<b>22</b>
<i>Between 30 and 50 years</i>		150	112	<b>262</b>	112	92	<b>204</b>
<i>age over 50 years</i>		28	14	<b>42</b>	33	15	<b>48</b>
<b>Employees employed in business activities</b>		<b>2,197</b>	<b>2,020</b>	<b>4,237</b>	<b>1,840</b>	<b>1,788</b>	<b>3,628</b>
<i>under the age of 30</i>		355	235	<b>590</b>	248	163	<b>411</b>
<i>Between 30 and 50 years</i>		1,606	1,628	<b>3,234</b>	1,335	1,434	<b>2,769</b>
<i>age over 50 years</i>		236	177	<b>413</b>	257	191	<b>448</b>
<b>Total</b>		<b>2,385</b>	<b>2,188</b>	<b>4,573</b>	<b>1,992</b>	<b>1,910</b>	<b>3,902</b>

#### Number of employees by type of contract and geographical area<sup>29</sup>.

Employees	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>Fixed-term contract</b>	N°	<b>364</b>	<b>265</b>	<b>629</b>	<b>242</b>	<b>176</b>	<b>418</b>
<i>North</i>		239	166	<b>405</b>	170	120	<b>290</b>
<i>Centre</i>		113	93	<b>206</b>	60	48	<b>108</b>
<i>South and Islands</i>		12	6	<b>18</b>	12	8	<b>20</b>
<b>Permanent contract</b>		<b>2,021</b>	<b>1,923</b>	<b>3,944</b>	<b>1,750</b>	<b>1,734</b>	<b>3,484</b>
<i>North</i>		1,201	1,176	<b>2,377</b>	1,146	1,145	<b>2,291</b>
<i>Centre</i>		543	507	<b>1,050</b>	369	390	<b>759</b>
<i>South and Islands</i>		277	240	<b>517</b>	235	199	<b>434</b>
<b>Total</b>		<b>2,385</b>	<b>2,188</b>	<b>4,573</b>	<b>1,992</b>	<b>1,910</b>	<b>3,902</b>

<sup>29</sup> The subdivision by geographical areas is distributed as follows:

North: Valle d'Aosta, Piedmont, Lombardy, Trentino Alto Adige, Friuli Venezia Giulia, Veneto, Emilia Romagna, Liguria

Centre: Tuscany, Marche, Umbria, Lazio

South and Islands: Sicily, Sardinia, Campania, Puglia, Basilicata, Molise, Abruzzo, Calabria

## **Diversity, equal opportunities and respect for human rights**

Unieuro guarantees respect for diversity at all stages of personnel selection, ensuring that there is no room for discrimination on the grounds of race, sex, nationality, sexual orientation, social status, physical appearance, religion and political orientation. To ensure compliance with these principles, the Company has adopted specific selection procedures based on the principles of impartiality, speed and economy in the performance of the selection and selection publication process. The processes are based on the adoption of objective and transparent criteria, suitable to ascertain the correspondence of the professional skills, abilities and aptitudes of the candidates to the characteristics of the positions to be filled, avoiding any type of discrimination. Moreover, for the selection of managerial or executive profiles, Unieuro can use companies specialised in personnel selection to guarantee greater impartiality and objectivity in the selection.

In addition to the selection process, the Company undertakes to respect diversity and equal opportunities at every stage of the relationship with its employees by adopting criteria based on merit and competence also in remuneration policies. The Group's commitment is enshrined in the Code of Ethics, where it is reiterated that the physical and moral integrity of employees is considered a primary value for the Group, which aims to ensure for its employees the right to working conditions that are always mindful of the dignity of the person.

This commitment took the form of training courses for managers in the course of the 2017/18 financial year, focused on personnel management and labour regulations and aimed at guaranteeing all workers the same opportunities, so that everyone can enjoy fair treatment based on merit criteria and strict compliance with the law.

With regard to targeted placement, the company interacts with the various provincial officials to activate agreements aimed at the inclusion and real integration of workers in protected categories.

Confirming the Group's commitment to equal opportunities, female presence within the company is 48%. The age group that is composed of the largest number of employees is between 30 and 50 years for both female and male staff. During the last financial year, 1,635 resources were also included, of which 42% were women, with a prevalence of the under-30s age group.

Furthermore, the Group has activated a series of contracts of employment, prevalently to female personnel, in order to promote work-life balance.

On the other hand, with regard to the indicators referring to staff salaries, for the managerial levels there is a higher value for the female gender, both for the basic salary and for the remuneration with a difference of the two values increasing compared to 2016/17. By contrast, on the other hand, at the level of middle managers and employees, the value is

higher for the male gender with an increasing difference for the executive levels and in substantial stability with regard to employees.

### *Performance indicators*

#### Employees divided by age group, gender and level.

Employees	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>Executives</b>	N°	<b>18</b>	<b>2</b>	<b>20</b>	<b>10</b>	<b>1</b>	<b>11</b>
<i>under the age of 30</i>		-	-	-	-	-	-
<i>Between 30 and 50 years</i>		14	2	16	5	1	6
<i>age over 50 years</i>		4	-	4	5	-	5
<b>Middle managers</b>		<b>44</b>	<b>14</b>	<b>58</b>	<b>48</b>	<b>9</b>	<b>57</b>
<i>under the age of 30</i>		-	-	-	0	-	-
<i>Between 30 and 50 years</i>		36	11	47	37	5	42
<i>age over 50 years</i>		8	3	11	11	4	15
<b>Office workers</b>		<b>2,323</b>	<b>2,171</b>	<b>4,494</b>	<b>1,934</b>	<b>1,899</b>	<b>3,833</b>
<i>under the age of 30</i>		365	257	622	255	178	433
<i>Between 30 and 50 years</i>		1,706	1,727	3,433	1,405	1,520	2,925
<i>age over 50 years</i>		252	187	439	274	201	475
<b>Factory workers</b>		<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>
<i>under the age of 30</i>		-	-	-	-	-	-
<i>Between 30 and 50 years</i>		-	-	-	-	-	-
<i>age over 50 years</i>	-	1	1	-	1	1	
<b>Total</b>	<b>2,385</b>	<b>2,188</b>	<b>4,573</b>	<b>1,992</b>	<b>1,910</b>	<b>3,902</b>	
<i>under the age of 30</i>	365	257	622	255	178	433	
<i>Between 30 and 50 years</i>	1,756	1,740	3,496	1,447	1,526	2,973	
<i>age over 50 years</i>	264	191	455	290	206	496	

#### Employees divided by type of employment and gender.

Employees	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Full-time employees	N°	1,844	1,100	<b>2,944</b>	1,505	910	<b>2,415</b>
Part-time employees		541	1,088	<b>1,629</b>	487	1,000	<b>1,487</b>
<b>Total</b>		<b>2,385</b>	<b>2,188</b>	<b>4,573</b>	<b>1,992</b>	<b>1,910</b>	<b>3,902</b>

**New hires, by age group, gender and geographical area.**

Number of new hires	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>North</b>	N°	<b>317</b>	<b>232</b>	<b>549</b>	<b>170</b>	<b>121</b>	<b>291</b>
<i>under the age of 30</i>		217	149	<b>366</b>	140	88	<b>228</b>
<i>Between 30 and 50 years</i>		97	77	<b>174</b>	25	31	<b>56</b>
<i>age over 50 years</i>		3	6	<b>9</b>	5	2	<b>7</b>
<b>Centre</b>		<b>330</b>	<b>237</b>	<b>567</b>	<b>182</b>	<b>125</b>	<b>307</b>
<i>under the age of 30</i>		225	153	<b>378</b>	148	92	<b>240</b>
<i>Between 30 and 50 years</i>		102	78	<b>180</b>	29	31	<b>60</b>
<i>age over 50 years</i>		3	6	<b>9</b>	5	2	<b>7</b>
<b>South and Islands</b>		<b>294</b>	<b>225</b>	<b>519</b>	<b>147</b>	<b>106</b>	<b>253</b>
<i>under the age of 30</i>		184	129	<b>313</b>	122	79	<b>201</b>
<i>Between 30 and 50 years</i>		103	84	<b>187</b>	20	25	<b>45</b>
<i>age over 50 years</i>		7	12	<b>19</b>	5	2	<b>7</b>
<b>Total</b>		<b>941</b>	<b>694</b>	<b>1,635</b>	<b>499</b>	<b>352</b>	<b>851</b>
<i>under the age of 30</i>		626	431	<b>1,057</b>	410	259	<b>669</b>
<i>Between 30 and 50 years</i>		302	239	<b>541</b>	74	87	<b>161</b>
<i>age over 50 years</i>		13	24	<b>37</b>	15	6	<b>21</b>

**Employees who have left the company, by age group, gender and geographical area.**

Employees who have left the company	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>North</b>	N°	<b>238</b>	<b>186</b>	<b>424</b>	<b>134</b>	<b>131</b>	<b>265</b>
<i>under the age of 30</i>		159	111	<b>270</b>	82	52	<b>134</b>
<i>Between 30 and 50 years</i>		68	69	<b>137</b>	43	69	<b>112</b>
<i>age over 50 years</i>		11	6	<b>17</b>	9	10	<b>19</b>
<b>Centre</b>		<b>142</b>	<b>93</b>	<b>235</b>	<b>30</b>	<b>25</b>	<b>55</b>
<i>under the age of 30</i>		67	45	<b>112</b>	10	6	<b>16</b>
<i>Between 30 and 50 years</i>		68	43	<b>111</b>	19	18	<b>37</b>
<i>age over 50 years</i>		7	5	<b>12</b>	1	1	<b>2</b>
<b>South and Islands</b>		<b>12</b>	<b>14</b>	<b>26</b>	<b>15</b>	<b>10</b>	<b>25</b>
<i>under the age of 30</i>		4	5	<b>9</b>	4	4	<b>8</b>
<i>Between 30 and 50 years</i>		7	9	<b>16</b>	11	6	<b>17</b>
<i>age over 50 years</i>		1	-	<b>1</b>	-	-	<b>-</b>
<b>Total</b>		<b>392</b>	<b>293</b>	<b>685</b>	<b>179</b>	<b>166</b>	<b>345</b>

<i>under the age of 30</i>	230	161	<b>391</b>	96	62	<b>158</b>
<i>Between 30 and 50 years</i>	143	121	<b>264</b>	73	93	<b>166</b>
<i>age over 50 years</i>	19	11	<b>30</b>	10	11	<b>21</b>

#### Turnover rate<sup>30</sup>

Turnover rate	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
<b>Inbound turnover rate</b>	%	31,0%	24,2%	<b>27,8%</b>	12.5%	9.6%	<b>11.1%</b>
<b>Outgoing turnover rate</b>		16.6%	13.5%	<b>15.1%</b>	9.0%	8.7%	<b>8.8%</b>

#### Gender relationship between the average basic salary and the average remuneration divided by level.<sup>31</sup>

Employees by level <sup>32</sup>	u.m.	28/02/2018		28/02/2017	
		Basic salary	Fees	Basic salary	Fees
<b>Executives</b>	%	76%	76%	87%	99%
<b>Middle managers</b>		126%	130%	106%	113%
<b>Office workers</b>		117%	118%	116%	118%

The significant increase registered by Inbound turnover rate in FY 2017/18 compared to FY 2016/17 (+16.7 percentage points) was related to the high number of hirings due to the assets acquisition from Andreoli S.p.A. (293 employees) and Gruppo Cerioni S.p.A. (233 employees).

Still referring to the increase in Ingoing and Outgoing turnover rates, it is noted that Unieuro S.p.A. needs to replace salespeople involved in new colleagues training activities, who are in business trip for long periods during the year.

Il tasso di turnover in uscita è a sua volta stato influenzato dall'allargamento del perimetro aziendale, il quale ha comportato il ricorso a personale di vendita temporaneo nei negozi, in sostituzione provvisoria dei dipendenti impegnati nella formazione dei nuovi colleghi.

<sup>30</sup> The figure is calculated as the ratio between total income/expenses and total employees in the reference year.

<sup>31</sup> The figure is calculated as the ratio between the average basic salary of men over that of women and between the average remuneration of men over that of women.

<sup>32</sup> The value for the "Workers" level is not reported as it is made up of only one resource.

## **Staff training and career development**

Training activity represents the instrument on which Unieuro bases its competitiveness and professionalism, which over the years has become an essential strategic lever for developing the potential of resources, creating a homogeneous corporate identity and culture, accompanying professional development paths and supporting business changes. Every year, Unieuro devotes important resources to the professional growth of employees through direct teaching, *webinars*, conferences, *tutoring*, simulations, *training on the job*, *e-learning* and *staff training*.

In addition to the compulsory training courses (Health and Safety, Model 231, Privacy), the Group offers managerial and professional training courses, both for store and head office staff. In 2017, the historical partnership that the Group has with the Bocconi School of Management (SDA Bocconi) was confirmed for training for the managers of the sales outlets, Area Managers and head office management. The inclusion of employees in the company and their professional growth are supported through targeted training actions, activating insertion paths for new recruits, programs to support continuous updating on the product news of the various product categories (*staff training*) and to improve Client reception. Among the training tools made available is the portal dedicated to training, "TrainUp!", through which it is possible to register for the courses, to trace all the training/informative initiatives and to collect satisfaction questionnaires on the initiatives carried out.

To complete the training offer, since 2009 a company Academy has been active for new store managers and affiliated entrepreneurs. Participants, who are identified through an internal candidacy process, assessment centres and individual interviews, participate in on-the-job and classroom training that lasts 6 months.

During the 2017/18 financial year, 24,629 hours of training were provided, to 2,104 employees, with a slight decrease of 5% compared to 2016/17.

## Performance indicators

### Hours of training provided

Hours of training by gender and function	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	<i>hours</i>	612	40	<b>652</b>	901	285	<b>1,186</b>
Employees employed in business functions		16,502	7,475	<b>23,977</b>	15,729	9,132	<b>24,861</b>
<b>Total</b>		<b>17,114</b>	<b>7,515</b>	<b>24,629</b>	<b>16,630</b>	<b>9,417</b>	<b>26,047</b>

### Employees involved in training activities broken down by gender and function<sup>33</sup>

Number of employees involved by gender and function	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Employees employed in support activities	<i>N.</i>	39	5	<b>44</b>	93	45	<b>138</b>
Employees employed in business activities		1,399	661	<b>2,060</b>	3,100	2,412	<b>5,512</b>
<b>Total</b>		<b>1,438</b>	<b>666</b>	<b>2,104</b>	<b>3,193</b>	<b>2,457</b>	<b>5,650</b>

### Hours of training by type

Hours of training by type	u.m.	28/02/2018	28/02/2017
Products	<i>Hours</i>	17,419	18,134
Management development		3,544	2,804
Marketing		1,448	192
Inclusion of newly hired employees in the company		1,248	272
Security (81/2008)		970	1,997
Client reception		-	2,648
<b>Total</b>		<b>24,629</b>	<b>26,047</b>

### Hours of training per capita divided by gender, level and function<sup>34</sup>

Average hours of training per capita by gender and category of employees	u.m.	28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Employed in support functions	<i>Hours/ N.</i>	3.26	0.27	<b>1.94</b>	5.93	2.34	<b>4.33</b>
Employees in business functions		7.51	3.66	<b>5.66</b>	8.55	5.11	<b>6.85</b>
Executives		2.67	-	<b>2.40</b>	5.00	-	<b>4.55</b>
Middle managers		19.45	5.14	<b>16.00</b>	18.58	21.44	<b>19.04</b>
Office workers		6.98	3.43	<b>5.26</b>	8.11	4.86	<b>6.50</b>
<b>Total employees</b>		<b>7.18</b>	<b>3.43</b>	<b>5.39</b>	<b>8.35</b>	<b>4.93</b>	<b>6.68</b>

<sup>33</sup> The figure refers to the sum of the employees who participated in the training courses multiplied by the number of courses in which each participated.

<sup>34</sup> The figure is calculated as the ratio between the training hours provided and the total number of Group employees divided by gender, level and function.

## Performance evaluation

The individual *performance* evaluation system adopted by Unieuro examines the organisational and professional behaviours implemented by the individual employee in light of the role held in the company, with the aim of:

- directing his performance and development towards corporate objectives and professional behaviour towards the corporate organisational culture;
- highlight the need for training and develop its potential;
- strengthen his strengths and intervene on areas for improvement;
- to develop a sense of belonging and identification in the company *mission*;
- to build an organisational culture based on results and merit;
- collect *feedback*.

Evaluation cycles are managed by a specific portal, which monitors all phases and can be accessed at any time by all employees. The *performance* evaluation interviews are individual and involve the collaborator with their manager.

The evaluation process is currently extended to all organisational roles. In the 2016/17 financial year, 3,733 people were assessed, corresponding to 96.7% of the company population (97.5% of men and 95.9% of women).

At the same time, Unieuro is committed to creating a work environment open to dialogue and discussion, both on professional and personal issues. All employees and collaborators may, for any need, contact their direct manager, or the HR function at any time, by direct contact, by phone or by *e-mail*.

## Performance indicators

### Performance evaluation

Professional categories	u.m.	28/02/2017 <sup>35</sup>		
		Man	Woman	Total
Executives	%	100	100	<b>100</b>
Middle managers		100	100	<b>100</b>
Office workers		97.4	95.8	<b>96.6</b>
Factory workers		-	100	<b>100</b>
<b>Total</b>		<b>97.5</b>	<b>95.9</b>	<b>96.7</b>

<sup>35</sup> The figure posted as at 28/02/2017 is related to the performance appraisals for the period 01/03/2016 - 28/02/2017. For the period 01/03/2017 - 28/02/2018 the Company intends to pursue the same objectives as the previous year, but it will be possible to calculate the quantitative and qualitative data not before the month of September 2018 (end of the evaluation cycles business).



## Health & Safety

For Unieuro, health and safety at work are essential values for the sustainable, effective and lasting development of one's own business organisation. In particular, the Group undertakes to ensure working conditions that guarantee respect for the physical and moral integrity of workers, paying particular attention to the risks associated with carrying out activities in the workplace and deriving from the external environment.

The policies aimed at mitigating the risks have been structured and formalised on the basis of the internal management models used by the company, or the Model 231 and the related verification protocols, in compliance with Legislative Decree no. 81/2008. In order to correctly comply with the dictates of the afore-mentioned Decree, the Company also has the task of promoting the culture of safety within the company through appropriate information and training actions towards all staff at different levels of the organisation. During the year, 970 hours of training in health and safety at work were therefore carried out.

In addition to training activities, the Company provides its personnel with personal protection equipment (PPE), also aimed at mitigating the risk of accidents in the workplace, with the main reference to the activities carried out at the sales outlets. In 2006 it also set up a special "Help Desk" portal, accessible from all sales outlets and centrally managed by the Technical and Services Office, which also aims to collect complaints from employees and customers about possible violations of the safety rules.

The Group's commitment to ensuring optimal levels of health and safety management of its employees is also evidenced by the number of recorded accidents, which stood at a level in line with the previous year despite the increase in employees and points sale. At the same time, the accident indexes show the low magnitude of the episodes that occurred during the period.

Although not under the direct control of Unieuro, the accident indices of external collaborators, employees of the cooperatives operating within the logistics centre of Piacenza, are also reported.

### *Performance indicators*

#### Accidents by type and gender and accident indices

Employees	u.m.	28/02/2018 <sup>36</sup>			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Accidents		50	40	90	53	38	91
<i>at work</i>	N°	35	24	59	36	19	55
<i>ongoing</i>		15	16	31	17	19	36

<sup>36</sup> With regard to the subsidiary Monclick S.r.l. there was only one ongoing accident related to an employee.

<b>Deaths</b>	-	-	-	-	-	-
<i>at work</i>	-	-	-	-	-	-
<i>ongoing</i>	-	-	-	-	-	-
<b>Cases of occupational diseases</b>	-	-	-	-	-	-

#### Accident indexes

Accident indexes <sup>37</sup>	28/02/2018			28/02/2017		
	Man	Woman	Total	Man	Woman	Total
<b>Lost working hours rate</b>	1.99	1.86	<b>1.93</b>	1.87	1.66	<b>1.78</b>
<b>Absentee rate</b>	0,13%	0,10%	<b>0,11%</b>	0,10%	0,11%	<b>0,11%</b>
<b>Rate of occupational diseases (ODR)</b>	-	-	-	-	-	-
<b>Accident rate (IR)</b>	13.26	14.11	<b>13.62</b>	16.05	14.89	<b>15.54</b>

#### Accidents of external collaborators by type and gender and accident indices

External collaborators	u.m.	28/02/2018	28/02/2017
<b>Accidents</b>	N°	<b>14</b>	<b>7</b>
<i>at work</i>		13	7
<i>ongoing</i>		1	-
<b>Deaths</b>		-	-
<i>at work</i>		-	-
<i>ongoing</i>		-	-

#### Accident indexes

Accident indexes <sup>8</sup>	28/02/2018	28/02/2017
<b>Accident rate (IR)</b>	<b>32.18</b>	<b>20.78</b>

<sup>37</sup> Lost working hours rate: (total number of hours lost by accidents/total hours worked) \* 1,000

Absentee rate: (absence days per employee / working days in the period)

Rate of occupational diseases (ODR): (total number of occupational diseases/total hours worked) \* 200,000

Accident Rate (IR): ((total number of accidents + total number of deaths)/total hours worked) \* 1,000,000

## Relationship with the trade unions

The quality of union relations is a major issue for Unieuro, in order to have a positive and constructive dialogue with workers' representatives. Over the years, Unieuro has always practised a policy of mutual exchange and frank and transparent dialogue with trade unions, both national and regional, signing second level agreements or solidarity contracts, comparing and presenting the results of the company or individual stores and data relating to staff.

During the 2017/18 financial year, the Company signed two second level agreements with the union parties - on 13 March 2017 and 12 April 2017 - which regulate aspects such as the incentive system, labour relations and Sunday work, the latter with the aim of sharing the organisational and methodological principles aimed at guaranteeing the necessary supervision at the point of sale on Sundays of opening in respect of a fair rotation among workers and guaranteeing a long-term planning of Sunday openings. During the same period, a solidarity contract was signed between the parties aimed at managing redundant staff at certain sales outlets. Specific agreements on video surveillance were signed on the territory.

Unieuro, in compliance with the provisions of the law and in line with the CCNL of reference, in the case of organisational changes, for example in the case of transfer of workers with executive management responsibilities that determine a change of residence, agrees with its collaborators the timing of notice for such transfer and, if there is no agreement between the parties, respects the provisions of art. 170 of the CCNL that grants a written notice of 45 days or 70 days for those who have family dependants.

## Performance indicators

### Employees covered by collective bargaining agreements<sup>38</sup>

Employees	28/02/2018	28/02/2017
Number of employees covered by collective bargaining agreements	4,534	3,902
Total employees	4,573	3,902
Coverage rate	99%	100%

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<sup>38</sup> Relating to the II level agreements signed on 13 March and 12 April 2017, which do not include the subsidiary Monclick S.r.l.

## 5. Company

### Customers

In a market characterised by an ever-increasing level of competition, the creation of a lasting relationship with customers is closely related not only to the breadth of the offer and accessibility of products, but also to the ability to establish a relationship of trust and offer a quality service, close to the customer. The Unieuro approach is therefore focused on the satisfaction and protection of its customers, with particular attention to those requests able to improve *brand reputation* and to promote a real increase in the quality of the service provided.

As required by the Code of Ethics, the Company operates with the aim of ensuring that all relations with customers are based on full transparency, fairness and professionalism and compliance with the law, with particular reference to the provisions on anti-money laundering, anti-usury and transparency. Thanks to these principles, the cornerstone of its *business* model, Unieuro is able to adequately manage the needs and expectations of its customers, responding promptly to any reports or complaints, always offering a transparent and quality service.

Unieuro's service model is designed and developed in light of the Group's strategic *vision*, which includes not only the continuous profitable growth of the *business* but also the enhancement of the customer's centrality and the omnichannel opportunities, each declined in all contact points through which the Company relates every day with its end customers.

In particular, proximity to the customer means proximity, or the ability to reach as many customers as possible, both thanks to the capillarity of the network of stores, now close to 500 stores, and thanks to the integration of the platform unieuro.it in the digital ecosystem, combining the functions offered by search engines and exploiting the interaction with the main *social networks*, from home, via mobile and near the store itself. From an omnichannel point of view, proximity also translates into the "*click and collect*" project: the withdrawal system at the physical sales outlets of products purchased by customers on the *online* channel. Unieuro is in fact one of the first companies to have sensed the potential to use the over 380 collection points, selected among its sales outlets, for orders placed via the *web*, thus further getting close to its customers, avoiding additional costs of delivery, waiting times and delays.

## Quality of services and customer centricity

In pursuing its commitment to social responsibility, the Group acts in full compliance with the obligations arising from external regulations, without ever forgetting the needs and expectations of customers and the entire community. Customer satisfaction cannot be separated from the management and development of *Customer Satisfaction* that the Group monitors thanks to specific indicators, including:

- abandonment rate;
- number of calls managed per hour;
- number of<sup>39</sup> incoming *tickets*;
- management time/resolution of incoming *tickets*;
- sample check of the quality of *tickets* and calls;
- verification of *online* order allocations.

Based on the analysis and monitoring activities of the *Customer Care* function, the Group has identified, among the main problems, the inefficiencies related to the delivery of products at home and the lack of adequate availability of products during particularly successful advertising campaigns and promotional activities. Thanks to the information gathered, Unieuro has developed a corrective action plan that will result in an order management project to optimise inventory stocks and respond to customer requests quickly and effectively.

Regarding Monclick, the *Customer Care* function monitors the *performance* in terms of *e-mails* and phone calls managed on a daily basis compared to those received from its team of operators, with the help of automatic reports and observation of the operating manual and under the constant supervision of *management*. During the year, against around 15 thousand *e-mails* and 5 thousand calls received monthly, the *Care Team* managed to handle 90% and 86% respectively. The *team* also takes care of all aspects related to customer management and care during the purchase process, from pre-sale product insights to the aid for browsing the *web*, from the completion of the transactions to the updating of information related to the tracking of shipments up to the management of any issues with the order.

## Health and safety of consumers

Unieuro's strength, in addition to the competitiveness and the level of service offered, is also based on the level of trust that customers develop towards the products sold. For this reason, the Group is committed to ensuring the highest level of quality and protection of consumers, both in terms of safety of the product sold, and from the point of view of protection of the data and information collected.

The trust in the product is protected first of all thanks to the procurement from suppliers of the highest profile, often international, whose quality and reliability are a fundamental part of

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<sup>39</sup> Communication tool with the customer by completing an online form available on the Company's website.

their positioning as market *leader*. The conformity of the products with the laws and regulations on safety is, moreover, periodically verified by means of sample checks by the external authorities, in order to evaluate their real characteristics and certifications in the light of the European RoHS Directive (Restriction of Hazardous Substances Directive), laying down specific rules concerning the restriction on the use of hazardous substances in Electrical and Electronic Equipment in order to contribute to the protection of human health and the environment. The sale of products harmful to the health of citizens or not in line with European safety or product quality standards, albeit governed by framework agreements and certified by third parties, could in fact expose Unieuro to the risk of claims for compensation for damage and loss of trust by consumers. In order to avoid such relapses, during the year the Company carries out analyses on the size and frequency of the requested interventions, on the basis of historical data regarding the defectiveness of the individual product categories, as well as activating related insurance contracts relating to those aspects for which it could not legitimately retaliate against the supplier.

### **Transparency of product information and commercial offers to customers**

The marketing and advertising communication activities, structured and planned in line with the Company's operations as an omnichannel distributor, are an important element of Unieuro's strategy as, in addition to supporting the development and recognition of the brand, they are conducive to the development of the market and play a fundamental role in customer relations.

The advertising campaigns provide for the distribution of promotional flyers and radio and television advertising, as well as promotional offers, such as points collections, competitions, the recognition of purchase vouchers upon reaching an expense limit and expendable within a certain time limit, or targeted promotional operations such as the so-called "underselling".

The subsidiary Monclick promotes its business exclusively on *online* channels, using *content management* and *product marketing* tools in order to guarantee its correctness in terms of product technical information and in terms of *pricing* of products on sale. All under the direct control of the company *management*.

Transparency in communications and offers, regulated by the Consumer Code, is one of the cardinal principles that the Group pursues in relations with the public. This is why, in line with the corporate ethical principles contained in the Model 231 and the Code of Ethics, the Company undertakes not to sell under any circumstances products with characteristics different from those indicated on the label (e.g. place of production, material), which may mislead the final consumer about the origin and provenance of the product, or to sell products whose quality is inferior or different from the one stated on the label.

The management model adopted by Unieuro S.p.A. provides for the collaboration of experts, internal and external to the company, dedicated to the prior verification of the feasibility of certain commercial operations (for example, sales "below cost"), as well as to the verification

of the content of information communicated outside. Specifically, the Marketing Department must guarantee the correspondence between the characteristics of the products presented in any communication of an advertising and/or promotional nature and those offered for sale, with particular reference to the quantity, quality, origin or origin of the products.

Although the Company has defined specific procedures aimed at guaranteeing the disclosure of correct, clear and transparent information, the Company undertakes to promptly implement the actions necessary to ensure an ever-increasing level of transparency. For example, in 2016, following a procedure initiated by the Italian Competition Authority, the Company promptly proposed and implemented a series of corrective measures that were accepted and verified by the Authority, which subsequently filed the procedure.

### **Consumer data security**

The Group markets its products, as well as through physical sales outlets, also through its *e-commerce* channels. In this context, recognising the increasingly important importance of the protection of *privacy* and the protection of personal data, Unieuro defines precise rules of confidentiality to ensure maximum protection. In fact, in the context of *online* commerce, in fact, increasingly stringent rules and policies are needed, capable of protecting the customer and responding to increasingly specific regulatory requirements introduced by the European Commission with the regulation *General Data Protection Regulation* (GDPR).

The regulation intends to strengthen and harmonize the regulatory framework regarding the protection of personal data in the European Union and to give citizens greater control over their personal data. The text, published in the European Official Journal on 4 May 2016 and effective from May 2018, will repeal the provisions of Legislative Decree no. 196/2003 on personal data protection. In this regard, Unieuro has started a process of adaptation to the new regulation, providing for the revision of procedures aimed at mitigating risks through the imposition of more controlled flows of assets, the appointment of the *Data Protection Officer* (DPO), the provision of safeguards contracts to be requested from suppliers and the provision of technical and IT measures to increase the level of IT security. In particular, an anti-fraud verification system has been installed, with specific *firewall* to manage any attempts of *hacker* attacks, and specific encrypted protocols have been defined to protect *online* transactions and avoid the risks of cloning credit cards and of the customer's personal data.

In addition to the systems and procedures aimed at preventing the loss of data and information from customers, the Group carries out training and awareness-raising activities for personnel regarding the risks connected with protecting customers' privacy, as well as managing a system for assigning rights access to systems with maximum granularity and with different control points. The data and information management model is also subject to periodic checks by the data controllers (for example, mobile operators, financial companies, television broadcasting companies), in relation to which Unieuro takes the position of the external manager, and possible internal audits carried out following the reporting of anomalies.

With regard to *privacy*, we report a single case of non-compliance dating back to May 2017 in which a customer complained about the inaccuracy of the data uploaded to the system and made claims for damages, threatening the report to the Guarantor Authority. The Company rejected the claims by not receiving further requests from the same or by the Authority.

With reference to data loss, it is noted that there have been limited cases in which the Company has been aware for legal involvement or for the exceptional nature of the problem, but which have never been materialized in sanctions or formal recalls.

### **Management of complaints**

The Company is committed to developing a constant dialogue with its customers in order to maintain the relationship on a level of excellence. The management of complaints and other instances with which customers express their dissatisfaction is governed by specific procedures that ensure the taking charge of individual complaints received both at the registered office and directly at the certified email address. In particular, the Legal Department, together with the internal departments involved, checks each complaint with the aim of handling complaints as promptly as possible, in line with the obligations imposed by law, and to contain litigation as far as possible. In addition to the principles of conduct, the Company has set up additional control measures to protect industrial and intellectual property, with particular attention to the application procedures related to the management of product sales activities. The Company, as a seller in accordance with the Consumer Code, receives numerous complaints and out-of-court claims from consumers and their representatives, referring to the non-conformity of products for the most disparate reasons.

During the fiscal year, the Company recorded a single case of non-conformity of a private label product, concerning labelling and information documentation inside the product packaging. The proceedings ended with a sanction of € 84,000, which was subsequently challenged and the administrative procedure is currently underway before the Forlì Chamber of Commerce. On the other hand, around 20 judicial litigations are still underway, arising from disputes not settled out of court.

Regarding the communication and marketing activities, instead, during the last two years, no significant incidents of non-compliance occurred. However, mention should be made of five cases referred to administrative disputes for "underselling" offers deemed irregular and for which the related court proceedings are still underway.

### **Selection and management of suppliers**

Almost all the products marketed by the Group are produced by highly qualified and recognised suppliers, among the major players in the electronic and IT market, who supply their goods directly to Unieuro, according to annual contracts.

In consideration of the high profile and reputational level of the main suppliers with which Unieuro interfaces on a daily basis, their selection is currently based on economic criteria that



do not specifically target predefined social or environmental aspects. Furthermore, the Company mainly maintains relations with the European legal offices of the suppliers it relies on. Relations with suppliers, in any case, are always based on compliance with current regulations and the principles of transparency, fairness and honesty, as set out in the Code of Ethics. In particular, potential new suppliers are evaluated and selected using objective methods, taking into account, in addition to the quality, costs and services offered, the requirements of integrity, reputation, and professionalism, as well as the absence of any suspicion past or present involvement in unlawful activities. Precisely because of the nature of these international suppliers, there are currently no company procedures for the prior verification of the safety of products and information to be provided at the marketing stage, but each purchasing manager (Category Manager), in the ordinary management of relations with these suppliers, ensures that the risk of errors in the data supplied regarding the products as well as the absence of the relevant approval certifications is checked.

In parallel to this organisational model, the Company has developed a line of private label products, purchased directly from an intermediary company and sold to the end consumer. No social or environmental risks concerning involved suppliers has arisen so far, in light of long-lasting relationships and supplies reliability observed..

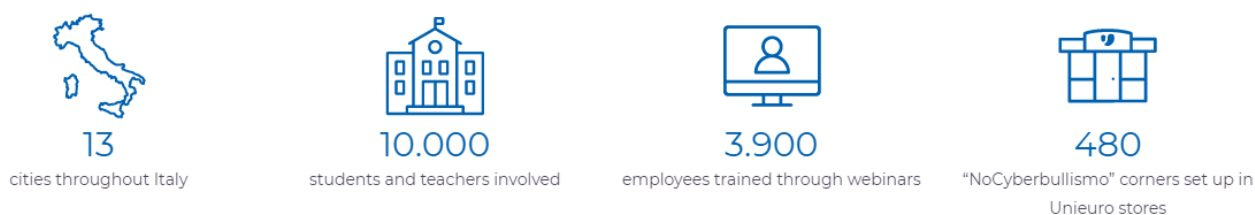
#### **Activities in support of the local community**

Bringing technology to the service of everyone's life implies a deep sense of responsibility and commitment, which goes beyond a simple mission. In fact, the Company is aware of the added value that digital technologies can bring to people, to the extent that they are used correctly and respectfully and recognises its role and strategic position to raise the awareness of new generations of technology consumers.

For this reason, in 2016 Unieuro created the "No Cyberbullying" project conceiving and promoting the #connected hearts tour with the State Police. The choice of the project follows the brand architecture on the values of responsibility and possibility, raising awareness amongst the younger ones as to a responsible use of the devices through a series of meetings in theatres throughout Italy and disseminating information material on the sales outlets. The project, developed in itinerant form, has translated into the making of a docu-film in which children, parents and families who have experienced cyberbullying first hand tell their stories and their experiences. Since the start of the tour, the docu-film has been broadcast in 22 Italian theatres and has led teenagers to reflect on the weight of the words conveyed through *social networks*. In the theatres, the children lived the testimonies of those who fought on the front lines, very often without any means to defend themselves, and were able to listen to the experiences of the police authorities, who actively contribute to the struggle and provide an immediate response to solve the problem. In addition to the docu-film, the project also involved important awareness-raising activities, both for employees of sales outlets through dedicated *webinars* and institutions.

In 2017, on the occasion of Safer Internet Day, the world day dedicated to online security, Unieuro reiterated its commitment to the fight against cyberbullying: Giancarlo Nicosanti Monterastelli and Marco Titi, respectively Chief Executive Officer and Marketing Director of the Company, went to the Chamber of Deputies to present the #connected hearts project, in the presence of the top officials of the State Police. The docu-film was subsequently screened in the Chamber of Deputies on the occasion of the "Open-door Montecitorio" event, focusing precisely on the issue of cyberbullying and the conscious use of the Internet.

#### THE INITIATIVE IN NUMBERS



In parallel with the commitment to awareness campaigns, the Company devotes particular attention to supporting the sports in the area in which it operates and promoting the values of sport. In the 2017/18 financial year Unieuro S.p.A. he supported the local basketball team as the main sponsor and contributed to the sponsorship of the Tour of Italy stage in the city of Forlì.

#### Investments for the community

Investments for the community	u.m.	28/02/2018	28/02/2017
Sponsorships	€	269,288	218,871

## **6. Environment**

Unieuro strongly believes in respecting the environment and the ecosystem in which it operates, for this reason, as described in the Code of Ethics, it carries out its activities taking into consideration the protection of the environment and the need for a sustainable use of natural resources, in compliance with the provisions of current environmental legislation, undertaking to act responsibly towards the surrounding territories and communities. Despite not presenting significant environmental impacts, as the Group does not carry out production activities in the strict sense, the activity carried out nevertheless requires careful management of some specific aspects, such as the management of so-called WEEE for which the Company has defined a specific procedure in compliance with the different regulatory provisions.

### **Waste management**

Unieuro, as a distributor of electrical and electronic equipment, falls under the legislative obligations of Legislative Decree no. 121/2016 and 49/2015, which regulates the conduct of free collection of electrical and electronic equipment (WEEE) of very small size, as well as the technical requirements for the transport thereof. Specifically,, Law 121/2016 states that, upon purchase by the customer of a new product, the distributor has the obligation to withdraw, taking charge of the related disposal costs, the equipment used provided that the WEEE returned has the same intended use as the product purchased. With regard to small WEEE, customers can freely deliver their appliance in any store, while large waste can be collected only in case of a purchase by the customer of a new equipment of an equivalent type.

The Company, to ensure the correct management of this aspect and to comply with the deposit and collection request established by Legislative Decree no. 121/2016 and 49/2015, has adopted a specific operating manual that defines roles and responsibilities for the proper management of WEEE disposal. The manual requires the identification of specific areas within the company's sales outlets, where special containers are installed for the disposal of WEEE waste with the specific indication of whether it is hazardous or non-hazardous equipment. The management of the collection is facilitated by the use of the management software "RAEEgest" which, in addition to guaranteeing the traceability of the operations, sends a notice in the event that such waste has been registered in the warehouse for more than 45 days or has reached the maximum weight of 3.5 tons. Once these limits have been reached, the waste will then be handed over to the carrier who takes care of the correct disposal. Responsible for this process is the Logistics function which operates, for collection and disposal activities, through the supervision by local operators employed by the company. To facilitate correct management, the manuals and other necessary information can be consulted through the RAEEgest portal. In addition to the WEEE, the company produces urban waste deriving from ordinary office activities and the operational management of the stores, which mainly consist of mixed packaging, toners and cartridges. Each type of waste is collected according to the current laws by means of specialised companies authorised for this purpose.

## Performance indicators

### Total weight of WEEE waste disposed of<sup>40</sup>

WEEE waste disposed of	u.m.	28/02/2018	28/02/2017
Disposal	ton	6,574	6,922
<b>Total</b>		<b>6,574</b>	<b>6,922</b>

### Total weight of non-hazardous waste, broken down by type of disposal<sup>41</sup>

Non-hazardous waste by type of disposal	u.m.	28/02/2018
Recycling	ton	3,751
<b>Total</b>		<b>3,751</b>

## Energy consumption and emissions

The management of energy consumption and related emissions does not represent a high-risk factor for Unieuro due to the nature of its business. The Group therefore does not have a specific procedure on this process, which is in any case constantly monitored both at the 225 sales outlets located throughout the national territory and at the Forlì headquarters.

However, Unieuro's commitment has resulted in various energy efficiency initiatives, including the installation at around 80 sales outlets of systems that have led to a 24% reduction in consumption in the sales outlets subject to installation, the replacement of obsolete lighting systems with LED fixtures that allow an estimated saving of about 50% of energy and the replacement of air conditioning systems with high efficiency machines. In addition, *building automation* systems have been installed that allow the integrated management of electrical systems such as lighting, heating and air conditioning, anti-intrusion and fire alarms. Moreover, the Monclick office is located in a low environmental impact building, "LEED platinum" certified, and equipped with the most modern systems for the improvement and optimisation of energy consumption.

As shown in the following tables, electricity consumption and related emissions, despite the increase in the number of sales outlets, fell by 4% compared to the previous year, confirming the effectiveness of the initiatives undertaken. Fuel consumption, on the other hand, mainly composed of diesel fuel for the heating of Unieuro S.p.A. branches and offices, increased by 25.6% in the last financial year due to unfavourable climatic factors. Fuel consumption for Unieuro S.p.A. during the year increased by 26.2%; this increase is directly linked to the Group's growth, both in terms of number of employees and sales outlets.

<sup>40</sup> The perimeter of the data for the last financial year for Unieuro S.p.A. refers to the period 1 January 2017 - 30 November 2017. The data of the company Monclick are the result of estimates, calculated from the data provided by the company that manages waste disposal.

<sup>41</sup> The data refer to Unieuro S.p.A and are provided by the company responsible for the collection of waste which issues on a monthly basis a document at each store where it declares the weight of the collected waste. As regards the subsidiary Monclick S.r.l., during the reference period, a production of about 1.2 tons of waste disposed through recycling (0.6 tons), composting (0.24 tons), incineration (0.3 tons) and storage (0.1 ton) was estimated.

## Performance indicators

### Indirect energy consumption<sup>42</sup>

Electricity for the operation of offices	u.m.	28/02/2018	28/02/2017
Electricity	kWh	54,975,973	57,232,361
<i>of which from non-renewable sources</i>	%	100%	100%

### Emissions generated by indirect energy consumption<sup>43</sup>

Indirect emissions - Scope 2	u.m.	28/02/2018	28/02/2017
Emissions from electricity consumption	kg CO <sub>2</sub>	20,615,990	21,462,135

### Direct fuel consumption for the operation of offices and sales outlets<sup>44</sup>

Fuel from non-renewable sources	u.m.	28/02/2018	28/02/2017
Diesel	Litres	129,642	103,183
	Joule	4,946	3,936

### Emissions generated by direct fuel consumption<sup>45</sup>

Direct emissions - Scope 1	u.m.	28/02/2018	28/02/2017
Emissions from diesel consumption	kg kg CO <sub>2</sub>	337,090	268,293

### Direct and indirect fuel consumption for staff travel<sup>46</sup>

Fuel from non-renewable sources	u.m.	28/02/2018	28/02/2017
Consumption by company cars	km	1,300,377	863,358
Consumption by private cars		3,508,206	2,948,061
<b>Total consumption for staff travel</b>		<b>4,808,583</b>	<b>3,811,419</b>

### Emissions generated by direct and indirect fuel consumption<sup>47</sup>

Direct and indirect emissions - Scope 1 and Scope 3	u.m.	28/02/2018	28/02/2017
Indirect emissions for consumption with private cars	kg kg CO <sub>2</sub>	237,215	157,494

<sup>42</sup> Data obtained from the utility bills sent by the energy supplier and considering the consumption of Monclick S.r.l. starting from June 2017. For the subsidiary company, consumption is the real consumption reported by the energy supplier, while those for the months of 2018 are estimated on the basis of consumption in the same months of the previous year.

<sup>43</sup> The conversion factors of ENERDATA 2015 were used to calculate the indirect emissions.

<sup>44</sup> Data obtained from the utility bills sent by the supplier. The figure excludes the subsidiary Monclick S.r.l. as it does not consume fuels.

<sup>45</sup> The conversion factors of the Department for Environment, Food and Rural Affairs 2017 were used to calculate the emissions.

<sup>46</sup> The mileage of company cars is derived from the fuel cards; the mileage of private cars is estimated starting from employee expense reimbursements and dividing the total monetary value by the average cost of fuel €0.28. The figure excludes the subsidiary Monclick S.r.l. as not significant.

<sup>47</sup> The conversion factors of the Department for Environment, Food and Rural Affairs 2017 were used to calculate the emissions.

Direct emissions for consumption with company cars		639,967	537,785
<b>Total emissions for staff travel</b>		<b>877,182</b>	<b>695,279</b>

### Consumption of resources

In light of the characteristics of its business, Unieuro does not detect any particular impact related to the consumption of materials.

The printing of advertising leaflets, commissioned to third-party suppliers, represents the most significant activity in terms of consumption of raw materials for Unieuro S.p.A., unlike that for Monclick, which mainly carries out its advertising activities *online*.

During the 2017/18 financial year, over 300 million copies of advertising material were distributed throughout Italy. The procurement takes place from some of the main paper mills that observe strict quality and environmental certification standards and whose products, Elemental Chlorine Free (EFC) certified as they do not use organic elemental chlorine in the whitening phase, contain on average 40% of recycled fibre, while the remaining 60% comes from cellulose obtained from forests managed according to the PEFC (Program for Endorsement of Forest Certification schemes) and FSC (Forest Stewardship Council) standards.

### Performance indicators

#### Consumption of resources<sup>48</sup>

Consumption of paper	u.m.	28/02/2018	28/02/2017
Consumption of paper	kg	68,640	66,000

<sup>48</sup> The calculation of paper consumption was estimated by multiplying the number of copies purchased and distributed by the average weight of 22 grams.

## 7. GRI Content Index

The Group's Non-Financial Statement has been prepared in accordance with the GRI Standards: "Core" option. The following table shows the Group information based on the GRI Standards published in 2016 by the Global Reporting Initiative with reference to the analysis of materiality of Unieuro and related to the financial years ended 28/02/2017 and 28/02/2018.

GRI Standard	Description	Reference
	<b>General Standards</b>	
<b>102</b>	<b>General Disclosures</b>	
	<b>Organisational Profile</b>	
102-1	Name of the organisation	
102-2	Main brands, products or services (Programs for compliance with laws and voluntary codes related to marketing activities)	
102-3	Location of the main office	
102-4	Location of the main offices	
102-5	Ownership structure and legal form	
102-6	Markets served	
102-7	Size of the organisation	
102-8	Employees by type of contract, gender, geographical area, classification	
102-9	Description of the supply chain organisation	
102-10	Significant changes in the organisation and in the supply chain	
102-11	Method of application of the principle or prudential approach	
102-12	Adoption of external codes and principles in the economic, social and environmental spheres	
102-13	Participations in trade associations	
	<b>Strategy</b>	
102-14	Statement by the Chair	
102-15	Main impacts, risks and opportunities	
	<b>Ethics and Integrity</b>	
102-16	Values, Principles, Standards and Rules of Conduct	
	<b>Governance</b>	
102-18	Governance structure	
102-22	Composition of the highest governing bodies and its commissions	
102-24	Nomination and selection processes for the highest governing bodies	
	<b>Stakeholder Engagement</b>	
102-40	List of stakeholders involved	
102-41	Employees covered by collective labour agreements	
102-42	Identification process and selection of stakeholders to be involved	
102-43	Approach to stakeholder engagement	
102-44	Key aspects and critical issues emerged from stakeholder engagement and related actions	
	<b>Reporting Practice</b>	
102-45	List of entities included in the consolidated financial statements and those not included in the sustainability report	
102-46	Process for defining contents	
102-47	Identified material aspects	
102-48	Explanation of the effects of changes in information included in previous financial statements and related reasons	
102-49	Significant changes compared to the previous financial statements	
102-50	Reporting period	
102-51	Publication date of the previous financial statements	
102-52	Reporting frequency	
102-53	Contacts and addresses for information on the financial statements	
102-54	GRI content index and choice of the "in accordance" option	
102-55	GRI content index	
102-56	External certification	

<b>Topic Specific Standard</b>			
<b>GRI Standard</b>	<b>Description</b>	<b>Reference</b>	<b>Omission</b>
<b>200</b>	<b>Economic</b>		
<b>205</b>	<b>Anti-Corruption</b>		
103	Information on management methods		
205-1	Evaluation operations for risks related to corruption		
205-2	Communication and training on corruption procedures		
205-3	Episodes of corruption and actions taken in response		
<b>300</b>	<b>Environment</b>		
<b>301</b>	<b>Materials</b>		
103	Information on management methods		
301-1	Raw materials used by weight or volume		
<b>302</b>	<b>Energy</b>		
103	Information on management methods		
302-1	Energy consumption within the organisation		
302-2	Energy consumption outside the organisation		
302-4	Reduction of energy consumption obtained thanks to specific activities and initiatives		
<b>305</b>	<b>Emissions</b>		
103	Information on management methods		
305-1	Scope 1 emissions		
305-2	Scope 2 emissions		
305-3	Scope 3 emissions		
<b>306</b>	<b>Waste and Discharges</b>		
103	Information on management methods		
306-2	Total weight of waste by type and disposal methods		
<b>307</b>	<b>Environmental Compliance</b>		
103	Information on management methods		
307-1	Sanctions for failure to comply with environmental laws and regulations	During the 2017/18 financial year, no environmental reports were found.	
<b>308</b>	<b>Evaluation of suppliers based on environmental criteria</b>		
103	Information on management methods		
308-1	New suppliers selected based on environmental criteria		
<b>400</b>	<b>Business Performance</b>		
<b>401</b>	<b>Occupation</b>		
103	Information on management methods		
401-1	Total number and percentage of new hires and turnover, by age, gender and region		
<b>402</b>	<b>Management of industrial relations</b>		
103	Information on management methods		
402-1	Minimum notice period for significant operational changes (organisational changes) indicating if these conditions are included in the collective bargaining agreement		
<b>403</b>	<b>Health and Safety at Work</b>		
103	Information on management methods		
403-2	Type of accident and accident rate, rate of occupational diseases, absenteeism rate and total number of deaths by territorial distribution and gender		
<b>404</b>	<b>Training and Education</b>		
103	Information on management methods		
404-1	Average annual training hours per employee		
404-3	Percentage of employees who receive regular reports on the results and career development, by gender and employee category		
<b>405</b>	<b>Diversity and Equal Opportunities</b>		
103	Information on management methods		
405-1	Composition of the governing bodies and breakdown of personnel by categories of employees, by gender, age, belonging to protected categories and other indicators of diversity		



405-2	Ratio of the basic salary and remuneration of women to that of men by category of employees		
<b>406</b>	<b>Non-discrimination</b>		
103	Information on management methods		
406-1	Episodes of discrimination and actions taken	No episodes of discrimination occurred during the 2017/18 financial year.	
<b>413</b>	<b>Local Communities</b>		
103	Information on management methods		
413-1	Activities that include the involvement of local communities		
<b>414</b>	<b>Social assessment of suppliers</b>		
103	Information on management methods		
414-1	New suppliers that have been selected using social criteria		
<b>416</b>	<b>Health and safety of consumers</b>		
103	Information on management methods		
416-2	Total number of cases of non-compliance with voluntary regulations and codes regarding the health and safety impacts of products and services during their life cycle		
<b>417</b>	<b>Labelling of products and services</b>		
103	Information on management methods		
417-1	Type of information related to the products and services required by the procedures and percentage of significant products and services subject to these information requirements		
417-3	Incidents related to non-compliance regarding information related to the product or service in communication and marketing activities		
<b>418</b>	<b>Consumer privacy</b>		
103	Information on management methods		
418-1	Complaints concerning breaches of consumer privacy and loss of data relating to them		
<b>419</b>	<b>Socio-economic Compliance</b>		
103	Information on management methods		
419-1	Significant monetary and non-monetary sanctions for non-compliance with laws or regulations in the socio-economic area	During the 2017/18 financial year, no social or economic reports were received.	

**UNIEURO S.p.A.**

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

**CONSOLIDATED FINANCIAL STATEMENTS OF UNIEURO GROUP**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
Plant, machinery, equipment and other assets	5.1	74,831	60,822
Goodwill	5.2	174,748	151,396
Intangible assets with a definite useful life	5.3	25,034	11,808
Deferred tax assets	5.4	30,105	29,438
Other non-current assets	5.5	2,371	2,156
<b>Total non-current assets</b>		<b>307,089</b>	<b>255,620</b>
Inventories	5.6	313,528	269,551
Trade receivables	5.7	39,572	35,203
Current tax assets	5.8	3,147	7,955
Other current assets	5.5	16,157	13,865
Cash and cash equivalents	5.9	61,414	36,666
<b>Total current assets</b>		<b>433,818</b>	<b>363,240</b>
<b>Total assets</b>		<b>740,907</b>	<b>618,860</b>
Share capital	5.10	4,000	4,000
Reserves	5.10	105,996	120,101
Profit/(loss) carried forward	5.10	(32,780)	(39,122)
Profit/(Loss) of third parties	5.10	-	-
<b>Total shareholders' equity</b>		<b>77,216</b>	<b>84,979</b>
Financial liabilities	5.11	40,518	25,796
Employee benefits	5.12	11,179	9,783
Other financial liabilities	5.13	12,195	4,427
Provisions	5.14	5,696	8,833
Deferred tax liabilities	5.4	2,448	322
Other non-current liabilities	5.15	718	21
<b>Total non-current liabilities</b>		<b>72,754</b>	<b>49,182</b>
Financial liabilities	5.11	6,961	5,984
Other financial liabilities	5.13	6,256	2,418
Trade payables	5.16	411,450	334,546
Provisions	5.14	2,928	1,424
Other current liabilities	5.15	163,342	140,327
<b>Total current liabilities</b>		<b>590,937</b>	<b>484,699</b>
<b>Total liabilities and shareholders' equity</b>		<b>740,907</b>	<b>618,860</b>

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

## CONSOLIDATED INCOME STATEMENT

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
Revenue	5.17	1,873,792	1,660,495
Other income	5.18	6,395	6,360
<b>TOTAL REVENUE AND INCOME</b>		<b>1,880,187</b>	<b>1,666,855</b>
Purchases of materials and external services	5.19	(1,715,540)	(1,491,938)
Personnel costs	5.20	(156,296)	(136,633)
Changes in inventory	5.6	41,193	5,177
Other operating costs and expenses	5.21	(8,531)	(5,377)
<b>GROSS OPERATING PROFIT</b>		<b>41,013</b>	<b>38,084</b>
Amortisation, depreciation and impairment losses	5.22	(21,728)	(17,958)
<b>OPERATING PROFIT</b>		<b>19,285</b>	<b>20,126</b>
Financial income	5.23	303	358
Financial expenses	5.23	(7,933)	(6,222)
<b>PROFIT BEFORE TAX</b>		<b>11,655</b>	<b>14,262</b>
Income taxes	5.24	(697)	(2,675)
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>10,958</b>	<b>11,587</b>
<b>Profit/(loss) of the Group for the financial year</b>	5.10	<b>10,958</b>	<b>11,587</b>
<b>Profit/(loss) of the third parties for the financial year</b>	5.10	-	-
<b>Basic earnings per share (in Euros)</b>	5.26	0.55	0.58
<b>Diluted earnings per share</b>	5.26	0.55	0.58

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
<b>PROFIT/(LOSS) FOR THE CONSOLIDATED YEAR</b>		<b>10,958</b>	<b>11,587</b>
<i>Other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year:</i>			
Gain (losses) on cash flow hedges	5.13	(250)	103
Income taxes		59	(29)
<b>Total other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year</b>	5.10	<b>(191)</b>	<b>74</b>
<i>Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:</i>			
Actuarial gains (losses) on defined benefit plans	5.12	103	(2)
Income taxes		(18)	1
<b>Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:</b>	5.10	<b>85</b>	<b>(1)</b>
<b>Total statement of comprehensive income for the consolidated year</b>		<b>10,852</b>	<b>11,660</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
<b>Cash flow from operations</b>			
Profit/(loss) for the consolidated year	5.10	10,958	11,587
<i>Adjustments for:</i>			
Income taxes	5.24	697	2,675
Net financial expenses (income)	5.23	7,630	5,864
Depreciation, amortisation and write-downs	5.22	21,728	17,958
(Profits)/losses from the sale of property, plant and machinery	5.1		(31)
Other changes		1,386	3,766
		42,399	41,819
Changes in:			
- Inventories	5.6	(41,193)	(5,178)
- Trade receivables	5.7	18,940	151
- Trade payables	5.16	47,042	1,174
- Other changes in operating assets and liabilities	5.5-5.14- 5.15	21,213	23,488
Cash flow generated/(absorbed) by operating activities		46,002	19,635
Taxes paid	5.24	-	-
Interest paid	5.23	(8,825)	(4,931)
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>5.26</b>	<b>79,576</b>	<b>56,523</b>
<b>Cash flow from investment activities</b>			
Purchases of plant, equipment and other assets	5.1	(28,448)	(23,479)
Purchases of intangible assets	5.3	(8,812)	(4,419)
Collections from the sale of plant, equipment and other assets	5.1	1	61
Investments for business combinations and business units	5.5	(14,485)	-
Net cash inflow from acquisition	5.9	233	-
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>5.26</b>	<b>(51,511)</b>	<b>(27,837)</b>
<b>Cash flow from financing activities</b>			
Increase/(Decrease) in financial liabilities	5.11	16,529	(4,137)
Increase/(Decrease) in other financial liabilities	5.13	154	998
Increase/(Decrease) in shareholder loans	-	-	(20,442)
Distribution of dividends	5.10	(20,000)	(3,880)
<b>Cash flow generated/(absorbed) by financing activities</b>	<b>5.26</b>	<b>(3,317)</b>	<b>(27,461)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24,748</b>	<b>1,225</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>		<b>36,666</b>	<b>35,441</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24,748</b>	<b>1,225</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>61,414</b>	<b>36,666</b>

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

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(Amounts in thousands of Euros)</i>	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity	Non-controlling interest	Total shareholders' equity
<b>Balance as at 29 February 2016</b>	<b>5.10</b>	<b>4,000</b>	<b>800</b>	<b>48,461</b>	<b>(74)</b>	<b>(858)</b>	<b>3,172</b>	<b>57,999</b>	<b>(40,067)</b>	<b>73,433</b>	<b>0</b>	<b>73,433</b>
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	11,587	11,587	-	11,587
Other components of consolidated comprehensive income		-	-	-	74	(1)	-	-	-	73	-	73
<b>Total statement of comprehensive income for the consolidated year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>11,587</b>	<b>11,660</b>	<b>-</b>	<b>11,660</b>
Allocation of prior year result		-	-	10,642	-	-	-	-	(10,642)	-	-	-
Distribution of dividends		-	-	(3,880)	-	-	-	-	-	(3,880)	-	(3,880)
Share-based payment settled with equity instruments		-	-	-	-	-	3,766	-	-	3,766	-	3,766
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>6,762</b>	<b>-</b>	<b>-</b>	<b>3,766</b>	<b>-</b>	<b>(10,642)</b>	<b>(114)</b>	<b>-</b>	<b>(114)</b>
<b>Balance as at 28 February 2017</b>	<b>5.10</b>	<b>4,000</b>	<b>800</b>	<b>55,223</b>	<b>0</b>	<b>(859)</b>	<b>6,938</b>	<b>57,999</b>	<b>(39,122)</b>	<b>84,979</b>	<b>0</b>	<b>84,979</b>
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	10,958	10,958	-	10,958
Other components of consolidated comprehensive income		-	-	-	(191)	85	-	-	-	(106)	-	(106)
<b>Total statement of comprehensive income for the consolidated year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(191)</b>	<b>85</b>	<b>-</b>	<b>-</b>	<b>10,958</b>	<b>10,852</b>	<b>-</b>	<b>10,852</b>
Allocation of prior year result		-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	(8,413)	-	-	-	-	(11,587)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	(5,586)	-	6,971	1,385	-	1,385
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>(8,413)</b>	<b>-</b>	<b>-</b>	<b>(5,586)</b>	<b>-</b>	<b>(4,616)</b>	<b>(18,615)</b>	<b>-</b>	<b>(18,615)</b>
<b>Balance as at 28 February 2018</b>	<b>5.10</b>	<b>4,000</b>	<b>800</b>	<b>46,810</b>	<b>(191)</b>	<b>(774)</b>	<b>1,352</b>	<b>57,999</b>	<b>(32,780)</b>	<b>77,216</b>	<b>0</b>	<b>77,216</b>

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

## NOTES

### 1. INTRODUCTION

Unieuro S.p.A. (hereinafter referred to as the “**Company**” or “**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. placed on the MTA (telematic stock market) – STAR Segment of Borsa Italiana S.p.A. 31.8% of the share capital of Unieuro S.p.A., equal to 6,363,637 ordinary shares at a price of €1 per share.

From 3 May 2017, the greenshoe option granted by Italian Electronics Holding S.r.l. was partially exercised by 537,936 shares compared to the 636,363 shares that had been the object of the Over Allotment. The purchase price of the shares that were the object of the greenshoe option was €1.00 per share, which corresponds to the offer price which was set for the placement, totalling €5,917 thousand. The share settlement relative to the *greenshoe* option took place on 8 May 2017.

On 6 September 2017, Italian Electronics Holdings S.r.l. 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 €16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was €56,000 thousand.

On 17 October 2017, the partial demerger of Italian Electronics Holdings S.r.l. in favour of eight newly incorporated companies became effective. Subsequently, Italian Electronics Holdings S.r.l. transferred its registered office to Luxembourg, changing its company name to Italian Electronics Holdings S.à.r.l. (hereinafter also “**Italian Electronics Holdings**”) and has entered into a reverse merger with International Retail Holdings S.à.r.l.. Following the above transactions, it is 100% indirectly owned by the private equity fund Rhône Capital. At the date of the Annual Financial Statements, Italian Electronics Holdings held a shareholding in Unieuro equal to 33.8% maintaining, considering the shareholders’ composition on 28 February 2018, the ex art. 93 TUF control of Unieuro S.p.A.

On 23 February 2017 Unieuro, as the buyer, signed an agreement with Project Shop Land S.p.A., as the vendor, for the purchase of 100% of the share capital of Monclick S.r.l. (hereinafter also known as “**Monclick**”). The price agreed amounted to €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 Unieuro’s acquisition transaction, it is required to prepare consolidated financial statements. These 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 financial statements as at 28 February 2017 for the income statement, the comprehensive income statement, the cash flow statement, 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.

## **2. CRITERIA ADOPTED FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF THE ACCOUNTING PRINCIPLES**

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

### **2.1 Basis of preparation of the consolidated financial statements**

The Group’s consolidated financial statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders’ equity for financial year ended 28 February 2018, as well as the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders’ equity for financial year ended 28 February 2017 of Unieuro and the related notes to the financial statements.

### **2.2 Preparation criteria for the consolidated financial statements**

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

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

As at 28 February 2018, the Group is composed as follows:



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

The major shareholders of Unieuro as at 28 February 2018

are:

1. Italian Electronics Holdings, (attributable to the funds managed by Rhone Capital) which owns 33.8% of Unieuro's shares;
2. DSG European Investments Limited (Dixons Carphone) which owns 7.2% of the Unieuro's shares;
3. the Silvestrini Family which owns 4.7% of Unieuro's shares;
4. the top management of Unieuro which owns 2.3% of the Company's shares.

The 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 consolidated financial statements as at 28 February 2018, approved by the Board of Directors of the Company on 26 April 2018, have been audited and will be submitted for approval to the Shareholders' Meeting.

### **2.3 Statement of compliance with IFRS**

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

### **2.4 Consolidated financial statement schedules**

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

- A) **Statement of consolidated 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 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 item includes the profit/(loss) for the year as well as the income and expenses recognized directly in equity for transactions other than those with shareholders.
- D) **Consolidated statement of cash flows:** the consolidated statement of cash flows contains the cash flows from operations, investments and financing. The cash flows from operations are shown using the indirect method through which the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.
- E) **Consolidated statement of changes in shareholders' equity:** this schedule includes, in addition to the results of the comprehensive income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

The consolidated financial statements are shown in comparative form.

## **2.5 Consolidation policies and scope of consolidation**

The Consolidated Financial Statements as at 28 February 2018 include the financial statements of the parent company, Unieuro S.p.A., and its subsidiary Monclick S.r.l. These financial statements are the first consolidated financial statements of Unieuro Group. In order to: (i) comply with the provisions of IAS 1, requiring an entity to present comparative information with respect to the previous year for all amounts shown in the financial statements for the current year and (ii) to provide information relating to the various aspects of the Group, as well as how it is currently structured, how the comparative data break down, from the statement of financial position, from the income statement, from the statement of

comprehensive income, from the cash flow statement and from the statement of changes in shareholders' equity as at 28 February 2017 for Unieuro.

The group company statements used for full consolidated have been duly amended and reclassified, in order to align them with the aforementioned international accounting standards.

### ***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 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.

## **2.6 The use of estimates and valuations in the preparation of the consolidated financial statements**

In application of the IFRS, the preparation of the consolidated financial statements requires the usage of estimates and assumptions that have an effect on the values of the consolidated balance sheet assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. The estimates and assumptions are based on elements

which are known as at the date that the consolidated financial statements are prepared, are based on the experience of the management and other elements - if any - considered to be significant. The actual figures may differ from the estimates. The estimates are used to recognize the provision for bad debts, inventory obsolescence, the unearned income relative to the sale of guarantee extension services, measure amortization and depreciation, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.

The estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit and loss.

Following is a summary of the critical valuation processes and the key assumptions used by the Group in applying the IFRS, which can have significant effects on the values recognized in the financial statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

#### ***Recoverable value of non-current assets***

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The Group periodically reviews the book value of non-current assets held and used and the book value of assets that are held for sale, when the facts and circumstances require this review. In the case of goodwill, this analysis is conducted once per year and whenever facts and circumstances indicate a possibility of impairment. Analysis whether the book value of a non-current asset is recoverable is generally carried out using expected cash flow estimates from the sale or use of the asset and adequate discount rates for calculation of its current value. When the book value of a non-current asset has become impaired, the Group writes down the excess of the book value of the asset and its recoverable value through usage or sale thereof, determined with reference to the cash flows used for the recent business plans.

The estimates and assumptions used as part of this analysis, in particular the impairment tests carried out on goodwill, reflect the status of the Group's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

#### ***Recoverability of deferred tax assets***

The Group recognises deferred tax assets up to the value which it considers to be probable that it will recover. Where necessary, the Group makes adjustments to reduce the value of a deferred tax asset down to the value that it considers probable to recover. In assessing the recoverability of deferred tax assets, budget results and provisions for subsequent years are used coherently with those used for the impairment testing which are described in the previous paragraph relative to the recoverable value of non-current assets.

### ***Bad debt provision***

The provision for bad debts reflects management estimates regarding losses from the trade receivables portfolio. The provision for bad debts is based on losses expected by management, determined depending on past experience for similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections regarding the economic and market conditions.

### ***Inventory bad debt provision***

The stock write-down provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Company. This estimate makes it possible to bring the value of the inventories to the lower of the cost and the presumably realizable value.

### ***Trade payables***

The Unieuro Group has contracts for the supply of goods which include receipt of premiums and, in certain circumstances, contributions classified in trade payables. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers.

### ***Unearned income product guarantee extension***

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is offered by the Group and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.

The extension of the guarantee compared to the legally required guarantee can be in terms of time (more years covered) and/or risks covered (e.g. damage to the product) depending on the category of product that has been sold.

When guarantee services are sold, the Group recognises unearned income equal to the sales value of this service, and then recognizes this unearned income as revenue throughout the time that the services are being provided. The recognition of this amount as revenue is determined based on the interventions that have been estimated for repairs that are covered by

the guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

### ***Defined benefit plans and other post-employment benefits***

The Group provides a defined benefit plan to its employees (employees severance indemnity). For the employee benefits, the costs and net financial expenses are measured using actuarial methods requiring the use of estimates and assumptions for determination of the net value of an obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of remuneration and considers the probability of potential future events occurring through the use of parameters of a demographic nature such as for example the rates relative to mortality and resignations or retirement of employees. In particular, the discount rates used as a reference are rates or rate curves for corporate bonds with a high credit rating in their respective markets of reference. The changes in each of these parameters could affect the amount of the liability.

### ***Provisions***

The Group creates a provision for disputes and legal proceedings under way when it is considered probable that there will be a financial outlay and when the amount of the relative expenses can be reasonably estimated. If the amount of the financial outlay cannot be reasonably estimated or the probability of such a financial outlay becomes possible, no provision is established and the fact is indicated in the notes.

During the normal course of business, the Group monitors the status of the disputes which are ongoing and consults with its own legal and tax advisors. It is therefore possible that the value of the provisions for the disputes and lawsuits involving the Group may change as a result of future developments in the proceedings that are ongoing.

### ***Share based payment plan settled with equity instruments***

The measurement of the probable market price of options is recognized using the binomial method (Cox – Ross – Rubinstein). The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the provisions of IFRS 2, the probability of the recipients leaving the plan and the probability of achieving the performance targets were taken into account. For further details see note 5.27.

### ***Hedging derivatives***

The fair value of derivative instruments is determined based on the values observed on regulated markets or prices provided by financial counterparties. If the values and the sources mentioned are not available, the estimate is made using valuation models that take into account the objective valuations such as for example estimates of cash flows and expected volatility of prices.

## **2.7 Significant accounting policies**

### **Business combinations and goodwill**

Business combinations are recognized using the acquisition method. As at the date the control is acquired, this requires recognition of their value of identifiable assets (including intangible fixed assets which had previously not been recognized) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.

Every contingent consideration is also recognised by the Group at its fair value on its acquisition date. The change in the fair value of the contingent consideration classified as an asset or liability will be recognized, pursuant to the instructions found in IAS 39, in profit and loss. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

Goodwill arising from a business combination is initially measured at cost which is the amount by which the fair value of the consideration paid exceeds the Group's portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired company. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Group or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Group have been assigned to these units or groups of units. Every unit or group of units to which goodwill is allocated:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than the operating segments that have been identified.

When goodwill constitutes a part of a cash generating unit and a part of that internal asset and unit is sold, the goodwill associated with the sold asset is included in the book value of the asset for determination of the profit or the loss from the sale. 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.

Any profits from the purchase of a company at favourable prices are immediately recognized in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognized as expenses in the profit/(loss) of the year in which they are incurred.

After initial recognition, goodwill is not amortized and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Operations which are under common control are recognized at their book values, without any capital gain, pursuant to the reference accounting standards, and the guidelines issued by the OPI 1 (preliminary Assirevi guidelines for IFRS), relative to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognized at their book value recorded in the books of the acquired company prior to the operation. When the transfer values are higher than the historical values, the excess must be eliminated by adjusting the acquiring company's shareholders equity downwards.

### **Hierarchical levels of fair value measurement**

Various accounting standards and several disclosure obligations require measurement of the fair value of assets and liabilities whether financial or non-financial. The fair value is the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To increase comparability of the data and the fair value measurements, the standard establishes a hierarchy identified in three different levels which reflects the significance of the inputs used in measuring the fair value. The levels identified are the following:

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;
- Level 2: inputs other than listed prices included in level 1 that can be observed, whether directly or indirectly, for the assets or liabilities to be measured. If the asset or the liability has a specific duration a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;
- Level 3: inputs for assets or liabilities which are not observable. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.



## **Plant, machinery, equipment and other assets (tangible fixed assets)**

### *Recognition and measurement*

The tangible fixed assets are measured at cost of acquisition including the directly imputable ancillary expenses net of the depreciation and losses due to accumulated impairment.

Any financial expenses incurred for the acquisition or construction of capitalized assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalized and amortized throughout the life of the asset class they refer to. All other financial expenses are recognized in the income statements during the year they refer to.

If a tangible fixed asset is composed of various components with differing useful lives, these components are recognized separately (if they are significant components).

The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual value of the asset, and it is recognized in the income statement during the year in which the elimination takes place.

### *Subsequent costs*

The costs incurred subsequently to the purges of the assets and the replacement cost of certain parts of the assets recognized in this category are added to the book value of the element they refer to and they are capitalized only if they increase the future economic benefits of the asset itself. All other costs are recognized in the income statement once incurred.

When the replacement cost of certain parts of the asset is capitalized, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalized and amortized on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognized in the income statement in the year in which they are incurred.

Assets under construction are recognized at cost under assets under construction for as long as their construction is not available for use; when they become available for use, the cost is classified in the relative item and depreciated.

### *Financial leases*

Other assets, plant, machinery owned through financial leases, for which the Group has assumed essentially all the risks and benefits that would derive from ownership, are recognized on the contract start date, as tangible assets at their fair value or, if it is lower, at the current value of the lease instalments, amortized throughout the estimated useful life and adjusted for eventual impairment determined in the ways indicated below. The amount payable to the lessor is shown in the balance sheet among "other financial liabilities".

### *Depreciation*

The depreciation period begins from the time the asset becomes available for use and ends on the earliest of the date on which the asset is classified as held for sale, pursuant to IFRS 5, and the date on which the asset is eliminated from the books. Any changes to the depreciation schedule are applied prospectively.

The value to be depreciated is the book value minus the presumable net sales value at the end of the asset’s useful life, if it is significant and can be reliably measured.

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realizable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is appreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognized, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognized.

The depreciation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

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

**Intangible assets with a definite useful life**

*Initial recognition and measurement*

The intangible fixed assets acquired separately are initially capitalized at cost while those that are acquired through business combinations are capitalized at fair value on their acquisition

date. After initial recognition the intangible fixed assets are recognized at cost, net of amortization and any accumulated impairment.

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.

*Subsequent costs*

Costs incurred subsequently to purchase are capitalized only when the expected future economic benefits which are attributable to the asset they refer to are increased. All other subsequent costs are recognized in the income statement once incurred.

*Depreciation*

Intangible fixed assets are amortized based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortization applied to them is re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognized in profit and loss in the year during which the elimination takes place.

The amortisation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

<b>Category</b>	<b>% used</b>
Software	20%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
<i>Key Money</i>	Based on the duration of the lease beginning from the date that the shop opens
Brands	5-10%

**Financial assets**

The Group determines classification of its financial assets after initial recognition and, where adequate and permitted, reviews this classification upon closure of each year.

*Financial assets measured at fair value with changes recognized in profit and loss*

This category includes assets held for trading and assets which are defined upon initial recognition as financial assets at fair value with changes recognized in profit and loss. The assets held for trading are all those assets which are acquired for sale in the short term. Derivatives, including those which are unbundled, are classified as financial instruments held for trading, unless they are designated as hedging instruments, as defined in IAS 39. The profits or losses on assets held for trading are recognized in the income statement. For securities which are widely traded on regulated markets, the fair value is determined by reference to the stock exchange price recognized upon closure of trading at the end of the financial year. For investments for which there is no active market, the fair value is determined using valuation techniques which are based on the prices of recent transactions between independent parties, the current market value of an essentially similar instrument, analysis of the discounted cash flows and option appreciation models.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with payments that are fixed or which can be determined but which are not listed on an active market. After initial recognition, these assets are measured according to the amortized cost criterion using the effective interest rate method net of any allocation for impairment. The amortized cost is calculated with consideration taken of the discounts and premiums and includes the commissions and transaction costs that are an integral part of the effective interest rate. The profits and losses are recognized in the income statement when the loans and receivables are eliminated or when impairment is observed.

#### *Impairment of financial assets*

Upon closure of each year, the Group checks whether a financial asset or group of financial assets has become impaired.

#### *Assets measured using the amortized cost criteria*

If there exists an objective indication that a loan or receivable that has been recognized at amortized cost has undergone impairment, the amount of the loss is measured as the difference between the book value of the asset and the current value of estimated future cash flows (not including future losses on receivables which have not yet been incurred), discounted using the financial asset's initial effective interest rate (that is, the effective interest rate calculated on the initial recognition date or the current effective rate for variable interest rate loans). The book value of the asset is written down using a provision and the amount of the loss is recognized in the income statement.

The Group initially assesses whether there are indications of any impairment at the individual level, for the financial assets that are individually significant and, thereafter, at the individual or collective level for those financial assets that are not. If there are no objective indications of

impairment for a financial asset which is assessed individually, whether it is significant or not, this asset is included in a group of financial assets with credit risk characteristics that are similar and the group is tested for impairment collectively. The assets which are measured individually and for which an impairment loss is recognized or continues to be recognized, will not be included in the collective measurement.

If, subsequently, the amount of the impairment is reduced and this reduction can be objectively connected to an event that took place after the recognition of the impairment, the previously decreased value can be written back. Any subsequent write backs are recognized in the income statement to the extent that the book value of the asset does not exceed the amortized cost on the date of the write back.

For trade receivables, an allocation for impairment is made when there is an objective indication (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to recover all the amounts that are due based on the original conditions and terms of the invoice. The book value of the receivable is reduced by using a specific provision. Receivables subject to impairment are reversed when it is determined that they will no longer be recovered.

When a financial transaction takes place, based on the terms of payment that have been granted, the receivables are measured at amortized cost through discounting of the nominal value receivable, with the discount recognized as financial income.

In application of IAS 39, an assigned receivable is eliminated if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the book value of an assigned asset and the consideration received is recognized in the income statement as a financial expense.

There are no financial assets which are available for sale or investments held to maturity.

## **Inventories**

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

The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

## **Cash and cash equivalents**

The cash and cash equivalents include cash on hand and sight and short term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

## **Financial liabilities**

The financial liabilities are initially recognized at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortized cost criteria, applying the effective interest rate method. Amortization at the effective interest rate method is included among financial liabilities in the income statement.

## **Liabilities arising from employee benefits**

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the Group and, sometimes, its employees pay contributions of a specific amount into a distinct entity (a fund) and the Group does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

The adjustments to the liabilities regarding employee benefits are determined on the basis of actuarial assumptions, which are based on demographic and financial assumptions and recognized on an accrual basis concurrently with the employment services required in order to obtain the benefit. The amount of the rights accrued during the year by the employees and the portion of the interests on the accrued amount at the beginning of the period and the corresponding movements referring to the same period observed is allocated to the income statement under the item "Personnel expenses" while the financial expense arising from the actuarial calculation is recognized in the comprehensive statement of income under the item "Profit (loss) from restatement of defined benefit plans".

The actuarial valuation is carried out by an actuary who is not employed by the Group.

Following the amendments made to the employee severance indemnity ("TFR") provisions of law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

- the TFR accrued up to 31 December 2006 is considered to be a defined benefit plan pursuant to IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognized in the vesting period;

- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognized as a cost in their entirety and the portion which has not yet been paid is recognized as a liability under "Other current liabilities".

## **Provisions**

The allocations to provisions are made when the Group is required to fulfil an actual obligation (whether legal or implicit) which refers to a past event, when an outlay is possible for discharge of the obligation and it is possible to reliably estimate the amount thereof. When the Group believes that allocation to the provision will be partially or fully refunded, for example in the case of risks covered by insurance policies, the indemnification is recognised distinctly and separately in assets if, and only if, it is practically certain. In this case, the cost of the eventual allocation is shown in the income statement net of the amount recognized for the indemnification. If the effect of discounting the value of money is significant, the non-current portion of the allocations is discounted.

### *Onerous contracts provision*

A provision for charges of contracts is established when the non-discretionary costs required to fulfil obligations that have been assumed are higher than the economic benefits that the Group expects to obtain by virtue of the contract. This provision is based on the current value of the lower between the cost of cancelling the contract and the net cost of pursuing it. Prior to recognizing the provision, the Group recognises any impairment of the assets associated with the contract.

### *Provisions for restoration of points of sale*

For leases which contain a clause requiring restoration of the property, a specific provision is established. The book value of the liability includes the costs to be incurred up to the time that the properties are returned to the lessor.

### *Restructuring provision*

A provision is established for restructuring when there is a detailed and official program for restructuring that has been approved and the restructuring has begun or the main aspects of which have been publicly disclosed to third parties.

## **Trade payables**

The payables are recognized at their nominal value net of discounts, returns or invoicing adjustments, representative of the fair value of the obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured

at amortized cost through discounting of the nominal value receivable, with a discount recognized as a financial expense.

### **Assets held for sale**

The assets which are held for sale are those for which recovery of the value will take place mainly through sale rather than through use. The classification in this category takes place from the time that the sale of a group of assets is considered highly probable and the assets and liabilities are immediately available for sale in their current conditions. The assets held for sale are measured at the lower between the cost and the fair value net of the costs to sell.

### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Group tests the asset for impairment.

The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Group has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

In evaluating whether there is an indication of impairment of an asset, the Group considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Group's discount rate, thereby diminishing the recoverable value of the asset;
- significant changes in the technological environment and market in which the Group operates;
- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;
- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);
- operating losses resulting from interim results.

If the analysis shows that there are potential losses due to impairment, the management will make a preliminary check relative to the useful life, the amortisation criterion, and the residual value of the asset and, based on the applicable accounting standard, shall make any amendments to these parameters; specific analysis relative to the impairment of the asset will take place at a later time.



As described in IAS 36, the recoverable value of an asset is the higher of the value in use and the fair value (net of costs to sell) of the asset itself. Furthermore, in the definition provided in the international accounting standard, the instructions are the same whether they refer to a single asset or to cash flow generating units.

In order to better understand the provisions of IAS 36, we provide below some key definitions:

**Value in use:** the value in use is the current value of all the cash flows of an asset or a generating unit, constituting the object of the valuation, which are expected to originate from it. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets used do not include the effects arising from the extraordinary activities (restructuring, sales and acquisitions) and cover a period of time of up to five financial years;

**Fair value:** it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Group uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

**Cash generating units (or cash flows):** a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

**Book value:** the book value is the value of assets net of depreciation, write-downs and write backs.

The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values is higher than the book value, it is not necessary to identify the other amount as well. Furthermore, the fair value of an asset or cash generating unit is not always measurable, as there is no criteria that provides a reliable estimate of the selling price of an asset in an arm's length transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

Once all the useful values have been identified and determined in terms of evaluating the asset or the CGU, the book value is compared with the recoverable value and if the book value is higher than the recoverable value, the Group will write down the asset to its recoverable value.

On each balance sheet closing date, the Group will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognized in previous years. This write back is recognized in the income statement.

### **Derivative financial instruments and hedge accounting**

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

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

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

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

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

#### *Cash flow hedges*

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

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

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

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

## **Share based payment**

Key executives and certain managers of the Group may receive a portion of their remuneration in the form of share based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share based payments as at the assignment date is recognized in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognized among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognized in shareholders' equity.

## **Cancellation of financial assets and liabilities**

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

- the rights to receive the cash flows from an asset have been extinguished;
- the Group reserves the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party.

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

## **Revenue**

Revenues are recognized to the extent that the Group is likely to receive the economic benefits arising from them and the relative amount may be determined reliably, regardless of the collection. Revenues are measured at the fair value of the consideration received, not including discounts, reductions, bonuses or other taxes on sales. The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

### *Sale of assets*

The revenue is recognized when the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the wholesale and B2B channel. As provided in the annex to IAS 18, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognized as revenue at the time that the consumer makes the

purchase. The revenue is recognized when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. Similarly the income from the sale is recognized upon purchase of the good by the consumer even if installation thereof is required. Indeed, the annex to IAS 18 provides that the revenue be recognized immediately upon acceptance of delivery by the purchaser when the installation procedure is very simple (for example installation of a device that requires only unpacking, and connection to an electrical outlet).

The Group has a customer loyalty program which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the program coincides with the fiscal year. The Group records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty program and the historical information regarding the percentage of loyalty point usage by customers.

#### *Provision of services*

The revenues and the costs arising from the provision of services are recognized on the basis of the progress of the services at the closing date of the year. The progress is determined based on the valuation of the work that has been carried out. When several services are provided within a single contract, the consideration is distributed among the individual services based on the relative fair value.

For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, the Group recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

#### *Commissions*

The payments received on the sale of specific goods and services such as for example consumer loans, are calculated as a percentage of the value of the service that is carried out or, sometimes on the basis of a fixed consideration and they correspond with the amount of the commission received by the Group.

#### *Revenues from operating leases when the Company is the Lessor*

The revenues from operating leases (rental income) are recognized on a straight line basis throughout the duration of the leases existing as at the balance sheet closing date and they are classified among "other income" given their operating nature.

## ***Costs***

The costs and other operating expenses are recognized in the income statement when they are incurred on the basis of the accruals principle and the correlation of revenues, when they do not produce future economic benefits or when the latter do not have to be recognised as assets.

The costs for the purchase of merchandise are recognized upon assumption of all the risks and benefits connected to ownership and they are measured at the fair value of the consideration payable net of any reductions, returns, trade discounts and bonuses.

Agreements with suppliers involve recognising premiums and contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. For commercial agreements with a maturity date that is later than the end of the financial year an estimate is made based on the amount of purchase or sale and on valuations that take into account historical data regarding the effective recognition of premiums and contributions by suppliers.

The costs for services are recognized on the basis of the progress of the services at the closing date of the year.

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

The costs arising from operating leases are recognized on a straight line basis throughout the duration of the reference contracts. Additional costs which depend on and are determined by the revenues achieved in a specific point of sale, are recognized on an accruals basis during the contractual period.

## ***Interest income and interest expense***

Interest income and expenses are recognized in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

## ***Taxes***

### ***Current taxes***

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

Following the loss of control of Italian Electronics Holdings which took place on 6 September 2017, the national tax consolidation scheme was interrupted and Italian Electronics Holdings as the consolidating party exercised its option with effect from the year ended 28 February 2015;

#### *Deferred taxes*

The deferred taxes are calculated using the so-called "liability method" on the temporary differences from the balance sheet data between the tax values used as a reference for the assets and liabilities and the values included in the balance sheet. The deferred tax liabilities are recognized against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognized against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognized are re-examined periodically on the balance sheet closing date and they are recognized to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished, considering the rates applicable and those already issued or essentially issued on the balance sheet date. The estimate has considered the provisions of law 208 of 28 December 2015 "Stability law 2016" which has provided for reduction of the IRES rate from 27.5% to 24% with effect for the tax years subsequent to 28 February 2017.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

#### **Effects of the changes in foreign exchange rates**

The financial statements are presented in Euro, which is the Group's functional and presentation currency. The transactions in a foreign currency are recognized initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognized in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

### **Earnings per share**

#### *Earnings per share - basic*

The basic earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved.

#### *Earnings per share - diluted*

The diluted earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

### **Segment Reporting**

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the Group for allocation of resources and for analysis of the relative performances.

## **2.8 New accounting standards**

## **The new accounting standards, amendments and interpretations endorsed by the European Union which came into effect from the year beginning 1 March 2017**

Though they entered into effect from the year that began on 1 March 2017, the following new documents have not had a significant effect on the financial statements in terms of disclosures or changes to the accounting standards, as they mainly refer to issues that do not apply to the Group:

Improvements to IFRS (2014-2016 cycle)
Amendments to IAS 7 - information
Amendments to IAS 12 - measurement of deferred tax income on unrealised losses

## **Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Group as at 28 February 2018**

Below are the new accounting standards or amendments to standards applicable for the years beginning after 1 January 2018, for which early application is allowed. The Group has decided not to adopt them early for preparation of these financial statements:

- IFRS 15 – “*Revenue from Contracts with Customers*”: On 28 May 2014, the IASB issued IFRS 15 “*Revenue from Contracts with Customers*” (hereinafter IFRS 15), which sets when and how to recognize revenue from contracts with customers (including contracts regarding work on order). In particular, IFRS 15 requires that recognition of revenues be based on the following 5 steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract (the goods or services that have been promised to the customer); (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts based on the standalone selling price of each good or service; and (v) recognise revenue when (or as) the entity satisfies a performance obligation. Moreover, IFRS 15 integrates financial statement information to provide with regard to the nature, amount, timing and uncertainty of revenues and the relative cash flows. The provisions of IFRS 15 are effective from the years beginning on or after 1 January 2018.
- IFRS 9 - “*Financial Instruments*”: On 24 July 2014, the IASB finished the revision of the accounting standard on financial instruments with the issuing of the complete version of IFRS 9 “*Financial Instruments*” ( IFRS 9). In particular the new provisions of IFRS 9: (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the *expected credit losses*); and (iii) amend the provisions regarding hedge accounting. The provisions of IFRS 9 are effective from the years beginning on or after 1 January 2018.



- IFRS 16 - “Leases”: 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 from the years beginning on or after 1 January 2019.
  
- Clarifications to IFRS 15 – “Revenue from Contracts with Customers”: 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. The provisions of IFRS 15 are effective from the years beginning on or after 1 January 2018.

- amendments to IFRS 4 - “*Insurance Contracts*“: On 12 September 2016 the IASB issued amendments to IFRS 4 “*Insurance Contracts*“ - joint application of IFRS 9 Financial instruments and IFRS 4 Insurance Contracts. The amendments to IFRS 4 are aimed at remedying the temporary accounting consequences of the time-lag between the date that IFRS 9 comes into force and the date that the new accounting standard for insurance contracts that replaced IFRS 4 comes into effect (IFRS 17). The provisions are effective from the years beginning on or after 1 January 2018.

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 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.

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

- 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 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 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.
- 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 October 2017, the IASB issued amendments to IFRS 9 - *Prepayment Features with Negative Compensation*. The amendments are aimed at allowing the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets featuring an early termination option with negative compensation.
- On 12 October 2017 the IASB issued amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures*. The amendments are designed to clarify to which long-term receivables from an associated company or joint venture which, in essence, are part of the net investment of the associated company or joint venture IFRS 9 applies.

- On 12 December 2017 the IASB published *Annual Improvements to IFRSs 2015 - 2017 Cycle*, which include amendments to IAS 12 - *Income Taxes*, IAS 23 - *Borrowing Costs*, IFRS 3 - *Business Combination* and IFRS 11 - *Joint Arrangements*. The amendments will come into force on 1 January 2019. Early application is permitted.
- On 7 February 2018 the IASB published amendments to IAS 19 - “*Plan Amendment, Curtailment or Settlement*” which clarifies how pension expenses are calculated when there is a change in defined-benefit plans. The amendments will come into force on 1 January 2019.

### **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 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 approximately 17.6% of the Group’s revenues as at 28 February

2018, 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. Below is the Group's financial structure by deadline for the years and at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Balance as at 28 February 2018</b>	<b>Within 12M</b>	<b>Between 12M and 60M</b>	<b>Over 60M</b>	<b>Total</b>
Financial liabilities	47,479	6,961	40,518	-	47,479
Other financial liabilities	18,451	6,256	12,195	-	18,451
<b>Total</b>	<b>65,930</b>	<b>13,217</b>	<b>52,713</b>	<b>-</b>	<b>65,930</b>

<i>(Amounts in thousands of Euros)</i>	<b>Balance as at 28 February 2017</b>	<b>Within 12M</b>	<b>Between 12M and 60M</b>	<b>Over 60M</b>	<b>Total</b>
Financial liabilities	31,780	5,984	25,796	-	31,780
Other financial liabilities	6,845	2,418	4,427	-	6,845
<b>Total</b>	<b>38,625</b>	<b>8,402</b>	<b>30,223</b>	<b>-</b>	<b>38,625</b>

### 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 in existence as at 28 February 2018 were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A.. On 12 February 2018 following the closing which took place on 9 January 2018, the date on which the loan agreement known as the *Senior Facilities Agreement* was concluded (the "Loan Agreement"), new interest rate swaps associated with the term loan current supplied by the pool were concluded.

<i>(Amounts in thousands of Euros)</i>			<b>Nominal value as at</b>		<b>Fair value as at</b>	
<b>Derivative contracts</b>	<b>Stipulated on</b>	<b>Expires on</b>	<b>28 February 2018</b>	<b>28 February 2017</b>	<b>28 February 2018</b>	<b>28 February 2017</b>
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	50,000	-	251	-

The interest rate swaps, which satisfy the requirements of IAS 39, are recognised using the hedge accounting method. The amount recognized in equity under the cash flow hedge

reserve is equal to €191 (negative) thousand as at 28 February 2018 and zero as at 28 February 2017.

### ***Sensitivity Analysis***

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2018.

#### *Effect of changes on financial expenses - income statement*

To address the risk of changes in interest rates, the Group has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 BPS, would have resulted in an effect on financial expenses for 2018 as follows below.

<i>(Amounts in thousands of Euros)</i>	<b>- 50 bps</b>	<b>+ 50 bps</b>
As at 28 February 2018	11	(11)

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

We note that the sensitivity analysis arising from a hypothetical change in the market rates which respectively discount appreciation and depreciation equal to 50 BPS, takes into account the hedges established by the Group.

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

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

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

<i>(Amounts in thousands of Euros)</i>	<b>- 50 bps</b>	<b>+ 50 bps</b>
<i>Sensitivity analysis</i> as at 28 February 2018	(2)	2

### **3.3.2 Currency Risk**

The Group is exposed to currency risk, which is the risk connected to fluctuations in the exchange rate of two currencies, mainly due to importation of merchandise. This risk is considered irrelevant for the 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 28 February 2018 is negative at €61 thousand. 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.

### ***Sensitivity Analysis***

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

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

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

<i>(Amounts in thousands of Euros)</i>	<b>Profits/(losses) for the year ended 28 February 2018</b>	
	<b>appreciation</b>	<b>depreciation</b>
USD (5% change)	(3)	3

### **3.4 Fair value estimates**

The fair value of the financial instruments listed on an active market is based on market prices as at the balance sheet date. The fair value of the instruments which are not listed on an active market is determined by using valuation techniques which are based on a series of methods and assumptions which are connected to market conditions as at the balance sheet 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.

The table below separates financial assets and liabilities by category as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended 28 February 2018</b>			
	<b>Loans and receivables</b>	<b>Fair value of hedging instruments</b>	<b>Other liabilities</b>	<b>Total</b>
<b>Financial assets not designated at fair value</b>				
Cash and cash equivalents	61,414	-	-	<b>61,414</b>
Trade receivables	39,572	-	-	<b>39,572</b>
Other assets	18,472	-	-	<b>18,472</b>
<b>Financial assets designated at fair value</b>				
Other assets		56		<b>56</b>
<b>Financial liabilities not designated at fair value</b>				
Financial liabilities	-	-	47,479	<b>47,479</b>
Trade payables	-	-	411,450	<b>411,450</b>
Other liabilities	-	-	164,060	<b>164,060</b>
Other financial liabilities	-	-	18,128	<b>18,128</b>
<b>Financial liabilities designated at fair value</b>				
Other financial liabilities	-	323	-	<b>323</b>

<i>(Amounts in thousands of Euros)</i>	<b>Year ended 28 February 2017</b>			
	<b>Loans and receivables</b>	<b>Fair value of hedging instruments</b>	<b>Other liabilities</b>	<b>Total</b>
<b>Financial assets not designated at fair value</b>				
Cash and cash equivalents	36,666	-	-	<b>36,666</b>
Trade receivables	35,203	-	-	<b>35,203</b>
Other assets	15,968	-	-	<b>15,968</b>

<b>Financial assets designated at fair value</b>			
Other assets		53	<b>53</b>
<b>Financial liabilities not designated at fair value</b>			
Financial liabilities	-	-	31,780
Trade payables	-	-	334,546
Other liabilities	-	-	140,348
Other financial liabilities	-	-	6,838
<b>Financial liabilities designated at fair value</b>			
Other financial liabilities	-	7	<b>7</b>

#### 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.

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

<i>(in thousands of Euros and as a percentage of revenues)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Revenue	1,873,792	1,660,495
<b>GROSS OPERATING PROFIT</b>	<b>41,013</b>	<b>38,084</b>
<i>% of revenues</i>	2.2%	2.3%
Depreciation, amortisation and write-downs	(21,728)	(17,958)
<b>OPERATING PROFIT</b>	<b>19,285</b>	<b>20,126</b>
Financial income	303	358
Financial expenses	(7,933)	(6,222)
<b>PROFIT BEFORE TAX</b>	<b>11,655</b>	<b>14,262</b>
Income taxes	(697)	(2,675)
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>10,958</b>	<b>11,587</b>

The impact of the gross Profit/(loss) on Revenues decrease from 2.3% for the year ended 28 February 2017 to 2.2% for the year ended 28 February 2018.

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Grey	862,555	798,791
White	494,317	421,929
Brown	348,357	301,370
Other	102,777	79,855
Services	65,786	58,550
<b>Total</b>	<b>1,873,792</b>	<b>1,660,495</b>

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Abroad	9,058	7,000
Italy	1,864,734	1,653,495
<b>Total</b>	<b>1,873,792</b>	<b>1,660,495</b>

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 CONSOLIDATED BALANCE SHEET ITEMS**

### **5.1 Plant, machinery, equipment and other assets**

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Amounts as at 28 February 2018</b>			<b>Amounts as at 28 February 2017</b>		
	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>
Plant and machinery	122,136	(88,904)	33,232	107,488	(81,711)	25,777
Equipment	18,445	(14,269)	4,176	17,085	(13,622)	3,463
Other assets	164,802	(129,611)	35,191	147,436	(120,766)	26,670
Tangible assets under construction	2,232	-	2,232	4,912	-	4,912
<b>Total plant, machinery, equipment and other assets</b>	<b>307,615</b>	<b>(232,784)</b>	<b>74,831</b>	<b>276,921</b>	<b>(216,099)</b>	<b>60,822</b>

The change in the item “Plant, machinery, equipment and other assets” for the period from 29 February 2016 to 28 February 2018 is shown below:

	Plant and machinery	Equipment	Other assets	Tangible assets under construction and payments on account	Total
<i>(Amounts in thousands of Euros)</i>					
<b>Balance as at 29 February 2016</b>	<b>21,891</b>	<b>3,605</b>	<b>23,210</b>	<b>2,817</b>	<b>51,523</b>
Increases	9,588	718	11,078	4,451	25,835
Decreases	(13)	(181)	(81)	(2,356)	(2,631)
Amortisation, depreciation and write downs/(write backs)	(5,702)	(843)	(7,605)	-	(14,150)
Decreases in Amortisation, Depreciation Provision	13	164	68	-	245
<b>Balance as at 28 February 2017</b>	<b>25,777</b>	<b>3,463</b>	<b>26,670</b>	<b>4,912</b>	<b>60,822</b>
First Monclick consolidation	2	-	136	-	138
Increases	13,905	1,365	15,858	1,774	32,902
Acquisitions	685	--	1,242	--	1,927
Decreases	-	(5)	(10)	(4,454)	(4,469)
Amortisation, depreciation and write downs/(write backs)	(7,137)	(651)	(8,715)	-	(16,503)
Decreases in Amortisation, Depreciation Provision	-	4	10	-	14
<b>Balance as at 28 February 2018</b>	<b>33,232</b>	<b>4,176</b>	<b>35,191</b>	<b>2,232</b>	<b>74,831</b>

With reference to the financial year ended 28 February 2018, the Group made investments, including the effects of the first Monclick consolidation and net of decreases of the category “Assets under construction”, amounting to €30,513 thousand.

In particular, the investments were mainly: (i) interventions for restructuring of selected points of sale costing €5,784 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening and acquisition of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets from the Andreoli S.p.A. and Cerioni S.p.A. business units costing €13,487 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing €812 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing €6,943 thousand; (v) investments in a new data centre and other tangible infrastructures costing €1,422 thousand and (vi) a contribution resulting from the acquisition of 21 sales outlets belonging to the Andreoli S.p.A. business unit and the acquisition of 19 sales outlets belonging to the Cerioni

S.p.A. business unit costing €1,927 thousand and (vii) a contribution resulting from the first Monclick consolidation amounting to €138 thousand.

The new financial leases are equal to €2,655 thousand and of these €198 thousand referred to electronic machines and €2,457 thousand to furniture and furnishings.

Note that Monclick's acquisition of the 21 sales outlets belonging to the Andreoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit were configured as business combinations and came under the scope of IFRS 3. As required by accounting standard, the tangible assets were measured and recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

To assess this *fair value*, the Company appointed internal technicians who, with reference to the business units Andreoli S.p.A. and Cerioni S.p.A., estimated the value of acquired *asset* at €1,927 thousand, whilst the fair value of the assets resulting from the first consolidated of Monclick amounts to €138 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.

The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets, 1 June 2017 for Monclick and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For further details see note 5.28. "Business combinations".

The item "Amortization and write-downs (write backs)" of €16,503 thousand includes €15,498 thousand in depreciation and €983 thousand of write-downs and write backs. 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.

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

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

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

The item "Amortization and write-downs (write backs)" of €14,150 thousand includes €13,312 thousand in depreciation and €838 thousand of write-downs and write backs. The write-downs 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 also includes write-downs of assets existing at the Oderzo (TV) point of sale following a fire that took place on 25 February 2017.

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 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Goodwill	174,748	151,396
<b>Total Goodwill</b>	<b>174,748</b>	<b>151,396</b>

The change in the "Goodwill" item for the period from 29 February 2016 to 28 February 2018 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Goodwill</b>
<b>Balance as at 29 February 2016</b>	<b>151,396</b>
Acquisitions	-
Write-downs	-
<b>Balance as at 28 February 2017</b>	<b>151,396</b>
First Monclick consolidation	7,199
Acquisitions	16,153
Increases	-
Write-downs	-
<b>Balance as at 28 February 2018</b>	<b>174,748</b>

The value of goodwill at 28 February 2018, equalling €174,748 thousand, increased over the year ended 28 February 2017 by €23,352 thousand. The increase relates to the following operations: (i) €7,199 thousand for the acquisition of Monclick S.r.l., one of the leading online operators in Italy, active in the consumer electronics market and in the B2B2C online market, (ii) €10,500 thousand for the acquisition of a business unit from Andreoli S.p.A.,

comprising 21 sales outlets and (iii) €5,653 thousand for the acquisition of a business unit from Cerioni S.p.A., comprising 19 sales outlets.

It should be noted that, at the time of acquisition, Unieuro availed itself of the right provided under 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. No significant changes are expected compared to what has already been accounted. For more details about the transactions, see note 5.28 "Business unit combinations".

The value of goodwill to 28 February 2017 refers to: (i) the contribution from the merger by incorporation of the former Unieuro which took place on 26 February 2016. The contribution of €32,599 thousand is mainly composed of the allocation of the deficit generated by the incorporation transactions involving the former Unieuro S.p.A., Unieuro Campania S.r.l. and Trony Pordenone S.r.l., into Brunello S.p.A. (later renamed Unieuro S.r.l.) made by the former Unieuro in the company's financial year ending 30 April 2004, and (ii) of €194 thousand, on the adjustment of the price calculated in relation to the acquisition of the business unit Dixons Travel, which was concluded on 11 February 2015 and paid for on 10 September 2015. The 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 €4,993 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 €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 €8,603 thousand from the merger of Marco Polo Retail S.r.l. into Unieuro during 2009, and (vi) for €5,082 thousand from other minor mergers and acquisitions of business units.

It should also be noted that, in the previous year ended 28 February 2017, no changes took place in the item in question.

### **5.2.1 Impairment test**

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

The goodwill impairment test for each CGU was approved by the Company's Board of Directors on 26 April 2018. In preparing the impairment test, the directors made use of a

special report prepared for this purpose by a consultant appointed specifically by the Company.

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

The Group has identified an operating segment, which is the entire Group and covers all the services and products provided to customers. The Group's corporate vision as a single omnichannel business ensures that the Group has identified a single Strategic Business Unit (SBU). Within the SBU the Group has identified three CGUs to which the goodwill was allocated, this approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

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

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

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

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

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

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



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

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

The Business Plan used for the impairment test referring to the financial year ending 28 February 2018, was originally approved by the Board of Directors on 12 December 2016 and subsequently updated by the Board of Directors on 17 April 2018. The Business Plan underlying the impairment test was prepared on a consolidated basis, taking into account recent business performance. Specifically, the final figures for the years ending 28 February 2017 and 28 February 2018 have been taken into consideration. The budget for the year ending 28 February 2019 has been drawn up and, consequently, the development of the financial data has been updated until 28 February 2023.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2018 are based, among other things, on external sources and on the analyses conducted by the Group. In this regard note that based on the market sources used by the Group, the Italian market of traditional consumer electronics channels (i.e. excluding internet channels) was estimated as slightly down, while the Online channel is expected to grow.

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

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

- (i) **CGU Retail:** sales are taken as growing over the reference time frame;
- (ii) **CGU Wholesale:** growing sales as a result of the development of the assets of existing affiliates and the acquisition of new affiliates;
- (iii) **CGU B2B:** sales constant during the reference time frame.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 10.50%.

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

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

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

- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

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

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

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

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Group overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Group's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2018.

as at 28 February 2018	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
<i>(Amounts in euro million)</i>					
CGU Retail	10.50%	0.0%	209.7	368.7	56.9%
CGU Wholesale	10.50%	0.0%	35.1	58.2	60.3%
CGU B2B	10.50%	0.0%	15.3	21.5	71.1%

The results of the impairment tests as at 28 February 2018 are given below:

as at 28 February 2018	Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
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(Amounts in euro million)

CGU Retail	€mln	51.2	368.7	317.5
CGU Wholesale	€mln	4.3	58.2	53.8
CGU B2B	€mln	(3.8)	21.5	25.3

Based on the estimates made there was no need to adjust the value of the goodwill recorded. Note that the carrying amount of the CGU B2B as at 28 February 2018 was negative as a result of the negative net working capital allocated to the CGU B2B.

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

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

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2018, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

<b>as at 28 February 2018</b>	<b>Terminal plan EBITDA</b>				
<i>(Amounts in euro million)</i>					
RA Sensitivity Difference compared with CA	0.0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
CGU Retail	317.5	293.4	269.3	245.2	221.1
CGU Wholesale	53.8	50.9	47.9	45.0	42.0
CGU B2B	25.3	24.0	22.7	21.4	20.1

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

<b>Parameter / CGU</b>	<b>Retail</b>	<b>Wholesale</b>	<b>B2B</b>
EBITDA % change (Plan and TV)	(65.0%)	(91.1%)	(96.2%)
g factor	n.a. <sup>(1)</sup>	n.a. <sup>(1)</sup>	n.a. <sup>(1)</sup>
WACC	66.4%	160.4%	n.a. <sup>(1)</sup>

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

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

<b>as at 28 February 2018</b> <i>(Amounts in euro million)</i>		<b>Carrying Amount (CA)</b>	<b>Recoverable Amount (RA)</b>	<b>RA compared with CA</b>
CGU Retail	€mln	51.2	311.3	260.1

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

### 5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 28 February 2018 and as at 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Amounts as at 28 February 2018</b>			<b>Amounts as at 28 February 2017</b>		
	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>
Software	47,407	(35,508)	11,899	40,599	(31,540)	9,059
Concessions, licences and brands	13,361	(6,609)	6,752	7,407	(5,751)	1,656
Key Money	5,710	(398)	5,312	-	-	-
Intangible fixed assets under construction	1,071	-	1,071	1,093	-	1,093
<b>Total intangible assets with a finite useful life</b>	<b>67,549</b>	<b>(42,515)</b>	<b>25,034</b>	<b>49,099</b>	<b>(37,291)</b>	<b>11,808</b>

The change in the item "Intangible assets with a finite useful life" for the period from 29 February 2016 to 28 February 2018 is given below:

<i>(Amounts in thousands of Euros)</i>	<b>Software</b>	<b>Concessions, licences and brands</b>	<b>Key Money</b>	<b>Intangible fixed assets under construction</b>	<b>Total</b>
<b>Balance as at 29 February 2016</b>	<b>8,673</b>	<b>2,340</b>	<b>-</b>	<b>184</b>	<b>11,197</b>
Increases	3,507	3	-	909	4,419
Decreases	-	-	-	-	-

Amortisation, depreciation and write downs/(write backs)	(3,121)	(687)	-	-	(3,808)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
<b>Balance as at 28 February 2017</b>	<b>9,059</b>	<b>1,656</b>	<b>-</b>	<b>1,093</b>	<b>11,808</b>
First Monclick consolidation	1,295	5,954	-	-	7,249
Increases	5,513	1	3,320	1,071	9,905
Acquisitions	-	-	2,390	-	2,390
Decreases	-	-	-	(1,093)	(1,093)
Amortisation, depreciation and write downs/(write backs)	(3,968)	(859)	(398)	-	(5,225)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
<b>Balance as at 28 February 2018</b>	<b>11,899</b>	<b>6,752</b>	<b>5,312</b>	<b>1,071</b>	<b>25,034</b>

Regarding the financial year ended 28 February 2018, the increases, including the first Monclick consolidation, Acquisitions and net of decreases in the category “Assets under construction”, amount to a total of €18,451 thousand.

The item First Monclick consolidation results from the acquisition of control of Monclick which was configured as a business combination and fell within the scope of IFRS 3. As required by accounting standard, 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 €4,641 thousand (with a useful life of 20 years), the value of customer lists at €1,178 thousand (with a useful life of 4 years), and the value of internally produced software at €1,284 thousand (with a useful life of 5 years). The values and useful life estimates are reflected in the 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 brands” category, while the value of software was attributed to the “software” category.

The item “increases” related mainly to the “Software” category for €5,513 thousand, mainly attributable to: (i) new *software* and licences, (ii) costs incurred for the development and updating of the new website, [www.unieuro.it](http://www.unieuro.it) and (iii) costs incurred for extraordinary interventions on pre-existing management *software*, under the “Key Money” category, amounting to €3,320 thousand, referring to the payment of *Key Money* for the stipulation of lease agreements carried out during the financial year, for the Euroma2 sales outlet, the sales outlet located in Brescia and the sales outlet located in Modena, which opened in December 2017 and under the “Assets under construction” category, amounting to €1,071 thousand, mainly due to the implementation of new *software*.

The item “Acquisitions”, referring to the “Key Money” category for €2,390 thousand, results from the acquisition of the control of the Andreoli S.p.A. and Cerioni S.p.A. business units,

which have been configured as a business combination and fall within the scope of application of IFRS 3. As required by accounting standard, 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. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For further details, please refer to note 5.28 "Business combinations". the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money.

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

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

#### 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 29 February 2016 to 28 February 2018 is given below:

##### *Deferred tax assets*

(Amounts in thousands of Euros)

	Bad debt provision - amount due from suppliers	Inventory bad debt provision	Tangible assets	Intangible assets	Capital Reserves	Provision for risks and charges	Other current liabilities	Net deferred tax assets	Deferred tax assets relating to tax losses	Total net deferred tax assets
<b>Balance as at 29 February 2016</b>	<b>957</b>	<b>1,256</b>	<b>848</b>	<b>5,282</b>	<b>871</b>	<b>1,529</b>	<b>10,143</b>	<b>20,886</b>	<b>8,026</b>	<b>28,912</b>
Contribution from merger	-	-	-	-	-	-	-	-	-	-
Provision/Releases to the Income Statement	(119)	354	38	(546)	-	(403)	(3,496)	(4,172)	4,726	554
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	(28)	-	-	(28)	-	(28)
<b>Balance as at 28 February 2017</b>	<b>838</b>	<b>1,610</b>	<b>886</b>	<b>4,736</b>	<b>843</b>	<b>1,126</b>	<b>6,647</b>	<b>16,686</b>	<b>12,752</b>	<b>29,438</b>
Provision/Releases to the Income Statement	(14)	878	21	(446)	-	237	(3,025)	(2,349)	2,975	626
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	41	-	-	41	-	41
<b>Balance as at 28 February 2018</b>	<b>824</b>	<b>2,488</b>	<b>907</b>	<b>4,290</b>	<b>884</b>	<b>1,363</b>	<b>3,622</b>	<b>14,378</b>	<b>15,727</b>	<b>30,105</b>

The balance at 28 February 2018, equal to €30,105 thousand, is mainly composed of: i) €10,400 thousand in temporary differences mainly due to goodwill, other current liabilities and the stock write-down provision; ii) €15,727 in deferred tax assets recorded on tax losses. The change in the item deferred tax assets recorded in the financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;
- the provision of €2,975 thousand in deferred tax assets relating to tax losses.

The balance as at 28 February 2017, equal to €29,438 thousand, is composed mainly of €6,647 thousand from deferred tax assets recorded in other current liabilities, composed of deferred income for guarantee extension services, deferred tax assets recorded on tax losses of €12,752 thousand and deferred tax assets recorded on goodwill of €1,736 thousand. The change in the item deferred tax assets recorded in the last financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;
- the provision of €1,726 thousand in deferred tax assets relating to tax losses.

Note that the tax losses still available as at 28 February 2018 are equal to €399,229 thousand (tax losses available as at 28 February 2017 stood at €408,940 thousand).

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

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over taking into consideration their possible recovery over a time frame of three years;
- the forecast of the Company's earnings in the medium and long-term.

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

### ***Deferred tax liabilities***

<i>(Amounts in thousands of Euros)</i>	<b>Intangible assets</b>	<b>Total net deferred taxes</b>
<b>Balance as at 29 February 2016</b>	<b>269</b>	<b>269</b>
Provision/Releases to the Income Statement	53	53



Provision/Releases to the Comprehensive Income Statement	-	-
<b>Balance as at 28 February 2017</b>	<b>322</b>	<b>322</b>
First Monclick consolidation	1,982	1,982
Provision/Releases to the Income Statement	144	144
Provision/Releases to the Comprehensive Income Statement	-	-
<b>Balance as at 28 February 2018</b>	<b>2448</b>	<b>2448</b>

The increase in the item “Deferred tax liabilities” is mainly due to the contribution from the first consolidation of Monclick for €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.

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

## 5.5 Other current assets and other non-current assets

Below is a breakdown of the items “Other current assets” and “Other non-current assets” as at 28 February 2018 and 28 February 2017:

*(Amounts in thousands of Euros)*

	Year ended	
	28 February 2018	28 February 2017
Deferred charges	11,220	8,008
Tax credits	3,791	2,507
Accrued income	888	1,563
Other current assets	231	1,760
Advances to suppliers	27	27
<b>Other current assets</b>	<b>16,157</b>	<b>13,865</b>
Deposit assets	2,066	1,605
Deposits to suppliers	218	461
Other non-current assets	87	90
<b>Other non-current assets</b>	<b>2,371</b>	<b>2,156</b>
<b>Total Other current assets and Other non-current assets</b>	<b>18,528</b>	<b>16,021</b>

The item “Other current assets” mainly includes deferred charges with regard to building insurance, rental and common charges and the hire of road signs; accrued income refers to adjustments on common charges at sales points.

The increase in the item deferred charges is mainly due to the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of

sale which took place on 25 February 2017 and the theft at the Piacenze warehouse which took place in August 2017 with a new insurance contract signed with a new pool of insurers which led to an increase in the premium.

The decrease in the item other current assets is mainly due to the collection of the receivable from the Ministry of Education, Universities and Research for the “Carta del Docente” (teacher accreditation) which stood at €24 thousand in the year ended 28 February 2018 (€1,623 thousand in the year ended 28 February 2017). This certificate is an initiative of the Ministry of Education, Universities and Research required by Law 107 of 13 July 2015, Article 1, paragraph 121, aimed at enabling teachers to take advantage of a voucher worth €500 to purchase educational material for teaching purposes.

Tax credits as at 28 February 2018 and 28 February 2017 refer, in the main, for €1,610 thousand to the IRES credit for IRAP not deducted.

The item “Other non-current assets” includes equity investments, 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

Warehouse inventories break down as follows:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Merchandise	322,093	274,520
Consumables	561	801
<b>Gross stock</b>	<b>322,654</b>	<b>275,321</b>
Inventory bad debt provision	(9,126)	(5,770)
<b>Total Inventories</b>	<b>313,528</b>	<b>269,551</b>

The value of gross inventories went from €275,321 thousand as at 28 February 2017 to €322,654 thousand as at 28 February 2018, an increase of 17.2% in total gross inventories. The increase is attributable to: (i) the reopening of 21 sales outlets acquired from Andreoli S.p.A., operational from 1 July 2017, the acquisition of the flagship store in the Euroma2 shopping centre, opened on 20 September, the progressive reopening, from 16 November, of the 19 sales outlets acquired from Gruppo Cerioni S.p.A. and the new openings that took place during the period in question, totalling 7 points of sale, (ii) the contribution resulting from the Monclick consolidation and (iii) the increase in volumes managed.

The value of inventories is adjusted by the warehouse bad debt provision which includes the prudential write-down of the value of merchandise with possible obsolescence indicators.

The change in the obsolescence fund for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	<b>Inventory bad debt provision</b>
<b>Balance as at 29 February 2016</b>	<b>(4,000)</b>
Provisions	(1,770)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
<b>Balance as at 28 February 2017</b>	<b>(5,770)</b>
Direct write-down	(4,892)
First Monclick consolidation	(399)
Provisions	-
Reclassifications	0
Releases to the Income Statement	1,935
Utilisation	-
<b>Balance as at 28 February 2018</b>	<b>(9,126)</b>

The increase in the inventory bad debt provision of €3,356 thousand is attributable to: (i) the presentation of the direct write-down within the inventory bad debt provision of €4,892 thousand, (ii) the adjustment of the inventory bad debt provision which includes the prudential write-down of merchandise as at 28 February 2018 of €1,935 thousand and (iii) the contribution resulting from the first Monclick consolidation for €399 thousand. The direct write-down at 28 February 2017 was €4,892 thousand and was attributable to the impairment of the stock at the Oderzo (TV) sales point equal to €1,062 thousand which took place following the fire which occurred on 25 February 2017. Following the accident, Unieuro promptly activated the relevant insurance coverage. At the date of preparation of these financial statements there weren't: (i) objective elements to define a reconstruction of the events that could in any way identify responsibilities borne by Unieuro and (ii) an official quantification, by the judicial authorities involved or by the experts appointed by the insurance companies. The Company believes that it has the appropriate insurance coverage.

## **5.7 Trade receivables**

A breakdown of the item "Trade receivables" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Trade receivables from third-parties	41,984	37,238
Trade receivables from related-parties	-	244
<b>Gross trade receivables</b>	<b>41,984</b>	<b>37,482</b>
Bad debt provision	(2,412)	(2,279)
<b>Total Trade receivables</b>	<b>39,572</b>	<b>35,203</b>

The value of receivables, which refer to Wholesale and B2B channels, was up by €4,369 thousand compared with the previous year with the increase mainly attributable to different invoicing and collection dynamics compared with the year ended 28 February 2017.

The change in the bad debt provision for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	<b>Bad debt provision</b>
<b>Balance as at 29 February 2016</b>	<b>(2,352)</b>
Provisions	-
Contribution from merger	-
Releases to the Income Statement	-
Utilisation	73
<b>Balance as at 28 February 2017</b>	<b>(2,279)</b>
First Monclick consolidation	(250)
Provisions	(146)
Contribution from merger	-
Releases to the Income Statement	180
Utilisation	83
<b>Balance as at 28 February 2018</b>	<b>(2,412)</b>

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 €2,412 thousand as at 28 February 2018 and €2,279 thousand as at 28 February 2017.

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 for the periods under consideration there are no significant concentrations of credit risk, especially taking into consideration the fact that the majority of sales are paid for immediately by credit or debit card in the Retail, Travel and Online channels, and in cash in the Retail and Travel channels. The 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.

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

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

## 5.8 Current tax assets

Below is a break down of the item "Current tax assets" as at 28 February 2018 and as at 28 February 2017:

### *Current tax assets*

*(Amounts in thousands of Euros)*

	Year ended	
	28 February 2018	28 February 2017
Other IRES credits	2,811	2,469
IRAP credits	336	1,444
IRES credits	-	4,042
<b>Total Current tax assets</b>	<b>3,147</b>	<b>7,955</b>

As at 28 February 2018 IRES credits of €2,811 thousand were recorded under "Other IRES credits" and included the receivable due from the previous year and the credit generated during the year for withholdings. The item "IRES credits", which at 28 February 2017 stood at €4,042 thousand, included the receivable from the tax consolidation involving Italian Electronics Holdings, collected during the year following the break in the consolidation relationship. On 6 September 2017, Italian Electronics Holdings sold some Unieuro shares on the market thereby losing control over the company.

Lastly, the item includes IRAP credits of €36,thousand, down compared with the previous year, as a result of the compensatory payments from IRAP tax due for the year ended 28 February 2018.

## 5.9 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 28 February 2018 and as at 28 February 2017 is shown below:

*(Amounts in thousands of Euros)*

	Year ended	
	28 February 2018	28 February 2017
Bank accounts	53,894	28,951
Petty cash	7,520	7,715
<b>Total cash and cash equivalents</b>	<b>61,414</b>	<b>36,666</b>

Cash and cash equivalents stood at €61,414 thousand as at 28 February 2018 and €36,666 thousand as at 28 February 2017.

The item consists of cash on hand, deposits and securities on demand or at short notice at banks that are available and readily usable. At 28 February 2017 there was a pledge on a current account of €650 thousand relating to a guarantee given for the leasing of several sales outlets vacant on 27 March 2017.

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

## 5.10 Shareholders' equity

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

<i>(Amounts in thousands of Euros)</i>	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity	Non-controlling interest	Total shareholders' equity
<b>Balance as at 29 February 2016</b>	<b>4,000</b>	<b>800</b>	<b>48,461</b>	<b>(74)</b>	<b>(858)</b>	<b>3,172</b>	<b>57,999</b>	<b>(40,067)</b>	<b>73,433</b>	<b>0</b>	<b>73,433</b>
Profit/(loss) for the consolidated period	-	-	-	-	-	-	-	11,587	11,587	-	11,587
Other components of consolidated comprehensive income	-	-	-	74	(1)	-	-	-	73	-	73
<b>Total statement of comprehensive income for the consolidated year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>11,587</b>	<b>11,660</b>	<b>-</b>	<b>11,660</b>
Allocation of prior year result	-	-	10,642	-	-	-	-	(10,642)	-	-	-
Distribution of dividends	-	-	(3,880)	-	-	-	-	-	(3,880)	-	(3,880)
Share-based payment settled with equity instruments	-	-	-	-	-	3,766	-	-	3,766	-	3,766
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>6,762</b>	<b>-</b>	<b>-</b>	<b>3,766</b>	<b>-</b>	<b>(10,642)</b>	<b>(114)</b>	<b>-</b>	<b>(114)</b>
<b>Balance as at 28 February 2017</b>	<b>4,000</b>	<b>800</b>	<b>55,223</b>	<b>0</b>	<b>(859)</b>	<b>6,938</b>	<b>57,999</b>	<b>(39,122)</b>	<b>84,979</b>	<b>0</b>	<b>84,979</b>
Profit/(loss) for the consolidated period	-	-	-	-	-	-	-	10,958	10,958	-	10,958
Other components of consolidated comprehensive income	-	-	-	(191)	85	-	-	-	(106)	-	(106)

<b>Total statement of comprehensive income for the consolidated year</b>	-	-	-	(191)	85	-	-	10,958	10,852	-	10,852
Allocation of prior year result	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	(8,413)	-	-	-	-	(11,587)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	(5,586)	-	6,971	1,385	-	1,385
<b>Total transactions with shareholders</b>	-	-	(8,413)	-	-	(5,586)	-	(4,616)	(18,615)	-	(18,615)
<b>Balance as at 28 February 2018</b>	<b>4,000</b>	<b>800</b>	<b>46,810</b>	<b>(191)</b>	<b>(774)</b>	<b>1,352</b>	<b>57,999</b>	<b>(32,780)</b>	<b>77,216</b>	<b>0</b>	<b>77,216</b>

Shareholders' equity, equal to €77,216 thousand (€84,979 thousand as at 28 February 2017) decreased during the year as a result of: (i) the distribution of a dividend of €20,000 thousand of which €1,587 thousand was in respect of the profit for the year ended 28 February 2017 and €8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting; (ii) the recording of a profit for the year of €10,958 thousand and the other components of the comprehensive income statement of €106 thousand; and (iii) the recording in the reserve for share-based payments of €679 thousand with regard to the Long Term Incentive Plan for certain managers and employees and €706 with reference to the Call Option Agreement that ended following listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana which took place on 4 April 2017.

The Share capital as at 28 February 2018 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of €800 thousand as at 28 February 2018 (€800 thousand as at 28 February 2017), 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 28 February 2018;

- the extraordinary reserve of €46,810 thousand at 28 February 2018 (€55,223 thousand at 28 February 2017); this reserve fell during the period as a result of the distribution of a dividend of €20,000 thousand of which €1,587 thousand was in respect of the profit for the year ended 28 February 2017 and €8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by €191 as at 28 February 2018 (zero as at 28 February 2017); 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 signed during the year (for more details, refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of €774 thousand as at 28 February 2018 (€559 thousand as at 28 February 2017); it rose of €5 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to €1,352 thousand at 28 February 2018 (€6,938 thousand at 28 February 2017); the reserve has changed due to the Call Option Agreement as a result of: (i) the recognition of €706 thousand as the offset of the personnel costs for the share-based payment plan and (ii) the issuing following the successful outcome of the project of listing the share-based payment reserve under the item Profits/(losses) carried forward for €7,644 thousand; with regard, on the other hand, to the Long Term Incentive Plan agreed during the year, as a result of: (i) the recording of €1,352 thousand to offset the personnel expenses for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 20 June 2017 which involved the reclassification of the monetary bonus accrued to managers and employees set out in the for the item other non-current liabilities. It should therefore be noted that the reserve for share-based payments of Euro 1,352 thousand and the Profit (losses) carried forward – LTIP of Euro 673 thousand both refer to the accounting of the share-based payment plan called Long Term Incentive Plan and together represent the fair value measurement of the options granted under the plan (IFRS 2). For more details, please see Note 5.27.

Shareholders' equity, equal to €84,979 thousand as at 28 February 2017 (€73,433 thousand as at 29 February 2016), rose during the year as a result of: (i) the recording of a profit for the period of €1,587 thousand and other items of the comprehensive income statement of €73 thousand; (ii) the distribution of an extraordinary dividend of €3,880 thousand through the use of part of the extraordinary reserve, as approved on 28 November 2016 by the Shareholders' Meeting and (iii) the recording in the reserve for share-based payments of €3,766 thousand which refers to the Call Option Agreement reserved for certain managers and employees.

The Share capital as at 28 February 2017 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

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



- the extraordinary reserve of €5,223 thousand as at 28 February 2017 (€4,461 thousand as at 29 February 2016); this reserve increased during the period as a result of the allocation of the profit for the previous year of €10,642 thousand and decreased following the distribution of dividends of €3,880 thousand;

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

- the reserve for actuarial gains and losses on defined-benefit plans of -€59 thousand as at 28 February 2017 (-€58 thousand as at 29 February 2016); it fell by €1 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments of €6,938 thousand as at 28 February 2017 (€3,172 thousand as at 29 February 2016); this reserve includes the increase of €3,766 thousand offsetting the personnel costs of the share-based payment plan (as described in Note 5.27).

During the years ended 28 February 2018 and 28 February 2017 there were no assets allocated to specific businesses.

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2018 is illustrated below:

<i>(Amounts in euro million)</i>	Shareholders' equity as at 28 February 2018	Net result as at 28 February 2018
<b>Balances from the Parent Company's Annual Financial Statements</b>	<b>74,740</b>	<b>8,521</b>
Difference between the carrying amount of equity investments and the profit/(loss) for the year	(9,422)	2,859
Allocation of goodwill, brand, software and customer list, excluding the tax effect	11,898	(422)
<b>Shareholders' equity and profit/(loss) for the year from the Consolidated Financial Statements</b>	<b>77,216</b>	<b>10,958</b>

## 5.11 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	29 February 2017
Current financial liabilities	6,961	5,984
Non-current financial liabilities	40,518	25,796
<b>Total financial liabilities</b>	<b>47,479</b>	<b>31,780</b>

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 S.p.A.), Banca Popolare di Milano S.p.A. and Monte dei Paschi di Siena Capital Service Banca per le Imprese S.p.A., in the capacity of the lending banks, on the one side, and the Company on the other side as the beneficiary company. Later, on 19 September 2014, Banca IMI S.p.A. sold part of its stake in the loans granted to the Company to ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell’Alto Adige Soc. Coop.pa..

On 22 December 2017 a new Loan Agreement was signed, the “**Loan Agreement**”, with Banca IMI S.p.A., as the agent bank, Banca Popolare di Milano S.p.A., Crédit Agricole Cariparma S.p.A. and Crédit Agricole Corporate and Investment Bank – Milan Branch. The Loan Agreement was finalised on 9 January 2018 following the conclusion of relations and the repayment of the previous lines of credit and the provision of the new funding.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were repaid in full on 9 January 2018.

The new lines, including a €100 million amortizing term loan, of which €50 million ("Term Loan") was for replacing the existing lines of credit and €50 million (the "Capex Facility") was for acquisitions and investments for restructuring the network of stores, and €90 million in revolving facilities (the "Revolving Facility"), are at significantly better conditions compared with the previous loans, particularly with regard to (i) a reduction in the interest rate; (ii) the extension of the duration by five years; (iii) greater operational flexibility related to the reduction in the number of funding institutions, covenants and contractual restraints; as well as (iv) the removal of collateral in favour of the lending banks.

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.

At the same time as the provision of the loans, Unieuro S.p.A. agreed contractual clauses (covenants) that give the lender the right to renegotiate or revoke the loan if the events in this clause are verified. These clauses require compliance by Unieuro S.p.A. with a consolidation ratio which will be summarised below:

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

At 28 February 2018 the covenant was calculated and complied with. See below for the summary table:

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28 February 2018

**Description of covenants**

LEVERAGE RATIO

Indebitamento finanziario netto consolidato/ Consolidated Adjusted EBITDA

Contractual  
valueCovenant  
result

&lt; 1.50

0.07

The Loan Agreement includes the Company's right of early repayment, in full or in part (in such a case of minimum amounts equal to €1,000,000.00) and prior notification of the Agent Bank, of both the Senior Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, the Company is obliged to repay the Loan early. As at 28 February 2018 and until the date these financial statements were prepared, no events occurred that could give rise to the early repayment of the loan. Financial liabilities as at 28 February 2018 are illustrated below:

<i>(Amounts in thousands of Euros)</i>	Maturity	Original amount	Interest rate	As at 28 February 2018		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	54,000	1.36% - 7.0%	79	79	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-	-	-
<b>Current bank payables</b>				<b>79</b>	<b>79</b>	<b>-</b>
Term Loan	Dec-22	50,000	Euribor 3m+spread	50,000	7,500	42,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(2,600)	(618)	(1,982)
<b>Non-current bank payables and current part of non-current debt</b>				<b>47,400</b>	<b>6,882</b>	<b>40,518</b>
<b>Total</b>				<b>47,479</b>	<b>6,961</b>	<b>40,518</b>

(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.

<i>(Amounts in thousands of Euros)</i>	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% - 7.0%	-	-	-
Revolving Credit Facility	Dec-19	41,800	Euribor 1m+spread	-	-	-
<b>Current bank payables</b>				<b>-</b>	<b>-</b>	<b>-</b>
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)
<b>Non-current bank payables and current part of non-current debt</b>				<b>31,780</b>	<b>5,984</b>	<b>25,796</b>
<b>Total</b>				<b>31,780</b>	<b>5,984</b>	<b>25,796</b>

- (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.

Financial liabilities as at 28 February 2018 totalled €47,479 thousand, a rise of €15,699 thousand compared with 28 February 2017. This change is mainly due to the restructuring of the lines of credit following the conclusion of the new loan. The settlement of the previous loan as a result of the conclusion of new lines of credit involve the transfer to the income statement of the related amortised cost.

The Revolving Line was not used as at 28 February 2018.

The loans are evaluated using the amortised cost method based on the provisions of IAS 39 and therefore their value is reduced by the ancillary expenses on the loans, equal to €2,600 thousand as at 28 February 2018 (€1,770 thousand as at 28 February 2017).

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Within 1 year	6,961	5,984
From 1 to 5 years	40,518	25,796
More than 5 years	-	-
<b>Total</b>	<b>47,479</b>	<b>31,780</b>

A breakdown of the net financial debt as at 28 February 2018 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.

<i>(Amounts in thousands of Euros)</i>	Ref	as at 28 February 2018		as at 28 February 2017	
			<i>of which with Related-Parties</i>		<i>of which with Related-Parties</i>
(A) Cash	5.9	61,414	-	36,666	-
(B) Other liquid assets		-	-	-	-
(C) Securities held for trading		-	-	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>		<b>61,414</b>	<b>-</b>	<b>36,666</b>	<b>-</b>
<i>- of which is subject to a pledge</i>				650	

<b>(E) Current financial receivables</b>			-	-	-
(F) Current bank payables	5.11	(79)	-	-	-
(G) Current part of non-current debt	5.11	(6,882)	-	(5,984)	-
(H) Other current financial payables	5.13-5.15	(6,256)	-	(2,418)	-
<b>(I) Current financial debt (F)+(G)+(H)</b>		<b>(13,217)</b>	-	<b>(8,402)</b>	-
- of which is secured		-	-	(6,750)	-
- of which is unsecured		(13,217)	-	(1,652)	-
<b>(J) Net current financial position (I)+(E)+(D)</b>		<b>48,197</b>	-	<b>28,264</b>	-
(K) Non-current bank payables	5.11	(40,518)	-	(25,796)	-
(L) Issued bonds		-	-	-	-
(M) Other non-current financial payables	5.13-5.15	(12,195)	-	(4,427)	-
<b>(N) Non-current financial debt (K)+(L)+(M)</b>		<b>(52,713)</b>	-	<b>(30,223)</b>	-
- of which is secured		0	-	(26,800)	-
- of which is unsecured		(52,713)	-	(3,423)	-
<b>(O) Net financial debt (J)+(N)</b>		<b>(4,516)</b>	-	<b>(1,959)</b>	-

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 28 February 2018 and 28 February 2017. See Note 5.13 “Other financial liabilities” for more details.

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Other financial liabilities	6,256	2,418
<b>Other current financial payables</b>	<b>6,256</b>	<b>2,418</b>
Other financial liabilities	12,195	4,427
<b>Other non-current financial payables</b>	<b>12,195</b>	<b>4,427</b>
<b>Total financial payables</b>	<b>18,451</b>	<b>6,845</b>

## 5.12 Employee benefits

The change in the item "Employee benefits" for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	
<b>Balance as at 29 February 2016</b>	<b>10,220</b>
Service cost	-
Interest cost	153
Settlements/advances	(592)
Actuarial (profits)/losses	2
<b>Balance as at 28 February 2017</b>	<b>9,783</b>
First Monclick consolidation	611
Service cost	89
Interest cost	139
Acquisitions	1,255

Settlements/advances	(595)
Actuarial (profits)/losses	(103)
<b>Balance as at 28 February 2018</b>	<b>11,179</b>

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.

The item Acquisitions refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the business units of Andreoli S.p.A. and Cerioni S.p.A., for more details, refer to Note 5.28 - "Business unit combinations".

Settlements recorded in the financial year ended 28 February 2018 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

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

<b>Economic recruitment</b>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Inflation rate	1.50%	1.50%
Actualisation rate	1.37%	1.19%
Severance pay increase rate	2.625%	2.625%

<b>Demographic recruitment</b>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Fatality rate	Demographic tables RG48	Demographic tables RG48
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance

Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the *iBoxx Eurozone Corporates AA* index with a duration of 7-10 years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 28 February 2018, relating to the main actuarial hypotheses in the calculation model taking into consideration the above and increasing and decreasing the average annual turnover rate, the average inflation and actualisation rate, respectively of 1%, 1%, 0.25% and 0.25%. The results are summarised in the table below:

<i>(Amounts in thousands of Euros)</i>	<b>Impact on DBO as 28 February 2018</b>	
	<b>Unieuro</b>	<b>Monclick</b>
<b>Change to the parameter</b>		
1% increase in turnover rate	10,530	585
1% decrease in turnover rate	10,650	601
0.25% increase in inflation rate	10,736	604
0.25% decrease in inflation rate	10,439	581
0.25% increase in actualisation rate	10,352	577
0.25% decrease in actualisation rate	10,830	608

### 5.13 Other financial liabilities

A breakdown of the item current and non-current “Other financial liabilities” as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Payables for investments in equity investments and business units	3,165	-
Payables to leasing companies	2,777	2,236
Fair value of derivative instruments	172	7
Factoring liabilities	142	175
<b>Other current financial liabilities</b>	<b>6,256</b>	<b>2,418</b>
Payables to leasing companies	4,008	4,427
Payables for investments in equity investments and business units	8,037	-
Fair value of derivative instruments	150	-
<b>Other non-current financial liabilities</b>	<b>12,195</b>	<b>4,427</b>
<b>Total financial liabilities</b>	<b>18,451</b>	<b>6,845</b>

*Payables for investments in equity investments and business units*

Payables for investments in equity investments and business units totalled €1,202 thousand at 28 February 2018. During the year the Company acquired 100% of the shares of Monclick S.r.l. for €10,000 thousand of which €3,500 thousand was paid on the agreement of the sale and the remaining €6,500 thousand will be payable in 5 annual instalments from 9 June 2018. Additionally, on 31 October 2017 the Company also acquired the business unit of Gruppo Cerioni S.p.A. for €8,004 thousand of which 1,200 thousand was paid on the agreement of the sale and €400 thousand will be paid at the first and third closing, with the remaining €5,066 thousand payable in 6 half-yearly instalments from 10 July 2018. The existing debt cash flows at 28 February 2018 were actualised for a positive €364 thousand.

#### *Payables to leasing companies*

Payables owed to leasing companies amount to a total of €6,785 thousand at 28 February 2018 and €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. The breakdown by due date of the minimum payments and the capital share of the finance leases are given below:

<i>(Amounts in thousands of Euros)</i>	<b>Minimum payments due for financial leasing as at</b>		<b>Capital share as at</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>	<b>28 February 2018</b>	<b>28 February 2017</b>
Within 1 year	2,936	2,462	2,777	2,236
From 1 to 5 years	4,139	4,587	4,008	4,427
More than 5 years	-	-	-	-
<b>Total</b>	<b>7,075</b>	<b>7,049</b>	<b>6,785</b>	<b>6,663</b>

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Minimum payments due for financial leasing	7,075	7,049



(Future financial expense)	(290)	(386)
<b>Total</b>	<b>6,785</b>	<b>6,663</b>

#### *Fair value of derivative instruments*

The financial hedging instruments, in existence as at 28 February 2018, 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) for €72 thousand at 28 February 2018 (€7 thousand at 28 February 2017). The effects of these financial hedging instruments were recorded in the income statement because they do not comply with all the requirements of IAS 39 for hedge accounting and (ii) contracts signed with Intesa Sanpaolo S.p.A., Banca Popolare di Milano S.p.A. and Crédit Agricole Cariparma S.p.A., to hedge the fluctuation of financial expenses related to the Loan Agreement for €250 thousand at 28 February 2018 (0 thousand at 28 February 2017). These derivative financial transactions on the interest rates are designated as hedge accounting in accordance with the requirements of IAS 39 and are therefore dealt with under hedge accounting.

#### *Factoring liabilities*

Payables to factoring companies stood at €142 thousand as at 28 February 2018 (€175 thousand as at 28 February 2017) and refer to transfers of trade payables to a financial counterparty through factoring without recourse.

### **5.14 Provisions**

The change in the item "Funds" for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	<b>Tax dispute provision</b>	<b>Other disputes provision</b>	<b>Onerous contracts provision</b>	<b>Restructuring provision</b>	<b>Other risks provision</b>	<b>Total</b>
<b>Balance as at 29 February 2016</b>	<b>4,668</b>	<b>2,291</b>	<b>1,201</b>	<b>1,199</b>	<b>979</b>	<b>10,338</b>
- of which current portion	-	-	700	1,199	672	2,571
- of which non-current portion	4,668	2,291	501	-	307	7,767
Provisions	2,339	664	327	-	199	<b>3,529</b>
Draw-downs/releases	(1,358)	(1,213)	-	(933)	(106)	<b>(3,610)</b>
<b>Balance as at 28 February 2017</b>	<b>5,649</b>	<b>1,742</b>	<b>1,528</b>	<b>266</b>	<b>1,072</b>	<b>10,257</b>
- 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	115	1,293	-	-	357	<b>1,765</b>
Business unit acquisitions	-	71	-	-	-	<b>71</b>
Draw-downs/releases	(2,063)	(638)	(647)	(91)	(30)	<b>(3,469)</b>
<b>Balance as at 28 February 2018</b>	<b>3,701</b>	<b>2,468</b>	<b>881</b>	<b>175</b>	<b>1,399</b>	<b>8,624</b>
- of which current portion	1,051	509	814	175	379	2,928

- of which non-current portion	2,650	1,959	67	-	1,020	5,696
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The "Tax dispute provision", equal to €3,701 thousand as at 28 February 2018 and €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 "Other disputes provision", equal to €2,468 thousand as at 28 February 2018 and €1,742 thousand as at 28 February 2017, refers to disputes with former employees, customers and suppliers. The item Business unit acquisitions of €71 thousand relates to certain disputes on the moment at acquired Andreoli S.p.A. business unit, with this liability settled during the course of the year.

The "Onerous contracts provision", equal to €881 thousand as at 28 February 2018 and €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 "Restructuring provision", equal to €175 thousand as at 28 February 2018 and €266 thousand as at 28 February 2017, refer mainly to the conclusion of the personnel restructuring and commercial network integration process of the former Unieuro.

The "Other risk provision", equal to €1,399 thousand as at 28 February 2018 and €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 additional customer compensation fund.

## 5.15 Other current liabilities and other non-current liabilities

Below is a breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Deferred income and accrued liabilities	101,281	89,446
Payables to personnel	34,879	28,206
Payables for VAT	17,102	15,715
Payables for IRPEF (income tax)	2,481	2,010
Payables to welfare institutions	2,780	1,759
Payments on account from customers	3,436	3,017
Other current liabilities	1,277	82
Other tax payables	106	92
<b>Total other current liabilities</b>	<b>163,342</b>	<b>140,327</b>
Other liabilities	692	-
Deposit liabilities	26	21
Non-current payables to personnel	-	-

<b>Total other non-current liabilities</b>	<b>718</b>	<b>21</b>
<b>Total other current and non-current liabilities</b>	<b>164,060</b>	<b>140,348</b>

The item "Other current liabilities" increased by €23,015 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017. The increase in the item recorded in the period in question is mainly due to greater deferred income relating to the servicing of the extended warranty.

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

- deferred income and accrued liabilities of €101,281 thousand at 28 February 2018 (€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. Moreover, note that the methods for managing warranty services for the periods after the legally-required periods were changed with regard to sales of extended warranty services made by the former Unieuro (from the financial year ended 28 February 2015) and to sales of extended warranty services in certain categories of goods (white goods) made by Unieuro (from the financial year ended 29 February 2012) and to sales of extended warranty services by the sales outlets acquired from Cerioni S.p.A. and Andreoli S.p.A. (from the year ended 28 February 2018) by handling activities that were previously outsourced to third-parties internally;

- payables to employees for €4,879 thousand per 28 February 2018 (28 February 2017 €28,206 thousand) 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 €17,102 thousand at 28 February 2018 (€15,715 thousand at 28 February 2017) composed of payables resulting from the VAT settlement with regard to February 2018.

The item "Other non-current liabilities" increased to €97 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017.

The balance of the item "Other non-current liabilities" is mainly composed of the monetary bonus in the share-based payment plan, the Long Term Incentive Plan, of €92 thousand. Following the approval of the distribution of the dividend by the Shareholders' Meeting on 29 June 2017, a payable relating to the monetary bonus accrued to managers and employees was recorded as required by the regulation. For more details, please see Note 5.27.

## **5.16 Trade payables**

A breakdown of the item "Trade payables" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Trade payables to third-parties	408,995	332,504
Trade payables to related-parties	-	15
<b>Gross trade payables</b>	<b>408,995</b>	<b>332,519</b>
Bad debt provision - amount due from suppliers	2,455	2,027
<b>Total Trade payables</b>	<b>411,450</b>	<b>334,546</b>

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

Gross trade payables increased by €76,476 thousand as at 28 February 2018 compared with 28 February 2017. The increase is related to the increase in volumes handled as a result of: (i) the promotions in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units, the acquisition of the flagship store in the Euroma2 shopping centre and the new openings during the year.

As at 28 February 2018 there were no disputes with suppliers, or suspensions to supplies, with the exception of several compensation claims and payment injunctions which refer to legal actions in the form of applications for orders for payment of insignificant amounts.

The change in the "Bad debt provision and suppliers account debit balance" for the period from 29 February 2016 to 28 February 2018 is given below:

<i>(Amounts in thousands of Euros)</i>	<b>Bad debt provision - amount due from suppliers</b>
<b>Balance as at 29 February 2016</b>	<b>2,162</b>
Provisions	-
Releases to the Income Statement	-
Utilisation	(135)
<b>Balance as at 28 February 2017</b>	<b>2,027</b>
First Monclick consolidation	130
Provisions	488
Releases to the Income Statement	-

Utilisation	(190)
<b>Balance as at 28 February 2018</b>	<b>2,455</b>

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

## 5.17 Revenues

Below is a break down of the item "Revenue" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Retail, Online and Travel (1)	1,536,397	1,329,973
Wholesale (2)	218,458	227,864
B2B (3)	118,937	102,658
<b>Total Revenue</b>	<b>1,873,792</b>	<b>1,660,495</b>

(1) The Retail sales channel refers to the sale of products to end users through direct sales points 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 partners operating exclusively through the "Unieuro" brand as well as the wholesale supply to hypermarkets and other retailers.

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

The Retail, Online and Travel revenue went from €1,329,973 thousand in the year ended 28 February 2017 to €1,536,397 thousand in the year ended 28 February 2018, an increase of €206,424 thousand or 15.5%. The increases are mainly related to the Retail and Travel channels which recorded an increase in sales as a result of: (i) the reopening of the 21 sales outlets purchased from Andreoli S.p.A., operational from 1 July 2017; (ii) the acquisition of the flagship store in the Euroma2 shopping centre, which opened on 20 September 2017; (iii) the gradual reopening, from 16 November 2017 onwards, of the 19 sales outlets bought from Gruppo Cerioni S.p.A.;(iv) the new openings which took place in the financial year in question, a total of 5 Retail sales outlets in Bergamo, Novara, Genoa, Rome Trastevere and, most recently, on 8 December, in Modena and (v) the new openings of Travel sales outlets at the airports of Capodichino and Orio al Serio and the Online channel which recorded significant growth mainly due to the commercial initiatives associated with Black Friday, the continued expansion of the pick-up-points network, as well as the positive results of the growth strategy in high-margin product categories, particularly large and small appliances.

Wholesale revenue went from €227,864 thousand in the year ended 28 February 2017 to €18,458 thousand in the year ended 28 February 2018, a fall of €9,406 thousand or 4.1%.

The continued and physiological action of streamlining the network has led to a fall of 8 sales outlets compared with the 28 February 2017, plus the anticipated impact of the new direct stores on the Wholesale network. However, taking into consideration the sales developed by the channel through the *pick&pay* arrangement, the affiliate network recorded a positive performance significantly better than the reference market.

B2B revenue went from €102,658 thousand in the year ended 28 February 2017 to €118,937 thousand in the year ended 28 February 2018, an increase of €16,279 thousand or 15.9%. The B2B channel targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment).

### 5.18 Other income

Below is a break down of the item "Other income" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Other income	2,949	3,468
Insurance reimbursements	1,858	1,181
Rental and lease income	1,588	1,711
<b>Total Other Income</b>	<b>6,395</b>	<b>6,360</b>

The item includes rental income relating to the sub-leasing of spaces for other activities, and insurance claims relating to theft or damage caused to stores. The increase is due to income received for agreements based on the service progress status as at the end of the financial year. The item also includes the insurance refund of €800 thousand, obtained in relation to the fire that occurred on 25 February 2017 at the Oderzo (TV) store.

### 5.19 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Purchase of goods	1,500,427	1,295,389
Building rental and expenses	64,099	58,289
Marketing	50,368	51,613
Transport	42,832	32,482

Utilities	12,765	12,017
Consulting	9,233	10,904
Maintenance and rental charges	10,498	10,745
General sales expenses	8,858	7,497
Other costs	8,055	6,126
Purchase of consumables	4,629	4,377
Travel expenses	2,978	2,143
Payments to administrative and supervisory bodies	798	356
<b>Total Purchases of materials and external services</b>	<b>1,715,540</b>	<b>1,491,938</b>
Changes in inventory	(41,193)	(5,177)
<b>Total, including the change in inventories</b>	<b>1,674,347</b>	<b>1,486,761</b>

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from €1,486,761 thousand as at 28 February 2017 to €1,674,347 thousand in the period ended 28 February 2018, an increase of €187,586 thousand or 12.6%. The main increase is attributable to the item "Purchase of goods" for €205,038 thousand resulting from the increase in sales as a result of: (i) the acquisition of the 21 Andreoli S.p.A. sales outlets, operational from 1 July 2017 (ii) the gradual reopening, from 16 November 2017, of the 19 sales outlets acquired from Gruppo Cerioni S.p.A., (iii) the acquisition of the flagship store in the Euroma2 shopping centre, which opened on 20 September 2017; (iv) the new openings which took place in the financial year in question, a total of 5 Retail sales outlets, in Bergamo, Novara, Genova, Rome Trastevere and, most recently, on 8 December, in Modena and (v) the new openings of Travel sales outlets at the airports of Capodichino and Orio al Serio.

The item “Building rental and expenses” rose by €5,810 thousand compared with 28 February 2017, an increase of 10.0%; this increase is due to the re-entering into agreements of: (i) 21 sales outlets belonging to the Andreoli S.p.A. business unit, (ii) 19 sales outlets belonging to the Cerioni S.p.A. business unit, (iii) the flagship store in the Euroma2 shopping centre, and (iii) the new openings of sales outlets during the year. The cost of like-for-like rentals, on the other hand, is significantly down compared with the previous year.

The item “Marketing” fell by €1,613 thousand as at 28 February 2017 to €0,368 thousand as at 28 February 2018. Marketing and advertising were structured and planned to direct potential customers to physical points of sale and to the Online channel. There was a fall in traditional marketing activities in the year ended 28 February 2018, partly offset by the increase in digital marketing activities.

The item “Transport” rose from €2,482 thousand as at 28 February 2017 to €42,832 thousand as at 28 February 2018, mainly as a result of the increased volume of business and due to the increasing weight of home deliveries relating to *online* orders.

The item “Utilities” increased by €748 thousand compared with 28 February 2017 or 6.2%, with the increase mainly due to the increase in the number of sales outlets recorded in the year.

The item “Consultancy” fell by €10,904 thousand as at 28 February 2017 to €9,233 thousand as at 28 February 2018. The performance is due to the combined effect of: (i) a decrease mainly related to the costs incurred by the Company relating to the listing of the Company's shares on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana S.p.A. which concluded on 4 April 2017, (ii) the increase as a result of the consultancy fees incurred for the acquisition of Monclick S.r.l. and the acquisition of the business units from Andreoli S.p.A. and Cerioni S.p.A. and (iii) the increase of the consultancy fees incurred for the incorporation of the subsidiary company Monclick.

The item “General sales costs” rose by €7,497 thousand as at 28 February 2017 to €8,858 thousand as at 28 February 2018. The item mainly includes the cost of fees on sales transactions with the increase due to the increase in turnover.

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item rose by €1,929 thousand compared with 28 February 2017, or 31.5%, with the increase mainly relating to: (i) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenze warehouse which took place in August 2017 with a new insurance contract signed with a new pool of insurers which led to an increase in the premium and (ii) the increase recorded in support activities for listed companies. The effect of that item on revenues is substantially unchanged, equal to 0.4% at 28 February 2018 (0.4% at 28 February 2017).

## 5.20 Personnel expenses

Below is a breakdown of the item "Personnel costs" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Salaries and wages	113,598	97,630
Welfare expenses	32,429	29,165
Severance pay	7,604	6,833
Restructuring fund provisions/(releases)	-	-
Other personnel costs	2,664	3,005
<b>Total personnel costs</b>	<b>156,295</b>	<b>136,633</b>



Personnel costs went from €136,633 thousand in the year ended 28 February 2017 to €156,295 thousand in the year ended 28 February 2018, an increase of €19,662 thousand or 14.4%.

The item “Salaries and wages” increased by €15,968 thousand or 16.4%, with the increase mainly due to: (i) the acquisition of the business units from Andreoli S.p.A., Cerioni S.p.A., (ii) the acquisition of the flagship store in the Euroma2 shopping centre, (iii) the increase in employees following the opening of 7 new stores, (iv) the adaptation of the central structure to meet stock exchange requirements and the reinforcement of several strategic functions and (v) the adaptation of the existing employment contracts which were renewed on 30 March 2015 which included, among other things, a contractual increase valid from 1 August 2017.

The item “Other personnel costs”, stood at €2,664 thousand as at 28 February 2018 (€3,005 thousand at 28 February 2017) and mainly included: (i) the recognition of €1,352 thousand as the cost of the share-based payment plan - Long Term Incentive Plan concluded during the year and (ii) the recognition of €706 thousand as the cost of the share-based payment plan - Call option agreement concluded following the positive outcome of the listing that took place on 4 April 2017. Refer to Note 5.26 for more details about the share-based payment agreements.

## 5.21 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Non-income based taxes	7,398	5,160
Provision for supplier bad debts	489	-
Provision for the write-down of other assets	178	-
Bad debt provision	146	-
Other operating expenses	320	217
<b>Total other operating costs and expenses</b>	<b>8,531</b>	<b>5,377</b>

"Other operating costs and expenses" went from €5,377 thousand in the year ended 28 February 2017 to €8,531 thousand in the year ended 28 February 2018, an increase of €3,154 thousand or 58.7%.

The increase is mainly due to the increase in taxes and duties not on income as a result of the increase in the number of store and the write-down of doubtful receivables.

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

## 5.22 Depreciation amortisation and write-downs

Below is a breakdown of the item "Depreciation, amortisation and write-downs" for the financial years ended 28 February 2018 and 28 February 2017:

	Year ended	
	28 February 2018	28 February 2017
Depreciation and amortisation of tangible fixed assets	15,517	13,312
Depreciation and amortisation of intangible fixed assets	5,222	3,794
Write-downs/(write backs) of tangible and intangible fixed assets	989	852
<b>Total depreciation, amortisation and write-downs</b>	<b>21,728</b>	<b>17,958</b>

The item "Depreciation, amortisation and write-downs" went from €17,958 thousand in the year ended 28 February 2017 to €21,728 thousand in the year ended 28 February 2018, an increase of €3,770 thousand or 21.0%. The increase relates to the progressive increase in investments made in recent years also related to new acquisitions.

The item "Write-downs/(write-backs) of tangible and intangible fixed assets increased in the year ended 28 February 2018 compared with the year ended 28 February 2017 as a result of the interventions at the sales outlets. 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

Below is a breakdown of the item "Financial income" for the financial years ended 28 February 2018 and 28 February 2017:

	Year ended	
	28 February 2018	28 February 2017
Interest income	26	27
Other financial income	277	331
<b>Total financial income</b>	<b>303</b>	<b>358</b>

"Financial income" went from €358 thousand in the year ended 28 February 2017 to €303 thousand in the year ended 28 February 2018, down €55 thousand. The change is mainly due to the income for exchange rate gains and the decrease in bank interest income.

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

	Year ended	
	28 February 2018	28 February 2017
Interest expense on bank loans	6,652	3,708
Other financial expense	1,281	1,726
Interest expense toward parent company	-	788
<b>Total Financial Expenses</b>	<b>7,933</b>	<b>6,222</b>

"Financial expense" went from €6,222 thousand in the year ended 28 February 2017 to €7,933 thousand in the year ended 28 February 2018, up €1,711 thousand or 27.5%.

The item "Interest expense on bank loans" increased at 28 February 2018 by €2,944 thousand compared with the previous period with this increase due mainly to the combined effect of the greater financial interest of €3,128 thousand due to the transfer to the income statement of the amortised cost of the Euro Term and Revolving Facilities Agreement as a result of the conclusion which took place on 22 December 2017 of the Loan Agreement and the lower interest expense recorded in the year relating to the Euro Term and Revolving Facilities Agreement due to the fall in the margins applied, as a result of the improvement recorded in the leverage ratio at the reporting dates. The interest rate of the Euro Term and Revolving Facilities Agreement was equal to the sum of (i) the Euribor parameters and (ii) a margin with a different annual percentage for each individual line. The Euro Term and Revolving Facilities Agreement involves a mechanism that changes the above-mentioned margin according to the level of a certain contractual index (leverage ratio), calculated at the reporting dates of the financial covenants.

The item "Interest expense toward parent company" equal to zero at 28 February 2018 (€788 thousand at 28 February 2017) included the interest accrued on the shareholders' loan repaid on 28 November 2016.

The item "Other financial expenses" equal to €1,281 thousand as at 28 February 2018 (€1,726 thousand as at 28 February 2017) mainly include the interest relating to other financial liabilities and expenses relating to cash discounts recognised to customers. This item fell by €445 thousand; the decrease is mainly due to the greater costs incurred in the previous year for: (i) the waiver request to the Lending Banks aimed at obtaining the latter's consent for the distribution of dividends and the repayment of the shareholders' loan made in the nine-month period ended 30 November 2016 and (ii) the Amendment Proposal for the Loan Agreement aimed at bringing the contract into line with the rules applicable to listed companies and market practices for financing transactions in favour of listed companies.

## 5.24 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Current taxes	(1,676)	(1,309)
Deferred taxes	482	501
Tax provision allocation	497	(1,867)

<b>Total</b>	<b>(697)</b>	<b>(2,675)</b>
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The table below contains the reconciliation of the theoretical tax burden with the actual one:

<i>(In thousands of Euros and as a percentage of the profit before tax)</i>	<b>Year ended</b>			
	<b>28 February 2018</b>	<b>%</b>	<b>28 February 2017</b>	<b>%</b>
Profit of period before taxes	11,655		14,262	
Theoretical income tax (IRES)	(2,797)	24.0%	(3,922)	27.5%
IRAP	(1,255)	(10.8%)	(1,309)	(9.2%)
Tax effect of permanent differences and other differences	2,858	24.5%	4,423	31.0%
<b>Tax for the period</b>	<b>(1,194)</b>		<b>(808)</b>	
(Accrual to)/release from tax provision	497		(1,867)	
<b>Total taxes</b>	<b>(697)</b>		<b>(2,675)</b>	
<b>Actual tax rate</b>		<b>(6.0%)</b>		<b>(18.8%)</b>

The impact of taxes on income is calculated considering (accrual to)/release from tax provision for tax disputes. In the financial years ended 28 February 2018 and 28 February 2017, the impact of taxes on the pre-tax result was 6.0% and 18.8%, respectively; the fall was due to the recording of deferred tax income on tax losses of €3,113 thousand and on release of the tax provision. For more details, please see Note 5.4.

The item “Allocation to tax provision” went from a provision of €1,867 thousand in the financial year ended 28 February 2017 to a release €497 thousand in the financial year ended 28 February 2018. During the year, Unieuro made a release of €92 thousand and a provision of €5 thousand.

## 5.25 Basic and diluted earnings per share

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Adjusted consolidated profit (loss) for the year [A]	10,958	11,587
Average number of shares (in thousands) [B] (1)	20,000	20,000
<b>Basic and diluted earnings per share (in Euro) [A/B]</b>	<b>0.55</b>	<b>0.58</b>

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

The details of the calculation of the diluted earnings per share are given in the table below:

(Amounts in thousands of Euros)

	Year ended	
	28 February 2018	28 February 2017
Result for the period/financial year [A]	10,958	11,587
Average number of shares (in thousands) [B] (1)	20,000	20,000
Effect of the options on shares upon issuance [C] (2)	39	0
<b>Diluted earnings per share (in Euro) [A/B]</b>	<b>0.55</b>	<b>0.58</b>

- (1) The average number of shares (in thousands) considered for the purpose of calculating the diluted earnings per share was defined using the number of Unieuro S.p.A. shares issued on 12 December 2016.
- (2) The effect of share options at the time of issuance, considered for the purpose of calculating the diluted earnings per share, refers to shares assigned according to the share-based payment plan, known as the *Long Term Incentive Plan*, which, as provided for by IFRS 2, are convertible based on the conditions accrued in the respective financial years.

## 5.26 Statement of cash flows

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

*Net cash flow generated/(absorbed) by operations*

(Amounts in thousands of Euros)	Notes	Year ended	
		28 February 2018	28 February 2017
<b>Cash flow from operations</b>			
Consolidated profit (loss) for the year	5.10	10,958	11,587
<i>Adjustments for:</i>			
Income taxes	5.24	697	2,675
Net financial expenses (income)	5.23	7,630	5,864
Depreciation, amortisation and write-downs	5.22	21,728	17,958
(Profits)/losses from the sale of property, plant and machinery	5.1		(31)
Other changes		1,386	3,766
		42,399	41,819
Changes in:			
- Inventories	5.6	(41,193)	(5,178)
- Trade receivables	5.7	18,940	151
- Trade payables	5.16	47,042	1,174
- Other changes in operating assets and liabilities	5.5-5.14-5.15	21,213	23,488
Cash flow generated/(absorbed) by operating activities		46,002	19,635
Taxes paid	5.24	-	-
Interest paid	5.23	(8,825)	(4,931)
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>5.26</b>	<b>79,576</b>	<b>56,523</b>

The net cash flow generated/(absorbed) by operations went from €56,523 thousand in the year ended 28 February 2017 to €79,576 thousand in the year ended 28 February 2018, an increase

of €23,053 thousand. The larger cash flows generated were mainly influenced by the combined effect resulting from:

- the greater liquidity generated by the changes in the cash flow generated/(absorbed) by operations of €26,367 thousand;
- the higher income flows for the year (composed of the changes that took place in the adjusted result for the period of income taxes, net financial expense/(income) and other non-monetary changes) of €80 thousand;
- the higher financial expenses paid of €3,894 thousand.

In the year ended 28 February 2018, the cash flow generated/(absorbed) by operations (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 €26,367 thousand, going from a cash flow of €19,635 thousand in the year ended 28 February 2017 to a positive flow of €46,002 thousand in the year ended 28 February 2018. Specifically, the positive performance of the Net Working Capital is associated, with reference to trade payables, with: (i) promotions carried out in February 2018, concerning product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of sales outlets as a result of the acquisitions of the Andreoli S.p.A. and Cerioni S.p.A. business units, the *flagship store* in the Euroma2 shopping centre and the new openings in the year, which generated a positive impact on the trend in trade payables, more than offsetting the growth in inventories.

In addition, the net cash flow generated/(absorbed) by operating activities was affected by the payment of greater financial expenses of €2,600 thousand compared with the previous year as a result of the payment of the financing fees associated with the signing of the new Loan Agreement which took place on 22 December 2017.

*Cash flow generated (absorbed) by investment activities*

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
<b>Cash flow from investment activities</b>			
Purchases of plant, equipment and other assets	5.1	(28,448)	(23,479)
Purchases of intangible assets	5.3	(8,812)	(4,419)
Goodwill acquired against payment	5.2	-	-
Collections from the sale of plant, equipment and other assets	5.1	1	61
Equity investments		-	-
Investments for business combinations and business units	5.5	(14,485)	-
Net cash inflow from acquisition	5.9	233	-
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>5.26</b>	<b>(51,511)</b>	<b>(27,837)</b>

Investment activities absorbed liquidity of €51,511 thousand and €27,837 thousand, respectively, in the years ended 28 February 2018 and 28 February 2017.

With reference to the year ended 28 February 2018, the Company's main requirements involved:

- Investments in companies and business units for €14,485 thousand, partially offset by net cash acquired at the time of acquisition of €233 thousand. The investments in question refer to the purchase price for the business unit bought from Andreoli S.p.A. for €9,381 thousand, from Monclick for €3,500 thousand and from the Cerioni S.p.A. business unit for €1,604 thousand. 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.
- investments in plant, machinery and equipment of €8,448 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible fixed assets of €3,812 thousand relating to the development of the website [www.unieuro.it](http://www.unieuro.it) and IT systems at the Forlì headquarters.

*Cash flow generated/(absorbed) by financing activities*

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
<b>Cash flow from investment activities</b>		
Increase/(Decrease) in financial liabilities	16,529	(4,137)
Increase/(Decrease) in other financial liabilities	154	998
Increase/(Decrease) in shareholder loans	-	(20,442)
Distribution of dividends	(20,000)	(3,880)
<b>Net cash and cash equivalents generated by financing activities</b>	<b>(3,317)</b>	<b>(27,461)</b>

Financing absorbed liquidity of €3,317 thousand in the year ended 28 February 2018 and €27,461 thousand for the year ended 28 February 2017.

The cash flow from financing activities as at 28 February 2018 mainly reflects:

- an increase in financial liabilities of €16,529 thousand mainly due to the restructuring of the lines of credit following the conclusion of the new loan which took place on 22 December 2017.
- an increase in other financial liabilities of €154 thousand mainly due to the increase in debts of assets subject to financial leasing.
- the distribution of a dividend of €20,000 thousand of which €1,587 thousand in respect of the profit for the year ended 28 February 2017 and €3,413 thousand from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting.

**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**”) concluded a 5-year call option agreement which involves the commitment of shareholders - if the sale of the majority of shares owned by them in the share capital of Venice Holdings S.r.l. (hereinafter also “Venice Holdings”) is concluded - to approve an increase in the share capital of Venice Holdings, to be released in two tranches (tranche A and tranche B), reserved to certain managers and employees of Unieuro and the former Unieuro, holders of Venice Holding shares. The beneficiaries, who should be in office when the sale takes place, have been allocated a right of pre-emption that is conditional (at the change of control of Venice Holdings) on subscribing (in full or in part) 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 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 reference shareholder (Italian Electronics Holdings S.r.l.) decided to change the original options plan at the beginning of February 2017 by a renunciation of the previous Call Option Agreement and a simultaneous assigning of a new options plan called the Transaction Bonus lasting 5 years which involved the commitment of Italian Electronics Holdings S.r.l.: (i) if the result of the admission to listing process is positive, the allocation to certain Company managers, on the day of the establishment of the placement price, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted on the day of the placement and to other managers of a sum in Euros equal to the value of a pre-established number of shares at the placement price; (ii) in the case of the sale to a third-party of all or some of the Company shares, the granting to certain Company managers and employees, before the transfer to third-parties, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares



granted to the third-party buyer. The realisation of events was mutually exclusive therefore, as the first event is realised in terms of time, the possibility of the second event automatically becomes ineffective. On 4 April 2017, 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 €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 €1.00 per share, which corresponds to the offer price which was set for the placement, totalling €5,917 thousand. The share settlement relative to the *greenshoe* option took place on 8 May 2017. 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 €16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was €6,000 thousand.

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

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 financial statements for the year ended 28 February 2018 the evaluation of the probable market price of the options is recorded using the binomial method (Cox – Ross – Rubinstein). 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	€10.00	€78.00
Price of options at grant date	€8.55	€1.01
Exercise price	€792 + 8% per year	€792 + 25% per year
Anticipated volatility	30%	30%
Duration of the option	5 years	5 years
Expected dividends	0%	0%
Risk-free interest rate	ECB return Eurozone government bonds (AAA)	ECB return Eurozone government bonds (AAA)
Illiquidity discount	33.3%	33.3%

The number of outstanding options is as follows:

	Tranche A		Tranche B	
	Number of options 28 February 2018	Number of options 28 February 2017	Number of options 28 February 2018	Number of options 28 February 2017
<b>Existing at the start of the financial year</b>	-	9,305	-	4,653
Exercised during the financial year	-	-	-	-
Granted during the financial year	-	-	-	-
Contribution from merger	-	-	-	-
Withdrawn during the financial year (bad leaver)	-	-	-	-
Plan amendment ( <i>Transaction Bonus</i> )	-	(9,305)	-	(4,653)
<b>Existing at the end of the financial year</b>	-	-	-	-
<b>Not granted at the start of the financial year</b>	-	4,902	-	2,451
Exercisable at the end of the financial year	-	-	-	-
Contribution from merger	-	-	-	-
Plan amendment ( <i>Transaction Bonus</i> )	-	(4,902)	-	(2,451)
<b>Not granted at the end of the financial year</b>	-	-	-	-

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* (hereinafter the "**Plan**" or "**LTIP**") reserved for Executive Directors, associates and employees (executives and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Company's Shareholders' Meeting on the same date.

The Plan specifies the following objectives: (i) focusing the attention of 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 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 (hereinafter also "Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined.

The Recipients subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date of approval of the regulations by the Board of Directors.

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

- *Condition*: the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of the Company by 31 July 2017 (“IPO”);
- *Recipients* : the 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 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 €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:
  - o in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;
  - o 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 €1 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.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method. The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the provisions of IFRS 2, the probability of the Recipients leaving the plan, which ranges from 5% to 15% and the probability of achieving the performance targets were taken into account.

In determining the fair value at the allocation date of the share-based payment, the following data was used:

<i>Fair value</i> at grant date	€7.126
Price of options at grant date	€6.29
Exercise price	€1.00
Anticipated volatility	32%
Duration of the option	5.5 years
Expected dividends	Expected dividends 2018-2020
Risk-free interest rate (based on	0%

government bonds)

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The number of outstanding options is as follows:

	<b>Number of options 28 February 2018</b>
<b>Existing at the start of the financial year</b>	-
Exercised during the financial year	-
Granted during the financial year	831,255
Contribution from merger	-
Withdrawn during the financial year (bad leaver)	-
<b>Existing at the end of the financial year</b>	<b>831,255</b>
Not granted at the start of the financial year	860,215
Exercisable at the end of the financial year	-
<b>Not granted at the end of the financial year</b>	<b>28,960</b>

## **5.28 Business unit 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, 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 transaction value is €10 million, of which €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:

<i>(Amounts in thousands of Euros)</i>	<b>Acquired assets (liabilities)</b>	<b>Identifiable assets (liabilities)</b>	<b>Recognised assets (liabilities)</b>
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
<b>Total net identifiable assets</b>	<b>(588)</b>	<b>(1,609)</b>	<b>(2,197)</b>

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

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

<i>(Amounts in thousands of Euros)</i>	<b>31 May 2017</b>
Transaction consideration	(10,000)
% Acquired	100%
Shareholders' Equity of Monclick	(588)
	<b>(1,609)</b>
<b>Fair Value adjustment of acquired assets (liabilities)</b>	
Inventories	(370)
Trade receivables	(233)
Trade payables	(376)
Deferred tax assets	(630)
<b>IFRS Transition</b>	<b>(123)</b>
Employee benefits	(123)
<b>Excess Price to be Allocated</b>	<b>(12,320)</b>
Software	1,284

Monclick brand	4,641
Customer List	1,178
Deferred tax liabilities	(1,982)
Residual goodwill	7,199

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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 €7,199 thousand was respectively allocated in an amount equal to 85% (€6,151 thousand) in the *Retail* CGU, and in an amount equal to 15% (€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 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. business unit**

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 €12,200 thousand and is adjusted as follows:

- €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;
- €2,819 thousand through the assumption of the debt owed by Andreoli S.p.A to its transferred employees;
- €5,481 thousand by bank transfer executed on 17 May 2017.

The values relating to assets acquired and liabilities assumed are reflected in the Financial Statements from the date Unieuro acquired control, namely 17 May 2017.

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

<i>(Amounts in thousands of Euros)</i>	<b>Acquired assets (liabilities)</b>	<b>Identifiable assets (liabilities)</b>	<b>Recognised assets (liabilities)</b>
Plant, machinery, equipment and other assets and intangible assets with finite useful life	667	0	667
Other current assets/liabilities	(1,983)	(109)	(2,092)
Employee benefits	(836)	0	(836)
Provisions		(71)	(71)
Other financial liabilities	(87)	0	(87)
<b>Total net identifiable assets</b>	<b>(2,239)</b>	<b>(180)</b>	<b>(2,419)</b>

The identifiable assets (liabilities) were determined on a provisional basis as provided by IFRS 3, and refer to: (i) liabilities refer to transferred employees for holidays and leave of €(61) thousand and (ii) disputes at the time of acquisition of the Andreoli S.p.A. branch of business for Euro (71) thousand e (iii) liabilities relating to transferred contracts of €(48) thousand.

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

*(Amounts in thousands of Euros)*

**28 February 2018**



Transaction consideration	(12,200)
Assumption of debt of personnel	2,819
<b>Transaction consideration excluding assumption of personnel debt</b>	<b>(9,381)</b>
Acquired assets (liabilities)	(2,239)
<b>Fair Value adjustment of acquired assets (liabilities)</b>	<b>(180)</b>
<i>Other current assets/liabilities</i>	<i>(109)</i>
<i>Provisions</i>	<i>(71)</i>
<b>Excess Price to be Allocated</b>	<b>(11,800)</b>
Key Money	1,300
Residual goodwill	10,500

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. Key money paid for the opening of sales outlets is considered as severance costs with reference to property leases and feature a ratio between the location of the sales outlet and the factors such as the high number of visitors, the prestige of having a sales outlet in a certain location and protecting an area where a competitor is present. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money at €1,300 thousand.

The residual goodwill measured during the business combination at €10,500 thousand was allocated to the Retail CGU relating to all cash flows from Retail, Online and Travel distribution channels.

Note that Unieuro availed itself of the right provided under 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. No significant changes are expected compared to what has already been accounted.

#### **Acquisition of Cerioni S.p.A. business unit**

On 31 October 2017 Unieuro completed the acquisition of a business unit from Cerioni S.p.A., composed of 19 direct sales outlets in central/northern Italy. The chain acquired previously operated under the Euronics brand. The acquisition took place in three phases through the sale of three groups of stores constituting a business sub-unit.

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 €8,004 thousand and is adjusted as follows:

- €1,200 thousand was paid by Unieuro at the time of the agreement;
- €1,334 thousand through the assumption of the debt owed by Cerioni S.p.A to its transferred employees;
- €400 thousand was paid by Unieuro at the first execution date;
- €4 thousand was paid by Unieuro at the third execution date;
- The remaining part equal to €5,066 thousand will be paid in six equal half-yearly instalments from 10 July 2018.

The values relating to assets acquired and liabilities assumed are reflected in the Financial Statements from the date Unieuro acquired control of the three groups of stores.

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

<i>(Amounts in thousands of Euros)</i>	<b>Acquired assets (liabilities)</b>	<b>Identifiable assets (liabilities)</b>	<b>Recognised assets (liabilities)</b>
Plant, machinery, equipment and other assets and intangible assets with finite useful life	1,260	-	1,260
Other current assets/liabilities	(915)	-	(915)
Employee benefits	(419)	-	(419)
<b>Total net identifiable assets</b>	<b>(74)</b>	<b>-</b>	<b>(74)</b>

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

<i>(Amounts in thousands of Euros)</i>	<b>28 February 2018</b>
Transaction consideration	(8,004)
Assumption of debt of personnel	1,334
<b>Transaction consideration excluding assumption of personnel debt</b>	<b>(6,670)</b>
Acquired assets (liabilities)	(74)
<b>Fair Value adjustment of acquired assets (liabilities)</b>	<b>0</b>
<b>Excess Price to be Allocated</b>	<b>(6,744)</b>
Key Money	1,090
Residual goodwill	5,654

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. Key money paid for the opening of sales outlets is considered as severance costs with reference to property leases and feature a ratio between the location of the sales outlet and the factors such as the high number of visitors, the prestige of having a sales outlet in a certain location and protecting an area where a competitor is present. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key Money at €1,090 thousand.

The residual goodwill measured during the business combination at €5,654 thousand was allocated to the Retail CGU relating to all cash flows from Retail, Online and Travel distribution channels.

Unieuro availed itself of the right provided under 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. No significant changes are expected compared to what has already been accounted

## 6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 28 February 2018 and as at 28 February 2017:

<i>(Amounts in thousands of Euros)</i>									
<b>Credit and debt relations with related-parties as at 28 February 2018</b>									
Type	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item			
<i>As at 28 February 2018</i>									
Other current liabilities	(75)	(190)	(365)	(630)	(163,342)	0.4%			
Other non-current liabilities	-	-	(487)	(487)	(718)	67.8%			
<b>Total</b>	<b>(75)</b>	<b>(190)</b>	<b>(852)</b>	<b>(1,117)</b>					

<i>(Amounts in thousands of Euros)</i>									
<b>Receivable and payable positions with related-parties as at 28 February 2017</b>									
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
<i>As at 28 February 2017</i>									
Other current liabilities									
Other non-current liabilities									
<b>Total</b>									

*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%
<b>Total</b>	<b>4,221</b>	<b>50</b>	<b>(29)</b>	<b>(80)</b>	<b>(417)</b>	<b>(624)</b>	<b>3,121</b>		

The following table summarises the economic relations of the Group to related parties as at 28 February 2018 and as at 28 February 2017:

Type	Economic relations with related-parties as at 28 February 2018						Total	Total balance sheet item	Impact on balance sheet item
	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers					
<i>At February 2018</i>									
Purchases of materials and external services	(87)	(151)	(571)	-	-	(809)	(1,715,540)	0.0%	
Personnel costs	-	-	-	(4,608)	-	(4,608)	(156,296)	2.9%	
<b>Total</b>	<b>(87)</b>	<b>(151)</b>	<b>(571)</b>	<b>(4,608)</b>	<b>-</b>	<b>(5,417)</b>			

*(Amounts in thousands of Euros)* Economic relations with related-parties as at 28 February 2017

Type	Italian Electronics Holdings	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 28 February 2017</i>									
Other income	12	-	-	-	-	-	12	6,360	0.2%
Purchases of materials and external services	-	(1,159)	(60)	(964)	(252)	-	(2,435)	(1,491,938)	0.2%
Other operating costs and expenses	-	(6)	-	-	-	-	(6)	(5,377)	0.1%
Personnel costs	-	-	-	-	(2,331)	(3,954)	(5,925)	(136,633)	4.3%
Financial expenses	(788)	-	-	-	-	-	(788)	(6,222)	12.7%
<b>Total</b>	<b>(776)</b>	<b>(1,165)</b>	<b>(60)</b>	<b>(964)</b>	<b>(2,583)</b>	<b>(3,594)</b>	<b>(9,142)</b>		

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

- distribution of a dividend of €20,000 thousand through the use of Unieuro profits for the year ended 28 February 2017, totalling €1,587 thousand and, for the remaining part €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 €9,598 thousand;

- national tax consolidation scheme, where the option was exercised in 2015 and generated receivables for Unieuro from the consolidating company Italian Electronics; Following the loss of control of Italian Electronics Holdings which took place on 6 September 2017, the national tax consolidation scheme was interrupted and Italian Electronics Holdings as the consolidating party exercised its option with effect from the year ended 28 February 2015;
- The stock option plan known as the Long Term Incentive Plan for Executive directors, contractors and employees of Unieuro. The 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;
- *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 Unieuro; (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.
- rental fees relating to Unieuro's registered office in Forlì, several sales points and the debiting of insurance costs invoiced by Ni.Ma S.r.l., a company with its registered office in Forlì and invested in by several members of the Silvestrini family (Giuseppe Silvestrini, Maria Grazia Silvestrini, Luciano Vespignani and Gianpaola Gazzoni, respectively who each own 25% of the share capital, who are also shareholders of Italian Electronics Holdings); Note that on 17 October 2017 the partial demerger of Italian Electronics Holdings into eight newly established companies took place. Following the transaction, at the date of these consolidated financial statements, Ni.Ma S.r.l. is no longer a related party;
- 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; Following the transaction, at the date of these consolidated financial statements, Ni.Ma S.r.l. is no longer a related party;

- borrowings from Italian Electronics, granted on 2 December and interest-bearing. On 21 November 2016, Unieuro's Board of Directors approved the full repayment of the remaining amount owed on the inter-company loan in an amount totalling €21,120 thousand. Therefore the Intercompany Loan was repaid in full and extinguished on 28 November 2016;
- account keeping service by Unieuro employees with regard to Italian Electronics Holdings interrupted following the positive outcome of the listing which took place on 4 April 2017;
- relations with Directors and Main Managers, summarised in the table below:

<b>Main managers</b>	
<b>Year ended 28 February 2018</b>	<b>Year ended 28 February 2017</b>
<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli	<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli
<i>Chief Financial Officer</i> - Italo Valenti	<i>Chief Financial Officer</i> - Italo Valenti
<i>Chief Corporate Development Officer</i> - Andrea Scozzoli	<i>Chief Corporate Development Officer</i> - Andrea Scozzoli
<i>Chief Omnichannel Officer</i> - Bruna Olivieri	<i>Chief Omnichannel Officer</i> - Bruna Olivieri
<i>Chief Operations Officer</i> - Luigi Fusco	<i>Chief Operations Officer</i> - Luigi Fusco

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration).

The table below summarises the Group's cash flows with related parties as at 28 February 2018 and as at 28 February 2017:

Type	Related-parties						Total	Total balance sheet item	Impact on balance sheet item
	Italian Electronics Holdings S.r.l.	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers			
<b>Period from 1 March 2016 to 28 February 2017</b>									
Cash flow generated/(absorbed) by operating activities	(1,656)	(1,150)	(31)	(984)	(1,483)	(1,457)	(6,761)	56,523	(12.0%)
Cash flow generated/(absorbed) by financing activities	(24,322)	-	-	-	-	-	(24,322)	(27,461)	88.6%
<b>Total</b>	<b>(25,978)</b>	<b>(1,150)</b>	<b>(31)</b>	<b>(984)</b>	<b>(1,483)</b>	<b>(1,457)</b>			
<b>Period from 1 March 2017 to 28 February 2018</b>									
Cash flow generated/(absorbed) by operating activities	4,221	50	(41)	(231)	(798)	(3,428)	(227)	79,576	(0.3%)
Cash flow generated/(absorbed) by financing activities	(9,598)	-	-	-	-	-	(9,598)	(3,317)	289.4%

<b>Total</b>	(5,377)	50	(41)	(231)	(798)	(3,428)
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## 7 OTHER INFORMATION

### Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

### Guarantees granted in favour of third-parties

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Guarantees and sureties in favour of:		
Parties and third-party companies	32,072	23,532
<b>Total</b>	<b>32,072</b>	<b>23,532</b>

### Operating lease assets

The Company has commitments mainly resulting from lease agreements for premises where sales activities are conducted (stores) and administration and control activities (corporate functions at the Forlì offices) and logistics warehouses for the management of inventories.

As at 28 February 2018, the amount of rental fees due for operating lease agreements is given below:

<i>(Amounts in thousands of Euros)</i>	Period ended 28 February 2018			
	Within the financial year	Between 1 and 5 years	More than 5 years	Total
Rental fees due for operating lease agreements	52,219	35,919	289	88,427

As at 28 February 2017, the amount of rental fees due for operating lease agreements is given below:

<i>(Amounts in thousands of Euros)</i>	Period ended 28 February 2017			
	Within the financial year	Between 1 and 5 years	More than 5 years	Total
Rental fees due for operating lease agreements	45,559	33,839	823	80,221

The rent still due to operating lease agreements reported an increase of €8,206 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017 mainly due to the combined effect of: (i) taking over the rental agreements of 21 sales outlets belonging to the Andreoli S.p.A. business unit from July 2017; (ii) taking over the rental agreements of 19 sales outlets belonging to the Cerioni S.p.A. business unit from November 2017, (iii) taking over the rental agreement of the flagship store in the Euroma2 shopping centre; (iv) new openings of sales outlets during the year and (v) the renegotiation with several landlords of the main contractual conditions with special reference to the early termination clause, which involved a reduction of the medium-/long-term exposure.

### Payments to the independent auditors

Payments to the independent auditors and its network for audits and other services as at 28 February 2018 are highlighted below:

<i>(Amounts in thousands of Euros)</i>		<b>Year ended</b>
<b>Unieuro S.p.A.</b>		<b>28 February 2018</b>
KPMG S.p.A.	Audit	683
KPMG S.p.A.	Certification services	114
KPMG S.p.A.	Other services	130
KPMG Advisory S.p.A.	Other services	137
<b>Total</b>		<b>1,064</b>

### Subsequent events

No events occurred after the reference date of the financial statements that require adjustments to the values reported in the financial statements.

On 26 March 2018, in conjunction with the approval of the preliminary revenues for the year just concluded, the Board of Directors of Unieuro approved the advance to June 2018 of the ex-dividend date in respect of the profits for the financial statements for the year ended 28 February 2018 as well as its payment in one go, contrary to the provision of the dividend policy in force.

The decision, made possible by the favourable financial dynamics of Unieuro, was taken in the interest of the Company and its shareholders in order to bring forward the total distribution of the coupon for Shareholders by four months.



## Appendix 1

Statement of Assets and Liabilities as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related- Parties	% Weighting	28 February 2017	Of which with Related- Parties	% Weighting
Plant, machinery, equipment and other assets	74,831			60,822		
Goodwill	174,748			151,396		
Intangible assets with a definite useful life	25,034			11,808		
Deferred tax assets	30,105			29,438		
Other non-current assets	2,371			2,156		
<b>Total non-current assets</b>	<b>307,089</b>			<b>255,620</b>		
Inventories	313,528			269,551		
Trade receivables	39,572	-	0.0%	35,203	244	0.7%
Current tax assets	3,147			7,955	4,042	50.8%
Other current assets	16,157			13,865		
Cash and cash equivalents	61,414			36,666		
Assets held for sale	-			-		
<b>Total current assets</b>	<b>433,818</b>	-	<b>0.0%</b>	<b>363,240</b>	<b>4,286</b>	<b>1.2%</b>
<b>Total Assets</b>	<b>740,907</b>	-	<b>0.0%</b>	<b>618,860</b>	<b>4,286</b>	<b>0.7%</b>
Share capital	4,000			4,000		
Reserves	105,996			120,101		
Profit/(loss) carried forward	(32,780)	(5,417)	16.5%	(39,122)	(9,142)	23.4%
<b>Total shareholders' equity</b>	<b>77,216</b>	<b>(5,417)</b>	<b>(7.0%)</b>	<b>84,979</b>	<b>(9,142)</b>	<b>(10.8%)</b>
Financial liabilities	40,518			25,796		
Shareholder funding	-			-		
Employee benefits	11,179			9,783		
Other financial liabilities	12,195			4,427		
Provisions	5,696			8,833		
Deferred tax liabilities	2,448			322		
Other non-current liabilities	718	487	67.8%	21		
<b>Total non-current liabilities</b>	<b>72,754</b>	<b>487</b>	<b>0.7%</b>	<b>49,182</b>	-	<b>0.0%</b>
Financial liabilities	6,961			5,984		
Shareholder funding	-			-		
Other financial liabilities	6,256	-	0.0%	2,418		
Trade payables	411,450	-	0.0%	334,546	15	0.0%
Current tax liabilities	-			-		
Provisions	2,928			1,424		
Other current liabilities	163,342	630	0.4%	140,327	1,150	0.8%
<b>Total current liabilities</b>	<b>590,937</b>	<b>630</b>	<b>0.1%</b>	<b>484,699</b>	<b>1,165</b>	<b>0.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>740,907</b>	<b>(4,300)</b>	<b>(0.6%)</b>	<b>618,860</b>	<b>(7,977)</b>	<b>(1.3%)</b>

## Appendix 2

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related- Parties	% Weighting	28 February 2017	Of which with Related- Parties	% Weighting
Revenue	1,873,792	-	0.0%	1,660,495		
Other income	6,395	-	0.0%	6,360	12	0.2%
<b>TOTAL REVENUE AND INCOME</b>	<b>1,880,187</b>	<b>-</b>	<b>0.0%</b>	<b>1,666,855</b>	<b>12</b>	<b>0.0%</b>
Purchases of materials and external services	(1,715,540)	(809)	0.0%	(1,491,938)	(2,435)	0.2%
Personnel costs	(156,296)	(4,608)	2.9%	(136,633)	(5,925)	4.3%
Changes in inventory	41,193			5,177		
Other operating costs and expenses	(8,531)			(5,377)	(6)	
<b>GROSS OPERATING PROFIT</b>	<b>41,013</b>	<b>(5,417)</b>	<b>(13.2%)</b>	<b>38,084</b>	<b>(8,354)</b>	<b>(21.9%)</b>
Depreciation, amortisation and write-downs	(21,728)			(17,958)		
<b>OPERATING PROFIT</b>	<b>19,285</b>	<b>(5,417)</b>	<b>(28.1%)</b>	<b>20,126</b>	<b>(8,354)</b>	<b>(41.5%)</b>
Financial income	303			358		
Financial expenses	(7,933)			(6,222)	(788)	12.7%
<b>PROFIT BEFORE TAX</b>	<b>11,655</b>	<b>(5,417)</b>	<b>(46.5%)</b>	<b>14,262</b>	<b>(9,142)</b>	<b>(64.1%)</b>
Income taxes	(697)			(2,675)		
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>10,958</b>	<b>(5,417)</b>	<b>(49.4%)</b>	<b>11,587</b>	<b>(9,142)</b>	<b>(78.9%)</b>

## Appendix 3

Cash Flow Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related-Parties	% Weighting	28 February 2017	Of which with Related-Parties	% Weighting
<b>Cash flow from operations</b>						
Profit (loss) for the year	10,958	(5,417)	(49.4%)	11,587	(9,142)	(78.9%)
<i>Adjustments for:</i>	-			-		
Income taxes	697			2,675		
Net financial expenses (income)	7,630			5,864		
Depreciation, amortisation and write-downs	21,728			17,958		
(Profits)/losses from the sale of property, plant and machinery	-			(31)		
Other changes	1,386	952	68.7%	3,766	3,766	100.0%
	42,399	(4,465)	(10.5%)	41,819	(5,376)	(12.9%)
Changes in:						
- Inventories	(41,193)			(5,178)		
- Trade receivables	18,940	244	1.3%	151	(16)	(10.6%)
- Trade payables	47,042	(15)	(0.0%)	1,174	(2)	(0.2%)
- Other changes in operating assets and liabilities	21,213	4,009	18.9%	23,488	(1,367)	(5.8%)
Cash flow generated/(absorbed) by operating activities	46,002	(227)	(0.5%)	19,635	(6,761)	(34.4%)
Taxes paid	-			-		
Interest paid	(8,825)			(4,931)		
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>79,576</b>	<b>(227)</b>	<b>(0.3%)</b>	<b>56,523</b>	<b>(6,761)</b>	<b>(12.0%)</b>
<b>Cash flow from investment activities</b>						
Purchases of plant, equipment and other assets	(28,448)			(23,479)		
Purchases of intangible assets	(8,812)			(4,419)		
Collections from the sale of plant, equipment and other assets	1			61		
Investments for business combinations and business units	(14,485)					
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>(51,744)</b>	<b>-</b>		<b>(27,837)</b>	<b>-</b>	
<b>Cash flow from financing activities</b>						
Increase/(Decrease) in financial liabilities	16,529			(4,137)		
Increase/(Decrease) in other financial liabilities	154			998		
Increase/(Decrease) in shareholder loans	-			(20,442)	(20,442)	100.0%
Distribution of dividends	(20,000)	(9,598)	48%	(3,880)	(3,880)	100%
<b>Cash flow generated/(absorbed) by financing activities</b>	<b>(3,317)</b>	<b>(9,598)</b>	<b>289.4%</b>	<b>(27,461)</b>	<b>(24,322)</b>	<b>88.6%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>24,515</b>	<b>(9,825)</b>	<b>(40.1%)</b>	<b>1,225</b>	<b>(31,083)</b>	<b>(2,537.4%)</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>						
	36,666			35,441		
<b>Net increase/(decrease) in cash and cash equivalents</b>						
	24,748			1,225		
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>						
	61,414			36,666		

## Appendix 4

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which non-recurring	% Weighting	28 February 2017	Of which non-recurring	% Weighting
Revenue	1,873,792			1,660,495		
Other income	6,395	929	14.5%	6,360	2,414	38.0%
<b>TOTAL REVENUE AND INCOME</b>	<b>1,880,187</b>	<b>929</b>	<b>0.0%</b>	<b>1,666,855</b>	<b>2,414</b>	<b>0.1%</b>
Purchases of materials and external services	(1,715,540)	(14,338)	0.8%	(1,491,938)	(14,231)	1.0%
Personnel costs	(156,296)	(5,902)	3.8%	(136,633)	(4,695)	3.4%
Changes in inventory	41,193			5,177	(1,062)	(20.5%)
Other operating costs and expenses	(8,531)	(614)	7.2%	(5,377)		
<b>GROSS OPERATING PROFIT</b>	<b>41,013</b>	<b>(19,925)</b>	<b>(48.6%)</b>	<b>38,084</b>	<b>(17,574)</b>	<b>(46.1%)</b>
Depreciation, amortisation and write-downs	(21,728)			(17,958)		
<b>OPERATING PROFIT</b>	<b>19,285</b>	<b>(19,925)</b>	<b>(103.3%)</b>	<b>20,126</b>	<b>(17,574)</b>	<b>(87.3%)</b>
Financial income	303			358		
Financial expenses	(7,933)	(3,128)	39.4%	(6,222)		
<b>PROFIT BEFORE TAX</b>	<b>11,655</b>	<b>(23,053)</b>	<b>(197.8%)</b>	<b>14,262</b>	<b>(17,574)</b>	<b>(123.2%)</b>
Income taxes	(697)			(2,675)		
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>	<b>10,958</b>	<b>(23,053)</b>	<b>(210.4%)</b>	<b>11,587</b>	<b>(17,574)</b>	<b>(151.7%)</b>

**ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIEURO GROUP AS AT FEBRUARY 28, 2018, PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED**

The undersigned, Giancarlo Nicosanti Monterastelli, in his capacity as the Chief Executive Officer of Unieuro S.p.A. and Italo Valenti, as Chief Financial Officer and executive responsible for the preparation of consolidated financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:


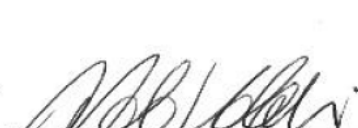
- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements of the Unieuro Group in financial year 2018.

It is also certified that the consolidated financial statements of the Unieuro Group:

- have been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
- are consistent with the entries in the accounting books and records;
- provide an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer and all companies included in consolidation.

The Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

26 April 2018

 Giancarlo Nicosanti Monterastelli Managing director and Chief Executive Officer	 Italo Valenti Executive Officer Responsible for the preparation of the financial statements of the company
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(Translation from the Italian original which remains the definitive version)

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of  
Unileuro S.p.A.

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of the Unileuro Group (the "Group"), which comprise the statement of financial position as at 28 February 2018, the income statement and statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Unileuro Group as at 28 February 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Unileuro S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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sistema KPMG di enti indipendenti affiliai a KPMG International  
Cooperative ("KPMG International"), ente di diritto svizzero.

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Cagliari Como Firenze Genova  
Lazio Milano Napoli Roma  
Padova Palermo Parma Perugia  
Pesaro Roma Torino Trento  
Trieste Venezia Verona

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### Recoverability of goodwill

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 28 February 2018 include goodwill of €174.7 million.</p> <p>The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2019 to 28 February 2023 business plan, which was originally approved by the Company's board of directors on 12 December 2018 and subsequently updated by it on 17 April 2018 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"><li>— understanding and analysing the process adopted to prepare the impairment tests approved by the Company's board of directors on 28 April 2018;</li><li>— understanding and analysing the process used to draft the plan;</li><li>— analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill, including the plan's operating cash flows. Our analyses included comparing the key assumptions used to the Group's historical data and external information, where available;</li><li>— analysing the valuation models adopted by the directors for reasonableness and consistency with professional practice;</li><li>— checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit;</li><li>— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.</li></ul>

### Premiums and contributions from suppliers

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
<p>The Group has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions.</p> <p>These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the process adopted to calculate premiums and contributions from suppliers through meetings and</li></ul>



<p>the quantities purchased or sold, or as a defined contribution.</p> <p>Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers.</p> <p>For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.</p>	<p>discussions with the Group's management;</p> <ul style="list-style-type: none"> <li>— assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li> <li>— obtaining audit evidence supporting the check of the existence and accuracy of premiums and contributions from suppliers, including through external confirmations;</li> <li>— checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation;</li> <li>— checking the mathematical accuracy of premiums and contributions from suppliers;</li> <li>— analysing the reasonableness of the assumptions in the estimate through discussions with the relevant internal departments, comparison with historical figures and our knowledge of the Group and its operating environment;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.</li> </ul>
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**Measurement of Inventories**

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7 - Significant accounting policies; note 5.6 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 28 February 2018 include inventories of €313.5 million, net of the allowance for inventory write-down of €9.1 million.</p> <p>Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including:</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li> </ul>





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— the characteristics of the Group's business segment;	— checking the accuracy of the inventory calculation algorithm;
— the sales' seasonality, with peaks in November and December;	— checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments;
— the decreasing price curve due to technological obsolescence of products;	— checking the mathematical accuracy of the allowance for inventory write-down;
— the high number of product codes handled.	— analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments and analysis of age bands and write-down rates applied; comparing the assumptions with historical figures and our knowledge of the Group and its operating environment;
For the above reasons, we believe that the measurement of inventories is a key audit matter.	— comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits;
	— assessing the appropriateness of the disclosures provided in the notes about inventories.

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**Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Unieuro S.p.A. for the consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The Collegio Sindacale is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.



### *Auditors' responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and



timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## **Report on other legal and regulatory requirements**

#### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The directors of Unieuro S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 28 February 2018 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 28 February 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Leonardo Group at 28 February 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.



Unieuro Group  
Independent auditor's report  
28 February 2018

**Statement pursuant to article 4 of the Consob regulation implementing  
Legislative decree no. 254/16**

The directors of Unieuro S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Bologna, 7 May 2018

KPMG S.p.A.

(signed on the original)

Luca Ferranti  
Director



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

## Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of Consob Regulation no. 20267

To the board of directors of  
Unileuro S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2018 consolidated non-financial statement of the Unileuro Group (the "Group") (covering the reporting period from 1 March 2017 to 28 February 2018) prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 26 April 2018 (the "NFS").

### Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Unileuro S.p.A. (the "Company") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" - "core" option, issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the Group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the Group's policies for the identification and management of the risks generated or borne.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), ente di diritto svizzero.

Azienda Audit del Bergamo  
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Cagliari Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
Pescara Roma Torino Trento  
Trieste Varese Verona

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Sede legale: Via Viller Passè, 20  
20124 Milano (MI) ITALIA



The Collegio Sindacale is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

#### *Auditors' independence and quality control*

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Auditors' responsibility*

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the Company's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the Group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Gaining an understanding of the following:
  - the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
  - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;



- the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the Company's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the Group's business and characteristics:

- at company and subsidiary level:
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
  - b) we carried out analytical and selected procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.

### Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 consolidated non-financial statement of the Unieuro Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

### Other matters

The 2017 comparative figures presented in the NFS have not been examined.

Bologna, 7 May 2018

KPMG S.p.A.

(signed on the original)

Luca Ferranti  
Director

**UNIEURO S.p.A.**

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

Share capital: €1,000,000 fully paid up

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

**SEPARATE FINANCIAL STATEMENTS OF UNIEURO S.p.A.**



## BALANCE SHEET AND INCOME STATEMENT

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
Plant, machinery, equipment and other assets	5.1	74,714	60,822
Goodwill	5.2	167,549	151,396
Intangible assets with a definite useful life	5.3	18,421	11,808
Deferred tax assets	5.4	30,105	29,438
Other non-current assets	5.5	13,095	2,156
<b>Total non-current assets</b>		<b>303,884</b>	<b>255,620</b>
Inventories	5.6	313,188	269,551
Trade receivables	5.7	40,366	35,203
Current tax assets	5.8	2,887	7,955
Other current assets	5.5	14,421	13,865
Cash and cash equivalents	5.9	60,209	36,666
<b>Total current assets</b>		<b>431,071</b>	<b>363,240</b>
<b>Total assets</b>		<b>734,955</b>	<b>618,860</b>
Share capital	5.10	4,000	4,000
Reserves	5.10	105,957	120,101
Profit/(loss) carried forward	5.10	(35,217)	(39,122)
<b>Total shareholders' equity</b>		<b>74,740</b>	<b>84,979</b>
Financial liabilities	5.11	40,518	25,796
Employee benefits	5.12	10,586	9,783
Other financial liabilities	5.13	12,195	4,427
Provisions	5.14	5,696	8,833
Deferred tax liabilities	5.4	630	322
Other non-current liabilities	5.15	718	21
<b>Total non-current liabilities</b>		<b>70,343</b>	<b>49,182</b>
Financial liabilities	5.11	6,961	5,984
Other financial liabilities	5.13	7,473	2,418
Trade payables	5.16	410,086	334,546
Provisions	5.14	2,920	1,424
Other current liabilities	5.15	162,432	140,327
<b>Total current liabilities</b>		<b>589,872</b>	<b>484,699</b>
<b>Total liabilities and shareholders' equity</b>		<b>734,955</b>	<b>618,860</b>

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

## INCOME STATEMENT

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
Revenue	5.17	1,835,518	1,660,495
Other income	5.18	5,377	6,360
<b>TOTAL REVENUE AND INCOME</b>		<b>1,840,895</b>	<b>1,666,855</b>
Purchases of materials and external services	5.19	(1,677,217)	(1,491,938)
Personnel costs	5.20	(154,464)	(136,633)
Changes in inventory	5.6	43,637	5,177
Other operating costs and expenses	5.21	(8502)	(5,377)
<b>GROSS OPERATING PROFIT</b>		<b>44,349</b>	<b>38,084</b>
Amortisation, depreciation and impairment losses	5.22	(27,346)	(17,958)
<b>OPERATING PROFIT</b>		<b>17,003</b>	<b>20,126</b>
Financial income	5.23	299	358
Financial expenses	5.23	(7,920)	(6,222)
<b>PROFIT BEFORE TAX</b>		<b>9,382</b>	<b>14,262</b>
Income taxes	5.24	(861)	(2,675)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>8,521</b>	<b>11,587</b>
<b>Basic earnings per share (in Euros) )<sup>(1)</sup></b>	5.25	0.55	0.58
<b>Diluted earnings per share)<sup>(1)</sup></b>	5.25	0.55	0.58

**The Base Result and diluted per share was computed with reference to the Profit/(Loss) of the consolidated year.**

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

## STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>8,521</b>	<b>11,587</b>
<i>Other components of comprehensive income that are or could be restated under profit/(loss) for the year:</i>			
Gain (losses) on cash flow hedges	5.13	(250)	103
Income taxes		59	(29)
<b>Total other components of comprehensive income that are or could be restated under profit/(loss) for the year</b>	5.10	<b>(191)</b>	<b>74</b>
<i>Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:</i>			
Actuarial gains (losses) on defined benefit plans	5.12	64	(2)
Income taxes		(18)	1
<b>Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:</b>	5.10	<b>46</b>	<b>(1)</b>
<b>Total statement of comprehensive income for the year</b>		<b>8,376</b>	<b>11,660</b>

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

## CASH FLOW STATEMENT

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		28 February 2018	28 February 2017
<b>Cash flow from operations</b>			
Profit (loss) for the year	5.10	8,521	11,587
<i>Adjustments for:</i>			
Income taxes	5.24	861	2,675
Net financial expenses (income)	5.23	7,621	5,864
Depreciation, amortisation and write-downs	5.22	27,346	17,958
(Profits)/losses from the sale of property, plant and machinery	5.1		(31)
Other changes		1,386	3,766
		45,735	41,819
Changes in:			
- Inventories	5.6	(43,637)	(5,178)
- Trade receivables	5.7	(5,163)	151
- Trade payables	5.16	75,406	1,174
- Other changes in operating assets and liabilities	5.5-5.14-5.15	20,860	23,488
Cash flow generated/(absorbed) by operating activities		47,466	19,635
Taxes paid	5.24	-	-
Interest paid	5.23	(8,816)	(4,931)
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>5.26</b>	<b>84,385</b>	<b>56,523</b>
<b>Cash flow from investment activities</b>			
Purchases of plant, equipment and other assets	5.1	(28,446)	(23,479)
Purchases of intangible assets	5.3	(8,812)	(4,419)
Goodwill acquired against payment	5.2	-	-
Collections from the sale of plant, equipment and other assets	5.1	1	61
Equity investments	5.5	(9,283)	-
Investments for business combinations and business units	5.5	(10,985)	-
Net cash inflow from acquisition	5.9	-	-
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>5.26</b>	<b>(57,525)</b>	<b>(27,837)</b>
<b>Cash flow from financing activities</b>			
Increase/(Decrease) in financial liabilities	5.11	16,529	(4,137)
Increase/(Decrease) in other financial liabilities	5.13	154	998
Increase/(Decrease) in shareholder loans	-	-	(20,442)
Distribution of dividends	5.10	(20,000)	(3,880)
<b>Cash flow generated/(absorbed) by financing activities</b>	<b>5.26</b>	<b>(3,317)</b>	<b>(27,461)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,543</b>	<b>1,225</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>		<b>36,666</b>	<b>35,441</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,543</b>	<b>1,225</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>60,209</b>	<b>36,666</b>

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Amounts in thousands of Euros)</i>	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity
<b>Balance as at 29 February 2016</b>	5.10	4,000	800	48,461	(74)	(858)	3,172	57,999	(40,067)	73,433
Profit (loss) for the year		-	-	-	-	-	-	-	11,587	11,587
Other components of comprehensive income		-	-	-	74	(1)	-	-	-	73
<b>Total statement of comprehensive income for the year</b>		-	-	-	74	(1)	-	-	11,587	11,660
Allocation of prior year result		-	-	10,642	-	-	-	-	(10,642)	-
Distribution of dividends		-	-	(3,880)	-	-	-	-	-	(3,880)
Share-based payment settled with equity instruments		-	-	-	-	-	3,766	-	-	3,766
<b>Total transactions with shareholders</b>		-	-	6,762	-	-	3,766	-	(10,642)	(114)
<b>Balance as at 28 February 2017</b>	5.10	4,000	800	55,223	0	(859)	6,938	57,999	(39,122)	84,979
Profit (loss) for the year		-	-	-	-	-	-	-	8,521	8,521
Other components of comprehensive income		-	-	-	(191)	46	-	-	-	(145)
<b>Total statement of comprehensive income for the year</b>		-	-	-	(191)	46	-	-	8,521	8,376
Allocation of prior year result		-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	(8,413)	-	-	-	-	(11,587)	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	(5,586)	-	6,971	1,385
<b>Total transactions with shareholders</b>		-	-	(8,413)	-	-	(5,586)	-	(4,616)	(18,615)
<b>Balance as at 28 February 2018</b>	5.10	4,000	800	46,810	(191)	(813)	1,352	57,999	(35,217)	74,740

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

## NOTES

### 3. INTRODUCTION

Unieuro S.p.A. (hereinafter referred to as the “**Company**” or “**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. placed on the MTA (telematic stock market) – STAR Segment of Borsa Italiana S.p.A. 31.8% of the share capital of Unieuro S.p.A., equal to 6,363,637 ordinary shares at a price of €1 per share.

From 3 May 2017, the greenshoe option granted by Italian Electronics Holding was partially exercised by 537,936 shares compared to the 636,363 shares that had been the object of the Over Allotment. The purchase price of the shares that were the object of the greenshoe option was €1.00 per share, which corresponds to the offer price which was set for the placement, totalling €5,917 thousand. The share settlement relative to the *greenshoe* option took place on 8 May 2017.

On 6 September 2017, Italian Electronics Holdings S.r.l. 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 €16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was €56,000 thousand.

Note that on 17 October 2017, the partial demerger of Italian Electronics Holdings S.r.l. took effect with eight new companies being established. Successively Italian Electronics Holdings S.r.l. transferred its social site in Luxembourg changing its name in Italian Electronics Holdings S.à.r.l. (following also “**Italian Electronics Holdings**”) and it realized an operation of inverse merger with the International Retail Holdings S.à.r.l.. After the operations reported above, it was indirectly wholly-owned by the private equity fund Rhône Capital.

At the date of the Annual Financial Statements, Italian Electronics Holdings held a shareholding in Unieuro equal to 33.8% maintaining, considering the shareholders’ composition on 28 February 2018, the ex art. 93 TUF control of Unieuro S.p.A.

On 23 February 2017, Unieuro, as the buyer, signed an agreement with Project Shop Land S.p.A., as the vendor, for the purchase of 100% of the share capital of Monclick S.r.l. (hereinafter also known as “**Monclick**”). The price agreed amounted to €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.

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

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

#### 2.1 Basis of preparation of the financial statements

The financial statements for the year comprised the balance sheet and income statement, the statement of comprehensive income, a cash flow statement and the statement of changes in

shareholders' equity for the years ended 28 February 2018 and 28 February 2017, accompanied by the relative notes.

## **2.2 Preparation criteria**

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

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

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

The major shareholders of the Company as at 28 February 2018 are:

5. Italian Electronics Holdings, (attributable to the funds managed by Rhone Capital) which owns 33.8% of the Company's shares;
6. DSG European Investments Limited (Dixons Carphone) which owns 7.2% of the Company's shares;
7. the Silvestrini Family which owns 4.7% of the Company's shares;
8. the top management of Unieuro which owns 2.3% of the Company's shares.

The annual financial statements are presented in Euro, which is the Company's functional currency. The amounts are expressed in thousands of 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 separate financial statements as at 28 February 2018, approved by the Company's Board of Directors on 26 April 2018 and submitted for the audit, will be presented for the approval of the Shareholders' Meeting.

## **2.3 Statement of compliance with IFRS**

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

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

## **2.4 Financial statement schedules**

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

- F) **Balance sheet and income statement:** the company's equity and income is shown by distinctly presenting current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability items of the amounts that are expected to be settled or recovered within or later than 12 months from the balance sheet date.
- G) **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.
- H) **Statement of comprehensive income:** this item includes the profit/(loss) for the year as well as the income and expenses recognised directly in equity for transactions other than those with shareholders.
- I) **Cash flow statement:** the cash flow statement contains the cash flows from operations, investments and financing. The cash flows from operations are shown using the indirect method through which the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.
- J) **Statement of changes in shareholders' equity:** this schedule includes, in addition to the results of the comprehensive income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

The annual financial statements are shown in comparative form.

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

In application of the IFRS, the preparation of the financial statements requires the usage of estimates and assumptions that have an effect on the values of the balance sheet assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. The estimates and assumptions are based on elements which are known as at the date that the financial statements are prepared, are based on the experience of the management and other elements - if any - considered to be significant. The actual figures may differ from the estimates. The estimates are used to recognise the provision for bad debts, inventory obsolescence, the unearned income relative to the sale of guarantee extension services, measure amortization and depreciation, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.

The estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit and loss.

Following is a summary of the critical valuation processes and the key assumptions used by the company in applying the IFRS, which can have significant effects on the values recognised in the financial statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

### *Recoverable value of non-current assets*

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The Company periodically reviews the book value of non-current assets held and used and the book value of assets that are held for sale, when the facts and circumstances require this review. In the case of goodwill, this analysis is conducted once per year and whenever facts and circumstances indicate a possibility of impairment. Analysis whether the book value of a non-current asset is recoverable is generally carried out using expected cash flow estimates from the sale or use of the asset and adequate discount rates for calculation of its current value. When the book value of a non-current asset has become impaired, the Company writes down the excess of the book value of the asset and its recoverable value through usage or sale thereof, determined with reference to the cash flows used for the recent business plans.

The estimates and assumptions used as part of this analysis, in particular in performing the impairment tests on participations and acquisitions, reflect the status of the company's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

### ***Recoverability of deferred tax assets***

The Company recognises deferred tax assets up to the value which it considers to be probable that it will recover. Where necessary, the Company makes adjustments to reduce the value of a deferred tax asset down to the value that it considers probable to recover. In assessing the recoverability of deferred tax assets, budget results and provisions for subsequent years are used coherently with those used for the impairment testing which are described in the previous paragraph relative to the recoverable value of non-current assets.

### ***Bad debt provision***

The provision for bad debts reflects management estimates regarding losses from the trade receivables portfolio. The provision for bad debts is based on losses expected by management, determined depending on past experience for similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections regarding the economic and market conditions.

### ***Inventory bad debt provision***

The inventory bad debt provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Company. This estimate makes it possible to bring the value of the inventories to the lower of the cost and the presumably realizable value.

### ***Trade payables***

The Company has contracts for the supply of goods which include receipt of premiums and, in certain circumstances, contributions classified in trade payables. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and



information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers.

### ***Unearned income product guarantee extension***

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Company offers to its customers. This service is offered by the Company and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.

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

When guarantee services are sold, the Company recognises unearned income equal to the sales value of this service, and then recognises this unearned income as revenue throughout the time that the services are being provided. The recognition of this amount as revenue is determined based on the interventions that have been estimated for repairs that are covered by the guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

### ***Defined benefit plans and other post-employment benefits***

The Company provides a defined benefit plan to its employees (employees severance indemnity). For the employee benefits, the costs and net financial expenses are measured using actuarial methods requiring the use of estimates and assumptions for determination of the net value of an obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of remuneration and considers the probability of potential future events occurring through the use of parameters of a demographic nature such as for example the rates relative to mortality and resignations or retirement of employees. In particular, the discount rates used as a reference are rates or rate curves for corporate bonds with a high credit rating in their respective markets of reference. The changes in each of these parameters could affect the amount of the liability.

### ***Provisions***

The Company creates a provision for disputes and legal proceedings under way when it is considered probable that there will be a financial outlay and when the amount of the relative expenses can be reasonably estimated. If the amount of the financial outlay cannot be reasonably estimated or the probability of such a financial outlay becomes possible, no provision is established and the fact is indicated in the notes.

During the normal course of business, the Company monitors the status of the disputes which are ongoing and consults with its own legal and tax advisors. It is therefore possible that the value of the provisions for the disputes and lawsuits involving the Company may change as a result of future developments in the proceedings that are ongoing.

### ***Share based payment plan settled with equity instruments***

The measurement of the probable market price of options is recognised using the binomial method (Cox – Ross – Rubinstein). The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the

provisions of IFRS 2, the probability of the recipients leaving the plan and the probability of achieving the performance targets were taken into account. For further details see note 5.27.

### ***Hedging derivatives***

The fair value of derivative instruments is determined based on the values observed on regulated markets or prices provided by financial counterparties. If the values and the sources mentioned are not available, the estimate is made using valuation models that take into account the objective valuations such as for example estimates of cash flows and expected volatility of prices.

## **2.6 Significant accounting policies**

### **Business combinations and goodwill**

Business combinations are recognised using the acquisition method. As at the date the control is acquired, this requires recognition of their 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.

Every contingent consideration is recognised by the Company at the fair value as at the acquisition date. The change in the fair value of the contingent consideration classified as an asset or liability will be recognised, pursuant to the instructions found in IAS 39, in profit and loss. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

Goodwill arising from a business combination is initially measured at cost which is the amount by which the fair value of the consideration paid exceeds the Company's portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired company. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Company or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Company have been assigned to these units or groups of units. Every unit or group of units to which goodwill is allocated:

- represents the smallest level within the company at which goodwill is monitored for internal operating purposes;
  
- is not larger than the operating segments that have been identified.

When goodwill constitutes a part of a cash generating unit and a part of that internal asset and unit is sold, the goodwill associated with the sold asset is included in the book value of the asset for determination of the profit or the loss from the sale. 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.

Any profits from the purchase of a company at favourable prices are immediately recognised in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognised as expenses in the profit/(loss) of the year in which they are incurred.

After initial recognition, goodwill is not amortised and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Operations which are under common control are recognised at their book values, without any capital gain, pursuant to the reference accounting standards, and the guidelines issued by the OPI 1 (preliminary Assirevi guidelines for IFRS), relative to the "accounting treatment of business

combinations of entities under common control in the separate and consolidated financial statements". According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. When the transfer values are higher than the historical values, the excess must be eliminated by adjusting the acquiring company's shareholders equity downwards.

### **Hierarchical levels of fair value measurement**

Various accounting standards and several disclosure obligations require measurement of the fair value of assets and liabilities whether financial or non-financial. The fair value is the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To increase comparability of the data and the fair value measurements, the standard establishes a hierarchy identified in three different levels which reflects the significance of the inputs used in measuring the fair value. The levels identified are the following:

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;
- Level 2: inputs other than listed prices included in level 1 that can be observed, whether directly or indirectly, for the assets or liabilities to be measured. If the asset or the liability has a specific duration a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;
- Level 3: inputs for assets or liabilities which are not observable. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.

### **Plant, machinery, equipment and other assets (tangible fixed assets)**

#### *Recognition and measurement*

The tangible fixed assets are measured at cost of acquisition including the directly imputable ancillary expenses net of the depreciation and losses due to accumulated impairment.

Any financial expenses incurred for the acquisition or construction of capitalised assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalised and amortised throughout the life of the asset class they refer to. All other financial expenses are recognised in the income statements during the year they refer to.

If a tangible fixed asset is composed of various components with differing useful lives, these components are recognised separately (if they are significant components).

The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual

value of the asset, and it is recognised in the income statement during the year in which the elimination takes place.

#### *Subsequent costs*

The costs incurred subsequently to the purges of the assets and the replacement cost of certain parts of the assets recognised in this category are added to the book value of the element they refer to and they are capitalised only if they increase the future economic benefits of the asset itself. All other costs are recognised in the income statement once incurred.

When the replacement cost of certain parts of the asset is capitalised, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalised and amortised on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognised in the income statement in the year in which they are incurred.

Assets under construction are recognised at cost under assets under construction for as long as their construction is not available for use; when they become available for use, the cost is classified in the relative item and depreciated.

#### *Financial leases*

Other assets, plant, machinery owned through financial leases, for which the company has assumed essentially all the risks and benefits that would derive from ownership, are recognised on the contract start date, as tangible assets at their fair value or, if it is lower, at the current value of the lease instalments, amortised throughout the estimated useful life and adjusted for eventual impairment determined in the ways indicated below. The amount payable to the lessor is shown in the balance sheet among "other financial liabilities".

#### *Depreciation*

The depreciation period begins from the time the asset becomes available for use and ends on the earliest of the date on which the asset is classified as held for sale, pursuant to IFRS 5, and the date on which the asset is eliminated from the books. Any changes to the depreciation schedule are applied prospectively.

The value to be depreciated is the book value minus the presumable net sales value at the end of the asset's useful life, if it is significant and can be reliably measured.

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realizable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is appreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognised.

The depreciation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

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

## Intangible assets with a definite useful life

### *Initial recognition and measurement*

The intangible fixed assets acquired separately are initially capitalised at cost while those that are acquired through business combinations are capitalised at fair value on their acquisition date. After initial recognition the intangible fixed assets are recognised at cost, net of amortization and any accumulated impairment.

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.

### *Subsequent costs*

Costs incurred subsequently to purchase are capitalised only when the expected future economic benefits which are attributable to the asset they refer to are increased. All other subsequent costs are recognised in the income statement once incurred.

### *Depreciation*

Intangible fixed assets are amortised based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortization applied to them is re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

The amortisation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

Category	% used
Software	20%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
Key Money	Based on the duration of the lease beginning from

the date that the shop  
opens  
5-10%

Brands

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## **Financial assets**

The Company determines classification of its financial assets after initial recognition and, where adequate and permitted, reviews this classification upon closure of each year.

### *Financial assets measured at fair value with changes recognised in profit and loss*

This category includes assets held for trading and assets which are defined upon initial recognition as financial assets at fair value with changes recognised in profit and loss. The assets held for trading are all those assets which are acquired for sale in the short term. Derivatives, including those which are unbundled, are classified as financial instruments held for trading, unless they are designated as hedging instruments, as defined in IAS 39. The profits or losses on assets held for trading are recognised in the income statement. For securities which are widely traded on regulated markets, the fair value is determined by reference to the stock exchange price recognised upon closure of trading at the end of the financial year. For investments for which there is no active market, the fair value is determined using valuation techniques which are based on the prices of recent transactions between independent parties, the current market value of an essentially similar instrument, analysis of the discounted cash flows and option appreciation models.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with payments that are fixed or which can be determined but which are not listed on an active market. After initial recognition, these assets are measured according to the amortised cost criterion using the effective interest rate method net of any allocation for impairment. The amortised cost is calculated with consideration taken of the discounts and premiums and includes the commissions and transaction costs that are an integral part of the effective interest rate. The profits and losses are recognised in the income statement when the loans and receivables are eliminated or when impairment is observed.

### *Impairment of financial assets*

Upon closure of each year the Company checks whether a financial asset or group of financial assets has become impaired.

### *Assets measured using the amortised cost criteria*

If there exists an objective indication that a loan or receivable that has been recognised at amortised cost has undergone impairment, the amount of the loss is measured as the difference between the book value of the asset and the current value of estimated future cash flows (not including future losses on receivables which have not yet been incurred), discounted using the financial asset's initial effective interest rate (that is, the effective interest rate calculated on the initial recognition date or the current effective rate for variable interest rate loans). The book value of the asset is written down using a provision and the amount of the loss is recognised in the income statement.

The company initially assesses whether there are indications of any impairment at the individual level, for the financial assets that are individually significant and, thereafter, at the individual or collective level for those financial assets that are not. If there are no objective indications of impairment for a financial asset which is assessed individually, whether it is significant or not, this asset is included in a group of financial assets with credit risk characteristics that are similar and the group is tested for impairment collectively. The assets which are measured individually and for

which an impairment loss is recognised or continues to be recognised, will not be included in the collective measurement.

If, subsequently, the amount of the impairment is reduced and this reduction can be objectively connected to an event that took place after the recognition of the impairment, the previously decreased value can be written back. Any subsequent write backs are recognised in the income statement to the extent that the book value of the asset does not exceed the amortised cost on the date of the write back.

For trade receivables, an allocation for impairment is made when there is an objective indication (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to recover all the amounts that are due based on the original conditions and terms of the invoice. The book value of the receivable is reduced by using a specific provision. Receivables subject to impairment are reversed when it is determined that they will no longer be recovered.

When a financial transaction takes place, based on the terms of payment that have been granted, the receivables are measured at amortised cost through discounting of the nominal value receivable, with the discount recognised as financial income.

In application of IAS 39, an assigned receivable is eliminated if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the book value of an assigned asset and the consideration received is recognised in the income statement as a financial expense.

There are no financial assets which are available for sale or investments held to maturity.

### **Equity investments in subsidiary companies**

Equity investments in subsidiary companies (not classified as held for sale) are classified under the item “other non-current assets” and they are recorded at cost, adjusted for losses in value.

The positive differences that emerge during the acquisition of equity investments between the price and the corresponding shares of shareholders' equity are maintained in the carrying amount of the actual equity investments. The purchase or sale values of equity investments, business units or corporate assets under joint control are reported in line with the historical carrying amounts of the cost without recording capital gains or capital losses.

If there are indications that the equity investments may have suffered a reduction in value, they are subjected to impairments tests and written down if necessary. For the impairment loss to be debited to the income statement there must be objective evidence that events have occurred which have an impact on the future estimated cash flows of the actual equity investments. Any losses exceeding the carrying amount of the equity investments that may emerge in the presence of legal or implicit obligations for hedging the losses of the investee companies are recorded under provision for risks and charges. The original value is restored in subsequent years if the reasons for the impairment no longer exist.

The related dividends are recorded under financial income from equity investments at the time the right to obtaining them is established, which usually coincides with the shareholders' meeting resolution.

### **Inventories**

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

The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

### **Cash and cash equivalents**

The cash and cash equivalents include cash on hand and sight and short term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

### **Financial liabilities**

The financial liabilities are initially recognised at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Amortization at the effective interest rate method is included among financial liabilities in the income statement.

### **Liabilities arising from employee benefits**

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the company and sometimes its employees pay contributions of a specific amount into a distinct entity (a fund) and the Company does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

The adjustments to the liabilities regarding employee benefits are determined on the basis of actuarial assumptions, which are based on demographic and financial assumptions and recognised on an accrual basis concurrently with the employment services required in order to obtain the benefit. The amount of the rights accrued during the year by the employees and the portion of the interests on the accrued amount at the beginning of the period and the corresponding movements referring to the same period observed is allocated to the income statement under the item "Personnel expenses" while the financial expense arising from the actuarial calculation is recognised in the comprehensive statement of income under the item "Profit (loss) from restatement of defined benefit plans".

The actuarial valuation is carried out by an actuary who is not employed by the Company.

Following the amendments made to the employee severance indemnity ("TFR") provisions of law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

- the TFR accrued up to 31 December 2006 is considered to be a defined benefit plan pursuant to IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognised in the vesting period;



- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognised as a cost in their entirety and the portion which has not yet been paid is recognised as a liability under "Other current liabilities".

## **Provisions**

The allocations to provisions are made when the Company is required to fulfil an actual obligation (whether legal or implicit) which refers to a past event, when an outlay is possible for discharge of the obligation and it is possible to reliably estimate the amount thereof. When the Company believes that allocation to the provision will be partially or fully refunded, for example in the case of risks covered by insurance policies, the indemnification is recognised distinctly and separately in assets if, and only if, it is practically certain. In this case, the cost of the eventual allocation is shown in the income statement net of the amount recognised for the indemnification. If the effect of discounting the value of money is significant, the non-current portion of the allocations is discounted.

### *Onerous contracts provision*

A provision for charges of contracts is established when the non-discretionary costs required to fulfil obligations that have been assumed are higher than the economic benefits that the Company expects to obtain by virtue of the contract. This provision is based on the current value of the lower between the cost of cancelling the contract and the net cost of pursuing it. Prior to recognizing the provision, the company recognises any impairment of the assets associated with the contract.

### *Provisions for restoration of points of sale*

For leases which contain a clause requiring restoration of the property, a specific provision is established. The book value of the liability includes the costs to be incurred up to the time that the properties are returned to the lessor.

### *Restructuring provision*

A provision is established for restructuring when there is a detailed and official programme for restructuring that has been approved and the restructuring has begun or the main aspects of which have been publicly disclosed to third parties.

## **Trade payables**

The payables are recognised at their nominal value net of discounts, returns or invoicing adjustments, representative of the fair value of the obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

## **Assets held for sale**

The assets which are held for sale are those for which recovery of the value will take place mainly through sale rather than through use. The classification in this category takes place from the time that the sale of a group of assets is considered highly probable and the assets and liabilities are immediately available for sale in their current conditions. The assets held for sale are measured at the lower between the cost and the fair value net of the costs to sell.

## Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Company tests the asset for impairment.

The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Company has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

In evaluating whether there is an indication of impairment of an asset, the Company considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Company's discount rate, thereby diminishing the recoverable value of the asset;
- significant changes in the technological environment and market in which the Company operates;
- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;
- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);
- operating losses resulting from interim results.

If the analysis shows that there are potential losses due to impairment, the management will make a preliminary check relative to the useful life, the amortization criterion, and the residual value of the asset and, based on the applicable accounting standard, shall make any amendments to these parameters; specific analysis relative to the impairment of the asset will take place at a later time.

As described in IAS 36, the recoverable value of an asset is the higher of the value in use and the fair value (net of costs to sell) of the asset itself. Furthermore, in the definition provided in the international accounting standard, the instructions are the same whether they refer to a single asset or to cash flow generating units.

In order to better understand the provisions of IAS 36, we provide below some key definitions:

**Value in use:** the value in use is the current value of all the cash flows of an asset or a generating unit, constituting the object of the valuation, which are expected to originate from it. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets used do not include the effects arising from the extraordinary activities (restructuring, sales and acquisitions) and cover a period of time of up to five financial years;

**Fair value:** it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Company uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

**Cash generating units (or cash flows):** a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs. The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values is higher than the book value, it is not necessary to identify the other amount as well. Furthermore, the fair value of an asset or cash generating unit is not always measurable, as there is no criterion that provides a reliable estimate of the selling price of an asset in an arm's length transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

Once all the useful values have been identified and determined in terms of evaluating the asset or the CGU, the book value is compared with the recoverable value and if the book value is higher than the recoverable value, the company will write down the asset to its recoverable value.

On each balance sheet closing date the company will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognised in previous years. This write back is recognised in the income statement.

### **Derivative financial instruments and hedge accounting**

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

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

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

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

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

#### *Cash flow hedges*

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

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

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

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

### **Share based payment**

Key executives and certain managers of the Company may receive a portion of their remuneration in the form of share based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share based payments as at the assignment date is recognised in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

### **Cancellation of financial assets and liabilities**

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

- the rights to receive the cash flows from an asset have been extinguished;
- the Company reserves the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party.

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

### **Revenue**

Revenues are recognised to the extent that the Company is likely to receive the economic benefits arising from them and the relative amount may be determined reliably, regardless of the collection. Revenues are measured at the fair value of the consideration received, not including discounts, reductions, bonuses or other taxes on sales. The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

#### *Sale of assets*

The revenue is recognised when the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the wholesale and B2B channel. As provided in the annex to IAS 18, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognised as revenue at the time that the consumer makes the purchase. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. Similarly the income from the sale is recognised upon purchase of the good by the consumer even if installation thereof is required. Indeed, the annex to IAS 18 provides that the revenue be recognised immediately upon

acceptance of delivery by the purchaser when the installation procedure is very simple (for example installation of a device that requires only unpacking, and connection to an electrical outlet).

The Company has a customer loyalty programme which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. The Company records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty programme and the historical information regarding the percentage of loyalty point usage by customers.

#### *Provision of services*

The revenues and the costs arising from the provision of services are recognised on the basis of the progress of the services at the closing date of the year. The progress is determined based on the valuation of the work that has been carried out. When several services are provided within a single contract, the consideration is distributed among the individual services based on the relative fair value.

For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, the Company recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

#### *Commissions*

The payments received on the sale of specific goods and services such as for example consumer loans, are calculated as a percentage of the value of the service that is carried out or, sometimes on the basis of a fixed consideration and they correspond with the amount of the commission received by the Company.

#### *Revenues from operating leases when the Company is the Lessor*

The revenues from operating leases (rental income) are recognised on a straight line basis throughout the duration of the leases existing as at the balance sheet closing date and they are classified among "other income" given their operating nature.

#### *Costs*

The costs and other operating expenses are recognised in the income statement when they are incurred on the basis of the accruals principle and the correlation of revenues, when they do not produce future economic benefits or when the latter do not have to be recognised as assets.

The costs for the purchase of merchandise are recognised upon assumption of all the risks and benefits connected to ownership and they are measured at the fair value of the consideration payable net of any reductions, returns, trade discounts and bonuses.

Agreements with suppliers involve recognising premiums and contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. For commercial agreements with a maturity date that is later than the end of the financial year an estimate is made based on the amount

of purchase or sale and on valuations that take into account historical data regarding the effective recognition of premiums and contributions by suppliers.

The costs for services are recognised on the basis of the progress of the services at the closing date of the year.

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

The costs arising from operating leases are recognised on a straight line basis throughout the duration of the reference contracts. Additional costs which depend on and are determined by the revenues achieved in a specific point of sale, are recognised on an accruals basis during the contractual period.

### ***Interest income and interest expense***

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

### ***Taxes***

#### ***Current taxes***

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

Following the loss of control of Italian Electronics Holdings which took place on 6 September 2017, the national tax consolidation scheme was interrupted and Italian Electronics Holdings as the consolidating party exercised its option with effect from the year ended 28 February 2015;

#### ***Deferred taxes***

The deferred taxes are calculated using the so-called "liability method" on the temporary differences from the balance sheet data between the tax values used as a reference for the assets and liabilities and the values included in the balance sheet. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient

taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished, considering the rates applicable and those already issued or essentially issued on the balance sheet date. The estimate has considered the provisions of law 208 of 28 December 2015 "Stability law 2016" which has provided for reduction of the IRES rate from 27.5% to 24% with effect for the tax years subsequent to 28 February 2017.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

### **Effects of the changes in foreign exchange rates**

The financial statements are presented in Euro, which is the Company's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognised in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

### **Earnings per share**

#### *Earnings per share - basic*

The basic earnings per share are calculated by dividing the profit of the company by the number of Unieuro S.p.A. shares on the date the financial statements are approved.

#### *Earnings per share - diluted*

The diluted earnings per share are calculated by dividing the profit of the company by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

### **Segment Reporting**

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the companies for allocation of resources and for analysis of the relative performances.

## 2.7 New accounting standards

### **The new accounting standards, amendments and interpretations endorsed by the European Union which came into effect from the year beginning 1 March 2017**

Though they entered into effect from the year that began on 1 March 2017, the following new documents have not had a significant effect on the financial statements in terms of disclosures or changes to the accounting standards, as they mainly refer to issues that do not apply to the Company:

Improvements to IFRS (2014-2016 cycle)
Amendments to IAS 7 - information
Amendments to IAS 12 - measurement of deferred tax income on unrealised losses

### **Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Company as at 28 February 2018**

Below are the new accounting standards or amendments to standards applicable for the years beginning after 1 January 2018, for which early application is allowed. The Company has decided not to adopt them early for preparation of these financial statements:

- IFRS 15 – “*Revenue from Contracts with Customers*”: On 28 May 2014, the IASB issued IFRS 15 “*Revenue from Contracts with Customers*” (hereinafter IFRS 15), which sets when and how to recognise revenue from contracts with customers (including contracts regarding work on order). In particular, IFRS 15 requires that recognition of revenues be based on the following 5 steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract (the goods or services that have been promised to the customer); (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contracts based on the standalone selling price of each good or service; and (v) recognise revenue when (or as) the entity satisfies a performance obligation. Moreover, IFRS 15 integrates financial statement information to provide with regard to the nature, amount, timing and uncertainty of revenues and the relative cash flows. The provisions of IFRS 15 are effective from the years beginning on or after 1 January 2018.
- IFRS 9 - “*Financial Instruments*”: On 24 July 2014, the IASB finished the revision of the accounting standard on financial instruments with the issuing of the complete version of IFRS 9 “*Financial Instruments*” ( IFRS 9). In particular the new provisions of IFRS 9: (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the *expected credit losses*); and (iii) amend the provisions regarding hedge accounting. The provisions of IFRS 9 are effective from the years beginning on or after 1 January 2018.
- IFRS 16 - “*Leases*”: 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 from the years beginning on or after 1 January 2019.

- Clarifications to IFRS 15 – “*Revenue from Contracts with Customers*”: 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. The provisions of IFRS 15 are effective from the years beginning on or after 1 January 2018.
- amendments to IFRS 4 - “*Insurance Contracts*“: On 12 September 2016 the IASB issued amendments to IFRS 4 “*Insurance Contracts*“ - joint application of IFRS 9 Financial instruments and IFRS 4 Insurance Contracts. The amendments to IFRS 4 are aimed at remedying the temporary accounting consequences of the time-lag between the date that IFRS 9 comes into force and the date that the new accounting standard for insurance contracts that replaced IFRS 4 comes into effect (IFRS 17). The provisions are effective from the years beginning on or after 1 January 2018.

Based on the facts and cases the new documents apply to and with account taken of the current accounting standards adopted by the Company, we believe that there will be significant effects

from the first time application of these documents insofar as IFRS 16, which will enter into effect from the years beginning on or after 1 January 2019. In fact, this new standard provides that a lessee, except for specific exemptions (e.g. short-term leases or leasing of goods with a minimal value), must 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 company of IFRS 16 is currently being calculated.

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

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

- On 8 December 2016, the IASB issued *IFRIC interpretation 22: Foreign Currency Transactions and Advance Consideration*. This new document provides clarification on the accounting of operations in foreign currency
- 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 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.
- 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 October 2017, the IASB issued amendments to IFRS 9 - *Prepayment Features with Negative Compensation*. The amendments are aimed at allowing the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets featuring an early termination option with negative compensation.
- On 12 October 2017, the IASB issued amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures*. The amendments are designed to clarify to which long-terms receivables from an associated company or joint venture which, in essence, are part of the net investment of the associated company or joint venture IFRS 9 applies.
- On 12 December 2017, the IASB published *Annual Improvements to IFRSs 2015 -2017 Cycle*, which include amendments to IAS 12 - *Income Taxes*, IAS 23 - *Borrowing Costs*, IFRS 3 - *Business Combination* and IFRS 11 - *Joint Arrangements*. The amendments will come into force on 1 January 2019. Early application is permitted.
- On 7 February 2018, the IASB published amendments to IAS 19 - “*Plan Amendment, Curtailment or Settlement*” which clarifies how pension expenses are calculated when there is a change in defined-benefit plans. The amendments will come into force on 1 January 2019.

### **3 INFORMATION ON FINANCIAL RISKS**

In terms of business risks, the main risks identified, monitored and, as specified below, actively managed by the Company are as follows:

- credit risk (both in relation to normal trading transactions with customers 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 following section provides qualitative and quantitative information regarding the incidence of these risks.

#### **3.1 Credit Risk**

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Company to the risk of default, subjecting it to potential lawsuits. By way of introduction we note that the credit risk which the Company is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Wholesale channel) and wholesale customers (B2b channel) which represent a total of 17.6% of the company's revenues as at 28 February 2018, require the company to use strategies and instruments to reduce this risk. The Company has in place processes for credit monitoring that provide for obtaining bank guarantees to cover a significant amount of the turnover in existence with customers, analyse the reliability of customers, the attribution of a credit line, control of exposures through reporting with separate payment deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations, lease instalments paid early and advances paid for services which therefore carry a limited credit risk.

The financial assets are 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 the financial assets represents the Company's maximum exposure to credit risk.

### **3.2 Liquidity Risk**

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby minimizing the cost of financial management. This translates into procuring financial resources sufficient to maintain the company's financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited 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 Company until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

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

The financial structure in its entirety is constantly monitored by the Company to ensure coverage of its liquidity needs. Below is the Company's financial structure by deadline for the years and at 28 February 2018 and 28 February 2017:

(Amounts in thousands of Euros)

	Balance as at 28 February 2018	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	47,479	6,961	40,518	-	47,479
Other financial liabilities	19,668	7,473	12,195	-	19,668
<b>Total</b>	<b>67,147</b>	<b>14,434</b>	<b>52,713</b>	<b>-</b>	<b>67,147</b>

(Amounts in thousands of Euros)

	Balance as at 28 February 2017	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	31,780	5,984	25,796	-	31,780
Other financial liabilities	6,845	2,418	4,427	-	6,845
<b>Total</b>	<b>38,625</b>	<b>8,402</b>	<b>30,223</b>	<b>-</b>	<b>38,625</b>

### 3.3 Market Risk

#### 3.3.1 Interest rate risk

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

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

The interest rate swaps in existence as at 28 February 2018 were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A. On 12 February 2018 following the closing which took place on 9 January 2018, the date on which the loan agreement known as the *Senior Facilities Agreement* was concluded (the "Loan Agreement"), new interest rate swaps associated with the term loan current supplied by the pool were concluded.

(Amounts in thousands of Euros)

Derivative contracts	Stipulated on	Expires on	Nominal value as at		Fair value as at	
			28 February 2018	28 February 2017	28 February 2018	28 February 2017
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	50,000	-	250	-

The interest rate swaps, which satisfy the requirements of IAS 39, are recognised using the hedge accounting method. The amount recognised in equity under the cash flow hedge reserve is equal to €191 thousand (negative) as at 28 February 2018 and zero as at 28 February 2017.

#### Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2018.

#### Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 BPS, would have resulted in an effect on financial expenses for 2018 as follows below.

<i>(Amounts in thousands of Euros)</i>	<b>- 50 bps</b>	<b>+ 50 bps</b>
As at 28 February 2018	11	(11)

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

We note that the sensitivity analysis arising from a hypothetical change in the market rates which respectively discount appreciation and depreciation equal to 50 BPS, takes into account the hedges established by the Company.

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

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

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

<i>(Amounts in thousands of Euros)</i>	<b>- 50 bps</b>	<b>+ 50 bps</b>
<i>Sensitivity analysis as at 28 February 2018</i>	(2)	2

### **3.3.2 Currency Risk**

The company is exposed to currency risk, which is the risk connected to fluctuations in the exchange rate of two currencies, mainly due to importation of merchandise. This risk is considered irrelevant for the Company since the volume of the transactions in a foreign currency is not significant; in any case the Company covers the estimated exposure to currency rate fluctuations related to the main transactions anticipated in the short term concerning merchandise imports which require payment to suppliers in United States dollars, using forward contracts for United States dollars. The fair value of the forward instruments in existence as at 28 February 2018 is negative at Euro 61 thousand. 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.

#### ***Sensitivity Analysis***

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

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

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

<i>(Amounts in thousands of Euros)</i>	Profits/(losses) for the year ended 28 February 2018	
	appreciation	depreciation
USD (5% change)	(3)	3

### 3.4 Fair value estimates

The fair value of the financial instruments listed on an active market is based on market prices as at the balance sheet date. The fair value of the instruments which are not listed on an active market is determined by using valuation techniques which are based on a series of methods and assumptions which are connected to market conditions as at the balance sheet 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 amortised 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.

The table below separates financial assets and liabilities by category as at 28 February 2018 and 29 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended 28 February 2018			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
<b>Financial assets not designated at fair value</b>				
Cash and cash equivalents	60,209	-	-	<b>60,209</b>
Trade receivables	40,366	-	-	<b>40,366</b>
Other assets	27,460	-	-	<b>27,460</b>
<b>Financial assets designated at fair value</b>				
Other assets		56		<b>56</b>
<b>Financial liabilities not designated at fair value</b>				
Financial liabilities		-	47,479	<b>47,479</b>
Trade payables		-	410,086	<b>410,086</b>
Other liabilities		-	163,150	<b>163,150</b>
				<b>262</b>

Other financial liabilities	-	19,345	<b>19,345</b>
<b>Financial liabilities designated at fair value</b>			
Other financial liabilities	-	323	<b>323</b>

(Amounts in thousands of Euros)

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

#### 4 INFORMATION ON OPERATING SEGMENTS

The operating segment identified by the Company which encompasses all services and products provided to customers, is unique and consists of the entire company. As the Company is a single channel business, there is only one Strategic Business Unit ("SBU"). The management has also identified within the SBU three Cash Generating Units ("CGUs") to which goodwill has been allocated. This approach is supported by the control model for operations by the company management which considers the entire operation as a whole, regardless of the product lines or geographic locations which are considered to be insignificant in terms of decision-making.

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

(in thousands of Euros and as a percentage of revenues)	Year ended	
	28 February 2018	28 February 2017
Revenue	1,835,518	1,660,495
<b>GROSS OPERATING PROFIT</b>	<b>44,349</b>	<b>38,084</b>
<i>% of revenues</i>	2.4%	2.3%
Depreciation, amortisation and write-downs	(27,346)	(17,958)
<b>OPERATING PROFIT</b>	<b>17,003</b>	<b>20,126</b>
Financial income	299	358
Financial expenses	(7,920)	(6,222)
		263



<b>PROFIT BEFORE TAX</b>	<b>9,382</b>	<b>14,262</b>
Income taxes	(861)	(2,675)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>8,521</b>	<b>11,587</b>

The impact of the gross Profit/(loss) on Revenues rose from 2.3% for the year ended 28 February 2017 to 2.4% for the year ended 28 February 2018, with the increase mainly due to the increase in sales volumes.

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Grey	850,908	798,791
White	486,163	421,929
Brown	332,199	301,370
Other	101,159	79,855
Services	65,089	58,550
<b>Total</b>	<b>1,835,518</b>	<b>1,660,495</b>

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Abroad	7,540	7,000
Italy	1,827,978	1,653,495
<b>Total</b>	<b>1,835,518</b>	<b>1,660,495</b>

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

Non-current assets in countries other than those in which the Company has branches are not recognised.

## **5 NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS**

### **5.1 Plant, machinery, equipment and other assets**

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Amounts as at 28 February 2018</b>			<b>Amounts as at 28 February 2017</b>		
	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>	<b>Historical cost</b>	<b>Accumulated Amortisation and Depreciation</b>	<b>Net book value</b>
Plant and machinery	122,078	(88,848)	33,230	107,488	(81,711)	25,777
Equipment	18,445	(14,269)	4,176	17,085	(13,622)	3,463
Other assets	164,523	(129,447)	35,076	147,436	(120,766)	26,670
Tangible assets under construction	2,232	-	2,232	4,912	-	4,912

<b>Total plant, machinery, equipment and other assets</b>	<b>307,278</b>	<b>(232,564)</b>	<b>74,714</b>	<b>276,921</b>	<b>(216,099)</b>	<b>60,822</b>
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The change in the item “Plant, machinery, equipment and other assets” for the period from 29 February 2016 to 28 February 2018 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Plant and machinery</b>	<b>Equipment</b>	<b>Other assets</b>	<b>Tangible assets under construction and payments on account</b>	<b>Total</b>
<b>Balance as at 29 February 2016</b>	<b>21,891</b>	<b>3,605</b>	<b>23,210</b>	<b>2,817</b>	<b>51,523</b>
Increases	9,588	718	11,078	4,451	25,835
Decreases	(13)	(181)	(81)	(2,356)	(2,631)
Amortisation, depreciation and write downs/(write backs)	(5,702)	(843)	(7,605)	-	(14,150)
Decreases in Amortisation, Depreciation Provision	13	164	68	-	245
<b>Balance as at 28 February 2017</b>	<b>25,777</b>	<b>3,463</b>	<b>26,670</b>	<b>4,912</b>	<b>60,822</b>
Increases	13,905	1,365	15,857	1,774	32,901
Business unit acquisitions	685		1,242		1,927
Decreases	0	(5)	(10)	(4,454)	(4,469)
Amortisation, depreciation and write downs/(write backs)	(7,137)	(651)	(8,693)	-	(16,481)
Decreases in Amortisation, Depreciation Provision		4	10		14
<b>Balance as at 28 February 2018</b>	<b>33,230</b>	<b>4,176</b>	<b>35,076</b>	<b>2,232</b>	<b>74,714</b>

In the year ended 28 February 2018, the Company made investments net of decreases in the category "Assets under construction" of €30,374 thousand.

In particular, the investments were mainly: (i) interventions for restructuring of selected points of sale costing €5,784 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening and acquisition of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets from the Andreoli S.p.A. and Cerioni S.p.A. business units costing €13,487 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing €812 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing €6,043 thousand; (v) investments in a new data centre and other tangible infrastructures costing €1,421 thousand and (vi) a contribution resulting from the acquisition of 21 sales outlets belonging to the Andreoli S.p.A. business unit and from the acquisition of 19 sales outlets belonging to the Cerioni S.p.A. business unit costing €1,927 thousand.

The new financial leases are equal to €2,655 thousand and of these €198 thousand referred to electronic machines and €2,457 thousand to furniture and furnishings.

Note that the acquisition of the 21 sales outlets belonging to the Andreoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit were configured as business combinations and therefore came under the scope of IFRS 3. As required by the principle, the tangible assets were measured and recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

The Company used internal techniques to measure this fair value, with the estimated value of the assets acquired standing at €1,927 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.

The values and useful life were reflected in the Financial Statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For further details, see note 5.28 “Business unit combinations”

The item "Amortization and write-downs (write backs)" of €16,4810 thousand includes €15,498 thousand in depreciation and €983 thousand of write-downs and write backs. 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.

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

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

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

The item "Amortization and write-downs (write backs)" of €14,150 thousand includes €13,312 thousand in depreciation and €838 thousand of write-downs and write backs. The write-downs 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 also includes write-downs of assets existing at the Oderzo (TV) point of sale following a fire that took place on 25 February 2017.

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 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Goodwill	167,549	151,396

<b>Total Goodwill</b>	<b>167,549</b>	<b>151,396</b>
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The change in the “Goodwill” item for the period from 29 February 2016 to 28 February 2018 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Goodwill</b>
<b>Balance as at 29 February 2016</b>	<b>151,396</b>
Acquisitions	-
Write-downs	-
<b>Balance as at 28 February 2017</b>	<b>151,396</b>
Acquisitions	16,153
Increases	-
Write-downs	-
<b>Balance as at 28 February 2018</b>	<b>167,549</b>

The value of goodwill at 28 February 2018, equalling €167,549 thousand, increased over the year ended 28 February 2017 by €16,153 thousand. The increase relates to the following operations: (i) for €10,500 thousand to the acquisition of a business unit from Andreoli S.p.A., composed of 21 sales outlets and (ii) for €5,653 thousand to the acquisition of a business unit from Cerioni S.p.A., composed of 19 sales outlets.

It should be noted that, at the time of acquisition, Unieuro availed itself of the right provided under 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. Significant variations on what already have been accounted are not expected. For more details about the transactions, see note 5.28 "Business unit combinations".

The value of goodwill to 28 February 2017 refers to: (i) the contribution from the merger by incorporation of the former Unieuro which took place on 26 February 2016. The contribution of €32,599 thousand is mainly composed of the allocation of the deficit generated by the incorporation transactions involving the former Unieuro S.p.A., Unieuro Campania S.r.l. and Trony Pordenone S.r.l., into Brunello S.p.A. (later renamed Unieuro S.r.l.) made by the former Unieuro in the company's financial year ending 30 April 2004, and (ii) of €194 thousand, on the adjustment of the price calculated in relation to the acquisition of the business unit Dixons Travel, which was concluded on 11 February 2015 and paid for on 10 September 2015. The 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 €4,993 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 €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 €8,603 thousand from the merger of Marco Polo Retail S.r.l. into Unieuro during 2009, and (vi) for €5,082 thousand from other minor mergers and acquisitions of business units.

It should also be noted that, in the previous year ended 28 February 2017, no changes took place in the item in question.

### **5.2.1 Impairment test**

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

The goodwill impairment test prepared by the Company for each CGU was approved by the Company's Board of Directors on 26 April 2018. In the elaboration of the *impairment test* the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

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

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

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

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

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

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

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

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

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the

business model used. The allocation took place based on the relative fair values as at 28 February 2014. As described previously, the Company opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

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

The Business Plan used for the impairment test referring to the financial year ending 28 February 2018 was originally approved by the Board of Directors on 12 December 2016 and successively updated by the Board of Directors on 17 April 2018. The Business Plan underlying the impairment test was prepared taking into account recent business performance. Specifically, the stocktaking data referred to the period ending 28 February 2017 and 28 February 2018 have been taken into consideration, the budget for the period ending 28 February 2019 was elaborated and, as a result, the financial data until 28 February 2023 was updated.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2018 are based, among other things, on external sources and on the analyses conducted by the Company with the support of a leading consulting firm. In this regard, note that based on the market sources used by the Company, the Italian market of traditional consumer electronics channels (i.e. excluding internet channels) was estimated as slightly down in the period 1 January 2016 – 31 December 2021, while the Online channel is expected to grow.

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

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

- (iv) **CGU Retail:** sales are taken as growing over the reference time frame;
- (v) **CGU Wholesale:** growing sales as a result of the development of the assets of existing affiliates and the acquisition of new affiliates;
- (vi) **CGU B2B:** sales constant during the reference time frame.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;

- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 10,50%.

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

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

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

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

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

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

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Company overall, this latter figure is

located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.

- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Company's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2018.

as at 28 February 2018	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
<i>(Amounts in millions of Euros)</i>					
CGU Retail	10.50%	0.0%	207.8	363.7	57.1%
CGU Wholesale	10.50%	0.0%	350.1	58.2	60.3%
CGU B2B	10.50%	0.0%	16.0	24.14	66.2%

The results of the impairment tests as at 28 February 2018 are given below:

as at 28 February 2018		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
<i>(Amounts in millions of Euros)</i>				
CGU Retail	EUR/mln	40.5	363.7	323.2
CGU Wholesale	EUR/mln	4.3	58.2	53.8
CGU B2B	EUR/mln	(5.7)	24.1	29.8

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

Note that the carrying amount of the CGU B2B as at 28 February 2018 was negative as a result of the negative net working capital allocated to the CGU B2B.

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

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

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2018, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 28 February 2018	Terminal plan EBITDA				
<i>(Amounts in millions of Euros)</i>					
RA Sensitivity Difference compared with CA	0.0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
CGU Retail	323.2	299.2	275.2	251.3	227.3
CGU Wholesale	53.8	50.9	47.9	45.0	42.0
CGU B2B	29.8	28.4	27.0	25.7	24.3



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

Parameter / CGU	Retail	Wholesale	B2B
EBITDA % change (Plan and TV)	(65.5%)	(91.1%)	(104.5%)
g factor	n.a. <sup>(1)</sup>	n.a. <sup>(1)</sup>	n.a. <sup>(1)</sup>
WACC	79.5%	160.4%	n.a. <sup>(1)</sup>

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

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

as at 28 February 2018 (Amounts in millions of Euros)		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
CGU Retail	EUR/mln	40,5	306,0	265,5

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

### 5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 28 February 2018 and as at 28 February 2017:

(Amounts in thousands of Euros)	Amounts as at 28 February 2018			Amounts as at 28 February 2017		
	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Software	46,112	(35,305)	10,807	40,599	(31,540)	9,059
Concessions, licences and brands	7,407	(6,176)	1,231	7,407	(5,751)	1,656
Key Money	5,710	(398)	5,312	-	-	-
Intangible fixed assets under construction	1,071	-	1,071	1,093	-	1,093
<b>Total intangible assets with a finite useful life</b>	<b>60,300</b>	<b>(41,879)</b>	<b>18,421</b>	<b>49,099</b>	<b>(37,291)</b>	<b>11,808</b>

The change in the item "Intangible assets with a finite useful life" for the period from 29 February 2016 to 28 February 2018 is given below:

(Amounts in thousands of Euros)

	Software	Concessions, licences and brands	Key Money	Intangible fixed assets under construction	Total
<b>Balance as at 29 February 2016</b>	<b>8,673</b>	<b>2,340</b>	-	<b>184</b>	<b>11,197</b>
Increases	3,507	3	-	909	4,419
Decreases	-	-	-	-	-
Amortisation, depreciation and write downs/(write backs)	(3,121)	(687)	-	-	(3,808)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
<b>Balance as at 28 February 2017</b>	<b>9,059</b>	<b>1,656</b>	-	<b>1,093</b>	<b>11,808</b>
Increases	5,513	1	3,320	1,071	9,905
Business unit acquisitions	-	-	2,390	-	2,390
Decreases	-	-	-	(1,093)	(1,093)
Amortisation, depreciation and write downs/(write backs)	(3,765)	(426)	(398)	-	(4,589)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
<b>Balance as at 28 February 2018</b>	<b>10,807</b>	<b>1,231</b>	<b>5,312</b>	<b>1,071</b>	<b>18,421</b>

Regarding the year ended 28 February 2018, the total increases of €1,202 thousand mainly relate to the “Software” category for €5,513 thousand, and to the “Key money” category for €710 thousand.

The increases relating to the “Software” of €5,513 thousand, are mainly attributable to: (i) new software and licences, (ii) costs incurred for the development and updating of the website [www.unieuro.it](http://www.unieuro.it) and (iii) costs incurred for extraordinary operations on existing management software.

The increases relating to the category “Key money” of €3,320 thousand refer to the payment of Key money for the lease agreements concluded during the year for the Euroma2 sales outlet, the sales outlet located in Brescia and the sales outlet located in Modena which opened in December 2017. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract.

The investments relating to the acquisitions of the business units in the “Key money” category for €2,390 thousand refer to the acquisition of the 21 sales outlet belonging to the Anderoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit. These transactions are configured as business combinations and come under the scope of IFRS 3. As required by the principle, 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. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. The values and useful life were reflected in the Financial Statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For further details, see note 5.28 “Business unit combinations”

For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money.

Increases in fixed assets under construction are related to the implementation of new software.

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

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

#### 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 28 February 2018 is given below:

##### *Deferred tax assets*

<i>(Amounts in thousands of Euros)</i>										
	Bad debt provision - amount due from suppliers	Obsolescence Provision	Tangible assets	Intangible assets	Capital Reserves	Provision for risks and charges	Other current liabilities	Net deferred tax assets	Deferred tax assets relating to tax losses	Total net deferred tax assets
<b>Balance as at 29 February 2016</b>	<b>957</b>	<b>1,256</b>	<b>848</b>	<b>5,282</b>	<b>871</b>	<b>1,529</b>	<b>10,143</b>	<b>20,886</b>	<b>8,026</b>	<b>28,912</b>
Contribution from merger	-	-	-	-	-	-	-	-	-	-
Provision/Releases to the Income Statement	(119)	354	38	(546)	-	(403)	(3,496)	(4,172)	4,726	554
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	(28)	-	-	(28)	-	(28)
<b>Balance as at 28 February 2017</b>	<b>838</b>	<b>1,610</b>	<b>886</b>	<b>4,736</b>	<b>843</b>	<b>1,126</b>	<b>6,647</b>	<b>16,686</b>	<b>12,752</b>	<b>29,438</b>
Provision/Releases to the Income Statement	(14)	878	21	(446)	-	237	(3,025)	(2,349)	2975	626
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	41	-	-	41	-	41
<b>Balance as at 28 February 2018</b>	<b>824</b>	<b>2,488</b>	<b>907</b>	<b>4,290</b>	<b>884</b>	<b>1,363</b>	<b>3,622</b>	<b>14,378</b>	<b>15,727</b>	<b>30,105</b>

The balance at 28 February 2018, equal to €30,105 thousand, is mainly composed of: (i) €10,400 thousand in temporary differences mainly due to goodwill, other current liabilities and the obsolescence provision; (ii) €15,727 in deferred tax assets recorded on tax losses. The change in the item deferred tax assets recorded in the financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;
- the provision of €2,975 thousand in deferred tax assets relating to tax losses.

The balance as at 28 February 2017, equal to €29,438 thousand, is composed mainly of €6,647 thousand from deferred tax assets recorded in other current liabilities, composed of deferred income for guarantee extension services, deferred tax assets recorded on tax losses of €12,752 thousand and deferred tax assets recorded on goodwill of €4,736 thousand. The change in the item deferred tax assets recorded in the last financial year is mainly related to:

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

Note that the tax losses still available as at 28 February 2018 are equal to €399,229 thousand (tax losses available as at 28 February 2017 stood at €408,940 thousand).

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

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over taking into consideration their possible recovery over a time frame of three years;
- the forecast of the Company's earnings in the medium and long-term.

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

### *Deferred tax liabilities*

<i>(Amounts in thousands of Euros)</i>	<b>Intangible assets</b>	<b>Total net deferred taxes</b>
<b>Balance as at 29 February 2016</b>	<b>269</b>	<b>269</b>
Provision/Releases to the Income Statement	53	53
Provision/Releases to the Comprehensive Income Statement	-	-
<b>Balance as at 28 February 2017</b>	<b>322</b>	<b>322</b>
Provision/Releases to the Income Statement	308	308
Provision/Releases to the Comprehensive Income Statement	-	-
<b>Balance as at 28 February 2018</b>	<b>630</b>	<b>630</b>

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

### **5.5 Other current assets and other non-current assets**

Below is a breakdown of the items “Other current assets” and “Other non-current assets” as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Deferred charges	11,110	8,008
Tax credits	2,225	2,507
Accrued income	888	1,563
Other current assets	171	1,760
Advances to suppliers	27	27
<b>Other current assets</b>	<b>14,421</b>	<b>13,865</b>
Equity investments	10,811	90
Deposit assets	2,066	1,605
Deposits to suppliers	218	461
<b>Other non-current assets</b>	<b>13,095</b>	<b>2,156</b>
<b>Total Other current assets and Other non-current assets</b>	<b>27,516</b>	<b>16,021</b>

The item "Other current assets" mainly includes deferred charges with regard to building insurance, rental and common charges and the hire of road signs; accrued income refers to adjustments on common charges at sales points.

The increase in the item deferred charges is mainly due to the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenze warehouse which took place in August 2017 with a new insurance contract signed with a new pool of insurers which led to an increase in the premium.

The decrease in the item other current assets is mainly due to the collection of the receivable from the Ministry of Education, Universities and Research for the "Carta del Docente" (teacher accreditation) which stood at €24 thousand in the year ended 28 February 2018 (€1,623 thousand in the year ended 28 February 2017). This certificate is an initiative of the Ministry of Education, Universities and Research required by Law 107 of 13 July 2015, Article 1, paragraph 121, aimed at enabling teachers to take advantage of a voucher worth €500 to purchase educational material for teaching purposes.

Tax credits as at 28 February 2018 and 28 February 2017 refer, in the main, for €1,610 thousand to the IRES credit for IRAP not deducted.

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

The breakdown of the item "Equity Investments" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Equity investment in Monclick S.r.l.	10,724	-
Other equity investments	87	90
<b>Equity investments</b>	<b>10,811</b>	<b>90</b>

The change in the item "Equity investments" for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	<b>Equity investments</b>
<b>Balance as at 29 February 2016</b>	<b>103</b>
Acquisitions	-
Increases	-
Write-downs	(13)
<b>Balance as at 28 February 2017</b>	<b>90</b>
Acquisitions	10,000
Increases	7,000
Write-downs	(6,279)
<b>Balance as at 28 February 2018</b>	<b>10,811</b>

Information relating to the equity investments owned in associated companies at 28 February 2018 is given below pursuant to Article 2427 of the Italian Civil Code:

(Amounts in thousands of Euros)	Registered office	Carrying amount	Share Capital	Ownership percentage	Shareholders' equity	Profit (loss) for the year
Monclick S.r.l.	Vimercate (MB)	10,724	100	100%	1,402	(3,916)

On 9 June 2017, Unieuro concluded the acquisition from Project Shop Land S.p.A. of 100% of Monclick, one of the leading online operators in Italy, active in the consumer electronics market and in the *online* B2B2C market. The transaction value is €10,000 thousand, of which €3,500 thousand was paid at the closing and the remainder spaced out over 5 years.

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 investee company 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.

In the fourteen month period ended 28 February 2018, the subsidiary recorded revenues of €100,792 thousand and a loss for the period of €3,916 thousand.

The profit/(loss) for the period featured: (i) increasing competitive pressure to which the pure players were subjected which led Monclick to defend its market shares by sacrificing, especially in the first part of the period, its margins, (ii) increasing demands for a more prompt and efficient service from customers which led to an increase in logistic costs for the entire year and (iii) the closing of the French website [www.monclick.fr](http://www.monclick.fr) which resulted in a fall in sales volumes. Actions were also implemented during the period designed to mitigate the impacts on the income statement of the above-mentioned developments including: (i) the implementation of the drop shipping flow by Unieuro which involves an improvement in buying conditions; (ii) the cutting of logistics costs by exploiting the synergies generated through the current Unieuro S.p.A. distribution structure and (iii) efficiency in administrative services and general expenses.

Monclick therefore launched an organisational and structural review process aimed at the gradual rebalancing of operations. Plans were prepared and developed for this process to strengthen business activities and a strategy was implemented to increase revenues and make costs more efficient.

On 29 June 2017 and 10 January 2018 the Unieuro Board of Directors approved payments to the provision to cover losses of €1.192 thousand and €1,783 thousand, respectively and capital contribution payments of €2,808 thousand and €1,217 thousand, respectively. The payment yet to be made on 28 February 2018 is equal to €1,217 thousand and was made through offsetting on 31 March 2018.

Trade receivables due to Monclick at 28 February 2018 stood at €2,802 thousand, while trade payables by Monclick at 28 February 2018 stood at €1,812 thousand. For more information, see note 5.7 Trade receivables and 5.16 Trade payables.

### 5.5.1 Impairment test on the value of the equity investment

The equity investment in Monclick at 28 February 2018 was subjected to an impairment test by comparing the recoverable value with the carrying amount of the equity investment. The

recoverable value is represented by the greater of the fair value of the asset excluding sales costs and its value in use.

The value in use was calculated as the current value of future cash flows that are expected to be generated by the *Cash Generating Unit* “CGU” identified in Monclick, discounted at the rate that reflects the specific risks of the CGU at the valuation date.

The source of the data on which the assumptions are made for determining the cash flows are the final balances and the business plan of the investee company approved by Director of Monclick on 30 March 2018. The reference market growth estimates included in the business plan used for the impairment test at 28 February 2018 are based, among other things, on external sources and on the analyses conducted by the Company. Note that, based on the market sources used by the Company, the online market is expected to grow.

The impairment test was approved by the Board of Directors on 26 April 2018. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" of 0% was used;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) is 12.44%.

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

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

The results of the impairment tests as at 28 February 2018 are given below:

as at 28 February 2018		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
<i>(Amounts in millions of Euros)</i>				
Monclick S.r.l.	EUR/mln	17.0	10.7	(6.3)

It emerged from the results of the impairment test that the carrying amount of the equity investment exceeded its recoverable value therefore there was the need to make an adjustment to the carrying amount of the equity investment of €6,276 thousand.

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

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the equity investment in Monclick subject to impairment tests as at 28 February 2018, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 28 February 2018		Terminal plan EBITDA				
<i>(Amounts in millions of Euros)</i>		WACC				
RA Sensitivity Difference compared with CA		0.0%	(5.0%)	(10.0%)	(15.0%)	(20.0%)
Monclick S.r.l.	12.44%	(6.3)	(6.7)	(7.0)	(7.4)	(7.8)

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2018, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 28 February 2017		Perpetual growth rate (g)				
<i>(Amounts in millions of Euros)</i>		WACC				
RA Sensitivity Difference compared with CA		0.0%	(0.5%)	(1.0%)	(1.5%)	(2.0%)
Monclick S.r.l.	12.44%	(6.3)	(6.7)	(7.0)	(7.4)	(7.7)

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

## 5.6 Inventories

Warehouse inventories break down as follows:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Merchandise	321,545	274,520
Consumables	561	801



<b>Gross stock</b>	<b>322,106</b>	<b>275,321</b>
Inventory bad debt provision	(8,918)	(5,770)
<b>Total Inventories</b>	<b>313,188</b>	<b>269,551</b>

The value of gross inventories went from €275,321 thousand as at 28 February 2017 to €322,106 thousand as at 28 February 2018, an increase of 17,0% in total gross inventories. The increase is attributable to: (i) the reopening of 21 sales outlets acquired from Andreoli S.p.A., operational from 1 July 2017, the acquisition of the flagship store in the Euroma2 shopping centre, opened on 20 September, the progressive reopening, from 16 November, of the 19 sales outlets acquired from Gruppo Cerioni S.p.A. and the new openings that took place during the period in question, totalling 7 points of sale, (ii) the increase in volumes managed and (iii) the completion of integration activities with Monclick which allow the subsidiary to process website sales through the Unieuro warehouses.

The value of inventories is adjusted by the warehouse bad debt provision which includes the prudential write-down of the value of merchandise with possible obsolescence indicators.

The change in the obsolescence fund for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>		<b>Inventory bad debt provision</b>
<b>Balance as at 29 February 2016</b>		<b>(4,000)</b>
Provisions		(1,770)
Releases to the Income Statement		-
Utilisation		-
<b>Balance as at 28 February 2017</b>		<b>(5,770)</b>
Direct write-down		(4,892)
Provisions		-
Releases to the Income Statement		1,744
Utilisation		-
<b>Balance as at 28 February 2018</b>		<b>(8,918)</b>

The increase in the inventory bad debt provision of €3,148 thousand is attributable to: (i) the presentation of the direct write-down within the inventory bad debt provision of €4,892 thousand and (ii) the adjustment of the inventory bad debt provision which includes the prudential write-down of merchandise at 28 February 2018 of €1,744 thousand. The direct write-down at 28 February 2017 was €4,892 thousand and was in part attributable to the impairment of the stock at the Oderzo (TV) sales point equal to €1,062 thousand which took place following the fire which occurred on 25 February 2017. After sinister has occurred, Unieuro promptly activated the related insurance coverage. At the moment of the elaboration of the Financial Statements there are not present: (i) objective elements for reconstruct the events that in any case could identify responsibilities at the expense of Unieuro and (ii) an official quantification from the jurisdiction authorities involved or from the experts nominated by the insurance. The Company believes to possess all the relevant insurance coverages.

## **5.7 Trade receivables**

A breakdown of the item “Trade receivables” as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Trade receivables from third-parties	39,906	37,238
Trade receivables from related-parties	2,802	244
<b>Gross trade receivables</b>	<b>42,708</b>	<b>37,482</b>
Bad debt provision	(2,342)	(2,279)
<b>Total Trade receivables</b>	<b>40,366</b>	<b>35,203</b>

The value of receivables, which refer to Wholesale and B2B channels, was up by €5,163 thousand compared with the previous year with the increase mainly attributable to different invoicing and collection dynamics compared with the year ended 28 February 2017.

The change in the bad debt provision for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Bad debt provision
<b>Balance as at 29 February 2016</b>	<b>(2,352)</b>
Provisions	-
Contribution from merger	-
Releases to the Income Statement	-
Utilisation	73
<b>Balance as at 28 February 2017</b>	<b>(2,279)</b>
Provisions	(146)
Releases to the Income Statement	-
Utilisation	83
<b>Balance as at 28 February 2018</b>	<b>(2,342)</b>

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 EUR 2,342 thousand as at 28 February 2018 and EUR 2,279 thousand as at 28 February 2017.

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

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

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

## 5.8 Current tax assets

Below is a break down of the item "Current tax assets" as at 28 February 2018 and as at 28 February 2017:

### *Current tax assets*

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Other IRES credits	2,649	2,469
IRAP credits	238	1,444
IRES credits	-	4,042
<b>Total Current tax assets</b>	<b>2,887</b>	<b>7,955</b>

At 28 February 2018 IRES credits of €2,649 thousand were recorded under "Other IRES credits" and included the receivable due from the previous year and the credit generated during the year for withholdings. The item "IRES credits", which at 28 February 2017 stood at €4,042 thousand, included the receivable from the tax consolidation involving Italian Electronics Holdings, collected during the year following the break in the consolidation relationship. On 6 September 2017, Italian Electronics Holdings sold some Unieuro shares on the market thereby losing control over the company.

Lastly, the item includes IRAP credits of €238 thousand, down compared with the previous year, as a result of the offsetting of IRAP due for the year ended 28 February 2018.

## 5.9 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Bank accounts	52,691	28,951
Petty cash	7,518	7,715
<b>Total cash and cash equivalents</b>	<b>60,209</b>	<b>36,666</b>

Cash and cash equivalents stood at €60,209 thousand as at 28 February 2018 and €36,666 thousand as at 28 February 2017.

The item consists of cash on hand, deposits and securities on demand or at short notice at banks that are available and readily usable. At 28 February 2017 there was a pledge on a current account of €50 thousand relating to a guarantee given for the leasing of several sales outlets vacant on 27 March 2017.

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

## 5.10 Shareholders' equity

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

<i>(Amounts in thousands of Euros)</i>	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity
<b>Balance as at 29 February 2016</b>	<b>4,000</b>	<b>800</b>	<b>48,461</b>	<b>(74)</b>	<b>(858)</b>	<b>3,172</b>	<b>57,999</b>	<b>(40,067)</b>	<b>73,433</b>
Profit (loss) for the year	-	-	-	-	-	-	-	11,587	11,587
Other components of comprehensive income	-	-	-	74	(1)	-	-	-	73
<b>Total statement of comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>11,587</b>	<b>11,660</b>
Allocation of prior year result	-	-	10,642	-	-	-	-	(10,642)	-
Distribution of dividends	-	-	(3,880)	-	-	-	-	-	(3,880)
Share-based payment settled with equity instruments	-	-	-	-	-	3,766	-	-	3,766
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>6,762</b>	<b>-</b>	<b>-</b>	<b>3,766</b>	<b>-</b>	<b>(10,642)</b>	<b>(114)</b>
<b>Balance as at 28 February 2017</b>	<b>4,000</b>	<b>800</b>	<b>55,223</b>	<b>0</b>	<b>(859)</b>	<b>6,938</b>	<b>57,999</b>	<b>(39,122)</b>	<b>84,979</b>
Profit (loss) for the year	-	-	-	-	-	-	-	8,521	8,521
Other components of comprehensive income	-	-	-	(191)	46	-	-	-	(145)
<b>Total statement of comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(191)</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>8,521</b>	<b>8,376</b>
Allocation of prior year result	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	(8,413)	-	-	-	-	(11,587)	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	(5,586)	-	6,971	1,385
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>(8,413)</b>	<b>-</b>	<b>-</b>	<b>(5,586)</b>	<b>-</b>	<b>(4,616)</b>	<b>(18,615)</b>
<b>Balance as at 28 February 2018</b>	<b>4,000</b>	<b>800</b>	<b>46,810</b>	<b>(191)</b>	<b>(813)</b>	<b>1,352</b>	<b>57,999</b>	<b>(35,217)</b>	<b>74,740</b>

Shareholders' equity, equal to €74,740 thousand (€84,979 thousand as at 28 February 2017) fell during the year as a result of: (i) the distribution of a dividend of €20,000 thousand of which €1,587 thousand was in respect of the profit for the year ended 28 February 2017 and €8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting; (ii) the recording of a profit for the year of €8,521 thousand and the other components of the comprehensive income statement of €145 thousand; and (iii) the recording in the reserve for share-based payments of €679 thousand with regard to the Long Term Incentive Plan for certain managers and employees and €706 with reference to the Call Option Agreement that ended following listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana which took place on 4 April 2017.

The Share capital as at 28 February 2018 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of EUR 800 thousand as at 28 February 2018 (EUR 800 thousand as at 28 February 2017), 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 28 February 2018;

- the extraordinary reserve of €46,810 thousand at 28 February 2018 (€55,223 thousand at 28 February 2017); this reserve fell during the period as a result of the distribution of a dividend of €20,000 thousand of which €11,587 thousand was in respect of the profit for the year ended 28 February 2017 and for €8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by €191 as at 28 February 2018 (zero as at 28 February 2017); 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 signed during the year (for more details, refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of €13 thousand as at 28 February 2018 (€59 thousand as at 28 February 2017); it fell by €46 thousand following the actuarial valuation relating to severance pay;

the reserve for share-based payments amounting to €1,352 thousand as at 28 February 2018 (€6,938 thousand as at 28 February 2017); the reserve has changed due to the Call Option Agreement as a result of: (i) the recognition of €706 thousand as the offset of the personnel costs for the share-based payment plan and (ii) the integral issuing following the successful outcome of the project of listing the share-based payment reserve under the item Profits/(losses) carried forward for a total of €7,644 thousand; with regard, on the other hand, to the Long Term Incentive Plan agreed during the year, as a result of: (i) the recording of €1,352 thousand to offset the personnel expenses for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 29 June 2017 which involved the reclassification of the monetary bonus accrued to managers and employees set out in the for the item other non-current liabilities. It should therefore be noted that the reserve for share-based payments of Euro 1,352 thousand and the Profit (losses) carried forward – LTIP of Euro 673 thousand both refer to the accounting of the share-based payment plan called Long Term Incentive Plan and together represent the fair value measurement of the options granted under the plan (IFRS 2). For more details, please see Note 5.26.

Shareholders' equity, equal to €84,979 thousand as at 28 february 2017 (€73,433 thousand as at 29 February 2016) rose during the year as a result of: (i) the recording of a profit for the period of €11,587 thousand and other items of the comprehensive income statement of €73 thousand; (ii) the distribution of an extraordinary dividend of €3,880 thousand through the use of part of the extraordinary reserve, as approved on 28 November 2016 by the Shareholders' Meeting and (iii) the recording in the reserve for share-based payments of €3,766 thousand which refers to the Call Option Agreement reserved for certain managers and employees.

The Share capital as at 28 February 2017 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

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

- the extraordinary reserve of €5,223 thousand as at 28 February 2017 (€48,461 thousand as at 29 February 2016); this reserve increased during the period as a result of the allocation of the profit for the previous year of €10,642 thousand and decreased following the distribution of dividends of €3,880 thousand;

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

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

- the reserve for share-based payments of €6,938 thousand as at 28 February 2017 (€3,172 thousand as at 29 February 2016); this reserve includes the increase of €3,766 thousand offsetting the personnel costs of the share-based payment plan (as described in Note 5.26).

During the years ended 28 February 2018 and 28 February 2017 there were no assets allocated to specific businesses.

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

(Amounts in thousands of Euros)

Nature / Description	Amount	Possibility for use (*)	Amount Available	Use in the previous 3 financial years to cover losses	Use in the previous 3 financial years for other reasons
<b>Capital</b>	4,000	B	4,000		
<b>Capital Reserves</b>					
Share premium reserve	69	A, B, C	69		
Other capital reserves	61,191	A, B, C	61,191		
Reserve for share-based payments - LTIP	1,352	A, B	1,352		
<b>Suspended tax retained earnings</b>					
Reserve pursuant to Law No. 121/87	75	A, B, C	75		
<b>Retained Earnings</b>					
Legal Reserve	800	A, B	800		
Extraordinary Reserve	46,810	A, B, C	46,810		12,293 (**)
TFR (Severance Pay) Actuarial Valuation Reserve	(813)		(813)		
Cash flow hedge reserve	(191)		(191)		
FTA Other Reserves	(3,336)		(3,336)		
Profit (losses) carried forward - FTA other Reserves	23,321	B	23,321		
Profit (losses) carried forward - IAS adjustments	(22,106)		(22,106)		
Profit (losses) carried t forward - Call option agreement	7,644	A, B, C	7,644		

Profit (losses) carried forward – LTIP	(673)		(673)	
Profit (losses) carried forward- other	(51,924)		(51,924)	
Profit (losses) for the period	8,521	A, B, C	8,521	
<b>Total</b>	<b>74,740</b>		<b>74,740</b>	-
Non-distributable portion			29,473	
<b>Residual distributable portion gross of the results for the period</b>			<b>45,267</b>	-

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

(\*\*) Distribution of reserves

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

## 5.11 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 28 February 2018 and as at 28 February 2017 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2018	29 February 2017
Current financial liabilities	6,961	5,984
Non-current financial liabilities	40,518	25,796
<b>Total financial liabilities</b>	<b>47,479</b>	<b>31,780</b>

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 S.p.A.), Banca Popolare di Milano S.p.A. and Monte dei Paschi di Siena Capital Service Banca per le Imprese S.p.A., in the capacity of the lending banks, on the one side, and the Company on the other side as the beneficiary company. Later, on 19 September 2014, Banca IMI S.p.A sold part of its stake in the loans granted to the Company to ICCREA Banca Impresa S.p.A., Banca Interprovinciale S.p.A. and Volksbank Banca Popolare dell'Alto Adige Soc. Coop.pa.

On 22 December 2017 a new Loan Agreement was signed, the "**Loan Agreement**", with Banca IMI S.p.A., as the agent bank, Banca Popolare di Milano S.p.A., Crédit Agricole Cariparma S.p.A. and Crédit Agricole Corporate and Investment Bank – Milan Branch. The Loan Agreement was finalised on 9 January 2018 following the conclusion of relations and the repayment of the previous lines of credit and the provision of the new funding.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were repaid in full on 9 January 2018.

The new lines, including a €100 million amortizing term loan, of which €50 million ("Term Loan") was for replacing the existing lines of credit and €50 million (the "Capex Facility") was for acquisitions and investments for restructuring the network of stores, and €90 million in revolving facilities (the "Revolving Facility"), are at significantly better conditions compared with the previous loans, particularly with regard to (i) a reduction in the interest rate; (ii) the extension of the duration by five years; (iii) greater operational flexibility related to the reduction in the number of

funding institutions, covenants and contractual restraints; as well as (iv) the removal of collateral in favour of the lending banks.

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.

At the same time as the provision of the loans, Unieuro S.p.A. agreed contractual clauses (covenants) that give the lender the right to renegotiate or revoke the loan if the events in this clause are verified. These clauses require compliance by Unieuro S.p.A. with a consolidation ratio which will be summarised below:

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

At 28 February 2018 the covenant was calculated and complied with. See below for the summary table:

Description of covenants	28 February 2018	
	Contractual value	Covenant result
LEVERAGE RATIO	< 1.50	0.07
Consolidated Net financial debt / Consolidated adjusted EBITDA		

The Loan Agreement includes the Company's right of early repayment, in full or in part (in such a case of minimum amounts equal to €1,000,000.00) and prior notification of the Agent Bank, of both the Senior Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, the Company is obliged to repay the Loan early. As at 28 February 2018 and until the date these financial statements were prepared, no events occurred that could give rise to the early repayment of the loan. Financial liabilities as at 28 February 2018 are illustrated below:

(Amounts in thousands of Euros)	Maturity	Original amount	Interest rate	As at 28 February 2018		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	54,000	1.36% - 7.0%	79	79	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-	-	-
<b>Current bank payables</b>				<b>79</b>	<b>79</b>	<b>-</b>
Term Loan	Dec-22	50,000	Euribor 3m+spread	50,000	7,500	42,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(2,600)	(618)	(1,982)
<b>Non-current bank payables and current part of non-current debt</b>				<b>47,400</b>	<b>6,882</b>	<b>40,518</b>
<b>Total</b>				<b>47,479</b>	<b>6,961</b>	<b>40,518</b>

- (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
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				Total	of which current portion	of which non- current portion
Short-term lines of credit (1)	n.a.	47,500	1.36% - 7.0%	-	-	-
Revolving Credit Facility	Dec-19	41,800	Euribor 1m+spread	-	-	-
<b>Current bank payables</b>				<b>-</b>	<b>-</b>	<b>-</b>
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)
<b>Non-current bank payables and current part of non-current debt</b>				<b>31,780</b>	<b>5,984</b>	<b>25,796</b>
<b>Total</b>				<b>31,780</b>	<b>5,984</b>	<b>25,796</b>

- (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.

Financial liabilities as at 28 February 2018 totalled €47,479 thousand, a rise of €15,699 thousand compared with 28 February 2017. This change is mainly due to the restructuring of the lines of credit following the conclusion of the new loan. The settlement of the previous loan as a result of the conclusion of new lines of credit involve the transfer to the income statement of the related amortised cost.

The Revolving Line was not used as at 28 February 2018.

The loans are evaluated using the amortised cost method based on the provisions of IAS 39 and therefore their value is reduced by the ancillary expenses on the loans, equal to €2,600 thousand as at 28 February 2018 (€1,770 thousand as at 28 February 2017).

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Within 1 year	6,961	5,984
From 1 to 5 years	40,518	25,796
More than 5 years	-	-
<b>Total</b>	<b>47,479</b>	<b>31,780</b>

A breakdown of the net financial debt as at 28 February 2018 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.

<i>(Amounts in thousands of Euros)</i>	Ref	as at 28 February 2018		as at 28 February 2017	
			of which with Related- Parties		of which with Related-Parties
(A) Cash	5.9	60,209	-	36,666	-
(B) Other liquid assets		-	-	-	-
(C) Securities held for trading		-	-	-	-
<b>(D) Liquidity (A)+(B)+(C)</b>		<b>60,209</b>	<b>-</b>	<b>36,666</b>	<b>-</b>
- of which is subject to a pledge			-	650	-
<b>(E) Current financial receivables</b>			<b>-</b>	<b>-</b>	<b>-</b>

(F) Current bank payables	5.11	(79)	-	-	-
(G) Current part of non-current debt	5.11	(6,882)	-	(5,984)	-
(H) Other current financial payables	5.13	(7,473)	-	(2,418)	-
<b>(I) Current financial debt (F)+(G)+(H)</b>		<b>(14,434)</b>	-	<b>(8,402)</b>	-
- of which is secured		0	-	(6,750)	-
- of which is unsecured		(14,434)	-	(1,652)	-
<b>(J) Net current financial position (I)+(E)+(D)</b>		<b>45,775</b>	-	<b>28,264</b>	-
(K) Non-current bank payables	5.11	(40,518)	-	(25,796)	-
(L) Issued bonds		-	-	-	-
(M) Other non-current financial payables	5.13	(12,195)	-	(4,427)	-
<b>(N) Non-current financial debt (K)+(L)+(M)</b>		<b>(52,713)</b>	-	<b>(30,223)</b>	-
- of which is secured		0	-	(26,800)	-
- of which is unsecured		(52,713)	-	(3,423)	-
<b>(O) Net financial debt (J)+(N)</b>		<b>(6,938)</b>	-	<b>(1,959)</b>	-

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 28 February 2018 and 28 February 2017. See Note 5.14 “Other financial liabilities” for more details.

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Other financial liabilities	7,473	2,418
<b>Other current financial payables</b>	<b>7,473</b>	<b>2,418</b>
Other financial liabilities	12,195	4,427
<b>Other non-current financial payables</b>	<b>12,195</b>	<b>4,427</b>
<b>Total financial payables</b>	<b>19,668</b>	<b>6,845</b>

## 5.12 Employee benefits

The change in the item "Employee benefits" for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	
<b>Balance as at 29 February 2016</b>	<b>10,220</b>
Service cost	-
Interest cost	153
Settlements/advances	(592)
Actuarial (profits)/losses	2
<b>Balance as at 28 February 2017</b>	<b>9,783</b>
Service cost	-
Interest cost	133
Business unit acquisitions	1,255
Settlements/advances	(521)
Actuarial (profits)/losses	(64)
<b>Balance as at 28 February 2018</b>	<b>10,586</b>

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.

The item business unit acquisitions refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the business units of Andreoli S.p.A. and Cerioni S.p.A., for more details, refer to Note 5.28 - "Business unit combinations".

Settlements recorded in the financial year ended 28 February 2018 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

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

<b>Economic recruitment</b>	<b>Year ended</b>	
	<b>28/02/2018</b>	<b>28/02/2017</b>
Inflation rate	1.50%	1.50%
Actualisation rate	1.37%	1.19%
Severance pay increase rate	2.625%	2.625%

<b>Demographic recruitment</b>	<b>Year ended</b>	
	<b>28/02/2018</b>	<b>28/02/2017</b>
Fatality rate	Demographic tables RG48	Demographic tables RG48
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the *iBoxx Eurozone Corporates AA* index with a duration of 7-10 years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 28 February 2018, relating to the main actuarial hypotheses in the calculation model taking into consideration the above and increasing and decreasing the average annual turnover rate, the early request rate, the average inflation and actualisation rate, respectively of 1%, 1%, 0.25% and 0.25%. The results are summarised in the table below:

<i>(Amounts in thousands of Euros)</i>	<b>28/02/2018</b>
<b>Change to the parameter</b>	<b>Impact on DBO</b>
1% increase in turnover rate	10,530
1% decrease in turnover rate	10,650
0.25% increase in inflation rate	10,736
	<b>290</b>

0.25% decrease in inflation rate	10,439
0.25% increase in actualisation rate	10,352
0.25% decrease in actualisation rate	10,830

### 5.13 Other financial liabilities

A breakdown of the item current and non-current “Other financial liabilities” as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Payables for investments in equity investments and business units	3,165	-
Payables to leasing companies	2,777	2,236
Other financial payables to subsidiaries	1,217	-
Fair value of derivative instruments	172	7
Factoring liabilities	142	175
<b>Other current financial liabilities</b>	<b>7,473</b>	<b>2,418</b>
Payables for investments in equity investments and business units	8,037	-
Payables to leasing companies	4,008	4,427
Fair value of derivative instruments	150	-
<b>Other non-current financial liabilities</b>	<b>12,195</b>	<b>4,427</b>
<b>Total financial liabilities</b>	<b>19,668</b>	<b>6,845</b>

#### *Payables for investments in equity investments and business units*

Payables for investments in equity investments and business units totalled €1,202 thousand at 28 February 2018. During the year the Company acquired 100% of the shares of Monclick S.r.l. for €10,000 thousand of which €3,500 thousand was paid on the agreement of the sale and the remaining €6,500 thousand will be payable in 5 annual instalments from 9 June 2018. Additionally, on 31 October 2017 the Company also acquired the business unit of Gruppo Cerioni S.p.A. for €8,004 thousand of which 1,200 thousand was paid on the agreement of the sale and €400 thousand will be paid at the first and third closing, with the remaining €5,066 thousand payable in 6 half-yearly instalments from 10 July 2018. The existing debt cash flows at 28 February 2018 were actualised for a €364 thousand.

#### *Payables to leasing companies*

Payables owed to leasing companies amount to a total of €6,785 thousand at 28 February 2018 and €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. The breakdown by due date of the minimum payments and the capital share of the finance leases are given below:

<i>(Amounts in thousands of Euros)</i>	Minimum payments due for financial	Capital share as at
--	------------------------------------	---------------------

leasing as at

	28 February 2018	28 February 2017	28 February 2018	28 February 2017
Within 1 year	2,936	2,462	2,777	2,236
From 1 to 5 years	4,139	4,587	4,008	4,427
More than 5 years	-	-	-	-
<b>Total</b>	<b>7,075</b>	<b>7,049</b>	<b>6,7854</b>	<b>6,663</b>

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Minimum payments due for financial leasing	7,075	7,049
(Future financial expense)	(290)	(386)
<b>Total</b>	<b>6,7845</b>	<b>6,663</b>

*Other financial payables to subsidiaries*

Other financial payables totalled €1,217 thousand at 28 February 2018 this item relates to the share capital increase approved by the Company with regard to the subsidiary company Monclick for the share not yet paid. Payment was made by offsetting with commercial credits on 31 March 2018.

*Fair value of derivative instruments*

The financial hedging instruments, in existence as at 28 February 2018, 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) for €72 thousand at 28 February 2018 (€7 thousand at 28 February 2017). The effects of these financial hedging instruments were recorded in the income statement because they do not comply with all the requirements of IAS 39 for hedge accounting and (ii) contracts signed with Intesa Sanpaolo S.p.A., Banca Popolare di Milano S.p.A. and Crédit Agricole Cariparma S.p.A., to hedge the fluctuation of financial expenses related to the Loan Agreement for €250 thousand at 28 February 2018 (0 thousand at 28 February 2017). These derivative financial transactions on the interest rates are designated as hedge accounting in accordance with the requirements of IAS 39 and are therefore dealt with under hedge accounting.

*Factoring liabilities*

Payables to factoring companies stood at €142 thousand as at 28 February 2018 (€175 thousand as at 28 February 2017) and refer to transfers of trade payables to a financial counterparty through factoring without recourse.

## 5.14 Provisions

The change in the item "Funds" for the period from 29 February 2016 to 28 February 2018 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Tax dispute provision	Other disputes provision	Onerous contracts provision	Restructuring provision	Other risks provision	Total
Balance as at 29 February 2016	4,668	2,291	1,201	1,199	979	10,338
						292

- of which current portion	-	-	700	1,199	672	2,571
- of which non-current portion	4,668	2,291	501	-	307	7,767
Provisions	2,339	664	327		199	<b>3,529</b>
Draw-downs/releases	(1,358)	(1,213)	-	(933)	(106)	<b>(3,610)</b>
<b>Balance as at 28 February 2017</b>	<b>5,649</b>	<b>1,742</b>	<b>1,528</b>	<b>266</b>	<b>1,072</b>	<b>10,257</b>
- 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	115	1,285	-	-	357	<b>1,757</b>
Business unit acquisitions	-	71	-	-	-	<b>71</b>
Draw-downs/releases	(2,063)	(638)	(647)	(91)	(30)	<b>(3,469)</b>
<b>Balance as at 28 February 2018</b>	<b>3,701</b>	<b>2,460</b>	<b>881</b>	<b>175</b>	<b>1,399</b>	<b>8,616</b>
- of which current portion	1,051	501	814	175	379	2,920
- of which non-current portion	2,650	1,959	67	-	1,020	5,696

The "Tax dispute provision", equal to €3,701 thousand as at 28 February 2018 and €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 "Other disputes provision", equal to €2,460 thousand as at 28 February 2018 and €1,742 thousand as at 28 February 2017, refers to disputes with former employees, customers and suppliers. The item Business unit acquisitions of €71 thousand relates to taking over several disputes when it acquired the Andreoli S.p.A. business unit, with this liability settled during the course of the year.

The "Onerous contracts provision", equal to €881 thousand as at 28 February 2018 and €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 "Restructuring provision", equal to €175 thousand as at 28 February 2018 and €266 thousand as at 28 February 2017, refer mainly to the conclusion of the personnel restructuring and commercial network integration process of the former Unieuro.

The "Other risk provision", equal to €1,399 thousand as at 28 February 2018 and €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 additional customer compensation fund.

## 5.15 Other current liabilities and other non-current liabilities

Below is a breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 28 February 2018 and 28 February 2017:

(Amounts in thousands of Euros)	Year ended	
	28 February 2018	28 February 2017
Deferred income and accrued liabilities	101,280	89,446
Payables to personnel	34,416	28,206
Payables for VAT	17,102	15,715
Payables for IRPEF (income tax)	2,454	2,010
Payables to welfare institutions	2,711	1,759
Payments on account from customers	3,200	3,017
Other current liabilities	1,164	82
Other tax payables	105	92

<b>Total other current liabilities</b>	<b>162,432</b>	<b>140,327</b>
Other liabilities	692	-
Deposit liabilities	26	21
Non-current payables to personnel	-	-
<b>Total other non-current liabilities</b>	<b>718</b>	<b>21</b>
<b>Total other current and non-current liabilities</b>	<b>163,150</b>	<b>140,348</b>

The item "Other current liabilities" increased by €2,105 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017. The increase in the item recorded in the period in question is mainly due to greater deferred income relating to the servicing of the extended warranty.

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

- deferred income and accrued liabilities of EUR 101,280 thousand at 28 February 2018 (€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. Moreover, note that the methods for managing warranty services for the periods after the legally-required periods were changed with regard to sales of extended warranty services made by the former Unieuro (from the financial year ended 28 February 2015) and to sales of extended warranty services in certain categories of goods (white goods) made by Unieuro (from the financial year ended 29 February 2012) and to sales of extended warranty services by the sales outlets acquired from Cerioni S.p.A. and Andreoli S.p.A. (from the year ended 28 February 2018), by handling activities that were previously outsourced to third-parties internally;

- payables to employees for €34,416 thousand at 28 February 2018 (€28,206 thousand at 28 February 2017) consisting of debts for outstanding wages, holidays, leave, and thirteenth and fourteenth month pay. These payables refer to items accrued but not yet settled.

- VAT payables of EUR 17,102 thousand at 28 February 2018 (EUR 15,715 thousand at 28 February 2017) composed of payables resulting from the VAT settlement with regard to February 2018.

The item "Other non-current liabilities" increased to €97 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017.

The balance of the item "Other non-current liabilities" is mainly composed of the monetary bonus in the share-based payment plan, the Long Term Incentive Plan, of €92 thousand. Following the approval of the distribution of the dividend by the Shareholders' Meeting on 29 June 2017, a payable relating to the monetary bonus accrued to managers and employees was recorded as required by the regulation. For more details, please see Note 5.27.

## 5.16 Trade payables

A breakdown of the item "Trade payables" as at 28 February 2018 and as at 28 February 2017 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017

Trade payables to third-parties	405,892	332,504
Trade payables to related-parties	1,812	15
<b>Gross trade payables</b>	<b>407,704</b>	<b>332,519</b>
Bad debt provision - amount due from suppliers	2,382	2,027
<b>Total Trade payables</b>	<b>410,086</b>	<b>334,546</b>

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

Gross trade payables increased by €75,185 thousand as at 28 February 2018 compared with 28 February 2017. The increase is related to the increase in volumes handled as a result of: (i) the promotions in February 2018 which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units, the acquisition of the flagship store in the Euroma2 shopping centre and the new openings during the year.

As at 28 February 2018, there were no disputes with suppliers, or suspensions to supplies, with the exception of several compensation claims and payment injunctions which refer to legal actions in the form of applications for orders for payment of insignificant amounts.

The change in the "Bad debt provision and suppliers account debit balance" for the period from 29 February 2016 to 28 February 2018 is given below:

<i>(Amounts in thousands of Euros)</i>	<b>Bad debt provision - amount due from suppliers</b>
<b>Balance as at 29 February 2016</b>	<b>2,162</b>
Provisions	-
Releases to the Income Statement	-
Utilisation	(135)
<b>Balance as at 28 February 2017</b>	<b>2,027</b>
Provisions	488
Releases to the Income Statement	-
Utilisation	(133)
<b>Balance as at 28 February 2018</b>	<b>2,382</b>

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

## 5.17 Revenues

Below is a break down of the item "Revenue" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Retail, Online and Travel (1)	1,503,343	1,329,973
Wholesale (2)	218,458	227,864
B2B (3)	104,901	102,658
		295



Intercompany

8,816

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<b>Total Revenue</b>	<b>1,835,518</b>	<b>1,660,495</b>
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- (1) The Retail sales channel refers to the sale of products to end users through direct sales points 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 partners operating exclusively through the "Unieuro" brand as well as the wholesale supply to hypermarkets and other retailers.
- (3) The B2B sales channel represents the wholesaling of products to customers who, in turn, sell electronic items to hotels and banks.

The Retail, Online and Travel revenue went from €1,329,973 thousand in the year ended 28 February 2017 to €1,503,343 thousand in the year ended 28 February 2018, an increase of €173,370 thousand or 13.0%. The increases are mainly related to the Retail and Travel channels which recorded an increase in sales as a result of: (i) the reopening of the 21 sales outlets purchased from Andreoli S.p.A., operational from 1 July 2017; (ii) the acquisition of the flagship store in the Euroma2 shopping centre, which opened on 20 September 2017; (iii) the gradual reopening, from 16 November 2017 onwards, of the 19 sales outlets bought from Gruppo Cerioni S.p.A.; (iv) the new openings which took place in the financial year in question, a total of 5 Retail sales outlets in Bergamo, Novara, Genoa, Rome Trastevere and, most recently, on 8 December, in Modena and (v) the new openings of Travel sales outlets at the airports of Capodichino and Orio al Serio and the Online channel which recorded significant growth mainly due to the commercial initiatives associated with Black Friday, the continued expansion of the pick-up-points network, as well as the positive results of the growth strategy in high-margin product categories, particularly large and small appliances.

Wholesale revenue went from €227,864 thousand in the year ended 28 February 2017 to €18,458 thousand in the year ended 28 February 2018, a fall of €9,406 thousand or 4.1%. The continued and physiological action of streamlining the network has led to a fall of 8 sales outlets compared with the 28 February 2017, plus the anticipated impact of the new direct stores on the Wholesale network. However, taking into consideration the sales developed by the channel through the *pick&pay* arrangement, the affiliate network recorded a positive performance significantly better than the reference market.

B2B revenue went from €102,658 thousand in the year ended 28 February 2017 to €104,901 thousand in the year ended 28 February 2018, an increase of €2,243 thousand or 2.2%. The B2B channel targets professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as hotel chains and banks, as well as operators that need to purchase electronic products to be distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment).

Intercompany revenues were equal to €8,816 thousand in the year ended 28 February 2018 and were composed of the sale of products to the subsidiary company Monclick.

## 5.18 Other income

Below is a break down of the item "Other income" for the financial years ended 28 February 2018 and 28 February 2017:

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(Amounts in thousands of Euros)	Year ended	
	28 February 2018	28 February 2017
Other income	1,964	3,468
Insurance reimbursements	1,825	1,181
		296

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Rental and lease income	1,588	1,711
<b>Total Other Income</b>	<b>5,377</b>	<b>6,360</b>

The item mainly includes rental income relating to the sub-leasing of spaces for other activities, and insurance claims relating to theft or damage caused to stores. The decrease is due to the presence, during the year ended 28 February 2017, of positive elements relating to the closing of old debit entries. In addition, the item includes the insurance refund for €800 thousands obtained with regard to the fire occurred 25 February 2017 in Oderzo store sale (TV).

## 5.19 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Purchase of goods	1,466,103	1,295,389
Building rental and expenses	63,760	58,289
Marketing	48,673	51,613
Transport	40,670	32,482
Utilities	12,692	12,017
Consulting	8,759	10,904
Maintenance and rental charges	10,165	10,745
General sales expenses	8,560	7,497
Other costs	7,971	6,126
Purchase of consumables	4,628	4,377
Travel expenses	2,969	2,143
Purchase of intercompany goods	1,494	-
Payments to administrative and supervisory bodies	773	356
<b>Total Purchases of materials and external services</b>	<b>1,677,217</b>	<b>1,491,938</b>
Changes in inventory	(43,637)	(5,177)
<b>Total, including the change in inventories</b>	<b>1,633,580</b>	<b>1,486,761</b>

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from EUR 1,486,761 thousand as at 28 February 2017 to EUR 1,632,580 thousand in the year ended 28 February 2017, an increase of EUR 146,819 thousand or 9.9%.

The main increase is attributable to the item "Purchase of goods" for €170,714 thousand resulting from the increase in turnover due to: (i) the acquisition of the 21 Andreoli S.p.A. sales outlets, operational from 1 July 2017 (ii) the gradual reopening, from 16 November 2017, of the 19 sales outlets acquired from Gruppo Cerioni S.p.A., (iii) the acquisition of the flagship store in the Euroma2 shopping centre, which opened on 20 September 2017; (iv) the new openings which took place in the financial year in question, a total of 5 Retail sales outlets, in Bergamo, Novara, Genova, Rome Trastevere and, most recently, on 8 December, in Modena and (v) the new openings of Travel sales outlets at the airports of Capodichino and Orio al Serio.

The items "Building rental and expenses" increased by €5,471 thousand compared with 28 February 2017, a rise of 9.4%; this increase is due to the taking over of the rental agreements of: (i) 21 sales outlets belonging to the Andreoli S.p.A. business unit, (ii) 19 sales outlets belonging to the Cerioni S.p.A. business unit, (iii) the flagship store in the Euroma2 shopping centre, and (iii) the new

openings of sales outlets during the year. The cost of like-for-like rentals, on the other hand, is significantly down compared with the previous year.

The item “Marketing” fell from €1,613 thousand at 28 February 2017 to €48,673 thousand at 28 February 2018. Marketing and advertising were structured and planned to direct potential customers to physical points of sale and to the Online channel. There was a fall in traditional marketing activities in the year ended 28 February 2018, partly offset by the increase in digital marketing activities.

The item “Transport” increased from €32,482 thousand as at 28 February 2017 to €40,670 thousand as at 28 February 2018, mainly as a result of the increase in turnover and the ever increasing weighting of home deliveries in relation to online orders, the impact on revenue was essentially in line with the previous year, equal to 2.2% as at 28 February 2018 (2.0% as at 28 February 2017).

The item “Utilities” increased by €75 thousand compared with 28 February 2017 or 5.6%, with the increase mainly due to the increase in the number of sales outlets recorded in the year.

The item “Consulting” fell from €10,904 thousand at 28 February 2017 to €8,759 thousand at 28 February 2018. The performance is due to the combined effect of: (i) a decrease mainly related to the costs incurred by the Company relating to the listing of the Company's shares on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana S.p.A. which concluded on 4 April 2017, (ii) the increase as a result of the consultancy fees incurred for the acquisition of Monclick S.r.l. and the acquisition of the business units from Andreoli S.p.A. and Cerioni S.p.A. and (iii) the increase of the consultancy fees incurred for the incorporation of the subsidiary company Monclick.

The item “General sales expenses” increased from €7,497 thousand at 28 February 2017 to €8,560 thousand at 28 February 2018. The item mainly includes the cost of fees on sales transactions with the increase due to the increase in turnover.

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item rose by €1,845 thousand compared with 28 February 2017, or 30.1%, with the increase mainly relating to: (i) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenze warehouse which took place in August 2017 with a new insurance contract signed with a new pool of insurers which led to an increase in the premium and (ii) the increase recorded in support activities for listed companies. The effect of that item on revenues is substantially unchanged, equal to 0.4% at 28 February 2018 (0.4% at 28 February 2017).

The item “Purchase of intercompany goods” stood at €1,494 thousand at 28 February 2018. The purchase transaction took place under the scope of the incorporation of the subsidiary company Monclick which enabled the latter to process the sales from its own website through the Unieuro warehouses creating efficiency in logistics and procurement costs.

## 5.20 Personnel expenses

Below is a breakdown of the item "Personnel costs" for the financial years ended 28 February 2018 and 28 February 2017:

*(Amounts in thousands of Euros)*

	Year ended	
	28 February 2018	28 February 2017
Salaries and wages	112,273	97,630

Welfare expenses	32,040	29,165
Severance pay	7,486	6,833
Other personnel costs	2,665	3,005
<b>Total personnel costs</b>	<b>154,464</b>	<b>136,633</b>

Personnel costs went from €136,633 thousand in the year ended 28 February 2017 to €154,464 thousand in the year ended 28 February 2018, an increase of €17,831 thousand or 13.1%.

The item “Salaries and wages” increased by €4,643 thousand or 15.0%, with the increase mainly due to: (i) the acquisition of the business units from Andreoli S.p.A., Cerioni S.p.A., (ii) the acquisition of the flagship store in the Euroma2 shopping centre, (iii) the increase in employees following the opening of 7 new stores, (iv) the adaptation of the central structure to meet stock exchange requirements and the reinforcement of several strategic functions and (v) the adaptation of the existing employment contracts which were renewed on 30 March 2015 which included, among other things, a contractual increase valid from 1 August 2017.

The item “Other personnel costs”, stood at €2,665 thousand at 28 February 2018 (€3,005 thousand at 28 February 2017) and mainly included: (i) the recognition of €1,352 thousand as the cost of the share-based payment plan - Long Term Incentive Plan concluded during the year and (ii) the recognition of €706 thousand as the cost of the share-based payment plant - Call option agreement concluded following the positive outcome of the listing that took place on 4 April 2017. Refer to Note 5.26 for more details about the share-based payment agreements.

## 5.21 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2018 and 28 February 2017:

(Amounts in thousands of Euros)

	Year ended	
	28 February 2018	28 February 2017
Non-income based taxes	7,380	5,160
Provision for supplier bad debts	488	-
Provision for the write-down of other assets	178	-
Bad debt provision	146	-
Other operating expenses	310	217
<b>Total other operating costs and expenses</b>	<b>8,502</b>	<b>5,377</b>

"Other operating costs and expenses" went from €5,377 thousand in the year ended 28 February 2017 to €8,502 thousand in the year ended 28 February 2018, an increase of €3,125 thousand or 58,1%.

The increase was mainly due to the the increase in taxes and duties not on income due to the effect on the increase recorded in the number of stores and the write-down of receivables considered of doubtful esigibility.

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

## 5.22 Depreciation, amortisation and write-downs

Below is a breakdown of the item "Depreciation, amortisation and write-downs of fixed assets" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Depreciation and amortisation of tangible fixed assets	15,498	13,312
Depreciation and amortisation of intangible fixed assets	4,583	3,794
Write-downs/(write backs) of tangible and intangible fixed assets	989	852
Write-downs/(write-backs) of equity investments	6,276	-
<b>Total depreciation, amortisation and write-downs</b>	<b>27,346</b>	<b>17,958</b>

The item "Depreciation, amortisation and write-downs" went from €17,958 thousand in the year ended 28 February 2017 to €27,346 thousand in the year ended 28 February 2018, a rise of €9,388 thousand or 52.3%. The increase relates to: (i) the write-down of equity investments, specifically from the results of the impairment test to which the equity investment in Monclick was subjected, from which it emerged at 28 February 2018 that the carrying amount exceeded the recoverable value by €6,276 thousand. For more details, refer to Note 5.5.1 and (ii) the progressive growth of investments in recent financial years also related to new acquisitions.

The item "Write-downs/(write-backs) of tangible and intangible fixed assets increased in the year ended 28 February 2018 compared with the year ended 28 February 2017 as a result of the interventions at the sales outlets. 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

Below is a breakdown of the item "Financial income" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Interest income	25	27
Other financial income	274	331
<b>Total financial income</b>	<b>299</b>	<b>358</b>

"Financial income" went from €358 thousand in the year ended 28 February 2017 to €299 thousand in the year ended 28 February 2018, a decrease of €59 thousand. The change is mainly due to the increase in income for exchange rate gains and the decrease in bank interest income.

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

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
Interest expense on bank loans	6,640	3,708
Other financial expense	1,280	1,726
Interest expense toward parent company	-	788
<b>Total financial expense</b>	<b>7,920</b>	<b>6,222</b>

"Financial expense" went from €6,222 thousand in the year ended 28 February 2017 to €7,920 thousand in the year ended 28 February 2018, an increase of €1,698 thousand or 27.3%.

The item "Interest expense on bank loans" increased at 28 February 2018 by €2,932 thousand compared with the previous period with this increase due mainly to the combined effect of the greater financial interest of €3,128 thousand due to the transfer to the income statement of the amortised cost of the Euro Term and Revolving Facilities Agreement as a result of the conclusion which took place on 22 December 2017 of the Loan Agreement and the lower interest expense recorded in the year relating to the Euro Term and Revolving Facilities Agreement due to the fall in the margins applied, as a result of the improvement recorded in the leverage ratio at the reporting dates. The interest rate of the Euro Term and Revolving Facilities Agreement was equal to the sum of (i) the Euribor parameters and (ii) a margin with a different annual percentage for each individual line. The Euro Term and Revolving Facilities Agreement involves a mechanism that changes the above-mentioned margin according to the level of a certain contractual index (leverage ratio), calculated at the reporting dates of the financial covenants.

The item "Interest expense toward parent company" equal to zero at 28 February 2018 (€788 thousand at 28 February 2017) included the interest accrued on the shareholders' loan repaid on 28 November 2016.

The item "Other financial expenses" equal to €1,280 thousand at 28 February 2018 (€1,726 thousand at 28 February 2017) mainly include the interest relating to other financial liabilities and expenses relating to cash discounts recognised to customers. This item fell by €446 thousand; the decrease is mainly due to the greater costs incurred in the previous year for: (i) the waiver request to the Lending Banks aimed at obtaining the latter's consent for the distribution of dividends and the repayment of the shareholders' loan made in the nine-month period ended 30 November 2016 and (ii) the Amendment Proposal for the Loan Agreement aimed at bringing the contract into line with the rules applicable to listed companies and market practices for financing transactions in favour of listed companies.

## 5.24 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
Current taxes	(1,676)	(1,309)
Deferred taxes	318	501
Tax provision allocation	497	(1,867)
<b>Total</b>	<b>(861)</b>	<b>(2,675)</b>

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

<i>(In thousands of Euros and as a percentage of the profit before tax)</i>	Year ended			
	28 February 2018	%	28 February 2017	%
Profit of period before taxes	9,382		14,262	

Theoretical income tax (IRES)	(2,252)	24.0%	(3,922)	27.5%
IRAP	(1,255)	(13.4%)	(1,309)	(9.2%)
Tax effect of permanent differences and other differences	2,149	22.9%	4,423	31.0%
<b>Tax for the period</b>	<b>(1,358)</b>		<b>(808)</b>	
(Accrual to)/(release from) tax provision	497		(1,867)	
<b>Total taxes</b>	<b>(861)</b>		<b>(2,675)</b>	
<b>Actual tax rate</b>		<b>(9.2%)</b>		<b>(18.8%)</b>

The impact of taxes on income is calculated by considering the (accrual)/(release from) tax provision of the tax provision for tax disputes. In the financial years ended 28 February 2018 and 28 February 2017 the impact of taxes on the pre-tax result was 9.2% and 18.8%, respectively; the fall was due to the recording of deferred tax income on tax losses of €2,975 thousand and to the release of the tax provision. For more details, please see Note 5.4.

The item “Allocation to tax provision” went from a provision of €1,867 thousand in the financial year ended 28 February 2017 to a release €497 thousand in the financial year ended 28 February 2018. During the year the company made a release of €92 thousand and a provision of €95 thousand.

## 5.25 Basic and diluted earnings per share

The basic earnings per share are calculated with reference to the Group result showed in the note 5.25 of the Consolidated Financial Statement.

## 5.26 Statement of cash flows

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

### *Net cash flow generated/(absorbed) by operations*

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
<b>Cash flow from operations</b>		
Profit (loss) for the year	8,521	11,587
<i>Adjustments for:</i>		
Income taxes	861	2,675
Net financial expenses (income)	7,621	5,864
Depreciation, amortisation and write-downs	27,346	17,958
(Profits)/losses from the sale of property, plant and machinery		(31)
Other changes	1,386	3,766
	45,735	41,819
Changes in:		
- Inventories	(43,637)	(5,178)
- Trade receivables	(5,163)	151
- Trade payables	75,406	1,174
- Other changes in operating assets and liabilities	20,860	23,488
Cash flow generated/(used) by operating activities	47,466	19,635
Taxes paid	-	-
Interest paid	(8,816)	(4,931)
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>84,385</b>	<b>56,523</b>

The net cash flow from (used in) operating activities went from €6,523 thousand in the year ended 28 February 2017 to €4,385 thousand in the year ended 28 February 2018, an increase of €27,862 thousand. The larger cash flows generated were mainly influenced by the combined effect resulting from:

- the greater liquidity generated by the changes in the cash flows from (used in) operating activities of €7,831 thousand;
- the greater income flows for the year (composed of the changes that took place in the adjusted result for the period of income taxes, net financial expense/(income) and other non-monetary changes) of €3,916 thousand;
- the higher financial expenses paid of €3,885 thousand.

In the year ended 28 February 2018, the cash flow generated/(absorbed) by operations (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 €7,831 thousand, going from a cash flow of €19,635 thousand in the year ended 28 February 2017 to a positive flow of €17,466 thousand in the year ended 28 February 2018. Specifically, the positive performance of the Net Working Capital is associated, with reference to trade payables, to: (i) promotions in February 2018 which involved product categories with different payment conditions compared with those of the previous year and (ii) an increase in the number of sales outlets as a result of the acquisition of the Andreoli S.p.A. and Cerioni S.p.A. business units, the Monclick company and the flagship store in the Euroma2 shopping centre and the new openings during the year which had a positive impact on the development of trade payables more than offsetting the increase in inventories.

In addition, the net cash flow generated/(absorbed) by operating activities was affected by the payment of greater financial expenses of €2,600 thousand compared with the previous year as a result of the payment of the financing fees associated with the signing of the new Loan Agreement which took place on 22 December 2017.

*Cash flow generated (absorbed) by investment activities*

<i>(Amounts in thousands of Euros)</i>	<b>Year ended</b>	
	<b>28 February 2018</b>	<b>28 February 2017</b>
<b>Cash flow from investment activities</b>		
Purchases of plant, equipment and other assets	(28,446)	(23,479)
Purchases of intangible assets	(8,812)	(4,419)
Collections from the sale of plant, equipment and other assets	1	61
Investments in equity investments	(9,283)	-
<u>Investments for business combinations and business units</u>	<u>(10,985)</u>	<u>-</u>
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>(57,525)</b>	<b>(27,837)</b>

Investment activities absorbed liquidity of €7,525 thousand and €27,837 thousand, respectively, in the years ended 28 February 2018 and 28 February 2017.

With reference to the year ended 28 February 2018, the Company's main requirements involved:

- investments in equity investments of €9,283 thousand relating to the share paid for the purchase price of Monclick of €3,500 thousand and the payments to cover losses and the capital contribution payments made during the year of €5,783 thousand. Note that on 29 June 2017 and 10 January 2018 the Unieuro Board of Directors approved payments to the provision to cover losses of



€1,192 thousand and €1,783 thousand, respectively and capital contribution payments of €2,808 thousand and €1,217 thousand, respectively. The payment yet to be made on 28 February 2018 is equal to €1,217 thousand and was made through offsetting of commercial receivables realized on 31 March 2018.

- investments in business unit combinations of €10,985 thousand relate to the share of the purchase price paid for the business units of Andreoli S.p.A. for €9,381 thousand and Cerioni S.p.A. for €1,604 thousand;
- investments in plant, machinery and equipment of €8,446 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible fixed assets of €8,812 thousand relating to the development of the website [www.unieuro.it](http://www.unieuro.it) and IT systems at the Forlì headquarters.

#### *Cash flow generated/(absorbed) by financing activities*

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28 February 2018	28 February 2017
<b>Cash flow from investment activities</b>		
Increase/(Decrease) in financial liabilities	16,529	(4,137)
Increase/(Decrease) in other financial liabilities	154	998
Increase/(Decrease) in shareholder loans	-	(20,442)
Distribution of dividends	(20,000)	(3,880)
<b>Net cash and cash equivalents generated by financing activities</b>	<b>(3,317)</b>	<b>(27,461)</b>

Financing absorbed liquidity of €3,317 thousand in the year ended 28 February 2018 and €27,461 thousand for the year ended 28 February 2017.

The cash flow from financing activities as at 28 February 2017 mainly reflects:

- an increase in financial liabilities of €16,529 thousand mainly due to the restructuring of the lines of credit following the conclusion of the new loan which took place on 22 December 2017.
- an increase in other financial liabilities of €154 thousand mainly due to the increase in debts of assets subject to financial leasing.
- the distribution of a dividend of €20,000 thousand of which €11,587 thousand in respect of the profit for the year ended 28 February 2017 and €8,413 thousand from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting.

## **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**”) concluded a 5-year call option agreement which involves the commitment of shareholders - if the sale of the majority of shares owned by them in the share capital of Venice Holdings S.r.l. (hereinafter also “Venice Holdings”) is concluded - to approve an increase in the share capital of Venice Holdings, to be released in two tranches (tranche A and tranche B), reserved to certain managers and employees of Unieuro and the former Unieuro, holders of Venice Holding shares. The beneficiaries, who should be in office when the sale takes place, have been allocated a right of pre-emption that is conditional (at the change of control of Venice Holdings) on subscribing

(in full or in part) 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 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 reference shareholder (Italian Electronics Holdings S.r.l.) decided to change the original options plan at the beginning of February 2017 by a renunciation of the previous Call Option Agreement and a simultaneous assigning of a new options plan called the Transaction Bonus lasting 5 years which involved the commitment of Italian Electronics Holdings S.r.l.: (i) if the result of the admission to listing process is positive, the allocation to certain Company managers, on the day of the establishment of the placement price, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted on the day of the placement and to other managers of a sum in Euros equal to the value of a pre-established number of shares at the placement price; (ii) in the case of the sale to a third-party of all or some of the Company shares, the granting to certain Company managers and employees, before the transfer to third-parties, by Italian Electronics Holdings, of a number of Company shares free of charge, with the obligation to sell the shares granted to the third-party buyer. The realisation of events was mutually exclusive therefore, as the first event is realised in terms of time, the possibility of the second event automatically becomes ineffective. On 4 April 2017, 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 €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 €1.00 per share, which corresponds to the offer price which was set for the placement, totalling €5,917 thousand. The share settlement relative to the *greenshoe* option took place on 8 May 2017. 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 €16 per share. The settlement of the transaction took place on 8 September 2017. The total amount was €56,000 thousand.

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

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 financial statements for the year ended 28 February 2018 the evaluation of the probable market price of the options is recorded using the binomial method (Cox – Ross – Rubinstein). 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	€110.00	€78.00
Price of options at grant date	€3.55	€1.01
Exercise price	€792 + 8% per year	€792 + 25% per year
Anticipated volatility	30%	30%
Duration of the option	5 years	5 years
Expected dividends	0%	0%
Risk-free interest rate	ECB return Eurozone government bonds (AAA)	ECB return Eurozone government bonds (AAA)
Illiquidity discount	33.3%	33.3%

The number of outstanding options is as follows:

	Tranche A		Tranche B	
	Number of options 28 February 2018	Number of options 28 February 2017	Number of options 28 February 2018	Number of options 28 February 2017
<b>Existing at the start of the financial year</b>	-	<b>9,305</b>	-	<b>4,653</b>
Exercised during the financial year	-	-	-	-
Granted during the financial year	-	-	-	-
Contribution from merger	-	-	-	-
Withdrawn during the financial year (bad leaver)	-	-	-	-
Plan amendment ( <i>Transaction Bonus</i> )	-	(9,305)	-	(4,653)
<b>Existing at the end of the financial year</b>	-	-	-	-
<b>Not granted at the start of the financial year</b>	-	<b>4,902</b>	-	<b>2,451</b>
Exercisable at the end of the financial year	-	-	-	-
Contribution from merger	-	-	-	-
Plan amendment ( <i>Transaction Bonus</i> )	-	(4,902)	-	(2,451)
<b>Not granted at the end of the financial year</b>	-	-	-	-

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*” (hereinafter the "**Plan**" or "**LTIP**") reserved for

Executive Directors, associates and employees (executives and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Company's Shareholders' Meeting on the same date.

The Plan specifies the following objectives: (i) focusing the attention of 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 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 (following the "Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined.

The Recipients subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date of approval of the regulations by the Board of Directors.

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

- *Condition*: the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of the Company by 31 July 2017 ("IPO");
- *Recipients* : the 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 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 €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 €1 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.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method. The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the provisions of IFRS 2, the probability of the Recipients leaving the plan, which ranges from 5% to 15% and the probability of achieving the performance targets were taken into account.

In determining the fair value at the allocation date of the share-based payment, the following data was used:

Fair value at grant date	€7.126
Price of options at grant date	€16.29
Exercise price	€1.00
Anticipated volatility	32%
Duration of the option	5.5 years
Expected dividends	Expected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	<b>Number of options 28 February 2018</b>
<b>Existing at the start of the financial year</b>	-

Exercised during the financial year	-
Granted during the financial year	831,255
Contribution from merger	-
Withdrawn during the financial year (bad leaver)	-
<b>Existing at the end of the financial year</b>	<b>831,255</b>
Not granted at the start of the financial year	860,215
Exercisable at the end of the financial year	-
<b>Not granted at the end of the financial year</b>	<b>28,960</b>

## 5.28 Business unit combinations

### Acquisition of Andreoli S.p.A. business unit

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 €12,200 thousand and is adjusted as follows:

- €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;
- €2,819 thousand through the assumption of the debt owed by Andreoli S.p.A to its transferred employees;
- €5,481 thousand by bank transfer executed on 17 May 2017.

The values relating to assets acquired and liabilities assumed are reflected in the financial statements from the date Unieuro acquired control, namely from 17 May 2017.

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

<i>(Amounts in thousands of Euros)</i>	<b>Acquired assets (liabilities)</b>	<b>Identifiable assets (liabilities)</b>	<b>Recognised assets (liabilities)</b>
Plant, machinery, equipment and other assets and intangible assets with finite useful life	667	0	667
Other current assets/liabilities	(1,983)	(109)	(2,092)
Employee benefits	(836)	0	(836)
Provisions		(71)	(71)
Other financial liabilities	(87)	0	(87)
<b>Total net identifiable assets</b>	<b>(2,239)</b>	<b>(180)</b>	<b>(2,419)</b>

The identifiable assets (liabilities) were determined on a provisional basis as provided by IFRS 3, and refer to: (i) liabilities refer to transferred employees for holidays and leave of €(61), disagreements existing at the moment of the acquisition of the business unit Andreoli S.p.A of €(71) thousand and (iii) liabilities relating to transferred contracts of €(48) thousand.

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

<i>(Amounts in thousands of Euros)</i>	<b>28 February</b>
Transaction consideration	(12,200)
Assumption of debt of personnel	2,819
<b>Transaction consideration excluding assumption of personnel debt</b>	<b>(9,381)</b>
Acquired Assets (Liabilities)	(2,239)
<b>Fair Value adjustment of acquired Assets (Liabilities)</b>	<b>(180)</b>
<i>Other current assets/liabilities</i>	<i>(109)</i>
<i>Provisions</i>	<i>(71)</i>
<b>Excess Price to be Allocated</b>	<b>(11,800)</b>
Key Money	1,300
Residual goodwill	10,500

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. Key money paid for the opening of sales outlets is considered as severance costs with reference to property leases and feature a ratio between the location of the sales outlet and the factors such as the high number of visitors, the prestige of having a sales outlet in a certain location and protecting an area where a competitor is present. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money at €1,300 thousand.

The residual goodwill measured during the business combination at €10,500 thousand was allocated to the Retail CGU relating to all cash flows from Retail, Online and Travel distribution channels.

Note that Unieuro availed itself of the right provided under 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. Significant variations to what already accounted are not not expected.

#### **Acquisition of Cerioni S.p.A. business unit**

On 31 October 2017 Unieuro completed the acquisition of a business unit from Cerioni S.p.A., composed of 19 direct sales outlets in central/northern Italy. The chain acquired previously operated under the Euronics brand. The acquisition took place in three phases through the sale of three groups of stores constituting a business sub-unit.

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 EUR 8,004 thousand and is adjusted as follows:

- €1,200 thousand was paid by Unieuro at the time of the agreement;
- €1,334 thousand through the assumption of the debt owed by Cerioni S.p.A to its transferred employees;
- €400 thousand was paid by Unieuro at the first execution date;
- €4 thousand was paid by Unieuro at the third execution date;

- The remaining part equal to €5,066 thousand will be paid in six equal half-yearly instalments from 10 July 2018.

The values relating to assets acquired and liabilities assumed are reflected in the financial statements from the date Unieuro acquired control of the three groups of stores.

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

<i>(Amounts in thousands of Euros)</i>	<b>Acquired Assets /(Liabilities)</b>	<b>Identifiable Assets /(Liabilities)</b>	<b>Recognised Assets/(Liabilities)</b>
Plant, machinery, equipment and other assets and intangible assets with finite useful life	1,260	-	1,260
Other current assets/liabilities	(915)	-	(915)
Employee benefits	(419)	-	(419)
<b>Total net identifiable assets</b>	<b>(74)</b>	<b>-</b>	<b>(74)</b>

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

<i>(Amounts in thousands of Euros)</i>	<b>28 February 2018</b>
Transaction consideration	(8,004)
Assumption of debt of personnel	1,334
<b>Transaction consideration excluding assumption of personnel debt</b>	<b>(6,670)</b>
Acquired Assets/(Liabilities)	(74)
<b>Fair Value adjustment of acquired Assets/(Liabilities)</b>	<b>0</b>
<b>Excess Price to be Allocated</b>	<b>(6,744)</b>
Key Money	1,090
Residual goodwill	5,654

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. Key money paid for the opening of sales outlets is considered as severance costs with reference to property leases and feature a ratio between the location of the sales outlet and the factors such as the high number of visitors, the prestige of having a sales outlet in a certain location and protecting an area where a competitor is present. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money at €1,090 thousand.

The residual goodwill measured during the business combination at €5,654 thousand was allocated to the Retail CGU relating to all cash flows from Retail, Online and Travel distribution channels.

Note that Unieuro availed itself of the right provided under 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. Significant variations to what already accounted are not expected.



## 6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Company's credit and debt relations with related-parties as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>		<b>Credit and debt relations with related-parties (as at 28 February 2018)</b>						Total balance sheet item	Impact on balance sheet item
Type	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Monclick	Total			
<i>As at 28 February 2018</i>									
Trade receivables	-	-	-	-	2,802	2,802	40,366	6.9%	
Trade payables	-	-	-	-	(1,812)	(1,812)	(410,086)	0.4%	
Other financial liabilities	-	-	-	-	(1,217)	(1,217)	(12,195)	10.0%	
Other current liabilities	(67)	-	(190)	(365)	-	(622)	(162,432)	0.4%	
Other non-current liabilities	-	-	-	(487)	-	(487)	(718)	67.8%	
<b>Total</b>	<b>(67)</b>	<b>-</b>	<b>(190)</b>	<b>(852)</b>	<b>(227)</b>	<b>(1,336)</b>			

<i>(Amounts in thousands of Euros)</i>		<b>Receivable and payable positions with related-parties as at 28 February 2017</b>						Total balance sheet item	Impact on balance sheet item
Type	Italian Electronics Holdings	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Total		
<i>As at 28 February 2017</i>									
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%
<b>Total</b>	<b>4,221</b>	<b>50</b>	<b>(29)</b>	<b>(80)</b>	<b>(417)</b>	<b>(624)</b>	<b>3,121</b>		

The following table summarises the Company's related-part income statement positions as at 28 February 2018 and 28 February 2017:

<i>(Amounts in thousands of Euros)</i>		<b>Economic relations with related-parties (as at 28 February 2018)</b>						Total balance sheet item	Impact on balance sheet item
Type	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Monclick	Total			
<i>At February 2018</i>									
Revenue	-	-	-	-	8,817	8,817	1,835,518	0.5%	
Other income	-	-	-	-	86	86	5,377	1.6%	
Purchases of materials and external services	(63)	(151)	(571)	-	(1,093)	(1,878)	(1,677,218)	0.1%	
Personnel costs	-	-	-	(4,608)	-	(4,608)	(154,464)	3.0%	
<b>Total</b>	<b>(63)</b>	<b>(151)</b>	<b>(571)</b>	<b>(4,608)</b>	<b>7,810</b>				

<i>(Amounts in thousands of Euros)</i>		<b>Economic relations with related-parties as at 28 February 2017</b>						Total balance sheet item	Impact on balance sheet item
Type	Italian Electronics Holdings	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Total		
<i>As at 28 February 2017</i>									

Other income	12	-	-	-	-	-	12	6,360	0.2%
Purchases of materials and external services	-	(1,159)	(60)	(964)	(252)	-	(2,435)	(1,491,938)	0.2%
Other operating costs and expenses	-	(6)	-	-	-	-	(6)	(5,377)	0.1%
Personnel costs	-	-	-	-	(2,331)	(3,954)	(5,925)	(136,633)	4.3%
Financial expenses	(788)	-	-	-	-	-	(788)	(6,222)	12.7%
<b>Total</b>	<b>(776)</b>	<b>(1,165)</b>	<b>(60)</b>	<b>(964)</b>	<b>(2,583)</b>	<b>(3,954)</b>	<b>(9,142)</b>		

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

- rental fees relating to the Company's registered office in Forlì, several sales points and the debiting of insurance costs invoiced by Ni.Ma S.r.l., a company with its registered office in Forlì and invested in by several members of the Silvestrini family (Giuseppe Silvestrini, Maria Grazia Silvestrini, Luciano Vespignani and Gianpaola Gazzoni, respectively who each own 25% of the share capital, who are also shareholders of Italian Electronics Holdings); Note that, on 17 October 2017, the partial demerger of Italian Electronics Holdings into eight newly established companies took place. Following the transaction, at the date of these financial statements, Ni.Ma S.r.l. is no longer a related party;
- account keeping service by Company employees with regard to the parent company Italian Electronics Holdings interrupted following the positive outcome of the listing which took place on 4 April 2017;
- national tax consolidation scheme, where the option was exercised in 2015 and generated receivables for the Company from the parent and consolidating company Italian Electronics. Following the loss of control of Italian Electronics Holdings which took place on 6 September 2017, the national tax consolidation scheme was interrupted and Italian Electronics Holdings as the consolidating party exercised its option with effect from the year ended 28 February 2015;
- borrowings from Italian Electronics, granted on 2 December 2013 and interest-bearing. On 21 November 2016, the Company's Board of Directors approved the full repayment of the remaining amount owed on the inter-company loan in an amount totalling €21,120 thousand. Therefore the Intercompany Loan was repaid in full and extinguished on 28 November 2016;
- distribution of a dividend of €20,000 thousand through the use of Unieuro profits for the year ended 28 February 2017, totalling €1,587 thousand and, for the remaining part €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 €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; Following the transaction, at the date of these financial statements, Ni.Ma S.r.l. is no longer a related party;
- The stock option plan known as the Long Term Incentive Plan for Executive directors, contractors and employees of Unieuro. The 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
- commercial relations for the provision of goods and services with the subsidiary company Monclick S.r.l. and cash flows relating to payments to cover losses and capital contribution payments during the year of €5,783 thousand. Note that on 29 June 2017 and 10 January 2018 the Unieuro Board of Directors approved payments to the provision to cover losses of €1,180 thousand and €1,783 thousand, respectively and capital contribution payments of €2,808 thousand and €1,217 thousand, respectively. The payment yet to be made on 28 February 2018 is equal to €1,217 thousand and was made through offsetting on 31 March 2018.
- relations with Directors and Main Managers, summarised in the table below:

<b>Main managers</b>	
<b>Year ended 28 February 2018</b>	<b>Year ended 28 February 2017</b>
<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli	<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli
<i>Chief Financial Officer</i> - Italo Valenti	<i>Chief Financial Officer</i> - Italo Valenti
<i>Chief Corporate Development Officer</i> - Andrea Scozzoli	<i>Chief Corporate Development Officer</i> - Andrea Scozzoli
<i>Chief Omnichannel Officer</i> - Bruna Olivieri	<i>Chief Omnichannel Officer</i> - Bruna Olivieri
<i>Chief Operations Officer</i> - Luigi Fusco	<i>Chief Operations Officer</i> - Luigi Fusco

The gross pay of the main managers includes all remuneration components (benefits, bonuses and gross remuneration).

The table below summarises the Company's cash flows with related-parties as at 28 February 2018 and 28 February 2017:

Type	Related-parties							Total	Total balance sheet item	Impact on balance sheet item
	Italian Electronics Holdings S.r.l.	Ni.Ma S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Monclick S.r.l.			
<i>(Amounts in thousands of Euros)</i>										
<b>Period from 1 March 2016 to 28 February 2017</b>										
Net cash flow generated/(absorbed) by operating activities	(1,656)	(1,150)	(31)	(984)	(1,483)	(1,457)	-	(6,761)	56,523	(12.0%)
Cash flow generated/(absorbed) by financing activities	(24,322)	-	-	-	-	-	-	(24,322)	(27,461)	88.6%
<b>Total</b>	<b>(25,978)</b>	<b>(1,150)</b>	<b>(31)</b>	<b>(984)</b>	<b>(1,483)</b>	<b>(1,457)</b>				
<b>Period from 1 March 2017 to 28 February 2018</b>										
Net cash flow generated/(absorbed) by operating activities	4,221	50	(25)	(231)	(798)	(3,428)	6,820	6,609	84,385	7.8%

Cash flow generated/(absorbed) by investing activities	-	-	-	-	-	-	(5,783)	(5,783)	(57,525)	10.1%
Cash flow generated/(absorbed) by financing activities	(9,598)	-	-	-	-	-	-	(9,598)	(3,317)	289.4%
<b>Total</b>	<b>(5,377)</b>	<b>50</b>	<b>(25)</b>	<b>(231)</b>	<b>(798)</b>	<b>(3,428)</b>	<b>1,037</b>			

## 7 OTHER INFORMATION

### Contingent liabilities

Based on the information currently available, the Directors of the Company believe that, at the date of the approval of these financial statements, the provisions set aside are sufficient to guarantee the correct representation of the financial information.

### Guarantees granted in favour of third-parties

<i>(Amounts in thousands of Euros)</i>	Year ended	
	28/02/2018	28/02/2017
Guarantees and sureties in favour of:		
Parties and third-party companies	32,072	23,532
<b>Total</b>	<b>32,072</b>	<b>23,532</b>

### Operating lease assets

The Company has commitments mainly resulting from lease agreements for premises where sales activities are conducted (stores) and administration and control activities (corporate functions at the Forlì offices) and logistics warehouses for the management of inventories.

As at 28 February 2018, the amount of rental fees due for operating lease agreements is given below:

<i>(Amounts in thousands of Euros)</i>	Period ended 28 February 2018			
	Within the financial year	Between 1 and 5 years	More than 5 years	Total
Rental fees due for operating lease agreements	52,219	35,919	289	88,427

As at 28 February 2017, the amount of rental fees due for operating lease agreements is given below:

<i>(Amounts in thousands of Euros)</i>	Period ended 28 February 2017			
	Within the financial year	Between 1 and 5 years	More than 5 years	Total
Rental fees due for operating lease agreements	45,559	33,839	823	80,221

The rent still due to operating lease agreements reported an increase of €8,206 thousand in the year ended 28 February 2018 compared with the year ended 28 February 2017 mainly due to the combined effect of: (i) taking over the rental agreements of 21 sales outlets belonging to the Andreoli S.p.A. business unit from July 2017; (ii) taking over the rental agreements of 19 sales outlets belonging to the Cerioni S.p.A. business unit from November 2017, (iii) taking over the rental agreement of the flagship store in the Euroma2 shopping centre; (iv) new openings of sales outlets during the year and (v) the renegotiation with several landlords of the main contractual conditions with special reference to the early termination clause, which involved a reduction of the medium-/long-term exposure.

### Payments to the independent auditors

Payments to the independent auditors and its network for statutory audits and other services as at 28 February 2018 are highlighted below:

<i>(Amounts in thousands of Euros)</i>		<b>Period ended</b>
<b>Unieuro S.p.A.</b>		<b>28 February 2018</b>
KPMG S.p.A.	Audit	546
KPMG S.p.A.	Certification services	114
KPMG S.p.A.	Other services	90
KPMG Advisory S.p.A.	Other services	137
<b>Total</b>		<b>886</b>

### Subsequent events

No events occurred after the reference date of the separate financial statements that require adjustments to the values reported in the financial statements.

On 26 March 2018, in conjunction with the approval of the preliminary revenues for the year just concluded, the Board of Directors of Unieuro approved the advance to June 2018 of the ex-dividend date in respect of the profits for the financial statements for the year ended 28 February 2018 as well as its payment in one go, contrary to the provision of the dividend policy in force.

The decision, made possible by the favourable financial dynamics of Unieuro, was taken in the interest of the Company and its shareholders in order to bring forward the total distribution of the coupon for Shareholders by four months.

26 April 2018

<p>Giancarlo Nicosanti Monterastelli Managing director and Chief Executive Officer</p>	<p>Italo Valenti Executive Officer Responsible for the preparation of the financial statements of the company</p>
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### Draft resolution of the Board of Directors submitted to the Shareholders' Meeting

Dear Shareholders,

We should like to propose you allocate the result for the year ended 28 February 2018, amounting to €8,521,310, to partially cover losses carried forward and negative reserves.

26 April 2018

  
 Giancarlo Nicosanti Monterastelli  
 Chief Executive Officer

## Appendix 1

Statement of Assets and Liabilities as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related-Parties	% Weighting	28 February 2017	Of which with Related-Parties	% Weighting
Plant, machinery, equipment and other assets	74,714			60,822		
Goodwill	167,549			151,396		
Intangible assets with a definite useful life	18,421			11,808		
Deferred tax assets	30,105			29,438		
Other non-current assets	13,095			2,156		
<b>Total non-current assets</b>	<b>303,884</b>			<b>255,620</b>		
Inventories	313,188			269,551		
Trade receivables	40,366	2,802	6.9%	35,203	244	0.7%
Current tax assets	2,887			7,955	4,042	50.8%
Other current assets	14,421			13,865		
Cash and cash equivalents	60,209			36,666		
Assets held for sale	-			-		
<b>Total current assets</b>	<b>431,071</b>	<b>2,802</b>	<b>0.7%</b>	<b>363,240</b>	<b>4,286</b>	<b>1.2%</b>
<b>Total Assets</b>	<b>734,955</b>	<b>2,802</b>	<b>0.4%</b>	<b>618,860</b>	<b>4,286</b>	<b>0.7%</b>
Share capital	4,000			4,000		
Reserves	105,957			120,101		
Profit/(loss) carried forward	(35,217)	2,417	(6.9%)	(39,122)	(9,142)	23.4%
<b>Total shareholders' equity</b>	<b>74,740</b>	<b>2,417</b>	<b>3.2%</b>	<b>84,979</b>	<b>(9,142)</b>	<b>(10.8%)</b>
Financial liabilities	40,518			25,796		
Shareholder funding	-			-		
Employee benefits	10,586			9,783		
Other financial liabilities	12,195			4,427		
Provisions	5,696			8,833		
Deferred tax liabilities	630			322		
Other non-current liabilities	718	487	67.8%	21		
<b>Total non-current liabilities</b>	<b>70,343</b>	<b>487</b>	<b>0.7%</b>	<b>49,182</b>	<b>-</b>	<b>0.0%</b>
Financial liabilities	6,961			5,984		
Shareholder funding	-			-		
Other financial liabilities	7,473	1,217	16.3%	2,418		
Trade payables	410,086	1,812	0.4%	334,546	15	0.0%
Current tax liabilities	-			-		
Provisions	2,920			1,424		
Other current liabilities	162,432	622	0.4%	140,327	1,150	0.8%
<b>Total current liabilities</b>	<b>589,872</b>	<b>3,651</b>	<b>0.6%</b>	<b>484,699</b>	<b>1,165</b>	<b>0.2%</b>
<b>Total liabilities and shareholders' equity</b>	<b>734,955</b>	<b>6,555</b>	<b>0.9%</b>	<b>618,860</b>	<b>(7,977)</b>	<b>(1.3%)</b>

## Appendix 2

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related- Parties	% Weighting	28 February 2017	Of which with Related- Parties	% Weighting
Revenue	1,835,518	8,817	0.5%	1,660,495		
Other income	5,377	86	1.6%	6,360	12	0.2%
<b>TOTAL REVENUE AND INCOME</b>	<b>1,840,895</b>	<b>8,903</b>	<b>0.5%</b>	<b>1,666,855</b>	<b>12</b>	<b>0.0%</b>
Purchases of materials and external services	(1,677,217)	(1,878)	0.1%	(1,491,938)	(2,435)	0.2%
Personnel costs	(154,464)	(4,608)	3.0%	(136,633)	(5,925)	4.3%
Changes in inventory	43,637			5,177		
Other operating costs and expenses	(8,502)			(5,377)	(6)	
<b>GROSS OPERATING PROFIT</b>	<b>44,349</b>	<b>2,417</b>	<b>5.4%</b>	<b>38,084</b>	<b>(8,354)</b>	<b>(21.9%)</b>
Depreciation, amortisation and write-downs	(27,346)			(17,958)		
<b>OPERATING PROFIT</b>	<b>17,003</b>	<b>2,417</b>	<b>14.2%</b>	<b>20,126</b>	<b>(8,354)</b>	<b>(41.5%)</b>
Financial income	299			358		
Financial expenses	(7,920)			(6,222)	(788)	12.7%
<b>PROFIT BEFORE TAX</b>	<b>9,382</b>	<b>2,417</b>	<b>25.8%</b>	<b>14,262</b>	<b>(9,142)</b>	<b>(64.1%)</b>
Income taxes	(861)			(2,675)		
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>8,521</b>	<b>2,417</b>	<b>28.4%</b>	<b>11,587</b>	<b>(9,142)</b>	<b>(78.9%)</b>

## Appendix 3

Cash Flow Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which with Related-Parties	% Weighting	28 February 2017	Of which with Related-Parties	% Weighting
<b>Cash flow from operations</b>						
Profit (loss) for the year	8,521	2,417	28.4%	11,587	(9,142)	(78.9%)
<i>Adjustments for:</i>	-			-		
Income taxes	861			2,675		
Net financial expenses (income)	7,621			5,864		
Depreciation, amortisation and write-downs	27,346			17,958		
(Profits)/losses from the sale of property, plant and machinery	-			(31)		
Other changes	1,386	952	68.7%	3,766	3,766	100.0%
	45,735	3,369	7.4%	41,819	(5,376)	(12.9%)
Changes in:						
- Inventories	(43,637)			(5,178)		
- Trade receivables	(5,163)	(2,558)	49.5%	151	(16)	(10.6%)
- Trade payables	75,406	1,797	2.4%	1,174	(2)	(0.2%)
- Other changes in operating assets and liabilities	20,860	4,001	19.2%	23,488	(1,367)	(5.8%)
Cash flow generated/(absorbed) by operating activities	47,466	6,609	13.9%	19,635	(6,761)	(34.4%)
Taxes paid	-			-		
Interest paid	(8,816)			(4,931)		
<b>Net cash flow generated/(absorbed) by operating activities</b>	<b>84,385</b>	<b>6,609</b>	<b>7.8%</b>	<b>56,523</b>	<b>(6,761)</b>	<b>(12.0%)</b>
<b>Cash flow from investment activities</b>						
Purchases of plant, equipment and other assets	(28,446)			(23,479)		
Purchases of intangible assets	(8,812)			(4,419)		
Collections from the sale of plant, equipment and other assets	1			61		
Equity investments	(9,283)	(5,783)	62.3%	-		
Investments for business combinations and business units	(10,985)			-		
<b>Cash flow generated/(absorbed) by investing activities</b>	<b>(57,525)</b>	<b>(5,783)</b>		<b>(27,837)</b>	<b>-</b>	
<b>Cash flow from investment activities</b>						
Increase/(Decrease) in financial liabilities	16,529			(4,137)		
Increase/(Decrease) in other financial liabilities	154			998		
Increase/(Decrease) in shareholder loans	-			(20,442)	(20,442)	100.0%
Distribution of dividends	(20,000)	(9,598)	48%	(3,880)	(3,880)	100%
<b>Cash flow generated/(absorbed) by financing activities</b>	<b>(3,317)</b>	<b>(9,598)</b>	<b>289.4%</b>	<b>(27,461)</b>	<b>(24,322)</b>	<b>88.6%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,543</b>	<b>(8,772)</b>	<b>(37.3%)</b>	<b>1,225</b>	<b>(31,083)</b>	<b>(2,537.4%)</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>	36,666			35,441		
<b>Net increase/(decrease) in cash and cash equivalents</b>	23,543			1,225		
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	60,209			36,666		



## Appendix 4

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2018	Of which non- recurring	% Weighting	28 February 2017	Of which non- recurring	% Weighting
Revenue	1,835,518			1,660,495		
Other income	5,377	929	17.3%	6,360	2,414	38.0%
<b>TOTAL REVENUE AND INCOME</b>	<b>1,840,895</b>	<b>929</b>	<b>0.1%</b>	<b>1,666,855</b>	<b>2,414</b>	<b>0.1%</b>
Purchases of materials and external services	(1,677,217)	(14,074)	0.8%	(1,491,938)	(14,231)	1.0%
Personnel costs	(154,464)	(5,828)	3.8%	(136,633)	(4,695)	3.4%
Changes in inventory	43,637			5,177	(1,062)	(20.5%)
Other operating costs and expenses	(9,662)	(614)	7.2%	(5,377)		
<b>GROSS OPERATING PROFIT</b>	<b>44,349</b>	<b>(19,587)</b>	<b>(44.2%)</b>	<b>38,084</b>	<b>(17,574)</b>	<b>(46.1%)</b>
Depreciation, amortisation and write-downs	(27,346)	(6,276)	23%	(17,958)		
<b>OPERATING PROFIT</b>	<b>17,003</b>	<b>(25,863)</b>	<b>(152.1%)</b>	<b>20,126</b>	<b>(17,574)</b>	<b>(87.3%)</b>
Financial income	299			358		
Financial expenses	(7,920)	(3,128)	39.5%	(6,223)		
<b>PROFIT BEFORE TAX</b>	<b>9,382</b>	<b>(28,991)</b>	<b>(309.0%)</b>	<b>14,261</b>	<b>(17,574)</b>	<b>(123.2%)</b>
Income taxes	(861)			(2,675)		
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>8,521</b>	<b>(28,991)</b>	<b>(340.2%)</b>	<b>11,586</b>	<b>(17,574)</b>	<b>(151.7%)</b>

**ATTESTATION OF THE SEPARATE FINANCIAL STATEMENTS OF UNIEURO S.P.A. AS AT FEBRUARY 28, 2018, PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED**

The undersigned, Giancarlo Nicosanti Monterastelli, in his capacity as the Chief Executive Officer of Unieuro S.p.A. and Italo Valenti, as Chief Financial Officer and executive responsible for the preparation of the Company's financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

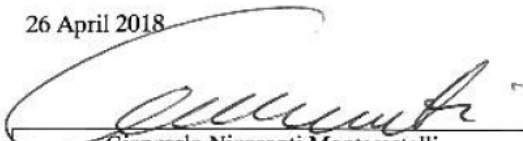
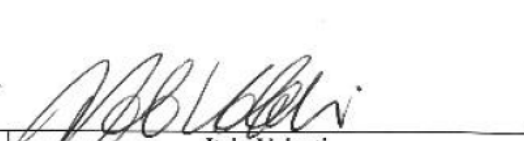
- the adequacy in relation to the characteristics of the company and
- the effective implementation of the administrative and accounting procedures for the preparation of the full-year financial statements of the Company, in financial year 2018.

It is also certified that the full-year Separate Financial Statements of the Company:

- have been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
- are consistent with the entries in the accounting books and records;
- provide an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer.

The Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

26 April 2018

 Giancarlo Nicosanti Monterastelli Managing director and Chief Executive Officer	 Italo Valenti Executive Officer Responsible for the preparation of the financial statements of the company
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KPMG S.p.A.  
Revisione e organizzazione contabile  
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(Translation from the Italian original which remains the definitive version)

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of  
Unleuro S.p.A.

### Report on the audit of the separate financial statements

#### Opinion

We have audited the separate financial statements of Unleuro S.p.A. (the "Company"), which comprise the statement of financial position as at 28 February 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Unleuro S.p.A. as at 28 February 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of Unleuro S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di società indipendenti affiliate a KPMG International Cooperative ("KPMG International"), ente di diritto svizzero.

Ancora Anzi Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Pavia Perugia  
Pesara Roma Torino Trieste  
Treviso Venezia Verona

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Capitale sociale  
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20124 Milano (MI) ITALIA

### Recoverability of goodwill

Notes to the separate financial statements: note 2.6 - The use of estimates and valuations in the preparation of the financial statements; note 2.6 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 28 February 2018 include goodwill of €167.5 million.</p> <p>The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2019 to 28 February 2023 business plan, which was originally approved by the Company's board of directors on 12 December 2016 and subsequently updated by it on 17 April 2018 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> <li>— understanding and analysing the process adopted to prepare the impairment tests approved by the Company's board of directors on 26 April 2018;</li> <li>— understanding and analysing the process used to draft the plan;</li> <li>— analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill, including the plan's operating cash flows. Our analyses included comparing the key assumptions used to the Company's historical data and external information, where available;</li> <li>— analysing the valuation models adopted by the Company for reasonableness and consistency with professional practice;</li> <li>— checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.</li> </ul>

### Recoverability of the investment in Monclik S.r.l.

Notes to the separate financial statements: note 2.6 - The use of estimates and valuations in the preparation of the financial statements; note 2.6 - Significant accounting policies; note 5.6 - Other current assets and other non-current assets

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 28 February 2018 include the investment in Monclik S.r.l. ("Monclik") of €10.7 million, net of the impairment loss of €6.3 million recognised during the year.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted to prepare the impairment test approved by the Company's board of directors on 26 April 2018;</li> </ul>



The directors have determined the recoverable amount of the investment in Mondick by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.

On 30 March 2018, Mondick's sole director forecast the operating cash flows used for the impairment test, which was approved by the Company's board of directors on 28 April 2018, on the basis of the 28 February 2019 to 28 February 2023 business plan (the "plan") and of the revenue's and related profitability's estimated long-term growth rates.

For the above reasons, we believe that the recoverability of the investment in Mondick is a key audit matter.

- understanding and analysing the process used to draft the plan;
- analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of the investment in Mondick, including the plan's operating cash flows. Our analyses included comparing the key assumptions used to Mondick's historical data and external information, where available;
- analysing the valuation models adopted by the Company for reasonableness and consistency with professional practice;
- checking the sensitivity analyses disclosed in the notes with reference to the key assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit;
- assessing the appropriateness of the disclosures provided in the notes about the investment in Mondick, the related impairment test and the impairment loss recognised during the year.

#### Premiums and contributions from suppliers

Notes to the separate financial statements: note 2.6 - The use of estimates and valuations in the preparation of the financial statements; note 2.6 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
<p>The Company has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions.</p> <p>These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution.</p> <p>Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the Company's management;</li> <li>— assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li> <li>— obtaining audit evidence supporting the check of the existence and accuracy of premiums and contributions from</li> </ul>

<p>The parameters and information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers.</p> <p>For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.</p>	<p>suppliers, including through external confirmations;</p> <ul style="list-style-type: none"> <li>— checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation;</li> <li>— checking the mathematical accuracy of premiums and contributions from suppliers;</li> <li>— analysing the reasonableness of the assumptions in the estimate through discussions with the relevant internal departments, comparison with historical figures and our knowledge of the Company and its operating environment;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.</li> </ul>
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#### Measurement of Inventories

Notes to the separate financial statements: note 2.6 - The use of estimates and valuations in the preparation of the financial statements; note 2.6 - Significant accounting policies; note 5.6 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 28 February 2018 include inventories of €313.2 million, net of the allowance for inventory write-down of €8.9 million.</p> <p>Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including:</p> <ul style="list-style-type: none"> <li>— the characteristics of the Company's business sector;</li> <li>— the sales' seasonality, with peaks in November and December;</li> <li>— the decreasing price curve due to technological obsolescence of products;</li> <li>— the high number of product codes handled.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;</li> <li>— checking the accuracy of the inventory calculation algorithm;</li> <li>— checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments;</li> <li>— checking the mathematical accuracy of the allowance for inventory write-down;</li> <li>— analysing the reasonableness of the assumptions used to measure the</li> </ul>



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For the above reasons, we believe that the measurement of inventories is a key audit matter.

allowance for inventory write-down through discussions with the relevant internal departments and analysis of age bands and write-down rates applied; comparing the assumptions with historical figures and our knowledge of the Company and its operating environment;

- comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits;
  - assessing the appropriateness of the disclosures provided in the notes about inventories.
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#### ***Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Unieuro S.p.A. for the separate financial statements***

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The Collegio Sindacale is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

#### ***Auditors' responsibilities for the audit of the separate financial statements***

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures



responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by IBA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

#### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.





Unieuro S.p.A.  
Independent auditor's report  
28 February 2018

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The directors of Unieuro S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 28 February 2018 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 28 February 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Unieuro S.p.A. at 28 February 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 7 May 2018

KPMG S.p.A.

(signed on the original)

Luca Ferranti  
Director

**Report by the Board of Auditors to the Shareholders' Meeting of "Unileuro S.p.A."**  
**In accordance with Art. 153 of Italian Legislative Decree no. 58/1998 (the "Consolidated Finance Act") and Art. 2429, paragraph 3 of the Italian Civil Code**

Dear Shareholders,

In compliance with current legislation governing capital companies with shares listed on regulated markets, and in accordance with the provisions of the Articles of Association, during the financial year ended as at 28 February 2018, we supervised the matters of our competence, in accordance with the Rules of Conduct of the Board of Auditors of listed companies, issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli esperti Contabili* (Italian National Board of Chartered and Expert Accountants), Consul's recommendations on corporate control and the activities of the Board of Auditors, and the indications given in the Governance Code.

The structure and contents of this Report are compliant with those recommended by standard G.7.1 of the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*.

**Supervision of compliance with the law and the Articles of Association**

The Board of Auditors has supervised the Company's activities through specific audits and by attending the Shareholders' Meetings and those of the Board of Directors. Additionally, at least the Chairman, also attended the meetings of the Remuneration and Appointments Committee, the Control and Risks Committee, the Related-Party Committee and the Supervisory Body, pursuant to Italian Legislative Decree no. 231/2001.

In going about its duties, during the corporate year under review, the Board of Auditors met 11 times, in some cases jointly with the Control and Risks Committee, the Supervisory Body and the Independent Auditing Firm.

The Board of Auditors acknowledges that it has obtained information from the Directors on the general operating performance and its foreseeable outlook, as well as the most relevant economic, financial and equity information concerning the Company; It believes that this is compliant with the law and the Articles of Association. More specifically, the Board of Auditors reports the following operations and events of particular interest that took place during the financial year and up to today's date:

- On 12 April 2017, the Board of Directors resolved to purchase the business unit Andreoli S.p.A.; this transaction was completed on 17 May 2017.
- On 10 May 2017, the Board of Directors resolved to stipulate a new credit facility to supplement the existing Loan Contract (called the "Term Loan Facility C"), stipulated on 16 June 2017 aimed at assuring the Company additional resources through which to finance said "permitted acquisitions", the "permitted openings" as defined in the "Loan Contract".
- On 29 June 2017, the Board of Directors ratified the purchase of 100% of the share capital of Mondicki S.r.l., a transaction that was completed on 09 June 2017, and it resolved the approval of the "Long Term Incentive Plan 2018-2025" Regulation.
- On 14 September 2017, the Board of Directors resolved: (i) the purchase of the business unit from Cerioni S.p.A., an operation completed in several phases between October and December 2017; and (ii) as regards the partial spin-off of Italian Electronics Holding S.r.l., in the favour of eight newcos, giving its consent and waiving the terms pursuant to Art. 2503 of the Italian Civil Code. Following the completion of the transaction on 17 October 2017, as at the date of this Report, Italian Electronics Holding S.r.l. (formerly S.r.l.) holds 33.82% of the Company's share capital.

- On 13 October 2017, the Board of Directors acknowledged the resignation of director Nancy Ariene Cooper, dated 22 September 2017, but which was received by the Company on 25 September 2017, from the position as non-executive, non-independent member of the Board of Directors and resolved to appoint Uwe-Ernst Bufe as new non-executive member of the Board of Directors.
- On 12 December 2017, the Board of Directors resolved the restructuring of the credit facility, which resulted in: (i) the early extinguishing of the existing credit facility; and (ii) the redefinition of the Company's credit facility by means of the stipulation of three new credit facilities with significantly better characteristics.
- On 26 March 2018, the Board of Directors resolved the early distribution of the dividend and its payment as a lump sum, differently to that envisaged by the current dividends policy approved by the board of directors on 01 March 2017, explaining its choice.
- On 17 April 2018, the Board of Directors approved the budget for FY 2018.
- On 26 April 2018, the Board of Directors appointed ICT Legal Consulting - Studio Legale Balboni, Bolognini & Partners, with registered office in Bologna, as "Data Protection Officer" for the Unieuro Group, in accordance with Art. 37 of Regulation (EU) 2016/79.

The Board of Auditors acknowledges that it has supervised both the decision-making process that led the Board of Directors to make said resolutions and conclude said transactions, and their actual conclusion, without noting any critical issues in this respect.

#### Supervision of compliance with standards of correct administration

The Board of Auditors has supervised compliance with standards of correct administration, ensuring that all action resolved and implemented by the Directors was inspired by principles of economic rationality, not evidently imprudent, hazardous, atypical or unusual, in potential conflict of interests or in conflict with the resolutions passed by the Shareholders' Meeting or such as to risk the integrity of the Company's assets. More specifically, the Board of Auditors reports that on 04 April 2017, the listing project pursued by the Company reached a successful conclusion, with the admission to listing of its ordinary shares in the STAR segment of the Electronic Stock Exchange.

#### Supervision of the suitability of the organisational structure

The Board of Auditors has supervised the Company's organisational structure and believes, in light of the supervisory activities carried out and insofar as it is competent, that this structure is, as a whole, suitable and reliable in terms of representing operating events.

#### Supervision of the suitability of the internal control system

The Board of Auditors has supervised the Company's internal control system and acknowledges that the internal control system appears to be basically suitable for the Company's size and management characteristics, as also ascertained during the meetings of the Control and Risks Committee, attended by at least one of the members of the Board of Auditors.

Under the scope of the verification of the adequacy of the internal control system, the Board of Auditors notes that the Company's Organizational Model is adequate to the provisions pursuant to Italian Legislative Decree no. 231/2001. This model, which concerns the Company's comprehensive activities in procedural, organisational and control terms, appears to be adequate and incisive; compliance with it is monitored by an organization specifically appointed and duly functional, comprising an Internal member (the "Internal Audit Manager") and two independent external experts. The Model is constantly monitored and updated with all news and changes to the organization.

*Handwritten initials and signatures:*  
 NV  
 CB  
 [Signature]

The Board of Auditors has met regularly and maintained a constant flow of information with the Supervisory Body and has examined the annual report of the Supervisory Body for 2017/2018; it has no comments to make in this regard.

The Company has also adopted a Code of Ethics under the scope of the Organisational Model and continued to raise awareness of this during 2017/2018.

In order to supervise the adequacy of the internal control system, the Board of Auditors liaised not only with the Control and Risks Committee and the Supervisory Body, but also with the Director in charge of the internal control system and risk management and with the Internal Audit Department Manager.

The Board of Auditors has examined the annual report prepared by the Internal Audit Department as at 28 February 2018, approved during the meeting of the Board of Directors held on 26 April 2018. During the meeting held on 26 April 2018, the 2018 Annual Audit Plan was also approved.

At least one member of the Board of Auditors attended the meetings of the Remuneration and Appointments Committee and the meetings of the Related-Party Committee, acquiring information useful to ensuring the supervisory duties assigned it.

The Board of Auditors acknowledges that the roles and responsibilities of the subjects involved in the internal control system and the risk management system are different, so as to avoid any operative overlaps of the respective areas of activities and competence and duplication of controls.

Supervision of the adequacy of the accounting-administrative system and the statutory audit of accounts insofar as it is competent, the Board of Auditors has supervised the Company's accounting-administrative system and its reliability in terms of providing a correct representation of the operative events through the collection of information from the department managers, the examination of the corporate documentation and the analysis of the results of the work carried out by the Independent Auditing Firm. The Board of Auditors believes that this system is substantively adequate and reliable in terms of providing a correct representation of the operating events and acknowledges that each body of the Company has fulfilled the disclosure obligations set out by applicable legislation.

More specifically, the Board of Auditors notes that the Appointed Manager has issued the certification that the financial statements documents provide a truthful, correct representation of the Company's economic, equity and financial position.

The Board of Auditors has also met with the Board of Auditors of the subsidiary for the usual exchange of data and information. During these meetings, no events or anomalies arose of any relevance as to be worthy of note in this Report.

Please note that on 26 March 2018, the Board of Directors resolved to supplement the appointment of the Independent Auditing Firm and duly adjust the fees. The Board of Auditors acknowledges that, as the Shareholders' Meeting had already approved the possibility of subsequent amendments being made to the appointment, in accordance with Art. 6.2 of the letter of appointment, it did not express any grounded opinion on the supplement to the appointment.

The Board of Auditors met with the managers of the Independent Auditing Firm to exchange relevant data and information with them and acknowledges that it has not received any notification of any events or anomalies of any relevance as to be worthy of note in this Report.

The Board of Auditors acknowledges that the report on the annual financial statements and the consolidated financial statements, issued by the Independent Auditing Firm on 07 May 2018 does not contain any findings and/or references to disclosures and certifies that the annual and consolidated financial statements have been prepared clearly and provide a truthful, correct representation of the Company's financial and equity position, the economic results and cash flows.

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The same report, moreover, is compliant with the provisions of Art. 123-bis of the Consolidated Finance Act and contains the relative information recalled by paragraph 4 of said provision; the independent auditing firm has expressed an opinion of consistency pursuant to Art. 14, paragraph 1, letter e) of Italian Legislative Decree no. 39/2010.

The Board of Auditors acknowledges that in the financial year ended as at 28 February 2018, the Company had appointed the independent auditing firm KPMG S.p.A. and the members of its network to provide auditing and other non-auditing services, for a total of Euro 1,064k (of which 680k for auditing services and 381k for other services). As a result of the issue of Regulation 2014/537/EU, starting 2017, the Board of Auditors is called to express an opinion during the conferral of appointments for non-audit services on the Independent Auditing Firm and other entities belonging to the network.

Moreover, on 07 May 2018, the Independent Auditing Firm presented the Board of Auditors with the additional Report envisaged by Art. 11 of Regulation EU no. 537/2014, which reveals no significant shortcomings in the internal control system in respect of the disclosure process, worthy of being brought to the attention of those responsible for governance matters.

Considering the foregoing and having acknowledged the declaration of there being no grounds of incompatibility attached to the additional Report, the Board of Auditors believes that there are no critical issues with respect to its independence.

#### Supervision of non-financial information

With reference to the Consolidated Non-Financial Report (hereinafter the "NFR") regulated by Italian Legislative Decree no. 254/2016, the Board of Auditors has monitored compliance with the provisions of law on the matter and the adequacy of the organisational, administrative, reporting and monitoring system prepared by the Company to ensure the correct, complete representation, in the NFR, of the business activities, its results and impacts with regards to non-financial matters.

The Board of Auditors has obtained regular updates on the progress made on the activities required prior to the preparation of the NFR and has monitored observance of the provisions of Italian Legislative Decree no. 254/2016 under the scope of the duties assigned it by the system.

The NFR has also been submitted for a conformity opinion by the Independent Auditing Firm, which issued a specific report containing a certification of the conformity of the information supplied in accordance with Art. 3, paragraph 10 of Italian Legislative Decree no. 254/16.

It is specified that the NFR will be published together with the documents relative to the FY 2018 annual financial statements, specifically in the Directors' report on operations.

#### Method of correct implementation of the rules of corporate governance and initiatives taken

The corporate governance structure of the Company is characterised by a set of rules, conduct and processes aimed at guaranteeing an efficient, transparent corporate governance system and an efficient function of its corporate bodies and control systems.

More specifically, the corporate governance structures adopted by the Company are based on a "traditional" type organisational model comprising the following bodies: Shareholders' Meeting, Board of Directors and Board of Auditors. The appointment for the statutory audit is made, in application of current legislative provisions on the matter, on the independent auditing firm specified above, registered with the official list held by Consob. Corporate governance is completed by the Organisational Model pursuant to Italian Legislative Decree no. 231/2001, the Remuneration and Appointments Committee, the Control and Risk Committee and the Related-Party Committee, the structure of powers and delegations. The Company adheres to the Governance Code of listed Italian companies and has adapted it to suit its characteristics.

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The meeting of the Board of Directors, held on 26 April 2018, ascertained that each member of the Board of Auditors met the requirements of professionalism and independence pursuant to Art. 148, paragraph 4 of the Consolidated Finance Act and Governance Code. The Board of Auditors self-assessed its members and independence on 13 April 2018. Moreover, the meeting of the Board of Directors held on 26 April, also approved the report on remuneration pursuant to Art. 123-bis of the Consolidated Finance Act. Reference is made to the Report on Corporate Governance and Ownership Structures for more information on the Company's corporate governance, in regard to which the Board of Auditors has nothing to report to the Shareholders' Meeting.

#### Supervision of transactions with Group companies and related parties

During the financial year ended on 28 February 2018, the Board of Auditors did not note the existence of any atypical and/or unusual transactions implemented with related parties. The ordinary transactions implemented with related parties, as described by the Directors in the Report on Operations, to which reference is made as applicable, are compliant and in the Company's interests.

The Board of Auditors met with and maintained a constant exchange of information with the Related-Party Committee and acknowledges that it has not received any notification of any events or anomalies of any relevance as to be worthy of note in this Report.

#### Omissions and reprehensible events noted

During the financial year ended on 28 February 2018 and to date, no reports have been received pursuant to Art. 2408 of the Italian Civil Code.

The Board of Auditors is not aware of any other events worthy of note in this Report.

#### Proposals as regards the annual financial statements

On the basis of the foregoing, upon completion of its supervisory activities, the Board of Auditors has no observations to make in accordance with Art. 153 of Italian Legislative Decree no. 58/1998 on all matters for which it is competent in respect of the Annual Financial Statements for the year ended on 28 February 2018, complete with the Report on Operations, and sees no reason why they should not be approved, as per the draft prepared and approved by the Board of Directors on 26 April 2018, considering that the proposed allocation of the period profits to partially cover the loss carried forward and to distribute dividends against the unrestricted capital reserve is in line with that explained in the "Issuer Registration Document" and related information notes approved by Consob during the listing process.

Milan, 07 May 2018

THE BOARD OF AUDITORS  
Chairman Maurizio Voze  
Regular Auditor Luigi Caplani  
Regular Auditor Giorgio Gavelli



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