unieuro

Interim Directors' Report

As at 31 May 2018

UNIEURO GROUP

INTERIM DIRECTORS’ REPORT AS AT 31 MAY 2018

Contents

Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Bernd Erich Beetz
- Chief Executive Officer	Giancarlo Nicosanti Monterastelli
- Non-executive Director	Robert Frank Agostinelli
- Non-executive Director	Gianpiero Lenza
- Non-executive Director	Uwe-Ernst Bufe
- Independent Director	Stefano Meloni
- Independent Director	Marino Marin

CONTROL AND RISK COMMITTEE

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

APPOINTMENTS AND REMUNERATION COMMITTEE

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

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director	Marino Marin
- Independent Director	Stefano Meloni

BOARD OF STATUTORY AUDITORS

- Chairman	Maurizio Voza
- Statutory Auditor	Giorgio Gavelli
- Statutory Auditor	Luigi Capitani
- Alternate Auditor	Sauro Garavini
- Alternate Auditor	Giancarlo De Marchi

SUPERVISORY BODY

- Chairman	Giorgio Rusticali
- Members:	Chiara Tebano
	Raffaella Folli

INDEPENDENT AUDITORS	KPMG S.p.A.

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, 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.

The company Monclick S.r.l. (hereinafter also known as “Monclick” or “MK”) wholly-owned by Unieuro, is a company under Italian law with its registered office in Vimercate at Via Energy Park 22, which sells online I.T., electronic, telephone products and appliances in Italy through its website 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.

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan Stock Exchange.

As at the date of this Interim Report, 31 May 2018 Unieuro major shareholders, through fiduciary company Monte Paschi Fiduciaria S.p.A, are Italian Electronics Holdings S.à.r.l. (controlled by private equity fund Rhone Capital) with 33.8% stake, DSG European Investments Limited (Dixons Carphone) with 7.2% stake, Silvestrini family with 4.7% stake and Unieuro's top management with 2.3% stake.

2. Basis for the preparation of the Interim Report on Operations

This Interim Report on Operations was prepared in accordance with Article 82-*ter* of the Issuers' Regulation adopted through resolution 11971 of 14 May 1999, introduced based on the provisions of Article 154-*ter*, paragraphs 5 and 6 of the Consolidated Finance Act ("TUF"). Therefore the provisions of the international accounting standard relating to interim financial reporting (IAS 34 "Interim Financial Reporting") were not adopted.

The publication of the Interim Report on Operations as at 31 May 2018 is regulated by the provisions of the Stock Exchange Regulation, specifically Article 2.2.3, paragraph 3 of the Stock Exchange Regulation.

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

As from the financial year 2018, the adoption of the new IFRS 15- Revenue from Contracts with Customers and IFRS 9 - Financial Instruments accounting standard became mandatory, therefore this Interim Report on Operations was prepared in line with the provisions of the new accounting standards.

The new standard IFRS 15 – Revenue from Contracts with Customers was applied retroactively calculating the cumulative effect of the first time adoption at the initial application date of 1 March 2018. The application of accounting standard IFRS 9 - Financial Instruments did not involve significant impacts.

The Interim Report on Operations as at 31 May 2018 was approved by the Board of Directors on 12 July 2018.

The data in this document are expressed in millions of Euros unless stated otherwise. Amounts and percentages were calculated on amounts in thousands of Euros, and thus, any differences found in certain tables are due to rounding.

3. Key indicators for the period

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 Interim Report on Operations as at 31 May 2018, 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 Interim Report on Operations as at 31 May 2018, (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 Company continue to have the same definitions and descriptions for the financial years for which financial information is included in the Interim Report on Operations as at 31 May 2018.

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 statements in the Group's Interim Report on Operations 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 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 periods reported in the Interim Report on Operations.

Main financial indicators[1]

(In millions of Euros)	Period ended	
	31 May 2018	**31 May 2017**
Operating indicators		
Consolidated revenues	418.6	366.8
Consolidated Adjusted EBITDA[2]	1.4	0.6
Consolidated Adjusted EBITDA margin[3]	0.3%	0.2%
Consolidated result for the period	(8.0)	(10.0)
Adjusted consolidated result for the period[4]	(4.9)	(4.1)
Cash flows		
Consolidated adjusted levered free cash flow[5]	(37.3)	(30.4)
Investments for the year	(6.7)	(16.7)

(In millions of Euros)	Period ended	
	31 May 2018	**28 February 2018**
Indicators from statement of financial position		
Net working capital	(167.7)	(205.3)
Net financial debt	(44.4)	(4.5)
Net financial debt/Adjusted Consolidated LTM EBITDA[6]	0.64x	0.07x

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

[2] 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.

[3] The Consolidated Adjusted Margin is the ratio of Consolidated Adjusted EBITDA to revenues.

[4] The Adjusted Consolidated Result for the period 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.

[5] 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.

6 In order to guarantee the comparability of the Net financial debt/Adjusted Consolidated LTM EBITDA indicator the Adjusted Consolidated EBIDTA figure for the last twelve months was taken into consideration.

Main operating indicators

(In millions of Euros)	Period ended	
	31 May 2018	**28 February 2018**
Operating indicators for the year		
Like-for-like growth (as a %)[7]	(4.9%)	(1.9%)
Direct points of sale (number)	226	225
of which Pick Up Points[8]	214	214
Affiliated points of sale (number)	267	272
of which Pick Up Points[8]	174	181
Total area of direct points of sale (in square metres)	about 333,000	about 333,000
Sales density[9] (Euros per square metre)	4,541	4,659
Full-time-equivalent employees[10] (number)	3,952	4,018

[7] 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 period for the same number of points of sale and, thus, in accordance with the criterion of being operational for at least 26 months.
[8] Physical pick-up points for customer orders using the online channel.
[9] This indicator is obtained from the ratio of annual sales generated by direct points of sale to the total area devoted to sales in all direct points of sale.
[10] Average annual number of full-time-equivalent employees.

4. Group operating results

4.1. Consolidated revenues

For the first quarter ending 31 May 2018, consolidated revenues totalled Euro 418.6 million, a 14.1% increase over the previous year, with an increase of Euro 51.8 million.

4.1.1 Consolidated revenues by channel

(in millions of Euros and as a percentage of consolidated revenues)	**Period ended**				**VariazioniQ1**	
	31 May 2018	**%**	**31 May 2017**	**%**	**2019 vs. 2018**	**%**
Retail	290.4	69.4%	262.2	71.5%	28.2	10.8%
Wholesale	41.7	10.0%	47.2	12.9%	(5.5)	(11.7%)
Online	46.4	11.1%	30.0	8.2%	16.4	54.7%
B2B	34.5	8.2%	22.0	6.0%	12.5	56.8%
Travel	5.6	1.3%	5.4	1.5%	0.2	3.7%
Total consolidated revenues by channel	**418.6**	**100.0%**	**366.8**	**100.0%**	**51.8**	**14.1%**

In the first quarter ended 31 May 2018, the Unieuro Group continued its strategy of developing existing channels by streamlining and improving the portfolio of direct stores. The positive performance was affected by the increase in stores as a result of the acquisitions made from the second quarter of the previous year and mainly refers to: (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 the contribution made by the acquisition of Monclick consolidated from 1 June 2017.

The Retail channel reported a 10.8% increase in sales mainly as a result of the above-mentioned increase in stores following the acquisitions made from the second quarter of the previous year.

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 4.9%, 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. By contrast, excluding the sales points affected by this from the scope of the analysis because they are adjacent to the new stores and effect of the different promotional calendar, like-for-like sales fell by 1.1% also influenced by the general weakness of the market, due to political uncertainty.

The Wholesale channel recorded a decrease in sales (around Euro 5.5 million or 11.7%). The continued and physiological action of streamlining the network has led to a fall of 9 sales outlets compared with the first quarter of the previous year ended 31 May 2017, plus the anticipated impact of the new direct stores on the Wholesale network.

The consolidated revenues of the Online channel stand at Euro 46.4 million, growth of 54.7% compared with Euro 30.0 million in the same period of the previous year. The positive performance is attributable to the success of the commercial initiatives, the positive results of the growth strategy in the high-margin categories, specifically large and small appliances and to 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 subsidiary Monclick S.r.l., consolidated from 1 June 2017, also made a positive contribution to the revenues of the channel, which generating in the quarter revenues of Euro 10.3 million. Monclick is one of the main Italian pure players specialised in consumer electronics and appliances.

The B2B channel recorded a strong increase in sales compared with the first quarter of the previous year ended 31 May 2017 recording a 56.8% increase, also courtesy of the contribution for Euro 6.1 million 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).

Lastly, the Travel channel recorded growth of 3.7% worth around Euro 0.2 million. The Travel channel sells products through major public transportation hubs through direct points of sale.

4.1.2 Consolidated revenues by category

(in millions of Euros and as a percentage of consolidated revenues)	**Period ended**				**Q1 changes**	
	31 May 2018	**%**	**31 May 2017**	**%**	**2019 vs. 2018**	**%**
Grey	205.6	49.1%	175.3	47.8%	30.3	17.3%
White	103.9	24.8%	100.0	27.3%	3.9	3.9%
Brown	74.6	17.8%	61.2	16.7%	13.4	21.9%
Services	18.2	4.4%	13.3	3.6%	4.9	36.8%
Other products	16.3	3.9%	17.0	4.6%	(0.7)	(4.1%)
Total consolidated revenues by category	**418.6**	**100.0%**	**366.8**	**100.0%**	**51.8**	**14.1%**

There was a 14.1% increase in sales in the first quarter ended 31 May 2018 in the product category equal to Euro 51.8 million.

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 17.3% as a result of the good performance of sales in the telephone systems segment, which benefited from a shift in the mix to the top of the range and from the good performance of some new models.

The White category, composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, recorded a 3.9% increase in consolidated revenues thanks to the success of the strategy of focusing on high-margin categories promoted by the Unieuro Group. The performance of the category was influenced by the anticipation of an important promotion dedicated to the White segment in February 2018.

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 21.9%. The category benefited from the increasing success of high-end televisions, particularly Ultra HD and OLED, as well as the knock on effect of the 2018 World Cup.

The Services category recorded growth of 36.8% in consolidated revenues thanks to the Group's continued focus on the provision of services to its customers, specifically extended warranties and commissions for the signing by customers of new consumer credit agreements.

The Other products category recorded a decrease in consolidated revenues of 4.1%; 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 for the period is due to the different promotional calendar.

4.2. Consolidated operating profit

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

	Period ended						Q1 Changes	
	31 May 2018			31 May 2017				
(in millions and as a percentage of consolidated revenues)	**Adjusted amounts**	%	***Adjustments[11]***	**Adjusted amounts**	%	***Adjustments***	**2019 vs. 2018**	**%**
Revenue	418.6			366.8			51.8	14.1%
Sales revenues	**418.6**			**366.8**			**51.8**	**14.1%**
Purchase of goods and Change in inventories	(324.0)	(77.4%)	*0.0*	(288.0)	(78.5%)	*0.0*	(36.0)	12.5%
Lease and rental expense	(17.8)	(4.3%)	*0.1*	(14.2)	(3.9%)	*0.3*	(3.6)	25.0%
Marketing costs	(11.7)	(2.8%)	*0.1*	(13.1)	(3.6%)	*0.4*	1.4	(10.7%)
Logistics costs	(10.7)	(2.6%)	*0.1*	(8.0)	(2.2%)	*0.0*	(2.7)	34.0%
Other costs	(13.7)	(3.3%)	*0.6*	(10.7)	(2.9%)	*3.1*	(2.9)	27.3%
Personnel costs	(40.4)	(9.7%)	*1.2*	(33.0)	(9.0%)	*0.9*	(7.4)	22.5%
Other operating income and costs	(0.5)	(0.1%)	*(0.1)*	(0.6)	(0.2%)	*0.4*	0.1	(10.3%)
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	1.5	0.4%	*1.5*	1.4	0.5%	*1.4*	0.1	7.1%
Consolidated Adjusted EBITDA	**1.4**	**0.3%**	***3.4***	**0.6**	**0.2%**	***6.6***	**0.7**	**116.1%**

Consolidated Adjusted EBITDA in the first quarter of 2019 increased by Euro 0.7 million, standing at Euro 1.4 million. The Adjusted EBITDA margin was up by 0.1% compared with the first quarter of the previous year ended 31 May 2017. The growth actions undertaken in 2017 had a positive influence on the quarter, leading to an expansion of the network of stores and Unieuro's digital activities, while at the same time allowing for important synergies. The consolidation strategy more than compensated for a further weakening of the market trend, also in the light of the effects on consumer confidence deriving from the political uncertainty that characterised the first quarter of the year.

Profitability is influenced by the seasonal phenomena typical of the consumer electronics market, which records higher revenues and costs of purchasing goods during the final part of each financial year. On the other hand, operating costs show a more linear trend due to the presence of fixed cost components (staff, rentals and overheads) that have a uniform distribution throughout the year.

[11] 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.

During the period costs for the purchase of goods and changes in inventories increased by Euro 36.0 million. The impact on consolidated revenues stood at 77.4% (78.5% in the first quarter of the previous year ended 31 May 2017).

Rental increased by Euro 3.6 million, equal to around 25.0%, as a result of the increase in stores following the acquisitions made from the second quarter of the previous year and mainly refers to: (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 and (iii) taking over the rental agreement of the flagship store in the Euroma2 shopping centre from 20 September 2017 and the effect of the acquisition of Monclick consolidated from 1 June 2017.

Marketing costs fell by 10.7% compared with the first quarter of the previous year ended 31 May 2017. This is mainly linked to a different promotional calendar between the two periods. 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 the weighting of traditional marketing activities in the period ended 31 May 2018, partly offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 2.7 million. The impact on consolidated revenues stood at 2.6% (2.2% in the first quarter of the previous year ended 31 May 2017). The performance recorded is mainly attributable to the increase in sales volumes and the ever increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for special delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

Other costs rose by Euro 2.9 million compared with the previous year ended 31 May 2017 with the trend attributable to: (i) the increase in operating costs which mainly refer to utilities, maintenance and general sales expenses as a result of the increase in stores following the acquisitions made from the second quarter of the previous year, (ii) the increase in consultancy costs and (iii) 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 concluded in October 2017 with a new syndicate of insurers which led to an increase in the premium.

Personnel costs show an increase of Euro 7.4 million, mainly attributable to: (i) the increase in the number of employees following the opening of new stores which took place in the second quarter of the previous year, (ii) recognition of the costs of the share-based payment plan referred to as Long Term Incentive Plan concluded in the second half of the previous year and (iii) the strengthening of several strategic functions at head office.

Other operating income and expenses rose by Euro 0.1 million, essentially in line with the first quarter of the previous year ended 31 May 2017.

Below is a reconciliation between the Consolidated Operating Profit and the Consolidated Adjusted EBITDA.

(In millions of Euros and as a percentage of consolidated revenues)	Period ended				Q1 Changes	
	31 May 2018	**%**	**31 May 2017**	**%**	**2019 vs. 2018**	**%**
Consolidated Operating Profit	(8.1)	(1.9%)	(10.6)	(2.9%)	2.5	(23.5%)
Depreciation, amortisation and write-downs	6.1	1.5%	4.7	1.3%	1.4	30.2%
Non-recurring expenses /(income)	1.8	0.4%	5.1	1.4%	(3.3)	(63.9%)
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[12]	1.5	0.4%	1.4	0.4%	0.1	7.1%
Consolidated Adjusted EBITDA[13]	**1.4**	**0.3%**	**0.6**	**0.2%**	**0.7**	**116.1%**

Non-recurring expenses (income) fell by Euro 3.3 million compared with the first quarter of the previous year ended 31 May 2017 and mainly refer to costs incurred for pre-opening, relocating and closing points of sale.

The adjustment due to the change in the business model for directly managed services was up by Euro 0.1 million compared with the first quarter of the previous year ended 31 May 2017.

[12] 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 year ended 28 February 2018 for all extended warranty services sold by the business units Andreoli S.p.A. and Cerioni S.p.A. (excluding telephone systems and peripherals), Unieuro modified the business model for the management of extended warranty services by in-sourcing the management of services sold by the Former Unieuro and by Unieuro that were previously outsourced and by extending this model to the sales points acquired during the year ended 28 February 2018 from the business units 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 periods ended 31 May 2018 and 31 May 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 period 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. The adjustment will be gradually exhausted in the income statements of future years until being eliminated when the new business model is operational, i.e., for each product category, when the period has lapsed that starts on the first day of the legally required two-year warranty and ends on the last day of the extended warranty service.

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

4.3. Non-recurring income and expenses

(In millions of Euro)	**Period ended**		**Q1 Changes**	
	31 May 2018	**31 May 2017**	**2019 vs. 2018**	**%**
Costs for pre-opening, relocating and closing points of sale[14]	1.0	0.6	0.4	72.2%
Mergers&Acquisitions	0.6	0.6	(0.0)	100.0%
Other non-recurring expenses	0.2	0.5	(0.3)	(56.8%)
Costs incurred for the listing process	-	2.7	(2.7)	(100.0%)
Costs for the Call Option Agreement	-	0.7	(0.7)	(100.0%)
Total	**1.8**	**5.1**	**(3.3)**	**(63.9%)**

Non-recurring expenses and income recorded in the year decreased by Euro 3.3 million. The fall is mainly due to the costs incurred for the listing process and to the costs for the Call Option Agreement concluded following the positive outcome of the listing process in April 2017 which came to Euro 3.4 million.

The main item of non-recurring expenses and income relates to the points of sale pre-opening, repositioning and closing costs equal to Euro 1.0 million in the first quarter of the year ended 31 May 2018 (Euro 0.6 million in the first quarter of the year ended 31 May 2017). 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 relating to the item Mergers&Acquisitions stood at Euro 0.6 million in the first quarter of the year ended 31 May 2018 (Euro 0.6 million in the first quarter of the year ended 31 May 2017). These costs were mainly incurred for the reorganisation and definition of the new corporate structure of Monclick.

Other non-recurring expenses stood at Euro 0.2 million in the first quarter of the year ended 31 May 2018, a fall of Euro 0.3 million compared with the first quarter of the previous year ended 31 May 2017.

[14] 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.

4.4. Net income

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

	Period ended				Q1 Changes	
(In millions of Euros and as a percentage of consolidated revenues)	**31 May 2018**	**%**	**31 May 2017**	**%**	**2019 vs. 2018**	**%**
Consolidated Adjusted EBITDA	**1.4**	**0.3%**	**0.6**	**0.2%**	**0.7**	**116.1%**
Amortisation, depreciation and write-downs of non-current assets	(6.1)	(1.5%)	(4.7)	(1.3%)	(1.4)	30.2%
Financial income and expenses	(0.8)	(0.2%)	(1.2)	(0.3%)	0.4	(31.7%)
Income taxes	0.9	0.2%	1.8	0.5%	(0.9)	(48.4%)
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model[15]	(0.3)	(0.1%)	(0.6)	(0.2%)	0.3	(52.3%)
Adjusted consolidated result for the period*[16]*	**(4.9)**	**(1.2%)**	**(4.1)**	**(1.1%)**	**(0.9)**	**21.0%**

Amortisation, depreciation and write-downs of fixed assets in the first quarter of the year ended 31 May 2018 totalled Euro 6.1 million (Euro 4.7 million in the first quarter of the previous year ended 31 May 2017). The increase relates to the amortisation and depreciation of investments related to the acquisitions made in the previous year and to lower write-downs of assets in addition to the progressive alignment of depreciation to the planned level of investments.

Net financial expenses in the first quarter of the year ended 31 May 2018 totalled Euro 0.8 million (Euro 1.2 million in the first quarter of the previous year ended 31 May 2017). The decrease is mainly attributable to the signing, on 22 December 2017, of a new Loan Agreement[17]. The Loan Agreement has significantly better conditions compared with the previous loan, 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.

Income taxes in the first quarter of the year ended 31 May 2018 were positive and amounted to Euro 0.9 million (Euro 1.8 million in the first quarter of the previous year ended 31 May 2017). This reduction is temporary and will be reabsorbed during the tax year.

The Adjusted Consolidated Result for the Period was negative at Euro 4.9 million (negative by Euro 4.1 million in the first quarter of the previous year ended 31 May 2017) with an impact of -1.2% on consolidated revenues (-1.1% in the previous year ended 31 May 2017). The Adjusted Consolidated Result for the Period, excluding the tax component, showed a slight improvement in the quarter compared with the same period of the previous year, thanks to the increase in Adjusted EBITDA

[15] No taxes were paid in the year ending 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% at 28 February 2018 and 9.4% 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%.

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

[17] The Loan Agreement was signed on 9 January 2018 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 for a total of Euro 190 million.

and to the savings on financial expenses which made it possible to offset the increase in amortisation and depreciation. The temporary change in taxes caused a deterioration in the indicator between the two periods.

IRES tax losses, which were still available at 31 May 2018, totalled Euro 399.2 million in relation to Unieuro and Euro 6.3 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years.

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

	Period ended				**Q1 Changes**	
(In millions of Euros and as a percentage of consolidated revenues)	**31 May 2018**	**%**	**31 May 2017**	**%**	**2019 vs. 2018**	**%**
Adjusted consolidated profit (loss) for the period	(4.9)	(1.2%)	(4.1)	(1.1%)	(0.9)	21.0%
Non-recurring expenses/income	(1.9)	(0.4%)	(5.1)	(1.4%)	3.3	(63.9%)
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	(1.5)	(0.4%)	(1.4)	(0.4%)	(0.1)	7.1%
Theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model	0.3	0.1%	0.6	0.2%	(0.3)	(52.3%)
Consolidated Profit (Loss) for the period[18]	**(8.0)**	(1.9%)	**(10.0)**	(2.7%)	**2.0**	(19.9%)

[18] No taxes were paid in the first quarter of the year ended 31 May 2018 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management is 8.7%, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

5. Group financial and equity results

5.1. Consolidated Adjusted Levered Free Cash Flow [19]

The Group considers the *Consolidated Adjusted Levered Free Cash Flow* to be the most appropriate indicator to measure cash generation during the period. The composition of the indicator is provided in the table below.

(In millions of Euros)	**Period ended**		**Q1 Changes**	
	31 May 2018	**31 May 2017**	**2019 vs. 2018**	**%**
Consolidated EBITDA	(2.0)	(5.9)	3.9	(65.6%)
Cash flow generated /(used) by operating activities[20]	(30.7)	(21.0)	(9.7)	46.1%
Taxes paid	-	-	-	0.0%
Interest paid	(0.4)	(1.0)	0.6	(57.0%)
Other changes	0.5	0.7	(0.2)	(27.9%)
Net cash flow generated /(used) by operating activities[21]	**(32.6)**	**(27.3)**	**(5.4)**	**19.5%**
Investments	(6.7)	(7.3)	0.6	(8.6%)
Investments for business combinations and business units	0.0	(9.4)	9.4	(100.0%)
Adjustment for non-recurring investments	2.2	9.4	(7.1)	(76.1%)
Non-recurring expenses /(income)	1.8	5.1	(3.3)	(63.7%)
Adjustment for non-cash components of non-recurring expenses/(income)	(1.2)	(0.6)	(0.7)	120.7%
Other non-recurring cash flows	(0.8)	0.0	(0.8)	0.0%
Theoretical tax impact of the above entries[22]	(0.1)	(0.4)	0.3	(86.1%)
Consolidated Adjusted levered free cash flow	**(37.3)**	**(30.4)**	**(6.9)**	**22.5%**

The Consolidated net cash flow generated/(used) by operating activities was negative by Euro 32.6 million (negative by Euro 27.3 million in the first quarter of the previous year ended 31 May 2017). This trend is related to the management of the Group's Net Working Capital and is mainly connected to a different promotional calendar compared with the same period of the previous year which led to different planning of the timings of procurement.

Investments made in the period stood at Euro 6.7 million (Euro 7.3 million in the first quarter of the previous year ended 31 May 2017). Investments refer to: (i) costs incurred for the construction of the new logistics hub in Piacenza (ii) operations for the development of the direct stores network and the refurbishment of the network of existing stores and (iii) costs incurred for the purchase of new hardware, software, licences and development of existing applications with a view to the digitalisation of stores and the development of advanced functions for online platforms with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

Non-recurring investments of Euro 2.2 million refer to the investments underway for the construction of the new logistics hub in Piacenza which will make it possible to significantly increase the logistics capacity by around 50,000 m^2 compared with the current capacity. The

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

[20] The item "Cash flow generated/(used) by operating activities" refers to cash generated/(used) by the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.

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

[22] No taxes were paid in the first quarter of the year ended 31 May 2018 since they were offset by credits for advance payments made in previous years. The theoretical rate deemed appropriate by management is 8.7%, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

presence of a single logistics hub for supplying all channels distinguishes the Unieuro business model and makes it possible to avoid superfluous costs and down time, limit obsolete inventories and optimise the delivery of products, both to the network of stores and to individual web-based customers.

The adjustment for non-monetary components of expenses/(income) of Euro 1.2 million is mainly composed of the provisions for the closing of several points of sale which will take place during the year and which have not yet been reported financially at 31 May 2018. This adjustment will be gradually reduced when those costs have been reported financially.

Other non-recurring operating cash flows of Euro 0.8 million refer to the collection of the insurance payment in relation to the Oderzo (TV) fire which took place on 25 February 2017.

Below are listed the main changes recorded in the Group's net financial indebtedness during the first quarter in the period ended 31 May 2018 and in the first quarter in the period ended 31 May 2017:

	Period ended		**Q1 Changes**	
(In millions of Euros)	**31 May 2018**	**31 May 2017**	**2019 vs. 2018**	**%**
Operating profit	(2.0)	(5.9)	3.9	(65.9%)
Cash flow generated /(used) by operating activities	(30.7)	(21.0)	(9.7)	46.1%
Taxes paid	0.0	0.0	0.0	
Interest paid	(0.4)	(1.0)	0.6	(57.0%)
Other changes	0.5	0.7	(0.2)	(27.9%)
Net cash flow generated/(absorbed) by operating activities	**(32.6)**	**(27.3)**	**(5.4)**	**19.7%**
Investments	(6.7)	(16.7)	10.0	(60.0%)
Other changes	(0.5)	(0.2)	(0.3)	163.0%
Change in net financial debt	**(39.8)**	**(44.2)**	**4.3**	**(9.8%)**

5.2 Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 31 May 2018 and as at 28 February 2018:

(In millions of Euros)	**Period ended**	
	31 May 2018	**28 February 2018**
Trade receivables	43.2	39.6
Inventories	384.4	313.5
Trade payables	(455.1)	(411.5)
Net operating working capital	**(27.6)**	**(58.4)**
Other working capital items	(140.1)	(147.0)
Net working capital	**(167.7)**	**(205.3)**
Non-current assets	132.4	132.3
Goodwill	174.7	174.7

Non-current liabilities	(21.5)	(20.0)
Net invested capital	**118.0**	**81.7**
Net financial debt	(44.4)	(4.5)
Shareholders' equity	(73.6)	(77.2)
Total shareholders' equity and financial liabilities	**(118.0)**	**(81.7)**

The Group's Net Working Capital as at 31 May 2018 was negative by Euro 27.6 million (negative by Euro 58.4 million as at 28 February 2018). The performance for the period of the Group's Net Working Capital is attributable to: (i) a different promotions calendar compared with the same period of the previous year which led to different planning of the timings of procurement and (ii) an increase in the number of points of sale as a result of the acquisition of the business units Andreoli S.p.A., Cerioni S.p.A., and the flagship store in the Euroma2 shopping centre, from the second quarter of the previous year which led to an increase in the value of trade payables and inventories.

The Net Invested Capital of the Group stood at Euro 118.0 million at 28 February 2018, up Euro 36.3 million compared with 28 February 2018. The increase is mainly attributable to: (i) an increase in the Group's Net Working Capital of Euro 37.6 million, (ii) investments of Euro 6.7 million attributable to the costs incurred for the construction of the new logistics hub in Piacenza, operations for the development of the direct stores network and the refurbishment of the network of existing stores and costs incurred for the purchase of new hardware, software, licences and development of existing applications and (iii) amortisation and depreciation for the period of Euro 6.1 million.

Shareholders' equity amounted to Euro 73.6 million (Euro 77.2 million at 28 February 2018), with the decrease mainly caused by the negative result recorded for the period partly offset by the recording of the First time adoption reserve resulting from the application of the new standard IFRS 15 and the reserve for share-based payments relating to the Long Term Incentive Plan[23] reserved for some managers and employees.

Below is a detailed breakdown of the Group's net financial debt as at 31 May 2018 and 28 February 2018 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(In millions of Euros)	**Period ended**		**Q1 Changes**	
	31 May 2018	**28 February 2018**	**2019 vs. 2018**	**%**
(A) Cash	21.0	61.4	(40.4)	(65.8%)
(B) Other cash and cash equivalents	-	-	-	-
(C) Securities held for trading	-	-	-	-
(D) Liquidity (A)+(B)+(C)	**21.0**	**61.4**	**(40.4)**	**(65.8%)**
- of which is subject to a pledge	*0.0*	*0.0*	*0.0*	

[23] 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 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.

(E) Current financial receivables	-	-	-	-
(F) Current bank payables	*(0.0)*	*(0.1)*	*0.0*	*(45.3%)*
(G) Current part of non-current debt	(6.3)	(6.9)	0.6	(8.9%)
(H) Other current financial payables	(3.0)	(6.3)	3.2	(51.3%)
(I) Current financial debt (F)+(G)+(H)	**(9.4)**	**(13.2)**	**3.9**	**(29.2%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(9.4)*	*(13.2)*	*3.9*	*(29.2%)*
(J) Net current financial position (I)+(E)+(D)	**11.7**	**48.2**	**(36.5)**	**(75.8%)**
(K) Non-current bank payables	(41.3)	(40.5)	(0.8)	1.9%
(L) Bonds issued	-	-	-	-
(M) Other non-current financial payables	(14.7)	(12.2)	(2.5)	20.8%
(N) Non-current financial debt (K)+(L)+(M)	**(56.0)**	**(52.7)**	**(3.3)**	**6.3%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(56.0)*	*(52.7)*	*(3.3)*	*6.3%*
(O) Net financial debt (J)+(N)	**(44.4)**	**(4.5)**	**(39.8)**	**882.1%**

Net financial indebtedness increased by Euro 39.8 million compared with 28 February 2018, mainly as a result of the combined effect of: (i) net cash flow generated by operating activities negative by Euro 32.6 million and (ii) investments of Euro 6.7 million attributable to the costs incurred for the construction of the new logistics hub in Piacenza, operations for the development of the direct stores network and the refurbishment of the network of existing stores and costs incurred for the purchase of new hardware, software, licences and development of existing applications.

Gross financial debt totalled Euro 65.4 million, of which Euro 56.0 million was medium and long term, and Euro 9.4 million was short term.

6. Significant events during and after the period

Bringing forward the dividend payment date

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 bringing forward to June 2018 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.

The new communication campaign

Almost four years after the rebranding, which already marked a distinct change compared with traditional sector arrangements, in April Unieuro launched a new simultaneous, omnichannel communication format, in the interest of strategic continuity and the celebration of its brand values.

Over a million downloads of the App

Still in April, the Unieuro App recorded its one millionth download placing it in the top twenty most downloaded shopping Apps from Apple Store and Google Play in Italy. Only launched a year ago, the Unieuro App is a key tool in the company's omnichannel strategy because it guarantees users a comprehensive and all-round shopping experience.

The exclusive agreement for the Ignis brand

On 3 May, Unieuro and Whirlpool Italia announced an important partnership for the exclusive marketing, in Italy, of Ignis branded large appliances. The agreement strives to strengthen Unieuro's leadership position in the White category thanks to a dedicated range of products, constantly under development, composed of more than 40 recommendations, as well as the weight of the historic Ignis brand, which has been present on the Italian market for more than 70 years.

The 2018 Shareholders' Meeting

On 5 June 2018, the Unieuro Shareholders' Meeting, which was convened in Forlì in a single call, approved the Financial Statements as at 28 February 2018, resolved the allocation of the operating profit, the coverage of the "negative reserves" and the distribution of the dividend of Euro 1 per share, totalling Euro 20 million paid later on 13 June 2018 and voted in favour of the first section of the Remuneration Report.
During the Meeting the Consolidated Financial Statements as at 28 February 2018 were presented, with the year ending with revenues up by 12.8% to Euro 1,873.8 million and an Adjusted Net Profit of Euro 39.4 million, up 8.5%.

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

7. Accounting Statements

7.1 Income Statement

(Amounts in thousands of Euros)	Period ended	
	31 May 2018	**31 May 2017**
Revenue	418,636	366,846
Other income	630	1,283
TOTAL REVENUE AND INCOME	**419,266**	**368,129**
Purchases of materials and external services	(449,265)	(405,925)
Personnel costs	(41,686)	(33,864)
Changes in inventory	70,654	68,380
Other operating costs and expenses	(998)	(2,661)
GROSS OPERATING PROFIT	**(2,029)**	**(5,941)**
Depreciation, amortisation and write-downs	(6,102)	(4,687)
OPERATING PROFIT	**(8,131)**	**(10,628)**
Financial income	31	35
Financial expenses	(872)	(1,264)
PROFIT BEFORE TAX	**(8,972)**	**(11,857)**
Income taxes	944	1,831
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**(8,028)**	**(10,026)**
Profit/(loss) for the period of the Group	(8,028)	(10,026)
Profit/(loss) for the period of third parties	--	--
Basic earnings per share (in Euros)	(0.40)	(0.50)
Diluted earnings per share	(0.40)	(0.50)

7.2 Statement of Comprehensive Income

(Amounts in thousands of Euros)	Period ended	
	31 May 2018	**31 May 2017**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**(8,028)**	**(10,026)**
Other items of comprehensive income that will or may be reclassified to profit/loss for the period:		
Gain (losses) on cash flow hedges	(130)	0
Income taxes	32	0
Total other components of comprehensive income that are or could be reclassified to profit/(loss) for the period	**(98)**	**0**
Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period:		
Actuarial gains (losses) on defined benefit plans	(30)	0
Income taxes	2	0
Total other components of comprehensive income that will not be reclassified to profit/(loss) for the period:	**(28)**	**0**
Total comprehensive income for the period	**(8,154)**	**(10,026)**

7.3 Statement of Financial Position

(Amounts in thousands of Euros)	**Period ended**	
	31 May 2018	**28 February 2018**
Plant, machinery, equipment and other assets	75,692	74,831
Goodwill	174,748	174,748
Intangible assets with a definite useful life	24,750	25,034
Deferred tax assets	29,092	30,105
Other non-current assets	2,846	2,371
Total non-current assets	**307,128**	**307,089**
Inventories	384,402	313,528
Trade receivables	43,161	39,572
Current tax assets	4,830	3,147
Other current assets	25,454	16,157
Cash and cash equivalents	21,025	61,414
Total current assets	**478,872**	**433,818**
Total Assets	**786,000**	**740,907**
Share capital	4,000	4,000
Reserves	103,857	105,996
Profit/(loss) carried forward	(34,242)	(32,780)
Profit/(Loss) of third parties	-	-
Total shareholders' equity	**73,615**	**77,216**
Financial liabilities	41,286	40,518
Employee benefits	10,816	11,179
Other financial liabilities	14,732	12,195
Provisions	6,056	5,696
Deferred tax liabilities	3,861	2,448
Other non-current liabilities	725	718
Total non-current liabilities	**77,476**	**72,754**
Financial liabilities	6,313	6,961
Other financial liabilities	3,047	6,256
Trade payables	455,124	411,450
Provisions	2,892	2,928
Other current liabilities	167,533	163,342
Total current liabilities	**634,909**	**590,937**
Total liabilities and shareholders' equity	**786,000**	**740,907**

7.4 Cash Flow Statement

(Amounts in thousands of Euros)	Period ended 31 May 2018	Period ended 31 May 2017
Cash flow from operations		
Profit/(loss) for the period	(8,028)	(10,026)
Adjustments for:		
Income taxes	(944)	(1,831)
Net financial expenses (income)	841	1,229
Depreciation, amortisation and write-downs	6,102	4,687
(Profits)/losses from the sale of property, plant and machinery		-
Other changes	510	707
	(1,519)	(5,234)
Changes in:		
- Inventories	(70,874)	(68,380)
- Trade receivables	(3,589)	(1,761)
- Trade payables	43,674	60,240
- Other changes in operating assets and liabilities	121	(11,097)
Cash flow generated/(absorbed) by operating activities	(30,668)	(20,998)
Taxes paid	-	-
Interest paid	(445)	(1,035)
Net cash flow generated/(absorbed) by operating activities	**(32,632)**	**(27,267)**
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(5,377)	(5,839)
Purchases of intangible assets	(1,302)	(1,471)
Investments for business combinations and business units	-	(9,381)
Cash flow generated/(absorbed) by investing activities	**(6,679)**	**(16,691)**
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	(276)	22,860
Increase/(Decrease) in other financial liabilities	(802)	(441)
Net cash and cash equivalents generated by financing activities	**(1,078)**	**22,419**
Net increase/(decrease) in cash and cash equivalents	**(40,389)**	**(21,539)**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**61,414**	**36,666**
Net increase/(decrease) in cash and cash equivalents	**(40,389)**	**(21,539)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**21,025**	**15,127**

8. Option to derogate from the obligation to publish an information document in the event of transactions that are not significant

Note that the Issuer has opted to adopt the waiver in Article 70, paragraph 6 and Article 71, paragraph 1 of the Issuers' Regulation, pursuant to Article 70, paragraph 8 and Article 71, paragraph 1 *bis* of the Issuers' Regulation.

9. Declaration of the Director responsible for preparing the accounting and corporate documents

I, the undersigned, Mr. Italo Valenti, in my capacity of Director responsible for preparing the accounting and corporate documents of Unieuro S.p.A., in conformity with the provisions of Article 154-*bis* of the “Consolidated Law on Financial Intermediation”,

CERTIFY

that the Interim Report on Operations as at 31 May 2018 corresponds to the company's accounts and records.

Forlì, 12 July 2018.

Italo Valenti
(The Director responsible for preparing the accounting and corporate documents)

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