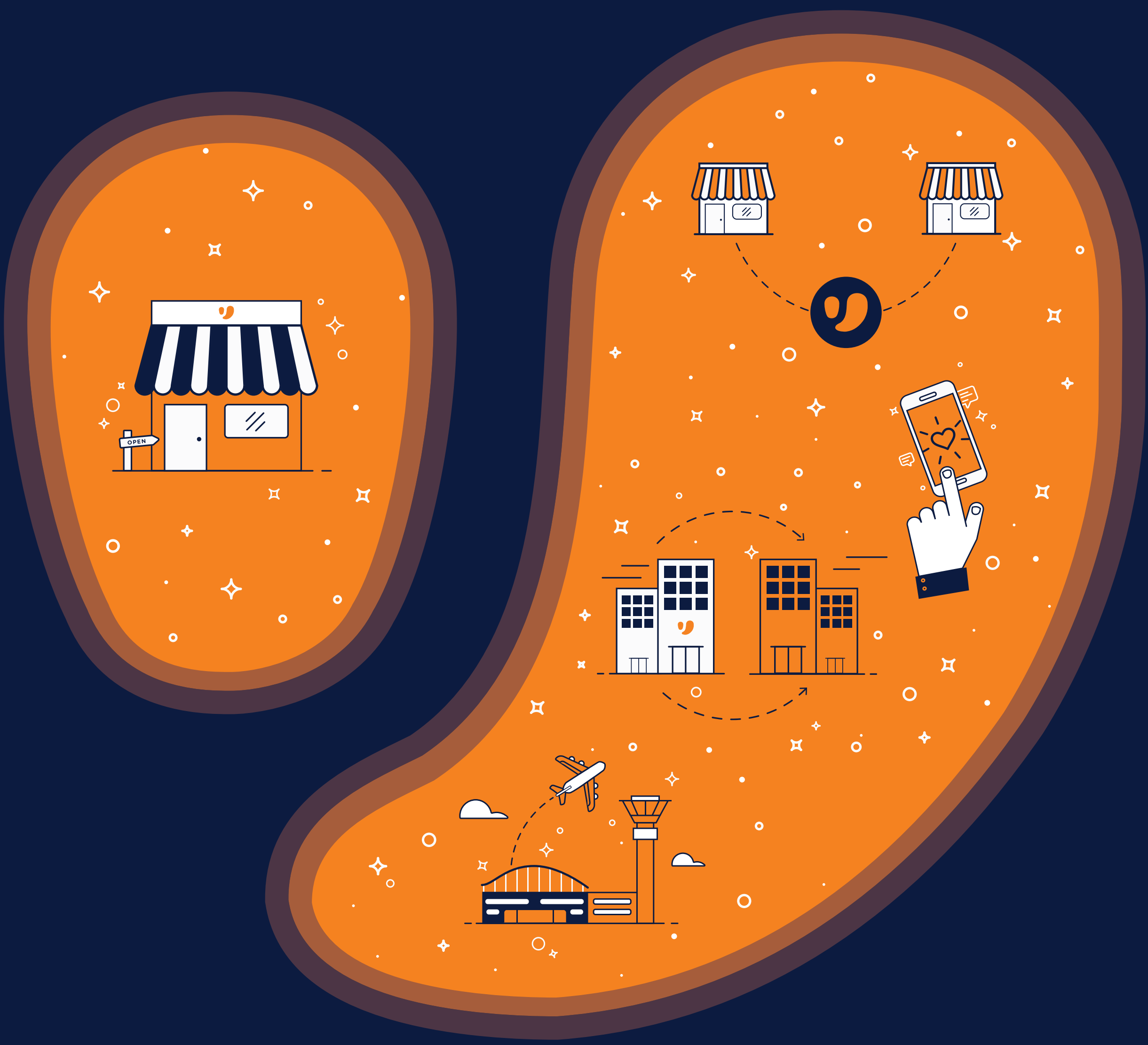
Consolidated Interim Financial Report

As at 31 August 2018



Summary

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 the Corporate Governance Code	Marino Marin
- Chairman of the Committee and Director possessing the requirements of independence indicated by the TUF (“Consolidated Finance Law”) and the Corporate Governance Code	Stefano Meloni

NOMINATIONS AND REMUNERATION COMMITTEE

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

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director	Marino Marin
- Independent Director	Stefano Meloni

BOARD OF STATUTORY AUDITORS

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

SUPERVISORY BODY

- Chairman	Giorgio Rusticali
- Members:	Chiara Tebano
	Raffaella Folli

AUDIT COMPANY

KPMG S.p.A.

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

UNIEURO GROUP INTERIM DIRECTORS' REPORT

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. Unieuro is now the largest Italian chain of consumer electronics and appliances by number of outlets, and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

The company 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 proximity.

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

At the date of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2018, the major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l. (accounting for the funds managed by Rhone Capital) with 33.8%, DSG European Investments Limited (Dixons Carphone plc) with 7.2%, the Silvestrini Family with 4.7% and Unieuro top management with 2.3%. Note that on 24 September 2018, the asset management company Amundi Asset Management disclosed that it owned 5% of Unieuro's share capital.

As at the date of this Condensed Half-Year Consolidated Financial Statements as at 31 August 2018, 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 notes

This Interim Directors' Report contains information relating to the consolidated revenues, consolidated profitability, balance sheet and cash flows of the Unieuro Group as at 31 August 2018 compared with the figures from the previous interim period ended 31 August 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 Interim Directors' Report as at 31 August 2018 was prepared in compliance with the provisions of Article 154 *ter*, paragraph 5 of Legislative Decree 58/98 of the T.U.F. as subsequently amended and supplemented in compliance with Article 2.2.3 of the Stock Exchange Regulations and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Unieuro Financial Statements as at 28 February 2018. The Interim Directors' Report was prepared in compliance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and to the related interpretations (SIC/ FRIC) adopted by the European Union.

Accounting standards and criteria adopted are the same as those applied in previous years, with the exception of the new standards and/or additions. Group applied IFRS 15 retroactively with cumulative effect as of the date of first application (i.e. 1 March 2018). Therefore, the information relating to comparison period has not been restated, i.e. it has been presented in accordance with IAS 18, IAS 11 and related interpretations. The other new standards that came into force on 1 March 2018 have not had a significant effect on the consolidated financial statements of Group.

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

The APIs reported (adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the period, net working capital, adjusted levered free cash flow, net financial debt and net financial debt/adjusted EBITDA) have not been identified as IFRS accounting measures, and thus, as noted above, they must not be considered as alternative measures to those provided in the Group's 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 Group. The *Adjusted* indicators indicated consist of: *Consolidated Adjusted EBITDA*, *Consolidated Adjusted EBITDA Margin*, *Consolidated Adjusted* profit (loss) for the year, *Consolidated 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 the 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 Directors' Report.

4. Main financial and operating indicators[1]

(in millions of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Economic indicators for the period		
Revenues[2]	908.5	813.7
Consolidated Adjusted EBITDA[3]	15.6	14.7
Consolidated Adjusted EBITDA margin[4]	1.7%	1.8%

[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] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period has not been restated, namely it is presented in accordance with IAS 18, IAS 11 and the related interpretations.
[3] 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.
[4] The Consolidated Adjusted Margin is the ratio of Consolidated Adjusted EBITDA to revenues.

Consolidated Profit/Loss for the Period	(5.2)	(12.6)
Adjusted Consolidated Profit/Loss for the Period[5]	0.4	3.1
Cash flows		
Consolidated Adjusted Levered Free Cash Flow[6]	(22.4)	(26.8)
Investments during the period	(11.8)	(30.5)

(in millions of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Indicators from the statement of financial position for the year		
Net Working Capital	(179.3)	(205.4)
Net financial debt	(55.3)	(4.5)
Net financial debt/Adjusted LTM EBITDA[7]	0.79	0.07

(in millions of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Operating indicators for the year		
Like-for-like growth (as a %)[8]	1.0%	2.7%
Direct outlets (number)	226	225
of which *Pick Up Points*[9]	214	214
Affiliated outlets (number)	270	272
of which *Pick Up Points*[6]	165	181
Total area of direct sales outlets (in square metres)	about 330,000	about 333,000
Sales density[10] (Euros per square metre)	4,550	4,659
Full-time-equivalent employees[11] (number)	4,066	4,018

[5] The Adjusted Consolidated Result for the period is calculated as the Consolidated Profit (Loss) for the period adjusted by (i) the adjustments incorporated in the Consolidated Adjusted EBITDA, (ii) the adjustments of the non-recurring depreciation, amortisation and write downs, (iii) the adjustments of the non-recurring financial expenses/(income) and (iv) the theoretical tax impact of these adjustments.

[6] 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 6.5 for additional details.

7 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.

[8] Like-for-like growth in revenues: methods for comparing sales for the six-month period ended 31 August 2018 with those for the six-month period ended 31 August 2017 based on a homogeneous scope of business, of retail and travel stores operating for at least an entire financial year at the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and large-scale refurbishments), as well as the entire online channel. For a better representation, the method for calculating the like-for-like KPIs was restated based on the methodology adopted for the main reference market players.

[9] Physical pick-up points for customer orders using the online channel.

[10] This indicator is obtained from the ratio of annual sales generated by direct outlets to the total area devoted to sales in all direct outlets.

[11] Average annual number of full-time-equivalent employees.

5. Market performance[12]

The profound changes taking place for several years in the sector of durable goods, specifically in the consumer electronics segment, have led consumers to be increasingly more knowledgeable, thrifty, informed and involved.

In July 2018, the online audience totalled more than 41.9 million online users in total, reaching a share of around 70% of the Italian population from age 2 upwards[13]. On an average day 63% of Italians (aged 18-74) browsed on smartphones, 21.3% (+2 years) on PCs and 12% on tablets (18-74 years) [2].

The complexity and diversity of customer journeys, increasingly more omnichannel, induced a radical change in the structure of supply as well. If e-commerce is increasingly directed at physical products rather than services, it is mobile-commerce that has grown more (*+40%*[14]), while regular web shoppers generate a turnover of 92% of overall internet traffic.

The fragmentation of purchasing behaviour is reflected in the structure of operators in both supply sectors (online and offline). If online sales are concentrated on the main top 20 operators (retailers and pure online players) which handle 72% of online sales , in the offline sector it is the small operators (electrical specialists) that are penalised since they are purchasing groups whose shareholders suffer from the size of the business which prevents the competitiveness of the sector and stops them taking full advantage of the opportunities of the multichannel system. Therefore it is the big businesses that continue to dominate the field of consumer electronics through the integration of processes and the development of new customer services from an omnichannel perspective.

The first half-year ended with growth of 2.1% in the consumer market[15]. It was the online sector that led performance with growth of 19% thereby bringing online penetration to around 14% (+ 1 percentage point compared with the corresponding period of the previous year) and offsetting the fall recorded in the offline sector (-0.2%). The segment most affected by the fall in revenues (-7%) is Electrical Specialists, while Tech Superstores made a positive contribution to the market with a growth rate of +1.2%[16].

As far as the trends relating to the individual categories of goods are concerned, note the fall in White goods (-1.5%) due mainly to the downturn in the offline channel and the negative impact on the sales of air conditioning due to a cooler summer season compared with the

[12] The data relating to the market were prepared by the Group management based on analysis as of 31 August 2018.
[13] Source: Audiweb Data July 2018.
[14] Source: Politecnico Osservatorio E-Commerce B2C
[15] The data refer to the consumer market only excluding services (extended warranties, loans, etc.), B2B activities, the entertainment segment, as well as products not coming under the scope of consumer electronics (e.g. bicycles)
[16] The data relating to the market were prepared by the Group management based on analysis as of 31 August 2018.

previous year. The small appliance sector (+2.7%) offset the performance of the category ending the half-year in positive territory especially thanks to the online channel.

With regard to Brown goods, the market became essentially stable once again following the fall recorded in the previous year (-0.3%). TVs made the greatest contribution to growth in the first half-year thanks to the greater penetration of high-end products increasingly larger in terms of screen size. The online sector recorded a particularly positive performance.

In the Grey sector (4.2%), the Telecom segment is the main contributor to growth (+7.3%), driven by the results for smartphones and the trend which increasingly prioritises the medium-high price range.

The main producers of telephone systems, taking advantage of demand for smartphones which was essentially inelastic, focused increasingly on launching high-end models with a positive effect on the average market price. Also note the increase in online penetration where a volume effect on the total value of the Telecom market was also recorded.

On the IT front, the sector remained essentially stable compared with the half-year period of the previous year thanks to the performance in the months of July and August, containing the loss in value recorded in Q1 of the current fiscal year.

In this scenario the Unieuro Group was able to strengthen its shares in all supply sectors, consolidating its leadership position in the retail market.

Despite achieving a sales performance that was better than the average market growth, in both online and offline channels, the Group's focus in the first half-year has remained unchanged in terms of strategic pillars:

- the expansion of the sales network through organic growth (three new openings in the half-year, in Cagliari, Grosseto and Silvi Marina) and for outside lines;

- the continuation of investment projects in crucial areas, including logistics (as demonstrated by the opening on 12 October 2018 of the new Piacenza hub);

- the focus on processes from an omnichannel perspective and on the centrality of customers in a mobile first logic (NPS equal to 44, an improvement of four points compared with the same period of the previous year);

- the strengthening of the competitive positioning in the online segment thanks to the consolidation of Monclick.

In the offline channel the group recorded a performance of +9.5%, a result which is even more significant if one takes into account the downturn of this channel recorded on the market (-0.2%).

In the online segment the development of the number of pick-up-points - the result of the strategy of expanding the sales network - and constant investment in terms of new unieuro.it platform functionalities enabled the Group to record growth of 41.4% or more than double the growth rate of the market (+19%) compared with the previous year. Also note the contribution of the mobile components, both Apps and Browsing.

Driving the over performance in both sales channels were all product sectors from White goods[17] *(+6.6%)* to Grey goods[5] *(+14.5%)* to Brown goods[5] *(+18.5%).* It is in the last sector which, in spite of the fall in demand and the increase in competitive internet pressure, the Unieuro Group recorded growth which went totally against market trends.

In the online segment, the over-performance of Unieuro was very significant in all sectors: *White goods +31.1%; Brown goods +33.2%, Grey goods +58.1%.*

6. Group operating and financial results

6.1. Consolidated revenues

Consolidated revenues for the six-month period ending 31 August 2018 totalled Euro 908.5 million, an 11.7% increase over the previous year, with an increase of Euro 94.8 million.

In the half-year, 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 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.

Like-for-like growth of the distribution network[18]) - or the comparison of sales for the six-month period ended 31 August 2018 with those for the six month period ended 31 August 2017, based on a homogeneous scope of business[19], was positive and equal to +1.0% in spite 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 outlets affected by this from the scope of the analysis because they are adjacent to the new stores, like-for-like sales increased by 4.3%.

[17] The growth figures by individual category and by individual channel for the Unieuro Group only involve the Consumer segment excluding Services, B2B, Entertainment, products outside of the scope of consumer electronics and also include Travel sales. This is to make them comparable with the market data which excludes these components.

[18]The like-for-like KPI for the purpose of a better representation, was recalculated based on the methodology adopted by the main reference market players.

[19] The like-for-like KPI is calculated including: (i) the retail and travel stores operating for at least an entire financial year at the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and large-scale refurbishments) and (ii) the entire online channel.

Note that from this Interim Directors' Report, the calculation methods for like-for-like revenues have been redesigned on the basis of the methodology adopted by the main reference market players with the objective of providing a better representation of the performance on a like-for-like basis.

6.1.1 Consolidated revenues by channel[20]

(In millions of Euro and as a percentage of consolidated revenues)	**Period ended**				**Change**	
	31 August 2018	**%**	**31 August 2017**[21]	**%**	**Δ**	**%**
Retail	640.6	70.5%	572.3	70.3%	68.3	11.9%
Online	99.6	11.0%	71.6	8.8%	28.0	39.1%
Wholesale	95.1	10.5%	95.5	11.7%	(0.4)	(0.4%)
B2B	60.5	6.7%	62.4	7.7%	(1.9)	(3.0%)
Travel	12.7	1.4%	11.9	1.5%	0.8	6.9%
Total consolidated revenues	**908.5**	**100.0%**	**813.7**	**100.0%**	**94.8**	**11.7%**

The Retail channel reported an 11.9% increase in sales mainly as a result of the increase in stores following the acquisitions made from the second quarter of the previous year.

The consolidated revenues of the Online channel stand at Euro 99.6 million, growth of 39.1% compared with Euro 71.6 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-margins 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 revenues in the half-year bringing them to Euro 18.9 million. Monclick is one of the main Italian pure players specialised in consumer electronics and appliances.

The Wholesale channel recorded sales essentially in line with the half-year ended 31 August 2017 (Euro 95.1 million)[22]. The continued and physiological action of streamlining the network has led to a fall of 3 sales outlets compared with the first half-year of the previous

[20] From 1 March 2018, the Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore the information relating to the comparison period has not been restated, in other words it is presented in accordance with IAS 18, IAS 11 and the related interpretations; for more details, please refer to note 2.5.1 Changes in the accounting standards of the Condensed Half-Year Consolidated Financial Statements. .

[21] For the purpose of better representation, supplies of goods to an ongoing customer operating in the consumer electronics market without using the Unieuro brand was reclassified from the Wholesale channel to the B2B channel.

[22] For the purpose of better representation, supplies of goods to an ongoing customer operating in the consumer electronics market without using the Unieuro brand was reclassified from the Wholesale channel to the B2B channel.

year, plus the anticipated impact of the new direct stores on the Wholesale network.

The B2B channel recorded lower sales compared with the first half-year ended 31 August 2017, down by 3.0% to Euro 60.5 million[22]. The subsidiary Monclick S.r.l., consolidated from 1 June 2017, contributed Euro 9.1 million. 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, which includes the sales outlets located in major public transport hubs through direct sales outlets, recorded growth of 6.9% or around Euro 0.8 million.

6.1.2 Consolidated revenues by category[23]

(In millions of Euro and as a percentage of consolidated revenues)	**Period ended**				**Change**	
	31 August 2018	**%**	**31 August 2017[24]**	**%**	**Δ**	**%**
Grey	437.7	48.2%	387.7	47.6%	50.1	12.9%
White	239.2	26.3%	225.3	27.7%	13.9	6.2%
Brown	154.3	17.0%	132.5	16.3%	21.8	16.5%
Services	38.9	4.3%	30.1	3.7%	8.8	29.4%
Other products	38.4	4.2%	38.2	4.7%	0.2	0.6%
Total consolidated revenues	**908.5**	**100.0%**	**813.7**	**100.0%**	**94.8**	**11.7%**

Through its distribution channels the Group offers its customers a vast range of products - specifically electric appliances and consumer electronics, as well as ancillary services. The segmentation of sales by product category took place on the basis of the classification of products adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

The Grey category, namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, phone system accessories, as well as all wearable technological products, saw an increase in consolidated revenues of 12.9% as a result of the good performance of sales in the telephone systems segment, which benefited from a mix movement towards the top of the range and the good performance of several 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 6.2% 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 negatively impacted by bringing forward an important promotion dedicated to the White segment to February 2018 and by the effect on sales of air conditioning of the cooler summer this year than last year.

The Brown category, including televisions and accessories, devices for smart TVs and car

[23] From 1 March 2018, the Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore the information relating to the comparison period has not been restated, in other words they are presented in accordance with IAS 18, IAS 11 and the related interpretations; for more details, please refer to note 2.5.1 Changes in the accounting standards of the Condensed Half-Year Consolidated Financial Statements. .

[24] The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

accessories, as well as memory systems such as CDs/DVDs or USB memory sticks, recorded an increase in consolidated revenues of 16.5%, going against market trends. This category benefited from the increasing success of high-end televisions, in particular ultraHD and OLED and the effect produced by the 2018 FIFA World Cup.

The Services category recorded growth of 29.4% in consolidated revenues thanks to the expansion of the sales network and the Group's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

The Other products category recorded a 0.6% increase in consolidated revenues. This group includes both the sales of the entertainment sector and other products not included in the consumer electronics market. The performance for the period is attributable to the diminished performance of e-mobility and the essential stability of the entertainment market.

6.2. Consolidated operating profit

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

	Period ended						Change	
	31 August 2018			31 August 2017				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***[25]	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Revenue	908.5			813.7			94.8	11.7%
Sales revenues	**908.5**			**813.7**			**94.8**	**11.7%**
Purchase of goods and Change in inventories	(704.0)	(77.5%)	*0.0*	(635.5)	(78.1%)	*2.7*	(68.5)	10.8%
Lease and rental expense	(35.1)	(3.9%)	*0.1*	(29.9)	(3.7%)	*0.7*	(5.2)	17.5%
Marketing costs	(23.6)	(2.6%)	*0.2*	(24.8)	(3.0%)	*1.0*	1.2	(4.9%)
Logistics costs	(23.3)	(2.6%)	*0.4*	(18.2)	(2.2%)	*0.7*	(5.1)	28.3%
Other costs	(28.6)	(3.1%)	*2.3*	(23.0)	(2.8%)	*5.7*	(5.6)	24.4%
Personnel costs	(79.7)	(8.8%)	*1.5*	(68.7)	(8.4%)	*3.3*	(11.1)	16.1%
Other operating income and costs	(1.5)	(0.2%)	*(0.1)*	(1.8)	(0.2%)	*0.3*	0.3	(15.2%)
Revenues from the sale of warranty extension netted of future estimated service cost - business model's change related to direct assistance services	3.1	0.3%	*3.1*	2.9	0.4%	*2.9*	0.2	6.9%
***Consolidated Adjusted* EBITDA**	**15.6**	**1.7%**	***7.4***	**14.7**	**1.8%**	***17.3***	**0.9**	**6.5%**

Consolidated Adjusted EBITDA in the first half of the current year increased by Euro 0.9 million, standing at Euro 15.6 million. The *Adjusted* EBITDA *margin* was 1.7% The growth measures undertaken during the previous financial year had a positive impact on the half-year,

[25] 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.

with an expansion of the network of Unieuro stores and digital activities; the constant attention to product margins facilitated a 0.6% improvement in the purchase price of goods.

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

During the period costs for the purchase of goods and changes in inventories increased by Euro 68.5 million. The impact on consolidated revenues stood at 77.5% (78.1% in the first half of the year ended 31 August 2017).

Rental increased by Euro 5.2 million, equal to around 17.5%, 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 4.9% compared with the first half of the previous year. The fall was mainly related to the different promotional calendar of the two periods. Marketing and advertising were structured and planned to direct potential customers to physical outlets and to the Online channel. There was a fall in the weighting of traditional marketing activities in the period ended 31 August 2018, partly offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 5.1 million. The impact on consolidated revenues stood at 2.6% (2.2% in the first half of the previous year) The performance 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 non standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

The item Other costs rose by Euro 5.6 million compared with the first half of the previous year. The performance is attributable to: (i) the increase in operating costs which mainly refer to utilities, maintenance and general sales expenses as a result of the expansion of stores, (ii) the increase in consultancy costs for strategic projects and (iii) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo sales outlet which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017. A new insurance contract was negotiated in October 2017 with a new syndicate of insurers which led to an increase in the premium.

Personnel costs show an increase of Euro 11.1 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 the Long Term Incentive Plan concluded in the second half of the previous year and (iii) the strengthening of several strategic functions at head office which took place during the period.

Other operating income and expenses fell by Euro 0.3 million, essentially in line with the first half of the previous year ended 31 August 2017.

Below is a reconciliation between the *Consolidated Adjusted EBITDA* and the consolidated net operating profit reported in the consolidated financial statements.

(In millions of Euro and as a percentage of revenues)	Period ended				Change	
	31 August 2018	**%**	**31 August 2017**	**%**	**Δ**	**%**
Consolidated Adjusted EBITDA[26]	15.6	1.7%	14.7	1.8%	0.9	6.5%
Non-recurring expenses /(income)	(4.3)	(0.5%)	(14.4)	(1.8%)	10.1	(70.2%)
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[27]	(3.1)	(0.3%)	(2.9)	(0.4%)	(0.2)	6.9%
GROSS OPERATING PROFIT	**8.3**	**0.9%**	**(2.6)**	**(0.3%)**	**10.9**	**(417.6%)**

Non-recurring expenses (income) fell by Euro 10.1 million compared with the first half of the

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

[27] 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 six-month periods ended 31 August 2018 and 31 August 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. The adjustment will progressively decrease to nil in future income statements when the new business model is fully reflected in our financial statements, which will occur on the last expiry date of warranty extensions sold for all product categories.

previous year ended 31 August 2017 and mainly refer to costs incurred for pre-opening, relocating and closing outlets and for the opening of the new Piacenza logistics hub.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 0.2 million compared with the corresponding period of the previous year ended 31 August 2017 as a result of the extension of the business model relating to the management of extended warranty services at outlets acquired from the second quarter of the previous financial year.

6.3. Non-recurring income and expenses

(in millions of Euros)	**Period ended**		**Change**	
	31 August 2018	**31 August 2017**	**Δ**	**%**
Costs for pre-opening, relocating and closing outlets and the new Piacenza logistics hub [28]	1.8	1.3	0.5	36.7%
Mergers&Acquisitions	1.7	6.1	(4.4)	(72.1%)
Other non-recurring expenses	0.8	0.9	(0.1)	(10.4%)
Costs incurred for the listing process	-	2.7	(2.7)	(100.0%)
Exceptional Accidental Events	-	2.7	(2.7)	(100.0%)
Costs for the Call Option Agreement	-	0.7	(0.7)	(100.0%)
Total	**4.3**	**14.4**	**(10.1)**	**(70.1%)**

Non-recurring expenses and income recorded in the year rose by Euro 10.1 million. The fall is mainly due to (i) the costs incurred for the listing process, (ii) the costs for the Call Option Agreement concluded following the positive outcome of the listing process in April 2017, (iii) the costs resulting from the theft that took place at the Piacenza warehouse, as well as (iv) the significant reduction in Mergers & Acquisitions costs which came to Euro 4.4 million.

The main item of non-recurring expenses and income relates to the outlets pre-opening, repositioning and closing costs and the new Piacenza logistics hub equal to Euro 1.8 million in the first half of the year ended 31 August 2018 (Euro 1.3 million in the corresponding period of the previous year). This item includes: rental, personnel, security, travel and transfer costs, for maintenance and marketing operations incurred as part of: i) store openings and the new Piacenza logistics hub (in the months immediately preceding and following the opening of the same) and (ii) store closures.
The new 104,000 square metre Unieuro central distribution hub was opened on 12 October 2018. The new facility, the linchpin of the Unieuro centralised business model, unique in the

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

domestic consumer electronics market, will continue to concentrate its activities on receiving, storing and dispatching all products marketed and sold by Unieuro through each of its five operating channels: direct stores, affiliates, e-commerce platforms, the B2B channel, as well as outlets located in airports and at railway stations. The pre-opening costs of the new Piacenza logistics hub were Euro 0.4 million.

The costs relating to the item Mergers&Acquisitions stood at Euro 1.7 million in the first half of the year ended 31 August 2018 (Euro 6.1 million in the corresponding period of the previous year). These costs were mainly incurred for the reorganisation and definition of the new corporate structure of Monclick and for the set up costs relating to the acquisition of the business unit DPS Group S.r.l. in fallimento "DPS".

Other non-recurring expenses in the half-year stood at Euro 0.8 million, a fall of Euro 0.1 million compared with the corresponding period of the previous year ended 31 August 2017. Costs are mainly related to extraordinary provisions which refer to disputes with suppliers for which requests have been received from third parties that hold Unieuro jointly and severally liable.

6.4. 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						Change	
	31 August 2018			31 August 2017				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
***Consolidated Adjusted* EBITDA**	**15.6**	**1.7%**	**7.4**	**14.7**	**1.8%**	**17.3**	**0.9**	**6.5%**
Amortisation, depreciation and write-downs of non-current assets	(12.3)	(1.4%)	*0.3*	(9.8)	(1.2%)	*0.0*	(2.5)	25.6%
Financial income and expenses	(2.2)	(0.2%)	*(1.5)*	(2.5)	(0.3%)	*0.0*	0.3	(10.8%)
Income taxes[29]	(0.7)	(0.1%)	*(0.6)*	0.7	0.1%	*(1.5)*	(1.4)	(202.0%)
Adjusted Consolidated Profit/Loss for the Period	**0.4**	**0.0%**	***(1.8)***	**3.1**	**0.4%**	***(1.5)***	**(2.7)**	**(87.0%)**

Amortisation, depreciation and write-downs of fixed assets in the first half of the year ended

[29] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 31 August 2018 and 31 August 2017, 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%.

31 August 2018 totalled Euro 12.3 million (Euro 9.8 million in the first half of the previous year). The increase relates to the depreciation and amortisation of investments related to the acquisitions made from the second quarter of the previous year, to asset write-downs as well as to the progressive alignment of depreciation and amortisation at the planned level of investments. The adjustments of Euro 0.3 million and refer to the write-down of several assets in the old warehouse disposed of following the completion of the new logistics hub.

Net financial expenses in the first half of the year ended 31 August 2018 totalled Euro 2.2 million (Euro 2.5 million in the first half of the previous year). The decrease is mainly attributable to the savings in financial expenses made following the signing, on 22 December 2017 of the new Loan Agreement[30]. The adjustments of Euro 1.5 million refer to the income resulting from the removal of the acquisition debt for the subsidiary Monclick S.r.l. as a result of the settlement agreement signed in August 2018.

Income taxes excluding the theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model in the first half of the year ended 31 August 2018, stood at a negative Euro 0.7 million (a positive Euro 0.7 million in the first half of the previous year). This reduction is temporary and will be reabsorbed during the current tax year.

The Consolidated Adjusted Profit/Loss for the Period, excluding the tax component, was Euro 0.4 million (Euro 3.1 million in the first half of the previous year), down as a result of the increase in depreciation and amortisation partly offset by the increase in Adjusted EBITDA and to the savings on financial expenses. The temporary change in taxes caused a further deterioration in the indicator between the two periods.

IRES tax losses, which were still available resulting from the tax estimate carried out at the closing of the financial statements at 28 February 2018 with reference to Unieuro, totalled Euro 399.2 million, while they were Euro 6.3 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years. The charge for income taxes for the six-month period ended 31 August 2018 is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period applied to the individual entities.

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

	Period ended				**Change**	
(In millions of Euro and as a percentage of revenues)	**31 August 2018**	**%**	**31 August 2017**	**%**	**Δ**	**%**
Adjusted Consolidated Profit/Loss for the Period	0.4	0.0%	3.1	0.4%	(2.7)	(87.0%)
Non-recurring expenses/income	(4.3)	(0.5%)	(14.4)	(1.8%)	10.1	(70.1%)

[30] 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.

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	(3.1)	(0.3%)	(2.9)	(0.4%)	(0.2)	6.9%
Non-recurring depreciation, amortisation and write-downs of fixed assets	(0.3)	0.0%	-	0.0%	(0.3)	100.0%
Non-recurring financial (expenses) /income	1.5	0.2%	-	0.0%	1.5	100.0%
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[31]	0.6	0.1%	1.5	0.2%	(0.9)	(60.1%)
Consolidated profit/(loss) for the period	**(5.2)**	**(0.6%)**	**(12.6)**	**(1.5%)**	**7.4**	**(58.8%)**

6.5. Cash flows

6.5.1.Consolidated Adjusted Levered Free Cash Flow [32]

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.

(in millions of Euros)	**Period ended**		**Change**	
	31 August 2018	**31 August 2017**	**Δ**	**%**
Consolidated operating profit (EBITDA)	8.3	(2.6)	10.9	(417.7%)
Cash flow generated /(used) by operating activities[33]	(26.0)	(12.5)	(13.5)	108.3%
Taxes paid	(0.7)	-	(0.7)	(100.0%)
Interest paid	(1.6)	(4.2)	2.6	(61.3%)
Other changes	0.3	0.8	(0.4)	(57.5%)
Adjustment for non-monetary item of non-recurring expenses/(income)[34]	**(19.8)**	**(18.5)**	**(1.2)**	**6.7%**
Investments[35]	(8.4)	(17.9)	9.5	(52.9%)
Investments for business combinations and business units	(3.4)	(12.9)	9.5	(73.6%)
Net cash inflow from acquisition	0.0	0.2	(0.2)	(100.0%)
Adjustment for non-recurring investments	7.4	12.9	(5.5)	(42.4%)
Non-recurring expenses /(income)	4.3	14.4	(10.1)	(70.2%)
Adjustment for non-cash components of non-recurring expenses/(income)	(1.5)	(4.1)	2.6	(64.2%)
Other cash flows for exceptional accidental events	(0.8)	-	(0.8)	100.0%

[31] The theoretical rate deemed appropriate by management is 8.7% at 31 August 2018 and 31 August 2017, 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%.
[32] See note in the section “Main financial and operating indicators.”
[33] The item “Cash flow from/(used in) operating activities” refers to cash from/(used in) the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.
[34] The item “Net cash flow from/(used in) operating activities” refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item “Cash flow from/(used in) operating activities.”
[35] For a better representation the item includes the share of net investments paid in the period.

Theoretical tax impact of the above entries[36]	(0.2)	(0.9)	0.7	(72.6%)
Consolidated Adjusted Levered Free Cash Flow	**(22.4)**	**(26.8)**	**4.4**	**(16.5%)**

The Consolidated net cash flow generated/(used) by operating activities was negative by Euro 19.8 million (negative by Euro 18.5 million in the first half of the previous year). This trend is related to the management of the Group's Net Working Capital which is affected by the seasonality of the business. In particular, an increase was recorded in trade receivables generated by the Wholesale channel as a result of the increased sales in the second quarter compared with the fourth quarter not fully offset by similar purchasing dynamics following the partial deferral of several supplies of goods until the opening of the new logistics hub. In the previous financial year, the increase in trade receivables typical for the half-year was partly offset by the increase in volumes generated by the increase in the number of outlets which led to an increase in the value of trade payables and inventories.

Investments made and paid for in the period stood at Euro 8.4 million in the six-month period ended 31 August 2018 (Euro 17.9 million in the six-month period ended 31 August 2017) mainly due 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 launch of advanced functions for online platforms with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

Investments for business combinations and business units of Euro 3.4 million in the six-month period ended 31 August 2018 (Euro 12.9 million for the corresponding period of the previous year) refer to the purchase price paid entirely in the period for the business unit DPS. In the first half of the previous year the item included the purchase price for the business unit Andreoli S.p.A. of Euro 9.4 million and Euro 3.5 million for Monclick.

Of total investments made in the half-year, Euro 7.4 million should be considered as non-recurring (it was Euro 12.9 million in the six-month period ended 31 August 2017) and they refer to the share paid in the half year for: (i) the transaction for the acquisition of the business unit DPS for Euro 3.4 million, (ii the investments for the construction of the new Piacenza logistics hub for Euro 3.2 million (the planned investment comes to around Euro 11 million) and (iii) the remainder of the investments made at the end of the previous period and paid for during the period for the opening of the Cerioni outlets for Euro 0.8 million.

The adjustment for non-monetary components of expenses/(income) of Euro 1.5 million is mainly composed of the provisions for the closing of several outlets which will take place during the year and which have not yet been reported financially at 31 August 2018. This

[36] The theoretical rate deemed appropriate by management is 8.7% at 31 August 2018 and 31 August 2017, 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%.

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 fire at the Oderzo store which took place on 25 February 2017.

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

	Period ended		Change	
(in millions of Euros)	31 August 2018	31 August 2017	Δ	%
Operating profit	8.3	(2.6)	10.9	(417.3%)
Cash flow generated /(used) by operating activities	(26.0)	(12.5)	(13.5)	107.9%
Taxes paid	(0.7)	0.0	0.0	
Interest paid	(1.6)	(4.2)	2.6	(61.3%)
Other changes	0.3	0.8	(0.5)	(60.2%)
Net cash flow generated/(absorbed) by operating activities	**(19.8)**	**(18.5)**	**(1.3)**	**7.0%**
Investments	(8.4)	(17.9)	9.5	(52.9%)
Investments for business combinations and business units	(3.4)	(12.9)	9.5	100.0%
Cash contribution from merger	0.0	0.2	(0.2)	100.0%
Distribution of dividends	(20.0)	(20.0)	0.0	0.0%
Payables for the purchase of Monclick and business units	0.0	(6.5)	6.5	100.0%
Other changes	0.8	1.7	(0.9)	(54.2%)
Change in net financial debt	**(50.8)**	**(73.8)**	**23.0**	**(31.2%)**

7. Statement of Financial Position

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

(in millions of Euros)	Period ended	
	31 August 2018	28 February 2018[37]
Trade receivables	57.1	39.6
Inventories	320.8	313.5

[37] Note that as required by IFRS 3, Unieuro has reviewed the provisional allocation of the cost of the business combination of the business unit Cerioni in order to reflect new information about the circumstances at the acquisition date.

Trade payables	(415.2)	(411.5)
Net operating working capital	**(37.3)**	**(58.4)**
Other working capital items	(142.0)	(147.1)
Net working capital	**(179.3)**	**(205.4)**
Non-current assets	137.5	132.3
Goodwill	176.1	174.8
Non-current liabilities	(23.0)	(20.0)
Net invested capital	**111.3**	**81.7**
Net financial debt	(55.3)	(4.5)
Shareholders' equity	(56.0)	(77.2)
Total shareholders' equity and financial liabilities	**(111.3)**	**(81.7)**

The Group's Net Working Capital as at 31 August 2018 was negative by Euro 37.3 million (negative by Euro 58.4 million as at 28 February 2018). The performance in the period was affected by the seasonality of the business which recorded and increase in trade receivables generated by the Wholesale channel as a result of the increased sales in the second quarter compared with the fourth quarter not fully offset by similar purchasing dynamics following the partial deferral of several supplies of goods until the opening of the new logistics hub.

The Net Invested Capital of the Group stood at Euro 111.3 million at 31 August 2018, up Euro 29.6 million compared with 28 February 2018. The increase is mainly attributable to: (i) increase in the Group's Net Working Capital of Euro 26.1 million, of which Euro 5.3 million had a non-monetary effect due to the adoption of new accounting standard IFRS 15 which had an impact on the timing of the recognition of several types of costs and revenues; for more details please refer to note 2.5.1. Changes in the Condensed Half-Year Consolidated Financial Statements, (ii) investments excluding depreciation and amortisation of Euro 6.4 million, due to the costs incurred for the construction of the new Piacenza logistics hub, operations for the development of the direct stores network and the refurbishment of existing network stored and costs incurred for purchasing new hardware, software, licences and developments on pre-existing apps of which Euro 3.4 million refers to the purchase price paid in full during the period for the DPS business unit, and (iii) an increase in non-current liabilities of Euro 3.0 million due mainly to the recording of deferred taxes on the impacts resulting from the application of IFRS 15; for more details please refer to note 2.5.1. Changes in the Condensed Half-Year Consolidated Financial Statements.

Shareholders' equity amounted to Euro 56.0 million as at 31 August 2018 (Euro 77.2 million at 28 February 2018), with the decrease mainly caused by the distribution of the dividend of Euro 20.0 million approved on 5 June 2018 by the Shareholders' Meeting, 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 accounting standard IFRS 15 and the reserve for share-based payments relating to the Long Term Incentive Plan[38] reserved for some managers and employees.

Below is a detailed breakdown of the Group's net financial debt at 31 August 2018 and 28 February 2018 in accordance with Consob Communication No. 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(in millions of Euros)	**Period ended**		**Change**	
	31 August 2018	**28 February 2018**	**Δ**	**%**
(A) Cash	23.1	61.4	(38.3)	(62.3%)
(B) Other cash and cash equivalents	0.0	-	-	-
(C) Securities held for trading	0.0	-	-	-
(D) Liquidity (A)+(B)+(C)	**23.1**	**61.4**	**(38.3)**	**(62.3%)**
- of which is subject to a pledge	*0.0*	*0.0*	*0.0*	
(E) Current financial receivables	-	-	-	-
(F) Current bank payables	*(18.0)*	*(0.1)*	*(18.0)*	*22,734.2%*
(G) Current part of non-current debt	(8.1)	(6.9)	(1.3)	18.3%
(H) Other current financial payables	(6.1)	(6.3)	0.1	(2.1%)
(I) Current financial debt (F)+(G)+(H)	**(32.3)**	**(13.2)**	**(19.1)**	**144.4%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(32.3)*	*(13.2)*	*(19.1)*	*144.4%*
(J) Net current financial position (I)+(E)+(D)	**(9.2)**	**48.2**	**(57.4)**	**(119.1%)**
(K) Non-current bank payables	(35.8)	(40.5)	4.7	(11.6%)
(L) Bonds issued	0.0	-	-	-
(M) Other non-current financial payables	(10.3)	(12.2)	1.9	(15.4%)
(N) Non-current financial debt (K)+(L)+(M)	**(46.1)**	**(52.7)**	**6.6**	**(12.5%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(46.1)*	*(52.7)*	*6.6*	*(12.5%)*
(O) Net financial debt (J)+(N)	**(55.3)**	**(4.5)**	**(50.8)**	**1,124.8%**

Net financial indebtedness increased by Euro 50.8 million compared with 28 February 2018, mainly as a result of the combined effect of: (i) the distribution of dividends of Euro 20.0

[38] 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 (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 the Shareholders' Meeting on the same date. On 29 June 2017, the Board of Directors approved the plan regulations for the plan ("Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined. The signing and consequent acceptance of the Long Term Incentive Plan by recipients took place in October 2017 with effect from 29 June 2017.

million approved by the Shareholders' Meeting on 5 June 2018, (ii) the net cash flow absorbed by operating activities of Euro 19.8 million, (iii) investments of Euro 8.4 million due mainly to costs incurred for the construction of the new Piacenza logistics hub, 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 (iv) investments of Euro 3.4 million which refer to the purchase price paid in full during the period for the business unit DPS.

Gross financial debt totalled Euro 78.4 million, of which Euro 46.1 million was medium and long term, and Euro 32.3 million was short term.

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

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

9. Atypical and/or unusual transactions

It is noted that in the Group, in the first half of 2018, there are no investments or transactions arising from atypical and/or unusual transactions.

10. Share-based payment agreements

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

11. Treasury shares and holding company shares

During the period closed 31 August 2018, Unieuro S.p.A. did not purchase or sell any treasury shares or shares of the holding company, directly or through an intermediary.

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

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

13. Significant events during and after the year

Significant events during the period

Bringing forward the dividend payment date
On 26 March 2018, in conjunction with the approval of the preliminary revenues for the year 2017/2018, 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 sale in Italy of large Ignis 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%.

The acquisition of 8 former DPS (Trony) stores
On 24 July, Unieuro announced the acquisition of the business unit DPS Group S.r.l. in fallimento, composed of 8 former Trony stores - not operational at the time of the announcement - located in the provinces of Milan (3), Imperia (2), Padua, Potenza and Taranto.
The stores, which cover a total area of more than 10,000 square metres and generate potential revenues of at least Euro 50 million, were chosen from 35 former DPS outlets in order to guarantee the best complementarity with the existing Unieuro network, at the same time

providing significant opportunities for synergies and the possibility of strengthening the presence in Milan
The operation was worth Euro 3.4 million, financed through recourse to available liquidity and lines of credit.

Significant events following the closure of the period

The re-opening of seven former DPS (Trony) stores
On 15 September, the six stores in Albisagnego (Padua), Camporosso (Imperia), Imperia, Melfi (Potenza), Paderno Dugnano (Milan) and Taranto, which previously belonged to the DPS Group S.r.l. were re-opened to the public.
On 6 October, following an effective local advertising campaign, the Milan, San Babila sales outlet was also re-opened: a 1,150 square metre space in a very central underground station, intended to strengthen Unieuro's presence in Milan by bringing the brand to one of the most important and vibrant commercial areas in the country.

The opening of the new Piacenza logistics hub
After having successfully completed the transfer of people and goods without a break in company activities, on 12 October Unieuro's management opened the new 104,000 square metre central distribution platform in Piacenza, the starting point for a comprehensive logistics strategy, intended to bring Unieuro even closer to end-users.
Owned by Generali Real Estate, the new facility - the linchpin of Unieuro's distinctive business model - is the subject of a long-term lease agreement and will to continue to concentrate of the reception, storage and dispatch of all goods sold by Unieuro through each of its five operating channels.
Unieuro's investment, equal to a total of around Euro 11 million, was intended specifically for plant engineering, surveillance systems, IT and automation.

Expansion in the north-east
Still on 12 October, Unieuro announced new actions for the selective strengthening of its network of stores in Veneto, Trentino Alto Adige and Friuli Venezia Giulia.
Following participation in the competitive procedure launched by the Court of Milan, Unieuro was awarded the contract for a business unit of Galimberti S.p.A., in an arrangement with creditors, made up of 5 stores currently under the Euronics brand, located in Villafranca di Verona, San Giorgio delle Pertiche (Padua), Castelfranco Veneto (Treviso), Pergine Valsugana (Trento) and Fiume Veneto (Pordenone), with a total area of around 7000 square metres.
At the same time, separate agreements were announced, signed between the end of July and the beginning of August, which Unieuro entered into with the owners of two properties in Verona and Trieste, aimed at opening two new outlets in spaces previously occupied by competitors, Trony and Euronics, respectively.
The potential incremental turnover of all seven stores acquired is equal to around Euro 50 million, compared with a purchase cost of Euro 2.5 million.

14. Foreseeable operating evolution

In spite of a climate of political and macro economic uncertainty which could have a negative effect on the overall level of consumption and market dynamics, the second part of the year will be the more important in terms of revenues and profitability for the entire consumer electronics and appliances distribution sector.

For several years, in addition to the record high levels for the Christmas period there are also record figures related to Black Friday, which has also taken on increasing importance becoming a well established feature.

In the wake of August which turned out to be particularly favourable, during the half-year in progress market trends, which in the first part of the year featured strong competition between market operators and an acceleration in the growth of e-commerce, with the consequent change of the channel mix, are forecast to continue. Note that in recent financial years the month of November has seen an increasing impact from the growing success of Black Friday, featuring exceptional promotions, therefore lower profitability from sales.

In this context, Unieuro expects a further and significant increase in turnover, thanks to the winning business model, the constant growth of the online channel and the network expansion policy undertaken during the last two financial years. Revenues in particular will be driven by the acquisition of the 19 former Cerioni/Euronics stores (re-opened under the Unieuro banner in the last quarter 2017/18), the 8 former DPS/Trony stores (7 of which re-opened between September and October 2018) and the 5 former Galimberti/Euronics stores, which are expected to be relaunched in time for the peak season.

The growth of the Adjusted Ebitda will benefit from the productive dialogue with suppliers to package attractive offers which were at the same time profitable, facilitated by flexibility and efficiency of the new Piacenza logistics platform, which came into operation at the end of September.

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 AUGUST 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2018	 28 February 2018[39]
Plant, machinery, equipment and other assets	5.1	80,311	74,831
Goodwill	5.2	176,083	174,843
Intangible assets with a definite useful life	5.3	26,267	25,034
Deferred tax assets	5.4	28,529	30,105
Other non-current assets	5.5	2,435	2,371
Total non-current assets		**313,625**	**307,184**
Inventories	5.6	320,799	313,528
Trade receivables	5.7	57,149	39,572
Current tax assets	5.8	4,396	3,147
Other current assets	5.5	21,734	16,157
Cash and cash equivalents	5.9	23,125	61,414
Total current assets		**427,203**	**433,818**
Total assets		**740,828**	**741,002**
Share capital	5.10	4,000	4,000
Reserves	5.10	28,743	105,996
Profit/(loss) carried forward	5.10	23,220	(32,780)
Profit/(Loss) of third parties	5.10	-	-
Total shareholders' equity		**55,963**	**77,216**
Financial liabilities	5.11	35,817	40,518
Employee benefits	5.12	10,970	11,179
Other financial liabilities	5.13	10,311	12,195
Provisions	5.14	6,810	5,696
Deferred tax liabilities	5.4	3,797	2,448
Other non-current liabilities	5.15	1,438	718
Total non-current liabilities		**69,143**	**72,754**
Financial liabilities	5.11	26,183	6,961
Other financial liabilities	5.13	6,125	6,256
Trade payables	5.16	415,246	411,450
Provisions	5.14	2,596	2,984
Other current liabilities	5.15	165,572	163,381
Total current liabilities		**615,722**	**591,032**
Total liabilities and shareholders' equity		**740,828**	**741,002**

The notes are an integral part of these Condensed Half-Year Consolidated Financial Statements.

[39] Note that as required by IFRS 3, Unieuro has reviewed the provisional allocation of the cost of the business combination of the business unit Cerioni in order to reflect new information about the circumstances at the acquisition date.

CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2018	 31 August 2017[40]
Revenue	5.17	908,540	813,697
Other income	5.18	1,265	2,251
TOTAL REVENUE AND INCOME		**909,805**	**815,948**
Purchases of materials and external services	5.19	(824,655)	(782,397)
Personnel costs	5.20	(81,266)	(71,985)
Changes in inventory	5.6	7,051	40,090
Other operating costs and expenses	5.21	(2,675)	(4,225)
GROSS OPERATING PROFIT		**8,260**	**(2,569)**
Depreciation, amortisation and impairment	5.22	(12,645)	(9,816)
OPERATING PROFIT		**(4,385)**	**(12,385)**
Financial income	5.23	1,571	212
Financial expenses	5.23	(2,271)	(2,679)
PROFIT BEFORE TAX		**(5,085)**	**(14,852)**
Income taxes	5.24	(119)	2,204
PROFIT/(LOSS) FOR THE PERIOD		**(5,204)**	**(12,648)**
Profit/(loss) for the period of the Group	5.10	**(5,204)**	**(12,648)**
Profit/(loss) for the period of third parties	5.10	**-**	**-**
Basic earnings per share (in Euros)	5.26	(0.26)	(0.63)
Diluted earnings per share	5.26	(0.26)	(0.63)

The notes are an integral part of these Condensed Half-Year Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2018	 31 August 2017[40]
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**(5,204)**	**(12,648)**
Other components of comprehensive income that are or could be restated under consolidated profit/(loss) for the year:			
Gain (losses) on cash flow hedges	5.13	(139)	0
Income taxes		34	0
Total other components of comprehensive income that are or could be restated under consolidated profit/(loss)	5.10	**(105)**	**0**
Other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss):			
Actuarial gains (losses) on defined benefit plans	5.12	(418)	75
Income taxes		115	(13)
Total other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss)	5.10	**(303)**	**62**
Total consolidated comprehensive income for the period		**(5,612)**	**(12,586)**

The notes are an integral part of these Condensed Half-Year Consolidated Financial Statements.

[40] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

CONSOLIDATED STATEMENT OF CASH FLOW

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2018	 31 August 2017[40]
Cash flow from operations			
Profit/(loss) for the period	5.11	(5,204)	(12,648)
Adjustments for:			
Income taxes	5.26	119	(2,204)
Net financial expenses (income)	5.25	700	2,467
Depreciation, amortisation and write-downs	5.24	12,645	9,816
Other changes		320	706
		8,580	(1,863)
Changes in:			
- Inventories	5.6	(7,271)	(40,090)
- Trade receivables	5.7	(17,577)	4,337
- Trade payables	5.18	(4,992)	19,109
- Other changes in operating assets and liabilities	5.5-5.16-5.17	3,855	4,146
Cash flow generated/(absorbed) by operating activities		(25,985)	(12,498)
Taxes paid	5.26	(741)	-
Interest paid	5.25	(1,617)	(4,179)
Net cash flow generated/(absorbed) by operating activities	**5.28**	**(19,763)**	**(18,540)**
Cash flow from investment activities			
Purchases of plant, equipment and other assets[41]	5.1	(6,611)	(11,930)
Purchases of intangible assets[41]	5.3	(1,799)	(5,935)
Collections from the sale of plant, equipment and other assets	5.1	-	1
Investments for business combinations and business units	5.5	(3,400)	(12,881)
Net cash inflow from acquisition	5.9		233
Cash flow generated/(absorbed) by investing activities	**5.28**	**(11,810)**	**(30,512)**
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.12	14,021	42,214
Increase/(Decrease) in other financial liabilities	5.15	(737)	(760)
Distribution of dividends	5.11	(20,000)	-
Net cash and cash equivalents generated by financing activities	**5.28**	**(6,716)**	**41,454**
Net increase/(decrease) in cash and cash equivalents		**(38,289)**	**(7,598)**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**61,414**	**36,666**
Net increase/(decrease) in cash and cash equivalents		**(38,289)**	**(7,598)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**23,125**	**29,068**

The notes are an integral part of these Condensed Half-Year Consolidated Financial Statements.

[41] For a better representation, the items “Purchases of plant, equipment and other assets" and "Purchases of intangible assets" include the share of net investments paid in the period.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(In thousands of Euros)	**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 interests**	**Total shareholders' equity**
Balance as at 28 February 2018	**5.10**	**4,000**	**800**	**46,810**	**(191)**	**(774)**	**1,352**	**57,999**	**(32,780)**	**77,216**	**0**	**77,216**
Adjustment at the date of the first time adoption of IRFS 15 (net of taxes)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,038**	**4,038**	**-**	**4,038**
Adjusted balance at 1 March 2018		**4,000**	**800**	**46,810**	**(191)**	**(774)**	**1,352**	**57,999**	**(28,742)**	**81,254**	**-**	**81,254**
Profit/(loss) for the period		-	-	-	-	-	-	-	(5,204)	(5,204)	-	(5,204)
Other components of comprehensive income		-	-	-	(105)	(303)	-		-	(408)	-	(408)
Total statement of comprehensive income for the year		**-**	**-**	**-**	**(105)**	**(303)**	**-**	**-**	**(5,204)**	**(5,612)**	**-**	**(5,612)**
Allocation of prior year result		-	-	-	-	-	-	-	(10,958)	(10,958)	-	(10,958)
Covering retained losses and negative reserves		-	-	(46,810)	-	-	-	(11,055)	68,823	10,958	-	10,958
Distribution of dividends		-	-	-	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	1,020	-	(699)	321	-	321
Total transactions with shareholders		**-**	**-**	**(46,810)**	**-**	**-**	**1,020**	**(31,055)**	**57,166**	**(19,679)**	**-**	**(19,679)**
Balance as at 31 August 2018	**5.10**	**4,000**	**800**	**0**	**(296)**	**(1,077)**	**2,372**	**26,944**	**23,220**	**55,963**	**0**	**55,963**

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

The notes are an integral part of these Condensed Half-Year Consolidated Financial Statements.

NOTES

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 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 outlets, and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

The company 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 proximity.

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

At the date of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2018, the major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l. (accounting for the funds managed by Rhone Capital) with 33.8%, DSG European Investments Limited (Dixons Carphone plc) with 7.2%, the Silvestrini Family with 4.7% and Unieuro top management with 2.3%. Note that on 24 September 2018, Amundi Asset Management disclosed that it owned 5% of Unieuro's share capital.

As at the date of this Condensed Half-Year Consolidated Financial Statements as at 31 August 2018, 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. CRITERIA ADOPTED FOR PREPARING THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING STANDARDS

The following are the preparation criteria, the main accounting principles and evaluation criteria adopted in the preparation and drafting of the Condensed Half-Year Consolidated Financial Statements for the six months ended 31 August 2018 (the “Condensed Half-Year Consolidated Financial Statements”). These principles and criteria were applied consistently to all the years presented within this document, taking into account note 2.5.1 "Changes in accounting principles".

2.1 Criteria for preparing the Condensed Half-Year Consolidated Financial Statements

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2018 were prepared in compliance with the provisions of Article 154-ter of Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act - TUF) and subsequent amendments and supplements and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and should therefore be read in conjunction with the Unieuro consolidated financial statements dated 28 February 2018. The Condensed Half-Year Consolidated Financial Statements were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union.

The Condensed Half-Year Consolidated Financial Statements is composed of the statement of financial position, the consolidated income statement, the statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in consolidated shareholders’ equity relating to the interim period of six months ended 31 August 2018 and its explanatory notes. The presentation of these statements provides the comparative data envisaged by IAS 34 (28 February 2018 for the statement of financial position and the statement of changes in shareholders’ equity and 31 August 2017, for the income statement, statement of comprehensive income and statement of cash flows).

2.2 Criteria for preparing the Condensed Half-Year Consolidated Financial Statements

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

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

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

The Condensed Half-Year 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.

In addition to these notes, the Condensed Half-Year 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 Condensed Half-Year 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) **Statement of consolidated comprehensive income:** this statement includes the profit/(loss) for the period as well as the income and expenses recognised directly to shareholders' equity for transactions other than those with shareholders.

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

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

The Condensed Half-Year Consolidated Financial Statements are presented in comparative form.

The Condensed Half-Year Consolidated Financial Statements were approved by the Company's Board of Directors on 14 November 2018 and and is subject to a limited audit.

2.3 Consolidation principles and scope of consolidation

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2018 include the financial statements of the parent company, Unieuro, and its subsidiary Monclick S.r.l...

The Group at 31 August 2018 is composed as follows:

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

2.4 Use of estimates for preparing the Condensed Half-Year Consolidated Financial Statements

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

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

In the context of the preparation of the Condensed Half-Year Consolidated Financial Statements, the relevant subjective assessments by management in its application of accounting standards and the key sources of estimation uncertainty were the same as those applied in preparing the financial statements for the year ended 28 February 2018 of Unieuro.

2.5 Key accounting policies

The accounting criteria and standards adopted for the preparation of these Condensed Half-Year Consolidated Financial Statements were the same as those applied in preparing the Unieuro consolidated financial statements for the year ended 28 February 2018 apart from the new standards and/or supplements adopted described in Note 2.5.1. Changes to the accounting standards listed below.

2.5.1 Changes to the accounting standards

The changes to the accounting standards will also have an impact on the Group's consolidated financial statements for the financial year ended 28 February 2019.

The Group adopted IFRS 15 Revenues from contracts with customers and IFRS 9 Financial instruments as from 1 March 2018. The impacts of applying the new standards are summarised below. Based on the analyses conducted, the adoption of new accounting standard IFRS 9 Financial Instruments, has not led to significant impacts in the first half-year ended 31 August 2018. The other new standards which came into force from 1 March 2018 have not had a significant effect on the Group's consolidated financial statements.

IFRS 15

On 28 May 2014 the IASB published the document that requires a company to report revenues at the time of the transfer of control of goods and services to customers at an amount that reflects the sum it expects to receive in exchange for these products or services. The new revenue reporting model defines a five step process to achieve this purpose:
1) Identification of the contract with the customer;
2) Identification of the service;
3) Calculation of the consideration;
4) Allocation of the consideration related to the performance of the service;
5) Recognition of the revenues related to the performance of the service.

The IASB anticipates adoption from 1 January 2018 and the European Union endorsed it on 22 September 2016. In addition, on 12 April 2016 the IASB published amendments to the principle: Clarifications to IFRS 15 "*Revenue from Contracts with Customers*", also applicable from 1 January 2018. The amendments are designed to clarify the methods through which to identify companies are Principals or Agents and to decide whether licence revenues should be rediscounted for the entire duration.

The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

The Group's sales are mainly made to the final consumer who pays the sales price on withdrawal of the product, which corresponds to the time when the entity fulfils its obligation to do. Sales to affiliates (Wholesale channel) and wholesale customers (B2B channel) are recognised when control of goods or services is transferred at an amount that reflects the consideration expected to be received in exchange for such products or services.

The table below summarises the impact, net of taxes, of the adoption of IFRS 15 on retained earnings and non-controlling interests as at 1 March 2018.

(In thousands of Euros)		**Impact of the adoption of IFRS 15 at 01 March 2018**	
	Notes	Group shareholders' equity	Minority shareholders' equity
Profit/(loss) carried forward			
Incremental costs for procuring the contract	1	3,831	0
Rights not exercised by the customer	2	207	0
Effect at 1 March 2018		**4,038**	**0**

The table below summarises the effects of the application of IRFS 15 on the individual items involved in the statement of financial position as at 31 August 2018 and the statement of profit/(loss) and other components of comprehensive income for the Group for the six-month period ended 31 August 2018.

Effects on the consolidated statement of financial position

(Amounts in thousands of Euros)	**Notes**	**31 August 2018 As reported**	**Adjustments**	**Reclassifications**	**31 August 2018 Balances without considering the effect of the application of IFRS 15**
Plant, machinery, equipment and other assets		80,311	-	-	80,311
Goodwill		176,083	-	-	176,083
Intangible assets with a definite useful life		26,267	-	-	26,267
Deferred tax assets		28,529	-	-	28,529

Other non-current assets		2,435	-	-	2,435
Total non-current assets		**313,625**	**-**	**-**	**313,625**
Inventories	3	320,799	-	(356)	320,443
Trade receivables		57,149	-	-	57,149
Current tax assets	1-2	4,396	47	-	4,443
Other current assets	1	21,734	(5,338)	-	16,396
Cash and cash equivalents		23,125	-	-	23,125
Total current assets		**427,203**	**(5,291)**	**(356)**	**421,556**
Total assets		**740,828**	**(5,291)**	**(356)**	**735,181**
Share capital		4,000	-	-	4,000
Reserves		28,743	-	-	28,743
Profit/(loss) carried forward	1-2	23,220	(4,208)	-	19,012
Profit/(Loss) of third parties		-	-	-	-
Total shareholders' equity		**55,963**	**(4,208)**	**-**	**51,755**
Financial liabilities		35,817	-	-	35,817
Employee benefits		10,970	-	-	10,970
Other financial liabilities		10,311	-	-	10,311
Provisions		6,810	-	-	6,810
Deferred tax liabilities	1	3,797	(1,304)	-	2,493
Other non-current liabilities		1,438	-	-	1,438
Total non-current liabilities		**69,143**	**(1,304)**	**-**	**67,839**
Financial liabilities		26,183	-	-	26,183
Other financial liabilities		6,125	-	-	6,125
Trade payables		415,246	-	-	415,246
Provisions	3	2,596	-	67	2,663
Other current liabilities	2-3	165,572	221	(423)	165,370
Total current liabilities		**615,722**	**221**	**(356)**	**615,587**
Total liabilities and shareholders' equity		**740,828**	**(5,291)**	**(356)**	**735,181**

Effects on the consolidated income statement

(Amounts in thousands of Euros)	**Notes**	**31 August 2018 As reported**	**Adjustments**	**Reclassifications**	**31 August 2018 Balances without considering the effect of the application of IFRS 15**
Revenue	1-2-3-4	908,540	14	(1,272)	907,282
Other income	4	1,265	--	188	1,453
TOTAL REVENUE AND INCOME		**909,805**	**14**	**(1,084)**	**908,735**
Purchases of materials and external services	5	(824,655)	--	1,219	(823,436)
Personnel costs	1	(81,266)	24	--	(81,242)
Changes in inventory	3	7,051	--	(135)	6,916
Other operating costs and expenses		(2,675)	--	--	(2,675)
GROSS OPERATING PROFIT		**8,260**	**38**	**--**	**8,298**
Depreciation, amortisation and impairment		(12,645)	--	--	(12,645)
OPERATING PROFIT		**(4,385)**	**38**	**--**	**(4,347)**
Financial income		1,571	--	--	1,571

Financial expenses		(2,271)	--	--	(2,271)
PROFIT BEFORE TAX		**(5,085)**	**38**	**--**	**(5,047)**
Income taxes	1-2	(119)	132	--	13
PROFIT/(LOSS) FOR THE PERIOD		**(5,204)**	**170**	**--**	**(5,034)**
Profit/(loss) for the period of the Group		**(5,204)**	**170**	**--**	**(5,034)**
Profit/(loss) for the period of third parties		**-**	**-**	**-**	**-**

More information about the significant changes and their impact is given below.

1. *Incremental costs for procuring the extended warranty contract*

Following the clarifications introduced by the principle, the Group modified the accounting of costs for the conclusion of contracts for the sale of extended warranty services. The adoption of the principle had an impact on the timing of the recognition of certain costs with the costs for procuring the contract which can qualified as contract costs represented by the bonuses paid to employees for each additional sale made, have been capitalised. These costs were deferred in a manner consistent with revenues from the sale of warranty extension services..

2. *Rights not exercised by the customer*

When the Group receives an early payment made by a customer, as required by the new IFRS 15, it reports the amount of the early payment for the obligation undertaken under the item Other current liabilities and eliminates this liability by reporting the revenue when these goods are transferred. Specifically, for transactions where the recognition of discounts on future sales transactions are commercially linked it defers the part of the consideration related to the obligation undertaken reporting the revenue when the discount is used. This accounting treatment has not had a significant impact compared to that carried out by the Group in previous years.

3. *Sales with the right of return*

Previously, the Group reported a liability for the margin related to returns expected from the sale of products with counterparties in a dedicated returns provision. In conformity with IFRS 15, the Group reports the returns expected from the sale of products as a reduction to revenues and the related cost of these returns as a reduction of the sales cost; however, it reports the amount corresponding to the fair value of expected returns as a liability for future repayments and as an asset for the right to recover the products from customers.

4. *Reclassifications in the income statement*

Following the clarifications introduced by new accounting standard IFRS 15, as well as in order to ensure a better representation the Group made reclassifications in the income statement with reference to: (i) fees resulting from collection order agreements reclassified from the item Purchases of materials and services to the item Revenues, (ii) the recharging to affiliates of the costs relating to the customer loyalty scheme reclassified from the item Other income to the Item Revenues, (iii) rebate liabilities from the item Other income to the item Revenues

IFRS 9

As described above, the Group applied IFRS 9 as from 1 March 2018. The adoption of the new accounting standard IFRS 9 Financial instruments, on the basis of the analyses carried out, did not have a significant impact on the first half of the year ended 31 August 2018. In particular, the new provisions of IFRS 9: (i) change the model for the classification and measurement of financial assets; (ii) introduce a new method for the write-down of financial assets, which takes into account expected credit losses; and (iii) change the provisions on hedge accounting.

2.6 New accounting standards

New standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Group as at 31 August 2018

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

- IFRS 9 – "Prepayment Features with Negative Compensation" The IASB proposed several amendments to IFRS 9 Financial Instruments, aimed at allowing the measurement of financial assets featuring an early settlement option at amortised cost, through negative compensation. The provisions of IFRS 9 are effective from the years beginning on or after 1 January 2019.
- *IFRIC 23* - 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.

- 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.

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.

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

- 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 12 October 2017 the IASB issued amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures.* The amendments are aimed at clarifying that IFRS 9 is applicable to long-term receivables from an associate company or joint venture which, essentially, are part of the net investment of the associate company or joint venture. The amendments go into effect on 1 January 2019.
- 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 Combinations* and IFRS 11 - *Joint Arrangements*. The amendments go into effect on 1 January 2019. However, they may also be applied in advance.

- On 7 February 2018, the IASB published the amendments to IAS 19 - "*Plan Amendment, Curtailment or Settlement*" which clarify how pension expenses are calculated when there is a change in the defined benefits plan. The amendments go into effect on 1 January 2019.

- On 29 March 2018, the IASB published the amendments to the "*References to the Conceptual Framework in IFRS Standards*". The amendments go into effect on 1 January 2020.

2.7 Seasonality

The market in which the Group operates is characterised by the seasonality phenomena typical of the consumer electronics market. More specifically, sales are higher in the final part of each financial year, with a peak demand near and during the Christmas period; also, the cost of obtaining goods from suppliers is mainly concentrated in this period. Otherwise, operating costs have a more linear trend, given the component of fixed costs (staff, rent and overhead) that have a uniform distribution over the year. Consequently, operating margins are also affected by this seasonality.
The trend in revenue and cost dynamics described above have an impact on the trend of net working capital and net financial debt, characterised structurally by cash generation at the end of the financial year.
Therefore, the analysis of interim results and financial indicators cannot be considered fully representative. It would therefore be wrong to consider the period's indicators as proportionate to the entire financial year.

3 INFORMATION ON FINANCIAL RISKS

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

- credit risk (both in relation to normal trading transactions with customers as well as financing activities);

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

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

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

- medium-long term loans, to cover investments in fixed assets;

- short-term loans, current account credit lines to finance working capital.

Furthermore, hedges have been established to cover the risk of interest rate fluctuation, that have influenced the cost of financial indebtedness in the medium - long-term and consequently also the economic results. The following section provides qualitative and quantitative information regarding the incidence of these risks.

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 around 17.1% of the Group's revenues as at 31 August 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. The financial structure of the Group, broken by deadline for the six-month period ending 31 August 2018 and for the financial year ending 28 February 2018 is given below:

(In thousands of Euros)	**Balance as at 31 August 2018**	**Within 12M**	**Between 12M and 60M**	**Over 60M**	**Total**
Financial liabilities	62,000	26,183	35,817	-	62,000
Other financial liabilities	16,436	6,125	10,311	-	16,436
Shareholder funding	-	-	-	-	-
Total	**78,436**	**32,308**	**46,128**	**-**	**78,436**

(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	18,451	6,256	12,195	-	18,451
Total	**65,930**	**13,217**	**52,713**	**-**	**65,930**

The trend in the period was influenced by the seasonality of the business, for further details see notes 5.11 Financial liabilities and 5.13 Other financial liabilities.

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 31 August 2018 were stipulated following the conclusion of a loan agreement 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* (the "Loan Agreement") was entered into, new interest rate swaps associated with the term loan currently provided by the syndicate were signed.

(Amounts in thousands of Euros)			Nominal value as at		Fair value as at	
Derivative contracts	**Stipulated on**	**Expires on**	**31 August 2018**	**28 February 2018**	**31 August 2018**	**28 February 2018**
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	46,250	50,000	389	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, net of the deferred tax effect, is equal to Euro 296 thousand as at 31 August 2018 and Euro 191 thousand (negative) as at 28 February 2018.

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 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. At 31 August 2018 the company does not have any hedges, the fair value of the forward instruments as at 28 February 2018 was negative and equal to 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.

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.

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.

(in thousands of EUR and as a percentage of revenues)	**Period ended**	
	31 August 2018	**31 August 2017**[42]

[42] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

Revenue	908,540	813,697
GROSS OPERATING PROFIT	**8,260**	**(2,569)**
% of revenues	*0.9%*	*(0.3%)*
Depreciation, amortisation and write-downs	(12,645)	(9,816)
OPERATING PROFIT	**(4,385)**	**(12,385)**
Financial income	1,571	212
Financial expenses	(2,271)	(2,679)
PROFIT BEFORE TAX	**(5,085)**	**(14,852)**
Income taxes	(119)	2,204
PROFIT/(LOSS) FOR THE PERIOD	**(5,204)**	**(12,648)**

The impact of Gross Operating Profit on Revenues increased from -0.3% for the six-month period ended 31 August 2017 to 0.9% for the six-month period ended 31 August 2018.

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017** [43]-[44]
Grey	437,723	387,656
White	239,198	225,280
Brown	154,342	132,533
Services	38,901	30,073
Other	38,376	38,155
Total	**908,540**	**813,697**

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**[45]
Abroad	2,027	5,196
Italy	906,513	808,501
Total	**908,540**	**813,697**

[43] The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

[44] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

[45] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

The revenues are attributed based on the invoicing in Italy/abroad.
The Group does not have non-current assets in countries where it does not have offices.

5 NOTES TO THE INDIVIDUAL FINANCIAL STATEMENT CAPTIONS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 31 August 2018 and 28 February 2018:

(Amounts in thousands of Euros)	**Amounts as at 31 August 2018**			**Amounts as at 28 February 2018**		
	Historical cost	**Accumulated Amortisation and Depreciation**	**Net book value**	**Historical cost**	**Accumulated Amortisation and Depreciation**	**Net book value**
Plant and machinery	124,116	(92,128)	31,988	122,136	(88,904)	33,232
Equipment	18,563	(14,594)	3,969	18,445	(14,269)	4,176
Other assets	166,636	(133,816)	32,820	164,802	(129,611)	35,191
Tangible assets under construction	11,534		11,534	2,232	-	2,232
Total plant, machinery, equipment and other assets	**320,849**	**(240,538)**	**80,311**	**307,615**	**(232,784)**	**74,831**

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2018 to 31 August 2018 is shown below:

(In thousands of Euros)	**Plant and machinery**	**Equipment**	**Other assets**	**Tangible assets under construction and payments on account**	**Total**
Balance as at 28 February 2018	**33,232**	**4,176**	**35,191**	**2,232**	**74,831**
Increases	2,827	168	2,625	10,074	15,694
Acquisition of business units	--	--	--	213	213
Decreases	(847)	(50)	(791)	(982)	(2,670)
(Amortisation, depreciation and write downs)/write backs	(4,071)	(375)	(4,997)	(3)	(9,446)
Decreases in Amortisation, Depreciation Provision	847	50	792	-	1,689
Balance as at 31 August 2018	**31,988**	**3,969**	**32,820**	**11,534**	**80,311**

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

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

With reference to the six-month period ended 31 August 2018, the Group made investments net of decreases of the category "Assets under construction" for Euro 14,925 thousand.

In particular, the investments were mainly: (i) investments made for the construction of the new Piacenza logistics hub of Euro 7,173 thousand; (ii) interventions for the restructuring of selected outlets costing Euro 2,035 thousand through the restyling of the layouts and the reduction or expansion of the sales areas; (iii) investments relating to the opening of new outlets in new consumer areas considered to be strategic or in areas not sufficiently covered by the current portfolio of stores and the refurbishment of outlets acquired from the business unit DPS, for Euro 1,748 thousand; (iv) investments in the relocation of existing outlets to consumer areas deemed to be more strategic of Euro 1,416 thousand; (v) less extraordinary maintenance operations and on the air conditioning systems of various outlets for Euro 1,588 thousand; (vi) investments in infrastructure to adapt it to the new regulations relating to GDPR and to the telematic communication of fees and other material infrastructure for Euro 752 thousand and (vii) the contribution from the acquisition of the 8 outlets belonging to the business unit DPS for Euro 213 thousand.

The new financial leases are equal to Euro 1,048 thousand and of these Euro 93 thousand referred to electronic machines, Euro 635 thousand to furniture and furnishings and Euro 320 thousand to electrical systems.

The decreases for the year refer mainly to the scrapping of fully amortised assets.

Note that the acquisition of the 8 outlets belonging to the business unit DPS are configured as a business combination and therefore come under the application scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

The Company relied on internal techniques for the assessment of this fair value through which the value of the assets acquired was estimated at Euro 213 thousand.
The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro namely from 23 August 2018, the opening of the outlets related to the business unit DPS took place from September 2018. For more details, please refer to Note 5.28 "Business unit combinations".

The item "(Amortization and write-downs) write backs", within the movement 28 February 2018 - 31 August 2018, of Euro 9,446 thousand includes Euro 8,681 thousand in depreciation and Euro 765 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 net assets under construction amounting to Euro 11,534 thousand mainly relate to investments in opening the new Piacenza logistics hub and the new stores in new consumer areas deemed to be strategic for the Group. Investments in question as at 31 August 2018 are not completed and therefore the item is not subject to depreciation.

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

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

The item “(Amortisation, depreciation and write downs)/write backs”, within the movement 28 February 2017 - 31 August 2017, of Euro 7,568 thousand includes Euro 7,551 thousand in depreciation and Euro 17 thousand of write-downs and write backs, net. The write-downs are mainly referred to stores for which onerous leases were identified while the write backs refer to stores with a significant improvement in their economic results, so that the rental lease was no longer considered onerous, and therefore the previously written down assets were written back.

The item “Plant, machinery, equipment and other assets” includes assets held under financial leases consisting mainly of furnishings, energy saving lighting installations, air conditioning installations, servers, computers and printers. These assets are guaranteed by the lessor until the residual amount due is fully paid. For further details on the amount of the debts to the leasing company, see note 5.13 “Other financial liabilities.”

5.2 Goodwill

The breakdown of the item “Goodwill” as at 31 August 2018 and as at 28 February 2018 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Goodwill	176,083	174,843
Total Goodwill	**176,083**	**174,843**

The change in the “Goodwill” item for the period from 28 February 2018 to 31 August 2018 is shown below:

(In thousands of Euros)	**Goodwill**
Balance as at 28 February 2018	**174,843**
Acquisitions	1,240
Increases	-
Write-downs	-
Balance as at 31 August 2018	**176,083**

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

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

The value of goodwill at 31 August 2018, equalling Euro 176,083 thousand, increased over the year ended 28 February 2018 by Euro 1,240 thousand. The increase refers to the acquisition of the business unit DPS, composed of 8 outlets for Euro 1,240 thousand. Note that as required by IFRS 3, Unieuro has reviewed the provisional allocation of the cost of the business combination of the business unit Cerioni in order to reflect new information about the circumstances at the acquisition date, which led to an increase on goodwill as at 28 February 2018 of Euro 95 thousand.

It should be noted that, at the time of acquisition of the business unit DPS, 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. There are not expected to be any significant variations compared with what has already been accounted for. For more details about transactions, please refer to Note 5.28 "Business unit combinations".

Goodwill as at 31 August 2018 and 28 February 2018 can be broken down as follows:

(In thousands of Euros)	**Goodwill 31 August 2018**	**Goodwill 28 February 2018**
Resulting from mergers:		
Marco Polo Holding S.r.l.	94,993	94,993
Formerly Unieuro	32,599	32,599
Rialto 1 S.r.l. and Rialto 2 S.r.l.	9,925	9,925
Marco Polo Retail S.r.l.	8,603	8,603
Other minor mergers	5,082	5,082
Resulting from acquisitions of equity investments:		
Monclick S.r.l.	7,199	7,199
Resulting from the acquisition of business units:		
Andreoli S.p.A.	10,500	10,500
Cerioni S.p.A.	5,748	5,748
DPS Group S.r.l.	1,240	-
Dixons Travel	194	194
Total Goodwill	**176,083**	**174,843**

5.2.1 Impairment test

The business dynamics recorded in the period and updates on forecasts on future trends are consistent with the assumptions made to verify the recoverability of goodwill occurring when preparing the Group consolidated financial statements at 28 February 2018. The Unieuro market capitalisation at 31 August 2018 was greater than the Group's shareholders' equity. Therefore, no indicators were identified of possible impairment losses and therefore no specific impairment tests were done on goodwill following the one approved by the Unieuro Board of Directors on 17 April 2018.

5.3 Intangible assets with a finite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 31 August 2018 and as at 28 February 2018:

(Amounts in thousands of Euros)	**Amounts as at 31 August 2018**			**Amounts as at 28 February 2018**		
	Historical cost	**Accumulated Amortisation and Depreciation**	**Net book value**	**Historical cost**	**Accumulated Amortisation and Depreciation**	**Net book value**
Software	50,014	(37,730)	12,284	47,407	(35,508)	11,899
Concessions, licences and brands	13,361	(7,126)	6,235	13,361	(6,609)	6,752
Key Money	5,710	(858)	4,852	5,710	(398)	5,312
Intangible fixed assets under construction	2,896	-	2,896	1,071	-	1,071
Total intangible assets with a finite useful life	**71,981**	**(45,714)**	**26,267**	**67,549**	**(42,515)**	**25,034**

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2018 to 31 August 2018 is given below:

(In thousands of Euros)	**Software**	**Concessions, licences and brands**	**Key Money**	**Intangible fixed assets under construction**	**Total**
Balance as at 28 February 2018	**11,899**	**6,752**	**5,312**	**1,071**	**25,034**
Increases	2,607	-	-	914	3,521
Acquisitions	-	-	-	1,947	1,947
Decreases	-	-	-	(1,036)	(1,036)
(Amortisation, depreciation and write downs)/write backs	(2,222)	(517)	(460)	-	(3,199)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 31 August 2018	**12,284**	**6,235**	**4,852**	**2,896**	**26,267**

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

(In thousands of Euros)	**Software**	**Concessions, licences and brands**	**Intangible fixed assets under construction**	**Total**
Balance as at 28 February 2017	**9,059**	**1,656**	**1,093**	**11,808**
First Monclick consolidation	1,295	5,954	-	7,249
Increases	2,051	2	4,765	6,818
Decreases			(867)	(867)

	-	-		
(Amortisation, depreciation and write downs)/write backs	(1,882)	(366)	-	(2,248)
Decreases in Amortisation, Depreciation Provision	-	-	-	-
Balance as at 31 August 2017	**10,523**	**7,246**	**4,991**	**22,760**

Regarding the period of six months ended 31 August 2018, the increases net of decreases in the category “Assets under construction”, amount to a total of Euro 4,432 thousand.

The item increases relates mainly to the category “Software” for Euro 2,607 thousand, attributable in the main to: (i) new software and licences, (ii) costs incurred for the development of software for the processing and interpretation of management data aimed at the analysis of trends and extraordinary operations on pre-existing management software and (iii) costs incurred for the development and updating of the website www.unieuro.it, and to the category "Assets under construction" for Euro 914 thousand mainly attributable to the implementation of new software.

The item Acquisitions, for Euro 1,947 is derived from the acquisition of control of the business unit DPS which is configured as a business combination and comes under the application scope of IRFS 3. The item comprises Key money relating to the outlets of the business unit DPS, control of which was acquired on 23 August 2018 and the opening to the public took place from September 2018 therefore the key money was recorded in assets under construction on 31 August 2018. As required by the 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. For more details, please refer to Note 5.28 "Business unit combinations". For the fair value of the key money the company used external consultants with proven experience who, using evaluation methods in line with the best professional practices, estimated the value of the key money.

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

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

For the assessment of that fair value, the Group assigned external consultants with proven experience who, using evaluation methods in line with the best professional practice. These

consultants estimated the value of the Monclick brand at Euro 4,641 thousand (with a useful life of 20 years), the value of customer lists at Euro 1,178 thousand (with a useful life of 4 years), and the value of internally produced software at Euro 1,284 thousand (with a useful life of 5 years).
The values and useful life estimates are reflected in the Condensed Half-Year 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.

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

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 2018 to 31 August 2018 and the period 28 February 2017 to 31 August 2017 is shown below:

Deferred tax assets

(Amounts in thousands of Euros)	**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**
Balance as at 28 February 2018	**824**	**2,488**	**907**	**4,290**	**884**	**1,363**	**3,622**	**14,378**	**15,727**	**30,105**
Provision/Releases to the Income Statement	(67)	(164)	-	(2,287)	(828)	312	(773)	(3,807)	2,082	(1,725)
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	149	-	-	149	-	149
Balance as at 31 August 2018	**757**	**2,324**	**907**	**2,003**	**205**	**1,675**	**2,849**	**10,720**	**17,809**	**28,529**

(Amounts in thousands of Euros)	**Bad debt provision - amount due from suppliers**	**Obsolescence Provision**	**Tangible assets**	**Intangible assets**	**Other payables**	**Capital Reserves**	**Provision for risks and charges**	**Other current liabilities**	**Net deferred tax assets**	**Deferred tax assets relating to tax losses**	**Total net deferred tax assets**
Balance as at 28	**838**	**1,610**	**886**	**4,736**	**-**	**843**	**1,126**	**6,647**	**16,686**	**12,752**	**29,438**

February 2017											
First Monclick consolidation									-		-
Provisions/(Releases) to Income Statement	23	(39)	(16)	941			220	(1,754)	(625)	-	(625)
Provisions/(Releases) to Comprehensive Income Statement	-	-	-	-	-	(13)	-	-	(13)	-	(13)
Balance as at 31 August 2017	**861**	**1,571**	**870**	**5,677**	**-**	**830**	**1,346**	**4,893**	**16,048**	**12,752**	**28,800**

The balance as at 31 August 2018 was Euro 28,529 thousand and was mainly composed of: (i) Euro 7,176 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 17,809 thousand from 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 Intangible assets and other current liabilities;

- the provision of Euro 2,082 thousand in deferred tax assets relating to tax losses.

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

IRES tax losses, which were still available resulting from the tax estimate carried out at the closing of the financial statements at 28 February 2018 with reference to Unieuro, totalled Euro 399,229 thousand, while they were Euro 6,338 thousand in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years. The charge for income taxes for the six-month period ended 31 August 2018 is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period applied to the individual entities.

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

- the tax regulations of the country in which the Group operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried forward, taking into consideration their possible recoverability over a time span of three financial years;

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

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

Deferred tax liabilities

(In thousands of Euros)	**Intangible assets**	**Other current assets**	**Total net deferred taxes**
Balance as at 28 February 2018	**2,448**	**0**	**2,448**
Adjustment at the date of the first time adoption of IRFS 15	-	1,483	1,483
Provision/Releases to the Income Statement	45	(179)	(134)
Provision/Releases to the Comprehensive Income Statement	-	-	0
Balance as at 31 August 2018	**2,493**	**1,304**	**3,797**

(In thousands of Euros)	**Intangible assets**	**Total net deferred taxes**
Balance as at 28 February 2017	**322**	**322**
First Monclick consolidation	1,982	1,982
Provisions/(Releases) to Income Statement	104	104
Provisions/(Releases) to Comprehensive Income Statement	-	-
Balance as at 31 August 2017	**2,408**	**2,408**

The increase in the item "Liabilities for deferred taxes" is mainly attributable to the tax impacts associated with the adoption of the new accounting standard IFRS 15. For more details, please refer to Note 2.5.1 Changes to the accounting standards.
Deferred tax liabilities relating to Intangible Assets result from goodwill with a different statutory value from the value for tax purposes.
It is estimated that the debt refers to differences which will be reabsorbed in the medium-/long-term.

5.5 Other current assets and other non-current assets

Below is a breakdown of the items “Other current assets” and “Other non-current assets” as at 31 August 2018 and 28 February 2018:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Deferred charges	11,663	11,220
Contract assets	5,338	-
Tax credits	3,845	3,791
Other current assets	742	231

Accrued income	119	888
Advances to suppliers	27	27
Other current assets	**21,734**	**16,157**
Deposit assets	2,211	2,066
Deposits to suppliers	157	218
Other non-current assets	67	87
Other non-current assets	**2,435**	**2,371**
Total Other current assets and Other non-current assets	**24,169**	**18,528**

The item "Other current assets" mainly includes deferred charges with regard to 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 accrued income is mainly attributable to the increase in the cost of insurance, during the second half of the previous financial year, following the catastrophic events due to the fire at the Oderzo sales outlet 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 with a new syndicate of insurers which led to an increase in the premium.

The item "Contract assets" was recorded during the first time adoption of accounting standard IFRS 15; specifically, following the clarifications introduced by the standard, the costs for procuring the contract which can be qualified as contract assets, represented by the bonuses paid to employees for each additional sale of extended warranty services were capitalised; for more details, please see Note 2.5.1 Changes to the accounting standards.

Tax credits as at 31 August 2018 and 28 February 2018 refer, in the main, for Euro 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:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Merchandise	330,035	322,093
Consumables	546	561
Gross stock	**330,581**	**322,654**
Warehouse obsolescence fund	(9,782)	(9,126)

Total Inventories	**320,799**	**313,528**

The value of gross inventories went from Euro 322,654 thousand as at 28 February 2018 to Euro 330,581 thousand as at 31 August 2018, an increase of 2.5% in total gross inventories.

The increase is attributable to the gradual reopening, from 16 November 2017, of the 19 outlets acquired from Gruppo Cerioni S.p.A., the reopening of the 8 outlets acquired from DPS operational since September 2018 and to the increase in volumes handled.

The value of inventories is adjusted by the warehouse obsolescence fund, which includes the prudential write-down of the value of merchandise with possible obsolescence indicators.

The change in the warehouse bad debt provision for the period from 28 February 2018 to 31 August 2018 and from 28 February 2017 to 31 August 2017 is shown below:

(In thousands of Euros)	**Warehouse obsolescence fund**
Balance as at 28 February 2018	**(9,126)**
Provisions	(656)
Releases to the Income Statement	-
Utilisation	-
Balance as at 31 August 2018	**(9,782)**

(In thousands of Euros)	**Warehouse obsolescence fund**
Balance as at 28 February 2017	**(5,770)**
First Monclick consolidation	(399)
Provisions	(789)
Reclassifications	-
Releases to the Income Statement	10
Utilisation	-
Balance as at 31 August 2017	**(6,948)**

The increase in the warehouse obsolescences fund equal to Euro 656 thousand is attributable to the adaptation of the warehouse bad debt provision which includes the prudential write down of the value of goods at 31 August 2018 and reflects the loss in value of goods in cases in which the cost is higher than the presumed realisable value and enables the warehouse value to be reported at the current market value.

5.7 Trade receivables

A breakdown of the item “Trade receivables” as at 31 August 2018 and as at 28 February 2018 is shown below:

(In thousands of Euros)	Period ended	
	31 August 2018	**28 February 2018**
Trade receivables from third-parties	59,429	41,984
Gross trade receivables	**59,429**	**41,984**
Bad debt provision	(2,280)	(2,412)
Total Trade receivables	**57,149**	**39,572**

The value of receivables refers mainly to the Wholesale and B2B channels; it is up by Euro 17,577 thousand compared with the previous financial year, the increase is mainly attributable to the seasonality of the business, specifically an increase in trade receivables related to the higher sales for the period as a result of the promotions planned for the third quarter of the year was recorded.

The change in the bad debt provision for the period from 28 February 2018 to 31 August 2018 and from 28 February 2017 to 31 August 2017 is shown below:

(In thousands of Euros)	**Bad debt provision**
Balance as at 28 February 2018	**(2,412)**
Provisions	(30)
Releases to the Income Statement	157
Utilisation	5
Balance as at 31 August 2018	**(2,280)**

(In thousands of Euros)	**Bad debt provision**
Balance as at 28 February 2017	**(2,279)**
First Monclick consolidation	(250)
Provisions	-
Releases to the Income Statement	-
Utilisation	24
Balance as at 31 August 2017	**(2,505)**

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. Drawdowns follow credit situations for which the elements of certainty and accuracy, or the presence of existing insolvency proceedings, determine the deletion of the actual position. As shown in the tables above, the bad debt provision stood at Euro 2,280 thousand as at 31 August 2018 and Euro 2,412 thousand as at 28 February 2018.

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Other IRES credits	2,939	2,811
IRAP credits	1,457	336
Total Current tax assets	**4,396**	**3,147**

At 31 August 2018 the item "Other IRES credits" included IRES credits equal to Euro 2,939 thousand which included the IRES credit resulting from the previous financial year and the credit which was generated during the year for the payment of the first payment on account which was made in August 2018.
Lastly, the item includes IRAP credits equal to Euro 1,457 thousand, an increase compared with the previous year, as a result of the first payment on account made in August 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:

(In thousands of Euros)	Period ended	
	31 August 2018	**28 February 2018**
Bank accounts	15,322	53,894
Petty cash	7,803	7,520
Total cash and cash equivalents	**23,125**	**61,414**

Cash and cash equivalents stood at Euro 23,125 thousand as at 31 August 2018 and Euro 61,414 thousand as at 28 February 2018.

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

For further details regarding the dynamics that affected Cash and cash equivalents, please refer to the 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:

(In thousands of Euros)	**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 interests**	**Total shareholders’ equity**
Balance as at 28 February 2018	**4,000**	**800**	**46,810**	**(191)**	**(774)**	**1,352**	**57,999**	**(32,780)**	**77,216**	**0**	**77,216**
Adjustment at the date of the first time adoption of IRFS 15 (net of taxes)	-	-	-	-	-	-	-	**4,038**	**4,038**	-	**4,038**
Adjusted balance at 1 March 2018	**4,000**	**800**	**46,810**	**(191)**	**(774)**	**1,352**	**57,999**	**(28,742)**	**81,254**	-	**81,254**
Profit/(loss) for the period	-	-	-	-	-	-	-	(5,204)	(5,204)	-	(5,204)
Other components of comprehensive income	-	-	-	(105)	(303)	-		-	(408)	-	(408)
Total statement of comprehensive income for the year	-	-	-	**(105)**	**(303)**	-	-	**(5,204)**	**(5,612)**	-	**(5,612)**
Allocation of prior year result	-	-	-	-	-	-	-	(10,958)	(10,958)	-	(10,958)
Covering retained losses and negative reserves	-	-	(46,810)	-	-	-	(11,055)	68,823	10,958	-	10,958

Distribution of dividends	-	-	-	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	1,020	-	(699)	321	-	321
Total transactions with shareholders	**-**	**-**	**(46,810)**	**-**	**-**	**1,020**	**(31,055)**	**57,166**	**(19,679)**	**-**	**(19,679)**
Balance as at 31 August 2018	**4,000**	**800**	**0**	**(296)**	**(1,077)**	**2,372**	**26,944**	**23,220**	**55,963**	**0**	**55,963**

Shareholders' equity, equal to Euro 55,963 thousand (Euro 77,216 thousand as at 28 February 2018) fell during the year as a result of: (i) the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting; (ii) the recording of the loss for the period of Euro 5,204 thousand and the other components of the comprehensive income statement for Euro 408 thousand; (iii) the recognition under retained earnings of the effects arising from the application of the new accounting standard IFRS 15 for Euro 4,038 thousand and (iv) the recognition of the Long Term Incentive Plan reserved for certain managers and employees for Euro 321 thousand.

The Share capital as at 31 August 2018 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 31 August 2018 (Euro 800 thousand as at 28 February 2018), 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;

- the extraordinary reserve of Euro 0 thousand as at 28 February 2018 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the period as a result of the coverage of retained losses and negative reserves approved on 5 June 2018 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 296 thousand as at 31 August 2018 (negative Euro 191 thousand as at 28 February 2018); 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 entered into during the year (for more details, please refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of Euro 1,077 thousand as at 31 August 2018 (Euro 774 thousand as at 28 February 2018); it rose by Euro 303 thousand following the actuarial valuation relating to the TFR (severance pay);

- the reserve for share-based payments amounting to Euro 2,372 thousand at 31 August 2018 (Euro 1,352 thousand at 28 February 2018); the reserve has changed due to recording of Euro 1,020 thousand offsetting the recording of personnel costs for the share-based payment plan. Distribution of the dividend approved by the Shareholders' Meeting on 5 June 2018 which involved the reclassification of the item that refers to the monetary bonus earned by managers and employees under the regulation from the item retained earnings to the item other non current liabilities. For more details, please see Note 5.27.

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

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

The Reserves of the Group are set out below:

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

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

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

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

During the period ended 31 August 2018 there were no assets allocated to specific businesses.

5.11 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 31 August 2018 and as at 28 February 2018 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Current financial liabilities	26,183	6,961
Non-current financial liabilities	35,817	40,518
Total financial liabilities	**62,000**	**47,479**

On 22 December 2017 a Loan Agreement was signed, "**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 ending of relations and the repayment of the previous lines of credit and the provision of new funding.

The transaction consisted of taking out three different lines of credit aimed, among other things, at providing Unieuro with additional resources to support future growth, through acquisitions and opening new outlets. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.
The new lines, including Euro 100.0 million of term loan amortising, including Euro 50.0 million ("Term Loan"), aimed at replacing the existing previous lines of credit and Euro 50.0 million (the "Capex Facility"), aimed at acquisitions and investments for restructuring the network of stores, and Euro 90.0 million of revolving facilities (the "Revolving Facility"), were taken out at significantly better conditions compared with the existing ones, with special reference to (i) the reduction in the interest rate; (ii) the extension of the duration by five years; (iii) the greater operational flexibility relating to the reduction in the number of

financial institutions, covenants and contractual constraints, 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 demand compliance with a consolidated index on a twelve-month basis, for Unieuro S.p.A. which is summarised below:

- leverage ratio (defined as the ratio between the consolidated net financial debt and Consolidated Adjusted LTM EBITDA, as defined in the Loan Agreement);

At 31 August 2018 the covenant was calculated and complied with. The summary table is given below:

	31 August 2018	
Description of covenants	Contractual value	Covenant result
LEVERAGE RATIO	< 2.00	0.8
Consolidated net financial debt/Consolidated Adjusted LTM 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 Euro 1,000,000.00) and prior notification of the Agent Bank, of both the *Term Loan* and the Capex Facility. In addition, when certain circumstances and/or events are verified, Unieuro is obliged to repay the Loan early. As at 31 August 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 31 August 2018 and at 28 February 2018 are illustrated below:

(In thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**As at 31 August 2018**		
				Total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	54,000	0.35% - 7.0%	18,039	18,039	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-	-	-
Current bank payables				**18,039**	**18,039**	**-**
Term Loan	Dec-22	50,000	Euribor 3m+spread	46,250	8,750	37,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(2,289)	(606)	(1,683)

Non-current bank payables and current part of non-current debt	**43,961**	**8,144**	**35,817**
Total	**62,000**	**26,183**	**35,817**

(1) The short-term lines of credit include the subject to collection advances, the hot money, the current account overdrafts and the credit limit for the letters of credit.

(2) The financial liabilities are recorded at the amortised cost using the effective interest method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

(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	-	-	-
Current bank payables				**79**	**79**	**-**
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)
Non-current bank payables and current part of non-current debt				**47,400**	**6,882**	**40,518**
Total				**47,479**	**6,961**	**40,518**

(1) The short-term lines of credit include the subject to collection advances, the hot money, the current account overdrafts and the credit limit for the letters of credit.

(2) The financial liabilities are recorded at the amortised cost using the effective interest method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

The financial liabilities at 31 August 2018 total Euro 62,000 thousand with an increase of Euro 14,521 thousand compared to 28 February 2018. This change is due mainly to the use of the hot money line for Euro 15,000 thousand and to the normal repayment of principal shares of the Loan for Euro 3,750 thousand.

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 Euro 2,289 thousand as at 31 August 2018 (Euro 2,600 thousand as at 28 February 2018).

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

(In thousands of Euros)	**Period ended**

	31 August 2018	28 February 2018
Within 1 year	26,183	6,961
From 1 to 5 years	35,817	40,518
More than 5 years	-	-
Total	**62,000**	**47,479**

A breakdown of the net financial debt as at 31 August 2018 and as at 28 February 2018 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.

(In thousands of Euros)		**as at 31 August 2018**		**as at 28 February 2018**	
	Ref		*of which with Related-Parties*		*of which with Related-Parties*
(A) Cash	5.9	23,125	-	61,414	-
(B) Other cash and cash equivalents		-	-	-	-
(C) Securities held for trading		-	-	-	-
(D) Liquidity (A)+(B)+(C)		**23,125**	**-**	**61,414**	**-**
- of which is subject to a pledge			-		-
(E) Current financial receivables			**-**	**-**	**-**
(F) Current bank payables	5.11	(18,039)	-	(79)	-
(G) Current part of non-current debt	5.11	(8,144)	-	(6,882)	-
(H) Other current financial payables	5.13-5.15	(6,125)	-	(6,256)	-
(I) Current financial debt (F)+(G)+(H)		**(32,308)**	**-**	**(13,217)**	**-**
- of which is secured		-	-	*0*	-
- of which is unsecured		*(32,308)*	-	*(13,217)*	-
(J) Net current financial position (I)+(E)+(D)		**(9,183)**	**-**	**48,197**	**-**
(K) Non-current bank payables	5.11	(35,817)	-	(40,518)	-
(L) Bonds issued		-	-	-	-
(M) Other non-current financial payables	5.13-5.15	(10,311)	-	(12,195)	-
(N) Non-current financial debt (K)+(L)+(M)		**(46,128)**	**-**	**(52,713)**	**-**
- of which is secured		-	-	-	-
- of which is unsecured		*(46,128)*	-	*(52,713)*	-
(O) Net financial debt (J)+(N)		**(55,311)**	**-**	**(4,516)**	**-**

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.

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Other financial liabilities	6,125	2,418
Shareholder funding	-	-
Other current loans and borrowings	**6,125**	**2,418**

Other financial liabilities	10,311	4,427
Shareholder funding	-	-
Other non-current loans and borrowings	**10,311**	**4,427**
Total financial payables	**16,436**	**6,845**

5.12 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2018 to 31 August 2018 and from 28 February 2017 to 31 August 2017 is shown below:

(In thousands of Euros)	
Balance as at 28 February 2018	**11,179**
Service cost	39
Curtailment	(50)
Interest cost	74
Settlements/advances	(690)
Actuarial (profits)/losses	418
Balance as at 31 August 2018	**10,970**

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

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.

Settlements recorded in the period ended 31 August 2018 relate to both severance pay advances paid to employees during the period, 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.

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. The actuarial loss at 31 August 2018 of Euro 418 thousand is mainly due to the change in the discount rate during the period, which went from 1.37% at 28 February 2018 to 0.94% at 31 August 2018.

5.13 Other financial liabilities

A breakdown of the item "Other financial liabilities" as at 31 August 2018 and as at 28 February 2018 is shown below:

(In thousands of Euros)	Period ended	
	31 August 2018	**28 February 2018**
Payables for investments in equity investments and business units	3,200	3,165
Payables to leasing companies	2,710	2,777
Fair value of derivative instruments	215	172
Factoring liabilities	-	142
Other current financial liabilities	**6,125**	**6,256**
Payables for investments in equity investments and business units	6,589	8,037
Payables to leasing companies	3,540	4,008
Fair value of derivative instruments	182	150
Other non-current financial liabilities	**10,311**	**12,195**
Total financial liabilities	**16,436**	**18,451**

Payables for investments in equity investments and business units

Payables owed to leasing companies amount to a total of Euro 9,789 thousand at 31 August 2018 and Euro 11,202 thousand at 28 February 2018. The decrease is mainly due to: (i) the conclusion on 1 August 2018 of the transaction with Project Shop Land S.p.A. to reduce the purchase price of Monclick S.r.l. by Euro 1,500 thousand and (ii) the calculation of the price adjustment relating to the liabilities eligible for compensation with regard to the business unit Cerioni S.p.A. for Euro 71 thousand, for more details, please refer to Note 2.28. The existing debt cash flows as at 31 August 2018 were discounted.

Payables to leasing companies

Payables owed to leasing companies amount to a total of Euro 6,250 thousand at 31 August 2018 and Euro 6,785 thousand at 28 February 2018. 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:

(In thousands of Euros)	**Minimum payments due for financial leasing as at**		**Capital share as at**	
	31 August 2018	**28 February 2018**	**31 August 2018**	**28 February 2018**
Within 1 year	2,837	2,936	2,707	2,777
From 1 to 5 years	3,643	4,139	3,543	4,008
More than 5 years	-	-	-	-
Total	**6,480**	**7,075**	**6,250**	**6,785**

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

(In thousands of Euros)	**Year ended**	
	31 August 2018	**28 February 2018**
Minimum payments due for financial leasing	6,480	7,075
(Future financial expense)	(230)	(386)
Total	**6,250**	**6. 785**

Fair value of derivative instruments

Financial instruments for hedging, as at 31 August 2018, refer to (i) contracts entered into with Intesa Sanpaolo S.p.A., Banca Popolare di Milano S.p.A. and Crédit Agricole Cariparma S.p.A., hedging the fluctuation of financial expenses related to the Loan Agreement for Euro 397 thousand as at 31 August 2018 (Euro 250 thousand as at 28 February 2018). These derivative finance transactions on interest rates were designed for hedging in accordance with the requirements of IAS 39 and were therefore dealt with according to hedge accounting methods and to (ii) the agreements entered into with BPER Banca S.p.A and with BNL S.p.A to hedge future purchase transactions of goods in currency (US dollars) for Euro 0 thousand as at 31 August 2018 (Euro 72 thousand as at 28 February 2018). The effects of these hedging derivative financial instruments are reported in the income statement because they do not comply with all the requirements of IAS 39 for *hedge accounting*.

Factoring liabilities

Payables to factoring companies stood at Euro 0 thousand as at 31 August 2018 (Euro 142 thousand as at 28 February 2018) and refer to transfers of trade payables to a financial counterparty through factoring without recourse.

5.14 Provisions

The change in the item "Provisions" for the period from 28 February 2018 to 31 August 2018 and from 28 February 2017 to 31 August 2017 is shown below:

(In thousands of Euros)	**Tax dispute provision**	**Other disputes provision**	**Onerous contracts provision**	**Restructuring provision**	**Other risks provision**	**Total**
Balance as at 28 February 2018	**3,701**	**2,524**	**881**	**175**	**1,399**	**8,680**
- of which current portion	*1,051*	565	*814*	*175*	379	*2,984*
- of which non-current portion	*2,650*	*1,959*	*67*	-	1,020	*5,696*
Adjustment at the date of the first time adoption of IRFS 15	-	-	-	-	(42)	**(42)**
Provisions	33	881	-	828	283	**2,025**
Draw-downs/releases	(358)	(117)	(185)	(542)	(55)	**(1,257)**
Balance as at 31 August 2018	**3,376**	**3,288**	**696**	**461**	**1,585**	**9,406**
- of which current portion	*703*	419	*630*	*461*	383	*2,596*
- of which non-current portion	*2,673*	*2,869*	*66*	-	1,202	*6,810*

(In thousands of Euros)	**Tax dispute provision**	**Other disputes provision**	**Onerous contracts provision**	**Restructuring provision**	**Other risks provision**	**Total**
Balance as at 28 February 2017	**5,649**	**1,742**	**1,528**	**266**	**1,072**	**10,257**
- of which current portion	*37*	188	*882*	*266*	51	*1,424*
- of which non-current portion	*5,612*	*1,554*	*646*	-	1,021	*8,833*
Provisions	22	966	325	-	996	**2,309**
Draw-downs/releases	-	(169)	(632)	(21)	(17)	**(839)**
Balance as at 31 August 2017	**5,671**	**2,539**	**1,221**	**245**	**2,051**	**11,727**
- of which current portion	*1,906*	*1,260*	*815*	*245*	982	*5,208*
- of which non-current portion	*3,765*	*1,279*	*406*	-	1,069	*6,519*

The "Tax dispute provision", equal to Euro 3,376 thousand as at 31 August 2018 and Euro 3,701 thousand as at 28 February 2018, was set aside mainly to hedge the liabilities that could arise following disputes of a tax nature.

The "Provision for other disputes", equal to Euro 3,288 thousand as at 31 August 2018 and Euro 2,468 thousand as at 28 February 2018, refers to disputes with former employees, customers and suppliers. Note that as required by IFRS 3, Unieuro has reviewed the provisional allocation of the cost of the business combination of the business unit Cerioni in order to reflect new information about the circumstances at the acquisition date, which led to an increase in the provisions for litigation at 28 February 2018 of Euro 56 thousand.

The “Onerous contracts provision”, equal to Euro 696 thousand as at 31 August 2018 and Euro 881 thousand as at 28 February 2018, refer to the provision allocated for non-discretionary costs necessary to fulfil the obligations undertaken in certain rental agreements.

The “Restructuring provision”, equal to Euro 461 thousand as at 31 August 2018 and Euro 175 thousand as at 28 February 2018, refer mainly to the personnel restructuring process of the closing outlets.

The “Other provisions for risks”, equal to Euro 1,585 as at 31 August 2018 and Euro 1,399 thousand as at 28 February 2018, 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. The adjustment of the first time adoption date of IRFS 15 refers to the accounting treatment of sales with return right; for more details, please refer to Note 2.5.1 Changes to the accounting standards.

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 31 August 2018 and 28 February 2018:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**28 February 2018**
Contract liabilities	107,250	-
Payables to personnel	31,970	34,879
Payables for VAT	15,417	17,102
Deferred income and accrued liabilities	4,459	101,281
Payables to welfare institutions	3,046	2,780
Other current liabilities	2,274	1,316
Payables for IRPEF (income tax)	1,049	2,481
Other tax payables	107	106
Payments on account from customers	-	3,436
Total other current liabilities	**165,572**	**163,381**
Monetary bonus Long Term Incentive Plan	1,412	692
Deposit liabilities	26	26
Total other non-current liabilities	**1,438**	**718**
Total other current and non-current liabilities	**167,010**	**164,099**

The item “Other current liabilities” increased by Euro 2,191 thousand in the six-month period ended 31 August 2018 compared with the year ended 28 February 2018. The increase in the item recorded in the period in question is mainly due to greater contract liabilities relating to the servicing of the extended warranty. Noted that, following the clarifications introduced by the new accounting standard IFRS 15, the liabilities relating to the warranty extension service have been reclassified from the item Deferred income and accrued liabilities the item Contract liabilities.

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

- contract liabilities of Euro 107,250 thousand at 31 August 2018 mainly due to deferred revenues for warranty extension services. Revenues from sales are recorded on the basis of the duration of the contract, i.e. the period for which there is a performance obligation, thus deferring the sales 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 the sales of extended warranties made by the acquired outlets Cerioni S.p.A. and Andreoli S.p.A. (from the year ended 28 February 2018) in-sourcing the activities that were previously handled by third parties. Noted that following the application of the new IFRS 15 accounting standard, the Group has changed the accounting of commercial incentives granted to customers in support of extended warranty services sold, the adoption of the standard has had a particular impact on the timing of recognition of these revenues and has reclassified these liabilities from the item Deferred income and accrued liabilities to the item contract liabilities. The item also includes: (i) advances received from customers, (ii) liabilities relating to the customer loyalty programme and (iii) liabilities relating to sales with right of return. For further details, reference should be made to note 2.5.1 Changes in accounting principles;

- deferred income and accrued liabilities of Euro 4,459 thousand at 31 August 2018 (Euro 101,281 thousand as at 28 February 2018) mainly relating to the recognition of straight-line depreciation of operating leases. Last year the item included the liabilities relating to the warranty extension service which, following the clarifications introduced by the new accounting standard IFRS 15, have been reclassified to the item contract liabilities.

- payables to employees for Euro 31,970 thousand per 31 August 2018 (28 February 2018 Euro 34,879 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 Euro 15,417 thousand at 31 August 2018 (Euro 17,102 thousand at 28 February 2018) composed of payables resulting from the VAT settlement with regard to February 2018.

The item “Other non-current liabilities” increased by Euro 720 thousand in the six-month period ended 31 August 2018 compared with the year ended 28 February 2018.

The balance of the item "Other non-current liabilities" is mainly composed of the reporting of the monetary bonus in the share-based payment plan known as the Long Term Incentive Plan for Euro 1,412 thousand. Following the resolutions passed by the Shareholders' Meeting on 5 June 2018 and 29 June 2017 for the distribution of the dividend, a debit relating to the monetary bonus accrued to managers and employees as set out in the regulation was recorded. For more details, please see Note 5.27.

5.16 Trade payables

A breakdown of the item “Trade payables” as at 31 August 2018 and as at 28 February 2018 is shown below:

(In thousands of Euros)	Period ended	
	31 August 2018	**28 February 2018**
Trade payables to third-parties	412,922	408,995
Trade payables to related-parties	-	-
Gross trade payables	**412,922**	**408,995**
Bad debt provision - amount due from suppliers	2,324	2,455
Total Trade payables	**415,246**	**411,450**

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

Gross trade payables increased by Euro 3,927 thousand as at 31 August 2018 compared with 28 February 2018. The increase is related to the increase in volumes handled as a result of the increase in the number of outlets following the acquisition of the business units Andreoli S.p.A., Cerioni S.p.A., and the flagship store in the Euroma2 shopping centre, which took place from the second quarter of the previous financial year and the acquisition of the business unit DPS which took place on 23 August 2018, which led to an increase in the value of trade payables and inventories.

As at 31 August 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 - amount due from suppliers” for the period from 28 February 2018 to 31 August 2018 and from 28 February 2017 to 31 August 2017 is shown below:

(In thousands of Euros)	**Bad debt provision - amount due from suppliers**
Balance as at 28 February 2018	**2,455**
Provisions	-
Releases to the Income Statement	(127)
Utilisation	(4)
Balance as at 31 August 2018	**2,324**

(In thousands of Euros)	**Bad debt provision - amount due from suppliers**
Balance as at 28 February 2017	**2,027**
First Monclick consolidation	130
Provisions	197
Utilisation	(209)
Balance as at 31 August 2017	**2,145**

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

5.17 Revenues

From 1 March 2018, the Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore the information relating to the comparison period has not been restated, in other words they are presented in accordance with IAS 18, IAS 11 and the related interpretations; for more details, please refer to note 2.5.1 Changes in the accounting standards.

In the tables below the revenues are broken down by channel, category and geographic market. 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”). For more details, please refer to Note 4 Information on operating segments. The Group's revenues are affected by seasonal factors typical of the consumer electronics market, which records higher revenues in the final part of every financial year.

A breakdown of the item “Revenues” for periods of six months ended at 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017 [46]-[47]**
Retail, Online and Travel (1)	752,890	655,792
Wholesale (2)	95,147	95,516
B2B (3)	60,503	62,389
Total Revenue	**908,540**	**813,697**

(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 item "Retail, Online and Travel" increased from Euro 655,792 thousand from the six-month period ended 31 August 2017 to Euro 752,890 thousand in the six months ended 31 August 2018, an increase of Euro 97,098 thousand or 14.8%. The increases are mainly related to both the Retail and Travel channel which recorded an increase in sales as a result of: (i) the acquisitions made from the second quarter of the previously financial year onwards which mainly refer to taking over the rental agreements for 21 outlets belonging to the business unit Andreoli S.p.A. from July 2017, to taking over the rental agreements for 19 outlets belonging to the business unit Cerioni S.p.A. from November 2017 and taking over the rental agreement of the flagship store in the Euroma2 shopping centre from 20 September 2017 and (ii) and the positive performance of the online channel thanks to the success of the commercial initiatives and the positive results of the growth strategy in high margin product categories and the contribution from the acquisition of Monclick consolidated from 1 June 2017.

The revenues from the item "Wholesale" increased from Euro 95,516 thousand from the six-month period ended 31 August 2017 to Euro 95,147 thousand in the six months ended 31 August 2018, an increase of Euro 369 thousand or 0.4%. The continued and physiological action of streamlining the network has led to a fall of 3 sales outlets compared with the first half-year of the previous year ended 31 August 2017, plus the anticipated impact of the new direct stores on the Wholesale network.

The revenues from "B2B" increased from Euro 62,389 thousand from the six-month period ended 31 August 2017 to Euro 60,503 thousand in the six months ended 31 August 2018, an increase of Euro 1,886 thousand or 3.0%. 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

[46] For the purpose of better representation, supplies of goods to an ongoing customer operating in the consumer electronics market without using the Unieuro brand was reclassified from the Wholesale channel to the B2B channel.

[47] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period has not been restated, namely it is presented in accordance with IAS 18, IAS 11 and the related interpretations.

distributed to their regular customers or to employees to accumulate points or participate in prize competitions or incentive plans (B2B2C segment).

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017** [48]-[49]
Grey	437,723	387,656
White	239,198	225,280
Brown	154,342	132,533
Services	38,901	30,073
Other	38,376	38,155
Total	**908,540**	**813,697**

Through its distribution channels the Group offers its customers a vast range of products - specifically electric appliances and consumer electronics, as well as ancillary services. The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

The Grey category, namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, phone system accessories, as well as all wearable technological products, saw an increase in consolidated revenues of 12.9% as a result of the good performance of sales in the telephone systems segment, which benefited from a mix movement towards the top of the range and the good performance of several 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 6.2% 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 affected by bringing forward an important promotion dedicated to the White goods segment to February 2018. Lastly, note the negative impact on air conditioning sales connected to a cooler summer than the previous year.

The Brown category, including televisions and accessories, devices for smart TVs and car

[48] The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.
[49] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

accessories, as well as memory systems such as CDs/DVDs or USB memory sticks, recorded an increase in consolidated revenues of 16.5%. This category benefited from the increasing success of high-end televisions, in particular ultraHD and OLED and the effect produced by the 2018 FIFA World Cup.

The Services category recorded growth of 29.4% in consolidated revenues thanks to the Group's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

The Other products category recorded an increase in consolidated revenues of 0.6%; 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 attributable to the diminished performance of e-mobility and the essential stability of the entertainment market.

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**[50]
Abroad	2,027	5,196
Italy	906,513	808,501
Total	**908,540**	**813,697**

5.18 Other income

A breakdown of the item "Other Revenues" for periods of six months ended at 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Rental and lease income	852	765
Other income	380	829
Insurance reimbursements	33	657
Total Other Income	**1,265**	**2,251**

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 decrease is mainly due to: (i) a reduction in insurance repayments which fell compared with the previous year both as a

[50] The Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore, the information relating to the comparison period have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations.

result of the lower number of events eligible for compensation and the effect of the increase in excesses defined in the new insurance contract agreed in the previous financial year and (ii) the reclassification to the item Revenues which took place following the clarifications introduced by the new accounting standard IFRS 15 of the recharging of costs relating to the Unieuro Club loyalty scheme, for more details, please refer to Note 2.5.1 Changes to the accounting standards.

5.19 Purchases of materials and external services

A breakdown of the item "Purchases of materials and external services" for the six-month periods ended 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Purchase of goods	711,099	678,337
Building rental and expenses	35,195	30,640
Marketing	23,752	25,783
Transport	23,723	18,921
Utilities	6,898	6,095
Maintenance and rental charges	6,057	4,990
Other costs	5,150	3,996
Consulting	4,321	5,872
General sales expenses	4,307	3,790
Purchase of consumables	2,435	2,107
Travel expenses	1,303	1,445
Payments to administrative and supervisory bodies	415	421
Total Purchases of materials and external services	**824,655**	**782,397**
Changes in inventory	(7,051)	(40,090)
Total, including the change in inventories	**817,604**	**742,307**

The item "Purchases of materials and external services", taking into account the item "Change in inventories", rose from Euro 742,307 thousand in the six-month period ended 31 August 2017 to Euro 817,604 thousand in the six-month period ended 31 August 2018, an increase of Euro 75,297 thousand or 10.1%. Following the application of the new accounting standard IFRS 15, the Group changed the accounting of sales with right of return. In particular, it has recorded, for Euro 135 thousand, under the item "Change in inventories", the asset for the right to recover the products from the customer at the time of the extinction of the liability for future reimbursements. It should be noted that, previously, the Group recognised a liability for the margin relating to expected returns from the sale of products in a specific provision made available for return, recorded under the provisions, with a balancing entry under revenues. In accordance with IFRS 15, at the date of first application, the Group recognised the corresponding amount for the right to recover products from customers in the amount of Euro

220 thousand. For further details, reference should be made to note 2.5.1 “Changes in accounting principles”.

The main increase is attributable to the item "Purchase of goods" for Euro 32,762 thousand resulting from the increase in turnover 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; (iv) taking over the rental agreement of 8 outlets belonging to the business unit DPS from August 2018 and as a result of the acquisition of Monclick consolidated from 1 June 2017.

The item “Building rental and expenses" increased by Euro 4,555 thousand compared with the six-month period ended 31 August 2018 by 14.9%; the increase is due to taking over the rental agreements for: (i) 21 sales outlets belonging to the Andreoli S.p.A. business unit from July 2017; (ii) 19 sales outlets belonging to the Cerioni S.p.A. business unit from November 2017; (iii) the flagship store in the Euroma2 shopping centre from 20 September 2017; (iv) taking over the rental agreement of 8 outlets belonging to the business unit DPS from August 2018 and as a result of the acquisition of Monclick consolidated from 1 June 2017.

The item “Marketing” decreased from Euro 25,783 thousand at 31 August 2017 to Euro 23,752 thousand at 31 August 2018, primarily due to a different promotional calendar between the two periods. Marketing and advertising were structured and planned to direct potential customers to physical outlets and to the Online channel. There was a fall in the weighting of traditional marketing activities in the period ended 31 August 2018, partly offset by the increase in the weighting of digital marketing activities.

The item “Transport” increased by Euro 18,921 thousand at 31 August 2017 to Euro 23,723 thousand at 31 August 2018. 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.

The item “Utilities” increased by Euro 803 thousand compared with the six-month period ended 31 August 2017 or 13.2% with the increase mainly due to the increase in the number of sales outlets in the period.

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item rose by Euro 1,154 thousand compared with 31 August 2017 or 28.9% with the increase mainly relating to: (i) the increase in operating costs as a result of the increase in stores following the acquisitions made from the second quarter of the previous year and (ii) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo sales outlet 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 with a new syndicate of insurers which led to an increase in the premium. The effect of that item on revenues is substantially unchanged, equal to 0.6% at 31 August 2018 (0.5% at 31 August 2017).

The item "Consultancy" fell from Euro 5,872 thousand at 31 August 2017 to Euro 4,321 thousand at 31 August 2018. This performance is due to the combined effect of: (i) a decrease mainly relating to the costs incurred by the Company with regard to the listing of the Company's shares on the Mercato Telematico Azionario – STAR Segment of Borsa Italiana S.p.A. which was concluded on 4 April 2017, (ii) an increase as a result of the consultancy fees incurred for the merger project involving the subsidiary Monclick and (iii) the increase in the costs incurred for strategic projects.

The item "General sales expenses" increased from Euro 3,790 thousand at 31 August 2017 to Euro 4,307 thousand at 31 August 2018. The item mainly includes costs for commission on sales transactions with the increase due to the increase in turnover.

5.20 Personnel expenses

A breakdown of the item "Personnel expenses" for periods of six months ended at 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Salaries and wages	58,483	52,675
Welfare expenses	17,397	14,910
Severance pay	4,005	3,562
Other personnel costs	1,381	838
Total personnel costs	**81,266**	**71,985**

Personnel costs increased from Euro 71,985 thousand from the six-month period ended 31 August 2017 to Euro 81,266 thousand in the six months ended 31 August 2018, an increase of Euro 9,281 thousand or 12.9%.

The item "Wages and salaries" increased by Euro 5,808 or around 11.0% with the increase due mainly to the increase in the number of employees following the opening of new stores and the adjustment of the central structure to the requirements of the Stock Exchange and the strengthening of certain strategic functions.

The item "Other personnel costs", was equal to Euro 1,381 thousand at 31 August 2018 (Euro 838 thousand at 31 August 2017); this item mainly includes the reporting of Euro 1,020 thousand as the cost for the share-based payment plan known as the Long Term Incentive Plan concluded during the year. Refer to Note 5.27 for more details about the share-based payment agreements.

5.21 Other operating costs and expenses

A breakdown of the item "Other operating costs and expenses" for periods of six months ended at 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Non-income based taxes	2,850	3,931
Bad debt provision/(releases) - amount due from suppliers	(254)	197
Other operating expenses	79	97
Total other operating costs and expenses	**2,675**	**4,225**

"Other costs and operating expenses" rose from Euro 4,225 thousand in the six-month period ended 31 August 2017 to Euro 2,675 in the six-month period ended 31 August 2018, registering a decrease of Euro 1,550 thousand equal to 36.7%.

The fall is mainly due to the decrease in non income related duties and taxes, mainly due to the cost of premium transactions carried out in the first half of last year. The item "Other operating costs" includes costs for charities, customs and capital losses.

5.22 Depreciation, amortisation and impairments

A breakdown of the item "Depreciation, amortisation and impairments" for the six-month periods ended 31 August 2018 and 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Depreciation of tangible fixed assets	8,687	7,551
Amortisation of intangible fixed assets	3,196	2,248
Write-downs/(write backs) of tangible and intangible fixed assets	762	17
Total amortisation and impairments	**12,645**	**9,816**

The item "Depreciation, amortisation and write-downs" rose from Euro 9,816 thousand in the period ended 31 August 2017 to Euro 12,645 thousand in the six-month period ended 31 August 2018, an increase of Euro 2,829 thousand, or 28.8%. The increase relates to the depreciation and amortisation of investments related to the acquisitions made in the previous year, to asset write-downs as well as to the progressive alignment of depreciation and amortisation at the planned level of investments.

The item “Write-downs/(write backs) of tangible and intangible fixed assets” increased in the six-month period ended 31 August 2018 compared with the six-month period ended 31 August 2017 as a result of the operations carried out at the sales outlets and as a result of the construction of the new Piacenza logistics hub which led to the impairment of several assets in the old warehouse. The item also includes the write-down of the assets relating to the stores for which onerous contracts were identified, in other words rental agreements in which the non-discretionary costs necessary for fulfilling the obligations undertaken outweigh the economic benefits expected to be obtained from the contract.

5.23 Financial income and Financial expenses

A breakdown of the item “Financial income” for periods of six months ended at ended 31 August 2018 and 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Interest income	12	16
Other financial income	1,559	196
Total financial income	**1,571**	**212**

The item “Financial income” increased from Euro 212 thousand from the six-month period ended 31 August 2017 to Euro 1,571 thousand in the six months ended 31 August 2018, an increase of Euro 1,359 thousand. The change is mainly due to the income from the removal of the acquisition debt for Monclick S.r.l.. of Euro 1,500 thousand recorded following the signing which took place on 1 August 2018 of the settlement agreement with Project Shop Land S.p.A..

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Interest expense on bank loans	1,501	1,832
Other financial expense	770	847
Total Financial Expenses	**2,271**	**2,679**

The item “Financial charges” decreased from Euro 2,679 thousand for the six months ended 31 August 2017 to Euro 2,271 thousand for the six months ended 31 August 2018, a fall of Euro 408 thousand or 15.2%.

The item "Interest expense on bank loans" fell at 31 August 2018 by Euro 331 thousand compared with the previous period; this decrease is mainly due to the signing, on 22 December 2017, of the new Loan Agreement. 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.

The item "Other financial expenses" equal to 770 thousand as at 31 August 2018 (Euro 847 thousand as at 31 August 2017) mainly includes the interest relating to other financial liabilities and the expenses related to the cash discounts given to customers.

5.24 Income taxes

A breakdown of the item "Income taxes" for periods of six months ended at 31 August 2018 and at 31 August 2017 is shown below:

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Current taxes	1,505	3,028
Deferred taxes	(1,591)	(729)
Tax provision allocation	(33)	(95)
Total	**(119)**	**2,204**

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

(In thousands of Euros and as a percentage of the pre-tax profit for the year)	**Period ended**			
	31 August 2018	**%**	**31 August 2017**	**%**
Profit of period before taxes	(5,085)		(14,852)	
Theoretical income tax (IRES)	1,220	(24.0%)	3,564	24.0%
IRAP	954	(18.8%)	1,818	(12.2%)
Tax effect of permanent differences and other differences	(2,260)	44.4%	(3,083)	20.8%
Tax for the period	**(86)**		**2,299**	
Accrual to/(release from) tax provision	(33)		(95)	
Total taxes	**(119)**		**2,204**	
Actual tax rate		**2.3%**		**(14.8%)**

The charge for income taxes is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period applied to the individual entities.
For details on the tax impacts deriving from the application of the new accounting standard IFRS 15, reference should be made to note 2.5.1 Changes in accounting standards and note 5.4 Deferred tax assets and deferred tax liabilities.

The item "Accruals to/(release from) tax provision" went from Euro 95 thousand in the period ended 31 August 2017 to Euro 33 thousand in the period ended 31 August 2018.

5.25 Basic and diluted earnings per share

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

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Result for the period/financial year [A]	(5,204)	(12,648)
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic and diluted earnings per share [B] (1)	20,000	20,000
Basic and diluted earnings per share (*in Euro*) [A/B]	**(0.26)**	**-(0.63)**

(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 table below gives the breakdown of the calculation of the diluted earnings per share.

(In thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2018**
Result for the period/financial year [A]	(5,204)	(12,648)
Average number of shares (in thousands) [B] (1)	20,000	20,000
Effect of share options on the issue [C] (2)	0	0
Diluted earnings per share (*in Euro*) [A/(B+C)]	**(0.26)**	**(0.63)**

(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 the share options on the issue, considered for the purpose of calculating the result for the diluted earnings per share refers to the shares assigned under the share-based payment plan known as the Long Term Incentive Plan which, as required by IFRS 2 can be converted 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 operating activities

(Amounts in thousands of Euros)	Period ended	
	31 August 2018	**31 August 2017**
Cash flow from operations		
Profit/(loss) for the period	(5,205)	(12,648)
Adjustments for:		
Income taxes	119	(2,204)
Net financial expenses (income)	700	2,467
Depreciation, amortisation and write-downs	12,645	9,816
Other changes	321	706
	8,580	(1,863)
Changes in:		
- Inventories	(7,271)	(40,090)
- Trade receivables	(17,577)	4,337
- Trade payables	(4,992)	19,109
- Other changes in operating assets and liabilities	3,855	4,146
Cash flow generated/(absorbed) by operating activities	(25,985)	(12,498)
Taxes paid	(741)	-
Interest paid	(1,617)	(4,179)
Net cash flow generated/(absorbed) by operating activities	**(19,763)**	**(18,540)**

The net cash flow from (used in) operating activities went from Euro 18,540 thousand in the six-month period ended 31 August 2017 to Euro 19,763 thousand in the six-month period ended 31 August 2018, a decrease of Euro 1,223 thousand. The cash flows were mainly influenced by the combined effect resulting from:

- the greater liquidity absorbed by the changes in the cash flow generated/(absorbed) by operations of Euro 13,487 thousand;

- the lower financial expenses paid of Euro 2,562 thousand.

In the six-month period ended 31 August 2018, the cash flow generated/(absorbed) by operating activities (composed of the changes in warehouse inventories and trade receivables and payables and in other operating assets and liabilities) and the related cash flows, absorbed greater liquidity compared with the previous year of Euro 13,487 thousand, passing from a negative flow of Euro 12,498 thousand in the six-month period ended 31 August 2017 to a negative flow of Euro 25,985 thousand in the six-month period ended 31 August 2018. In particular, an increase was recorded in trade receivables generated by the Wholesale channel as a result of the increased sales in the second quarter compared with the fourth quarter not fully offset by similar purchasing dynamics following the partial deferral of several supplies of goods until the opening of the new logistics hub. In the previous financial year, the increase in trade receivables typical for the half-year was partly offset by the increase in volumes generated by the increase in the number of outlets which led to an increase in the value of trade payables and inventories.

Cash flow generated (absorbed) by investment activities

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**
Cash flow from investment activities		
Purchases of plant, equipment and other assets[51]	(6,611)	(11,930)
Purchases of intangible assets[51]	(1,799)	(5,935)
Collections from the sale of plant, equipment and other assets	-	1
Investments for business combinations and business units	(3,400)	(12,881)
Net cash inflow from acquisition		233
Cash flow generated/(absorbed) by investing activities	**(11,810)**	**(30,512)**

Investment activities absorbed liquidity of Euro 11,810 thousand and Euro 30,512 thousand, respectively, in the six-month periods ended 31 August 2018 and 31 August 2017.

With reference to the six-month period ended 31 August 2018, the Company's main requirements involved:

- investments in property, plant and equipment of Euro 6,611 thousand, mainly relating to operations at sales outlets opened, relocated or restructured during the period and to costs incurred for the new Piacenza logistics hub;

- investments in intangible fixed assets of Euro 1,799 thousand relating to the development of the website www.unieuro.it and IT systems at the Forlì headquarters.

- Investments for the acquisition of the business unit DPS for Euro 3,400 thousand.

Cash flow generated/(absorbed) by financing activities

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2018	**31 August 2017**

[51] For a better representation, the items “Purchases of plant, equipment and other assets" and "Purchases of intangible assets" include the share of net investments paid in the period.

Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	14,021	42,214
Increase/(Decrease) in other financial liabilities	(737)	(760)
Distribution of dividends	(20,000)	-
Net cash and cash equivalents generated by financing activities	**(6,716)**	**41,454**

Financial activities absorbed cash of Euro 6,716 thousand in the six-month period ended 31 August 2018 and generated cash of Euro 41,454 thousand for the six-month period ended 31 August 2017.

The cash flow from financing activities as at 31 August 2018 mainly reflects:

- an increase in financial liabilities of Euro 14,021 thousand mainly due to the use of the hot money line for Euro 15,000 thousand and to the normal repayment of principal shares of the Loan for Euro 3,750 thousand.

- a decrease in other financial liabilities of Euro 737 thousand mainly due to the repayment of the debts of assets subject to financial leasing.

- the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting.

5.27 Share-based payment agreements

Long Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan known as the 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 Unieuro'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 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 the "Regulations") whereby the terms and conditions of the implementation of the Plan were determined.

The Plan was signed by the Recipients in October 2017. The parties expressly agreed that the effects of the assigning of rights would be retrospective to 29 June 2017, the date the regulations were approved 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 ("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 judgment 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 Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

- *Granting*: the options will be granted in one or more tranches and the number of Options in each tranche will be decided by the Board of Directors following consultation with the Remuneration Committee;

- *Exercise of rights*: the subscription of the shares can only be carried out after 31 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:

    - in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;

    - if 85% of the expected results are achieved, only half the options will be eligible for exercise;

- if between 85% and 100% of the expected results are achieved, the number of options eligible for exercise will increase on a straight line between 50% and 100%;

- if between 100% and 120% of the expected results are achieved, the number of options eligible for exercise will increase proportionally on a straight line between 100% and 120% – the maximum limit.

- *Exercise price*: the exercise price of the Options will be equal to the issue price on the day of the IPO amounting to Euro 11 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.

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) the risk rate (equal to the return of Eurozone zero-coupon government bond securities maturing close to the date on which the exercising of the options is scheduled), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of dividends anticipated. Lastly, consistent with the requirements of IFRS 2, the probability of Recipients leaving was taken into account. The ranges from 5% to 15% and the probability of achieving performance targets it 100%.

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	€11.00
Anticipated volatility	32%
Option maturity	5.5 years
Expected dividends	Projected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	Number of options 31 August 2018
In place at the beginning of period	**831,255**
Exercised during the period	-
Granted during the period	-
Contribution from merger	-
Withdrawn during the period (*bad leaver*)	-
Outstanding at end of period	**831,255**
Not allocated at the beginning of period	-
Exercisable at the end of the period	-
Not allocated at the end of the period	**28,960**

5.28 Business unit combinations

Acquisition of the business unit DPS Group S.r.l. in fallimento

On 23 August 2018, Unieuro completed the acquisition of the business unit DPS Group S.r.l. in fallimento ("DPS"), composed of 8 sales outlets located in the provinces of Milan (3), Imperia (2), Padua, Potenza and Taranto

The acquisition has a strong strategic value for Unieuro as it allows it to significantly strengthen its presence in Milan. The procurement price, paid in full, was Euro 3,400 thousand.

The values relating to the assets acquired and the liabilities assumed were reflected in the financial statements from the date of acquisition of control by Unieuro namely 23 August 2018.

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

(In thousands of Euros)	Acquired Assets/(Liabilities)	Identifiable Assets/(Liabilities)	Recognised Assets (Liabilities)
Plant, machinery, equipment and other assets and intangible assets with finite useful life	213	-	213
Total net identifiable assets	**213**	**0**	**213**

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

(In thousands of Euros)	**31 August 2018**
Transaction consideration	**(3,400)**
% Acquired	100%
Acquired Assets (liabilities)	213
Fair Value adjustment of acquired assets (liabilities)	**0**
Excess Price to be Allocated	**(3,187)**
Key Money	**1,947**
Residual goodwill	**1,240**
Retail	*1,240*

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. The Key Money paid for the opening of the sales outlets was considered as a payout cost related to a real estate lease and feature a relation between the location of the sales outlet and factors such as the number of visitors, the prestige of having a sales outlet in a certain location and a presence in an area where there is a competitor. The Company used external consultants with proven experience to evaluate the fair value who, using evaluation methods in line with the best professional practices, estimated the value of the Key Money at Euro 1,947 thousand. The residual goodwill measured during the business combination of Euro 1,240 thousand was allocated to the Retail CGU, relating to cash flows from the 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. There are not expected to be any significant variations compared with what has already been accounted for.

6 RELATED-PARTY TRANSACTIONS

The following tables summarise the Group's receivable and payable positions with related parties during the six months ended 31 August 2018 and 28 February 2018:

(In thousands of Euros)	**Credit and debt relations with related-parties (as at 31 August 2018)**					
Type	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**

As at 31 August 2018						
Other current liabilities	(48)	(157)	(262)	**(467)**	**(165,572)**	**0.3%**
Other non-current liabilities	-	-	(973)	**(973)**	**(1,438)**	**67.7%**
Total	**(48)**	**(157)**	**(1,235)**	**(1,440)**		

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

The following table summarises the Group's economic relations with related parties during the six-month periods ended 31 August 2018 and 31 August 2017:

(In thousands of Euros)	**Economic relations with related-parties as at (at 31 August 2018)**							
Type	**Italian Electronics Holdings**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2018								
Purchases of materials and external services	-	(48)	-	(320)	-	**(368)**	**(824,655)**	**0.0%**
Personnel costs	-	-	-	-	(2,527)	**(2,527)**	**(81,266)**	**3.1%**
Total	**-**	**(48)**	**-**	**(320)**	**(2,527)**			

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

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

- Stock option plan known as the Long Term Incentive Plan reserved to 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;

- 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 were also shareholders of Italian Electronics Holdings). Note that on 17 October 2017 the partial demerger of Italian Electronics Holdings in favour of eight newly established companies took place. Following the transaction, at the date of these Condensed Half-Year 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 Condensed Half-Year Consolidated Financial Statements, Ni.Ma S.r.l. is no longer a related party;

- relations with Directors and Main Managers, summarised in the table below:

Main managers	
Period ended 31 August 2018	**Period ended 28 February 2018**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	*Chief Executive Officer* - Giancarlo Nicosanti Monterastelli
Chief Financial Officer - Italo Valenti	*Chief Financial Officer* - Italo Valenti
Chief Corporate Development Officer - Andrea Scozzoli	*Chief Corporate Development Officer* - Andrea Scozzoli
*Chief Omnichannel Office*r - Bruna Olivieri	*Chief Omnichannel Office*r - Bruna Olivieri
*Chief Operations Office*r - Luigi Fusco	*Chief Operations Office*r - Luigi Fusco

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

The table below summarises the Group's cash flows with related-parties as at 31 August 2018 and 31 August 2017:

(In thousands of Euros)	**Related-parties**

Type	Silvestrini Family	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
Period from 1 March 2018 to 31 August 2018										
Net cash flow generated/(absorbed) by operating activities	-	-	-	(75)	-	(353)	(2,144)	**(2,572)**	**(19,763)**	**13.0%**
Cash flow generated/(absorbed) by financing activities	-	(6,760)	-	-	-	-	-	**(6,760)**	**(6,716)**	**100.7%**
Total	**-**	**(6,760)**	**-**	**(75)**	**-**	**(353)**	**(2,144)**			
Period from 1 March 2017 to 31 August 2017										
Net cash flow generated/(absorbed) by operating activities	(6)	-	(539)	(29)	(191)	(507)	(1,938)	**(3,210)**	**(13,430)**	**418.4%**
Total	**(6)**	**-**	**(539)**	**(29)**	**(191)**	**(507)**	**(1,938)**			

With reference to the six-month period ended 31 August 2018, cash flows to related parties mainly refer to the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting of the parent company; the share pertaining to Italian Electronics Holdings was Euro 6,760 thousand;

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

(In thousands of Euros)	Period ended	
	31 August 2018	**28 February 2018**
Guarantees and sureties in favour of:		
Parties and third-party companies	33,738	32,072
Total	**33,738**	**32,072**

Guarantees and sureties mainly refer to lease contracts for sales outlets and for the logistics warehouse used to manage inventories

Operating lease assets

The Group has commitments mainly resulting from lease agreements for premises where sales activities are conducted (stores) and administration and control activities (corporate functions at the Forlì offices) and logistics warehouses for the management of inventories.

As at 31 August 2018, the amount of rental fees due for operating lease agreements is given below:

(In thousands of Euros)	**Period ended 31 August 2018**			
	Within the financial year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Rental fees due for operating lease agreements	56,623	64,726	4,639	125,988

Subsequent events

Significant events during the period

Bringing forward the dividend payment date
On 26 March 2018, in conjunction with the approval of the preliminary revenues for the year 2017/2018, 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 sale in Italy of large Ignis 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%.

The acquisition of 8 former DPS (Trony) stores
On 24 July, Unieuro announced the acquisition of the business unit DPS Group S.r.l. in fallimento ("DPS"), composed of 8 former Trony stores - not operational at the time of the announcement - located in the provinces of Milan (3), Imperia (2), Padua, Potenza and Taranto
The stores, which cover a total area of more than 10,000 square metres and generate potential revenues of at least Euro 50 million, were chosen from 35 former DPS outlets in order to guarantee the best complementarity with the existing Unieuro network, at the same time providing significant opportunities for synergies and the possibility of strengthening the presence in Milan.
The operation was worth Euro 3.4 million, financed through recourse to available liquidity and lines of credit.

Significant events following the closure of the period

The re-opening of seven former DPS (Trony) stores
On 15 September, the six stores in Albisagnego (Padua), Camporosso (Imperia), Imperia, Melfi (Potenza), Paderno Dugnano (Milan) and Taranto, which previously belonged to the DPS Group S.r.l.. were re-opened to the public.
On 6 October, following an effective local advertising campaign, the Milan, San Babila sales outlet was also re-opened: a 1,150 square metre space in a very central underground station, intended to strengthen Unieuro's presence in Milan by bringing the brand to one of the most important and vibrant commercial areas in the country.

The opening of the new Piacenza logistics hub
After having successfully completed the transfer of people and goods without a break in company activities, on 12 October Unieuro's management opened the new 104,000 square metre central distribution platform in Piacenza, the starting point for a comprehensive logistics strategy, intended to bring Unieuro even closer to end-users.

Owned by Generali Real Estate, the new facility - the linchpin of Unieuro's distinctive business model - is the subject of a long-term lease agreement and will to continue to concentrate of the reception, storage and dispatch of all goods sold by Unieuro through each of its five operating channels.
Unieuro's investment, equal to a total of around Euro 11 million, was intended specifically for plant engineering, surveillance systems, IT and automation.

Expansion in the north-east
Still on 12 October, Unieuro announced new actions for the selective strengthening of its network of stores in Veneto, Trentino Alto Adige and Friuli Venezia Giulia.
Following participation in the competitive procedure launched by the Court of Milan, Unieuro was awarded the contract for a business unit of Galimberti S.p.A., in an arrangement with creditors, made up of 5 stores currently under the Euronics brand, located in Villafranca di Verona, San Giorgio delle Pertiche (Padua), Castelfranco Veneto (Treviso), Pergine Valsugana (Trento) and Fiume Veneto (Pordenone), with a total area of around 7000 square metres.
At the same time, separate agreements were announced, signed between the end of July and the beginning of August, which Unieuro entered into with the owners of two properties in Verona and Trieste, aimed at opening two new outlets in spaces previously occupied by competitors, Trony and Euronics, respectively.
The potential incremental turnover of all seven stores acquired is equal to around Euro 50 million, compared with a purchase cost of Euro 2.5 million.

14 November 2018

Managing director and Chief Executive Officer
Giancarlo Nicosanti Monterastelli

CERTIFICATION OF THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 AUGUST 2018 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

The undersigned, Giancarlo Nicosanti Monterastelli, as Chief Executive Officer, and Italo Valenti, as the manager in charge of preparing the Unieuro Group's corporate and accounting documents, hereby certify, also considering the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:
• the adequacy in relation to the company's characteristics; and
• the effective application of administrative and accounting procedures in the preparation of the Condensed Half-Year Consolidated Financial Statements during the six-month period ended 31 August 2018.

Also note that the Condensed Half-Year Consolidated Financial Statements for the six-month period ended 31 August 2018 of the Unieuro Group:
• were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
• correspond to the results of the books and accounting records;
• provide a true and accurate representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the consolidation.

The interim Directors' Report includes a reliable analysis of the changes and results of management, and of the position of the issuer and companies included in the scope of consolidation, together with a description of the principal risks and uncertainties faced.

14 November 2018

Managing director and Chief Executive Officer	Executive Officer Responsible for the preparation of the financial statements of the company
Giancarlo Nicosanti Monterastelli	Italo Valenti

KPMG

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

Report on review of condensed interim consolidated financial statements

To the shareholders of
Unieuro S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Unieuro Group (the "group"), comprising the statement of financial position, the income statement, the statements of comprehensive income, cash flows and changes in equity and notes thereto, as at and for the six months ended 31 August 2018. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Unieuro Group as at and for the six months ended 31 August 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 14 November 2018

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

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