Annual Financial Report

as at 28 February 2019

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

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Letter of the Chief Executive Officer to shareholders

Dear Shareholders,

I like to remember that when, back in 2005, our growth path was first embarked on, what was at the time Sgm Distribuzione posted turnover of around 300 million euros, with twenty or so stores and a handful of franchisees. Territorial coverage was limited to just a few regions in the central-north and we adhered to a purchasing group, whose trademark we used. Our business was one of many, in a hyper-fragmented market where the presence of e-commerce was basically symbolic.

Since then, fourteen years have passed, during which time the company has grown relentlessly and regardless of the oscillations seen in the macroeconomic context, thanks to the strength of a unique business model, the passion of our people and a constant focus on external growth, marked by countless new store openings and supported by a total of twelve acquisitions, the most important of which, in 2013, transformed the company into the Unieuro it is today.

Crowning this route of growth and success, it gives me great satisfaction to submit to you, on behalf of the Board of Directors and the whole of the management team, this Group Annual Financial Report, which, for the first time ever, assigns Unieuro the well-earned market leadership position: no longer purely in terms of the number of sales outlets and profitability, but also turnover volumes, with revenues growing by 12.3% up to 2.1 billion euros.

Unieuro has thus become Italy’s largest retailer of consumer electronics and household electrical appliances, a role that is set to be further consolidated this year, thanks to the full effect of recent acquisitions - including, first and foremost, the twelve ex-Expert Sicilian stores, operative starting March 2019 - and the launch into the segment of Large Retail, by means of the innovative partnership with the Finiper Group.

What is even more important is Unieuro’s profitability, in a notoriously competitive sector with limited margins: with Adjusted EBITDA standing at 73.6 million euros and Adjusted Net Profit of 42.7 million, up respectively by 6.7% and 8.3%, the Group has once again confirmed its capacity to compete profitably, overcoming structural trends such as the increased penetration of on-line channels and the growing importance of Black Friday in customer consumption habits.

Once again, cash generation was excellent, with Adjusted Levered Free Cash Flow of 68.7 million euros and able to finance investments - first and foremost the new 104 thousand square metre logistics platform opened in October in Piacenza - and to distribute dividends and generate a significant surplus, which is reflected in a Net Financial Position that is positive for 20.5 million euros at the end of the year.

These are results of which we are very proud indeed and that allow us, for the third year running, to propose to the Shareholders' Meeting that a dividend be paid, the amount of which - in line with the current Dividend Policy - is up on that paid out two years previous: 1.07 euros per share, making it a coupon return amongst the highest of all listed companies in Italy.

Two years on from its April 2017 launch on the stock exchange, Unieuro has, moreover, shown that it is well able and wishes to maintain the commitments made to investors: from market consolidation to omnichannel investments, growth in new business segments and rigid cost control, maximisation of cash flow and remuneration of capital; the action taken has helped assure the credibility on which all lasting success stories must be built.

This year, our commitment will be even stronger and focus as a priority on the integration of the new Sicilian stores within the Unieuro network, in respect of the business culture and values that have decreed the success of the sales outlets purchased to date. We will also continue to monitor the market, in search of new opportunities for growth and consolidation in the areas in which territorial coverage is as yet insufficient, with a close eye on how the Large Retail segment evolves. Above all, however, we will be concentrating on the business structures and processes, with a view to strengthening them and adapting them to the considerable dimensions now reached.

Leadership is a threshold but it is also a responsibility, just as is satisfying our stakeholders. We strive with great passion, together with all Unieuro people, to continue to deserve your trust and reinforce the credibility we have worked hard to conquer.

08 May 2019

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Bernd Erich Beetz
- Chief Executive Officer	Giancarlo Nicosanti Monepantel
- Non-Executive Director	Robert Frank Agostinelli
- Non-Executive Director	Gianpiero 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

RELATION ON THE PERFORMANCE OF UNIEURO GROUP

1. Introduction

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

The company Unieuro S.p.A. (hereinafter referred to as the "Company" or "Unieuro" or "UE") is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, established in the late 1930s by Vittorio Silvestrini. Unieuro is today the largest Italian chain of consumer electronics and appliances by number of sales 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 nearness.

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

On the basis of information available as at the date of the Annual Financial Report, Unieuro's major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l.[1] (accounting for the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [1] (Dixons Carphone plc) with 7.2%. Some shareholders that can be traced to the Silvestrini family[2] hold 5.1%, the asset management company Amundi Asset Management[1] has 5% of the capital of Unieuro, and, finally, some top managers of Unieuro[2] jointly hold 1.8%.

Please note that 28 November 2018 marked an end to the Shareholder Agreement regarding Unieuro S.p.A., as stipulated on 10 December 2016, as subsequently amended, by and

[1] Source: Consob, relevant shareholders Unieuro S.p.A.
[2] Source: re-processing of the results of the register of shareholders as at 12 June 2018

between Italian Electronics Holdings S.à.r.l., Alfa S.r.l., Alexander S.r.l., Victor S.r.l, GNM Investimenti S.r.l., Giufra S.r.l., Gami S.r.l., MT Invest S.r.l. and Theta S.r.l., with reference to the shares held in the Company's share capital. On 09 January 2019, the agreeing shareholders agreed to confirm some of the provisions of said shareholder agreement through the stipulation of a new shareholder agreement, which ended on 31 January 2019.

As at the date of the Annual Financial Report, Italian Electronics Holding S.à.r.l., in light of the current shareholding structure it is therefore the relative majority shareholder.

2. Procedural note

Below in this Directors' Report on operations is information on consolidated revenues, consolidated profitability and balance sheet and cash flows of the Unieuro Group as at 28 February 2019 compared with the figures of the previous financial year ended 28 February 2018.

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

3. Accounting policies

This Annual Financial Report as at 28 February 2019 was prepared in compliance with the provisions of Article 154 *ter*, paragraph 5 of Legislative Decree 58/98 - the T.U.F. - as subsequently amended and supplemented in compliance with Article 2.2.3 of the Stock Exchange Regulations.

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

The accounting standards and criteria adopted are the same as applied in previous years, with the exception of the new standards and/or supplements. 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 other new standards which came into force from 1 March 2018 have not had a significant effect on the Group's Consolidated Financial Statements. For more details, please refer to Note 2.7.1 Changes to the accounting standards of the Consolidated financial statements as at 28 February 2019.

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 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 years for which information is included in the 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 consolidated 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 shown 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.

Main financial and operating indicators[3]

(Amounts in millions of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Operating indicators		
Consolidated revenues[4]	2,104.5	1,873.8
Consolidated Adjusted EBITDA[5]	73.6	68.9
Consolidated Adjusted EBITDA margin[6]	3.5%	3.7%
Consolidated profit (loss) for the year	28.9	11.0
Adjusted Consolidated Profit (Loss) for the year[7]	42.7	39.4
Indicators from statement of financial position		
Net working capital	(234.6)	(205.4)
Net financial debt	20.5	(4.5)

[3] 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.

[4] 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. For more details, please refer to Note 2.7.1 Changes to the accounting standards of the Consolidated financial statements as at 28 February 2019

[5] 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.

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

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

Net financial debt/Consolidated Adjusted LTM EBITDA[8]	(0.28)x	0.07x
Cash flows		
Consolidated Adjusted Levered Free Cash Flow[9]	68.7	66.7
Investments for the year	(37.7)	(57.1)

(Amounts in millions of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Operating indicators for the year		
Like-for-like growth (as a %)[10]	4.9%	2.7%
Direct points of sale (number)	237	225
of which Pick Up Points[11]	227	214
Affiliated points of sale (number)	275	272
of which Pick Up Points[11]	158	181
Total area of direct points of sale (in square metres)	about 345,000	about 333,000
Sales density[12] (Euros per square metre)	4,703	4,659
Full-time-equivalent[13] employees (number)	4,148	4,018

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

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

10 Like growth in revenues: method of comparison of sales for the year ended 28 February 2019 with those of the year ended as at 28 February 2018 on the basis of a homogeneous business scope, given by the retail and travel stores that have been operational for at least an entire financial year at the closing date of the reference period, net of the sales outlets that had experienced significant operative discontinuity (e.g. temporary closures and major refurbishments) as well as the entire on-line channel. In order to provide a clearer representation, the method for calculating like-for-like KPIs was recalculated, starting from the Consolidated Interim Financial Report as at 31 August 2018, based on the methodology adopted by the main reference market players.

11 Physical pick-up points for customer orders using the online channel.

12 This indicator is obtained from the ratio of annual sales generated by direct points of sale to the total area devoted to sales in all direct points of sale.

13 Average annual number of full-time-equivalent employees.

4. Profile of the Unieuro Group

The Unieuro Group (hereinafter also referred to as the “Group” or “Unieuro” or “UE”) is a leader in the distribution of consumer electronics and electrical household appliances in Italy, considering the revenues booked for 2.1 billion euros in the financial year ended on 28 February 2019. It was established following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017.

Unieuro S.p.A. (hereinafter also referred to as the “Company”), with registered office in Forlì, was established in the late 1930s by Vittorio Silvetrini and operates as an integrated omnichannel distributor in four main product categories: Grey (telephone systems, computers and related accessories), White (large and small appliances and climate control), Brown (televisions, audio devices and memory storage systems), Other Products (consoles, video games, bicycles) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

Monclick S.r.l. (hereinafter also “Monclick”), with registered office in Vimercate (MB) sells IT, electronic and telephone system products and appliances online 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. Through the segment known as Business to Business to Consumer (B2B2C), Monclick also operates in the segment dedicated to operators which need to purchase electronic products to distribute to their regular customers or employees to accumulate points or participate in competitions or incentive plans.

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

Unieuro adopts an omnichannel approach for this, placing a variety of integrated purchasing methods at the disposal of customers in order to accommodate increasingly destructured and personal purchasing processes. In addition to the extensive distribution network, which, as at 28 February 2019, numbered 512 sales outlets including 237 direct[14] and 275 franchisees[15], Unieuro has an online channel operating through the digital platform unieuro.it - which allows customers to order products and opt for home delivery or collection at a direct sales outlet of branch – and the e-tailer Monclick. The products are completed by the B2B channel, targeting professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as banks and hotel chains, including the B2B2C segment.

Unieuro S.p.A. operates using the same name brand, which was adopted in 2014 and

[14] Including the travel channel, comprising directly operated stores at the main public transport hubs, such as airports, railway and underground train stations.
[15] Including the Unieuro shop-in-shops by Iper, through which, in 2018, Unieuro launched into the Large Retail segment.

revitalised with a new graphic identity and new positioning and which reached a 99% brand awareness level also thanks to the unique and memorable pay-off, “Batte. Forte. Sempre”.

Buoyed by a distinctly centralised business model which is a distinctive element in the Italian scenario, Unieuro S.p.A. has unique headquarters in Forlì and a single logistics centre measuring 104,000 square metres in Piacenza, opened in October 2018 and at the service of all the sales channels, as well as the subsidiary Monclick.

As at 28 February 2019, the Group numbered a workforce of approximately 4,700 employees.

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

5. Strategy and Business Model

The financial year ended 28 February 2019 saw the strengthening of the Group's Omnichannel strategy. In this year, the focus was also on the profitable growth of the business, increasing the market share in product categories supporting market trends and developing the key importance of customers thanks to the opportunities offered by the Omnichannel approach.

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

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

a. Local presence

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

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

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

Unieuro's widespread physical network has therefore become a fundamental asset in the omnichannel context, making it effectively possible to offer its customers the option of ordering products at www.unieuro.it and picking up products at the closest physical point of sale.

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

b. Maximising the customer experience

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

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

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

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

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

The process of developing the e-commerce division has in fact leveraged the concept of a flexible approach to using media and various touchpoints involving the affirmation of several devices in the process of searching for information and closing the purchase. The restructuring of the communications strategy involving the revamped site and the new App made it possible to optimise sales performance.

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

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

c. Retail mix

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

- continue to optimise product assortment, pricing policies and promotions to enhance synergies between channels in order to encourage the further strengthening of the brand including through exclusive agreements with suppliers;

- focus growth on product lines in merchandise categories supporting market trends allowing for an increase in its share;

- expand the availability of additional services currently offered to customers (e.g. installation and set-up services, extended warranty services, consumer credit services and the signing of phone contracts) to increasingly augment customer satisfaction.

The diversification of the distribution structure and the business model as a function of the customer base (direct or indirect point of sale, local stores or megastores) is also emphasized by diversifying assortment. The product range is specialised on the basis of the store structure; for example, travel points of sale have a greater focus on telephone systems and accessories. Over the years, Unieuro has been able to select a mix of points of sale suited to its various customer bases, and it will continue to carefully select distribution structures, and from time to time will assess the distribution structure most suitable for specific locations.

6. Market performance[16]

Recent years have featured profound transformation processes - both at an economic and social level - which have had a strong impact on the structure of demand and supply of consumer goods markets in Italy. New consumer processes are in contrast to the new distribution paradigms altering not only the role of the consumer but also their relationship with brands and retailers.

Changes above all involved the durable goods sector, specifically the consumer electronics and household appliances segment. The consumer is increasingly aware, attentive, selective, informed and consent, meaning that the on-line audience, in January 2019, the online audience comprised 42 million one-time users, reaching a share of around 70.2% of the Italian population from age 2 upwards[17]. On an average day 64.7% of Italians (aged 18-74) browsed on smartphones, 18.9% (+2 years) on PCs and 10.7% on tablets (18-74 years) [17].

The mobile channel is the means that demonstrates the pervasiveness of the Internet in the lives of Italians. Experienced as a unique instrument for browsing, it makes it possible to enjoy contents and create them at the same time, to obtain information and provide information on products and services, to create new touchpoints to be influenced by and influencing them at the same time.

It is the complexity and diversity of customer journeys that induce a radical change in the structure of supply as well. E-commerce which is increasingly directed at physical products rather than services, touches all commodity categories from publishing to clothing, from furniture to food and grocery through to consumer electronics. Mobile commerce has grown the most (*+40%*[18]) while regular web shoppers generate turnover equal to 92%[18] of overall internet traffic. Supply and Distribution channels of goods and services therefore evolve directed towards substance, transparency and integration between physical and online channels to be able to offer an omnichannel, customer centric experience. The ideal journey of a customer towards a product or a service is made up of contamination and addresses multiple suggestions in which the contact channels are integrated and react to a customer who these days is always on.

The fragmented nature of the purchasing process is reflected in the structure of operators in both supply sectors (on- and off-line). If on-line sales are concentrated on the top 20 merchants (retailers and pure online players) which handle 72% of online sales[18] , in the off-line sector small operators (electrical specialists) are penalised and Purchasing Groups whose shareholders suffer the reduced entrepreneurial size the prevents them from withstanding the competitiveness of the sector and taking full advantage of the opportunities of the multichannel system. Therefore it is the big businesses that continue to dominate the field of

[16] The data relating to the market were prepared by the Group management based on data available as of 28 February 2019.
[17] Source: Audiweb data January 2019.
[18] Source: Politecnico Osservatorio E-Commerce B2C

consumer electronics through the integration of processes and the development of new customer services, in an omnichannel approach.

For the sake of completeness, below is a summary table below listing the main market players, segmented into homogeneous categories:

Channel	Overview
Mass retailers	• Multi-category retailers, large volumes • Consumer electronics products not necessarily core business • Hypermarkets, supermarkets, other mass market retailers, multi-categories stores, Internet "pure players"
Tech superstores	• Consumer electronics are core business • Large store format (average size > 800sqm, sales per store > €2.5m) • Mostly large consumer electronics retail chains
Electrical specialists	• Consumer electronics are core business • Small store format • Mostly independent local players, sometimes affiliated to consumer electronics retail chains or to buying groups
Telecom specialists	• Focused on telecommunication products • Large majority offer products associated with telecommunications services
Other specialists	• Mostly IT specialists; additional categories relate to entertainment and photography specialists • Small store formats, typically in city centres • Players focused on a single or few categories only

FY 2018/19 closed with growth of *+3.0%* in the consumer market. It was the online sector that led performance with growth of *+18.8%* thereby bringing its incidence to around *14.8%* (up 2 percentage points on last year) offsetting the lesser growth recorded in the off-line sector (*+0.6%*). The sector most affected by the fall in revenues *(-2.9%)* is Electrical Specialists, while Tech Superstores made a positive contribution to the market with a growth rate of *+3.8%*[19].

As regards the trends relative to the individual product categories, we note the recovery of White *(+3.9%)*, mainly due to the on-line channel and, in particular, the Black Friday effect, recovering the negative performance booked for the first half. Small *(+6.1%)* and major *(+4.1%)* domestic appliances contributed towards the category performance.

With regard to Brown goods, the market became essentially stable once again following the fall recorded in the previous year *(-0.5%)*. Televisions made the greatest contribution to

[19] The data relating to the market were prepared by the Group management based on data available as of 28 February 2019

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 was particularly lively.

For Grey goods *(+3.4%)* it was the telephone systems sector that was the major contributor to growth. This was mainly attributable to the results of smartphones which led the performance of the entire sector positioning itself in the medium-high price range. In IT, the segment grows by *+2.5%* on last year, thanks to the performance of the on-line segment.

Telephone systems was confirmed as the main sector in terms of importance with a value trend exceeding *+4.8%*. 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 e-commerce penetration where a volume effect was also recorded over the total value of the Telecom market.

Despite the great uncertainty seen once again, the Unieuro Group has successfully expressed its strength in all supply segments and redefined the competitive arena of the market, thereby achieving a leadership position, not only in terms of the number of sales outlets and profitability, but also in respect of business volumes.

The exceptional result achieved during the period is due not only to sales that outperformed average market growth rates on both channels - both on-line and off-line - but also thanks to the Group's focus on the strategic pillars of the business plan:

- expansion of the sales network through organic growth and external lines, for a positive net balance of 12 new stores with respect to 28 February 2018;
- the launch into new market segments, in particular Large Retail, thanks to the partnership stipulated with Finiper for the opening of Unieuro shops-in-shops by Iper, which has strengthened the network with 14 new franchised stores;
- the continuation of investment projects in crucial areas, including logistics (as shown by the 12 October 2018 opening of the new central Piacenza hub) and the digital transformation of the company;
- the focus on processes from an omnichannel viewpoint and on customer centrality (NPS[20] of 43, improving by three points on the same period of last year) in a mobile first logic;
- the strengthening of its competitive positioning in the on-line segment, thanks to the competitiveness of the Group's e-commerce platforms.

[20] The Net Promoter Score (NPS) is an indicator of customer experience, based on customer surveys using a single question: "How likely would you recommend Unieuro to a friend or colleague?". The assumed value of the NPS ranges from -100 (in the case of all customers being brand detractors) to +100 (in the opposite case, all customers are brand promoters). In view of its nature, NPS also assumes a predictive value with reference to the future development of the business.

In the off-line channel the group recorded a performance of *+11.2%*, a result which is even more significant if one takes into account the limited growth recorded on the market *(+0.6%)*. In the online segment, the competitive advantage deriving from the availability of pic-up-points - the result of the omnichannel strategy adopted by Unieuro - and constant investment in terms of new Unieuro.it platform functionalities enabled the Group to achieve growth of *+34.1%*, i.e. almost double the growth rate of the market *(+18.8%)*. Also note the growing contribution of the mobile components, both Apps and Browsing.

Driving the over performance in both sales channels were all product categories from White goods[21] *(+11.4%)* to Grey goods[21] *(+15.4%)* to Brown goods[21] *(+13.3%)*. It is in the last sector which, in spite of competitive internet pressure, the Unieuro Group recorded growth which went totally against market trends.

On-line, the overperformance in all categories is even more evident: White goods[21] +31.7%; Brown goods[21] +19.7%, Grey goods[21] +44.4%.

7. Group operating and financial results

7.1. Consolidated revenues[22]

In the year ended 28 February 2019, the Unieuro Group booked Revenues of Euro 2,104.5 million, up 12.3% on the Euro 1,873.8 recorded the previous year, making for an increase of Euro 230.7 million.

The dynamic of revenues benefited from both external and internal growth actions and the favourable performance of the second half of the year, marked by a truly excellent Black Friday and a very positive Christmas season.

The contribution made by acquisitions made during the year in question and the previous year, impacted positively for Euro 132.6 million, thanks to the different business scope as a consequence of the opening of 8 ex-Cerioni/Euronics stores between December 2017 and January 2018 and the opening of 14 new sales outlets starting September 2018, as a result of the purchase of the ex-DS/Trony and ex-Galimberti/Euronics business units.

The leap made in the on-line business and the partnership stipulated with Finiper, which marked Unieuro's launch into Large Retail further strengthened the positive trend seen in revenues.

[21] The growth figures by 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 to make them comparable with market data which excludes these components.

[22] From 1 March 2018, the Unieuro 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. For more details, please refer to Note 2.7.1 "Changes to the accounting standards" of the Consolidated financial statements.

The evolution of like-for-like revenues[23] - i.e. the comparison of sales with those of last year on the basis of a homogeneous business scope - is positive for +4.9%. Excluding from analysis sales points near the new stores that had been opened in the meantime, and which did not therefore come under the scope of like-for-like, like-for-like sales record even stronger growth at 6.9%.

7.1.1 Consolidated revenues by channel

(In millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2019	**%**	**28 February 2018[24]**	**%**	**Δ**	**%**
Retail	1,477.8	70.2%	1,327.9	70.9%	149.9	11.3%
Online	245.0	11.6%	185.0	9.9%	60.1	32.5%
Indirect	231.0	11.0%	209.0	11.2%	22.0	10.5%
B2B	117.1	5.6%	128.4	6.9%	(11.3)	(8.8%)
Travel	33.6	1.6%	23.6	1.3%	10.0	42.6%
Total revenues by channel	**2,104.5**	**100.0%**	**1,873.8**	**100.0%**	**230.7**	**12.3%**

The Retail channel books a rise in sales of 11.3% to Euro 1,477.8 million, mainly as a result of the increase in the number of stores (+11 sales outlets on 28 February 2018) and the good performance of the sales network on equal scope, driven in particular by smartphones, TV and the vacuum segment.

The consolidated revenues of the Online channel stand at Euro 245.0 million, growth of 32.5% compared with euro 185.0 million in the same period of the previous year. For the first time, the second contributor to total revenues of the Unieuro Group, booking growth of Euro 60.1 million on last year. Net of the contribution made by the subsidiary Monclick S.r.l., whose contribution in terms of turnover to the channel was Euro 46.3 million, the organic growth of the digital business of the Unieuro Group came to 30.8%, two figures for the fourth year running. The reasons behind the success, both in absolute value and market share, lie in the Group's omnichannel strategy, which assigns the physical sales outlet the valuable role of pick-up point, to the benefit of web customers. The continuous innovation, linked to the

[23] Starting from the first half closed on 31 August 2018, the methods used to calculate like-for-like revenues were adjusted on the basis of the method adopted by the main reference market players, with the aim of offering a better representation of the business performance on equal scope. Like-for-like growth in revenues is now calculated including: (i) retail and travel stores that have been operative for at least an entire financial year at the closing date of the reference period, net of the sales outlets that had experienced significant operative discontinuity (e.g. temporary closures and major refurbishments) and (ii) the entire on-line channel. The previous method used to calculate like-for-like revenues did not fully include the on-line channel.

[24] 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 indirect channel to the B2B channel.

continuous release of new platform functions and improvements, the attention paid to contents and the effectiveness of the digital communication campaigns have further strengthened the competitive advantage.

The Indirect channel[25] (previously referred to as the Wholesale channel), which includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators, for a total of 275 sales outlets, recorded revenues of Euro 231.0 million, up 10.5% on the Euro 209.0 million booked the previous financial year. Growth was driven by the Large Retail segment, with the opening of the first 14 Unieuro shops-in-shops by Iper in *Iper, La grande i* hypermarkets, under the scope of the partnership that was made official last 10 January 2019.

The B2B channel[25] - which 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) - recorded sales of Euro 117.1 million, down 8.8% on last year, due to the change in competition starting the last quarter. The contribution made by the subsidiary Monclick was Euro 13.1 million.

Finally, the Travel channel - comprising 12 direct sales outlets located at some of the main public transport hubs, such as airports and railway and underground railway stations - recorded growth of 42.6% for a value of Euro 10.0 million, also thanks to the October 2018 opening of the ex-DPS/Trony sales outlet at the underground railway station of Milan San Babila.

[25] 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 indirect channel to the B2B channel.

7.1.2 *Consolidated revenues by category*

(In millions of Euro and as a percentage of revenues)	Period ended				Changes	
	28 February 2019	**%**	**28 February 2018**[26]	**%**	**2019 vs 2018**	**%**
Grey	992.9	47.2%	884.0	47.2%	108.9	12.3%
White	548.5	26.1%	493.3	26.3%	55.2	11.2%
Brown	367.9	17.5%	326.0	17.4%	41.9	12.9%
Other products	110.6	5.3%	103.7	5.5%	6.9	6.7%
Services	84.5	4.0%	66.8	3.6%	17.8	26.6%
Total consolidated revenues by category	**2,104.5**	**100.0%**	**1,873.8**	**100.0%**	**230.7**	**12.3%**

Through its distribution channels the Group offers its customers a wide range of products - specifically electric appliances and consumer electronics, as well as ancillary services. The segmentation of sales by product category takes place according to 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. In the financial year ended 28 February 2019, an increase in sales was recorded in every product category.

The Grey category, namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, telephone system accessories, as well as all wearable technological products, kept its incidence on total revenues unchanged at 47.2%, generating turnover of Euro 992.9 million, up 12.3% on the Euro 884.0 million of last year, thanks to the good performance of the telephone systems segment, which benefited from a mix movement towards the top of the range and the good performance of several new models, as well as a positive trend in sales of wearables and accessories, in particular earpieces.

The White category, composed of major domestic appliances (MDA) such as washing machines, tumble driers, refrigerators or freezers and ovens, small domestic appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, generated turnover of Euro 548.5 million, up 11.2% on the Euro 493.3 million of last year, thanks to the success of the vacuum segment and the increased penetration of tumble driers and dishwashers.

The Brown category, comprising televisions and their accessories, audio devices, smart-TV devices and car accessories, as well as memory storage systems, such as CDs/DVDs or USB

[26] 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.

pen drives, booked period growth in revenues up to Euro 367.9 million (+12.9% on the Euro 326 million of last year), benefiting from the growing success of top-of-the-range televisions, in particular ultraHD and OLED, the good performance of the audio segment and the driving effect of the 2018 football world cup.

The Other products category recorded an increase in consolidated revenues of 6.7%; this group includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as e-mobility. The performance was driven by the good performance of gaming consoles, which offset the decline in sales of products linked to electric mobility.

The Services category recorded growth of 26.6% in consolidated revenues thanks to the expansion of the sales network and the Unieuro Group's continued focus on the provision of services to its customers. Excellent performance for extended warranties and consumer credit.

7.2. Consolidated operating profit

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

	Year ended						**Changes**	
	28 February 2019			**28 February 2018**				
(in millions and as a percentage of consolidated revenues)	**Adjusted amounts**	%	***Adjustments***[27]	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Consolidated revenues	2,104.5			1,873.8			230.7	12.3%
Consolidated sales revenues	**2,104.5**			**1,873.8**			**230.7**	**12.3%**
Purchase of goods and Change in inventories	(1,635.7)	(77.7%)	*0.0*	(1,456.4)	(77.7%)	*2.8*	(179.3)	12.3%
Lease and rental expense	(71.0)	(3.4%)	*0.5*	(63.4)	(3.4%)	*0.7*	(7.6)	12.0%
Marketing costs	(48.8)	(2.3%)	*1.2*	(48.2)	(2.6%)	*2.2*	(0.7)	1.4%

[27] 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 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.

Logistics costs	(52.5)	(2.5%)	*1.5*	(41.5)	(2.2%)	*1.3*	(11.0)	26.5%
Other costs	(60.3)	(2.9%)	*3.8*	(50.5)	(2.7%)	*7.3*	(9.8)	19.5%
Personnel expenses	(166.7)	(7.9%)	*3.2*	(150.4)	(8.0%)	*5.9*	(16.3)	10.9%
Other operating income and costs	(3.7)	(0.2%)	*(1.6)*	(2.5)	(0.1%)	*(0.3)*	(1.3)	51.8%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	7.9	0.4%	*7.9*	8.0	0.4%	*8.0*	(0.1)	(1.0%)
Consolidated Adjusted EBITDA	**73.6**	**3.5%**	***16.4***	**68.9**	**3.7%**	***27.9***	**4.6**	**6.7%**

Consolidated Adjusted EBITDA during the financial year 2019 increased by 6.7%, equal to Euro 4.6 million, standing at Euro 73.6 million. The higher revenues, together with the continuous attention to the cost structure, allowed the achievement of results showing growth on last year.

During the year, costs for the purchase of goods and changes in inventories increased by Euro 179.3 million. The incidence on consolidated revenues remained unchanged at 77.7%.

Rental costs rose by Euro 7.6 million, or approximately 12.0%, by virtue of (i) the run rate of acquisitions made during the second part of the previous year; (ii) acquisitions made during the year ended on 28 February 2019 with reference to the period after the date of opening to the public and (iii) the new openings made during the reference period.

Marketing costs rose by 1.4% compared with the previous year ended 28 February 2018. The increase is primarily due to a different promotional calendar between the two periods. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. There was a fall in the weighting of traditional marketing activities in the year ended 28 February 2019, offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 11.0 million. The impact on consolidated revenues stood at 2.5% (2.2% in the previous year ended 28 February 2018). 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.

Other costs rose by Euro 9.8 million compared with the previous year ended 28 February 2018. The trend 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 in stores and (iii) the increase in the cost of insurance, particularly following the catastrophic events due to the fire at the Oderzo point of sale which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017. A new insurance contract was stipulated in October 2017 with a new syndicate of insurers which led to an increase in the premium.

Personnel costs show an increase of Euro 16.3 million, mainly attributable to: (i) the increase in the number of employees following the opening of new stores, (ii) recognition of the costs of the share-based payment plan the Long Term Incentive Plan assigned in October 2018 and (iii) the strengthening of several strategic functions at head office.

The negative impact of Other operating income and costs rose by Euro 1.3 million. The incidence on consolidated revenues was basically in line with the corresponding period of the previous year and came to 0.2%. The change is due to some insurance reimbursements received in the previous year ended on 28 February 2018.

Below is the reconciliation of Consolidated Adjusted EBITDA and the consolidated EBITDA recorded in the Consolidated Financial Statements.

(In millions of Euro and as a percentage of revenues)	**Year ended**				**Changes**	
	28 February 2019	**%**	**28 February 2018**	**%**	**Δ**	**%**
Consolidated Adjusted EBITDA [28]	73.6	3.5%	68.9	3.7%	4.5	6.7%
Non-recurring expenses /(income)	(8.4)	(0.4%)	(19.9)	(1.1%)	11.5	(57.7%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services [29]	(7.9)	(0.4%)	(8.0)	(0.4%)	0.1	(1.0%)

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

[29] 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) from the year of acquisition for all extended warranty services sold by the business units Former Andreoli S.p.A., Former Cerioni S.p.A., Former DPS S.r.l. and Former Galimberti 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 from the business units Former Andreoli S.p.A., Former Cerioni S.p.A., Former DPS S.r.l. and Former Galimberti 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 in order to recognise the revenue over the life of the contractual obligation, which starts on the expiration of the two-year legally required warranty. Thus, Unieuro begins to gradually record revenues from sales of extended warranty services two years (term of the legally required product warranty) after the execution of the related agreements and after the collection of compensation, which is generally concurrent. Thus, the revenue is recorded on a pro rata basis over the life of the contractual obligation (historically, depending on the product concerned, for a period of one to four years).
As a result of this Change in Business Model, the income statements do not fully reflect the revenues and profit of the business described in this note. In fact, the income statements for the years ended 28 February 2019 and 28 February 2018 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.

EBIT	**57.2**	**2.7%**	**41.0**	**2.2%**	**16.2**	**39.5%**

Non-recurring expenses/(income) dropped by Euro 11.5 million compared with the previous year ended 28 February 2018 and are detailed in paragraph 7.3 below.

The adjustment related to the change in business model for directly managed assistance services decreased by Euro 0.1 million compared with the previous year ended 28 February 2018; the adjustment incorporates the effect of the extension of the business model relating to the management of extended warranty services at sales outlets concerned by the acquisition.

7.3. Non-recurring income and expenses

(Amounts in millions of Euros)	**Year ended**		**Changes**	
	28 February 2019	**28 February 2018**	**Δ**	**%**
Mergers&Acquisitions	5.1	10.0	(4.9)	(48.8%)
Sales outlets pre-opening, repositioning and closing costs and the new Piacenza logistics hub [30]	3.7	3.5	0.2	5.3%
Other non-recurring expenses	1.1	1.0	0.1	14.7%
Exceptional Accidental Events	(1.5)	1.9	(3.4)	(180.0%)
Costs incurred for the listing process	-	2.8	(2.8)	(100.0%)
Costs for the Call Option Agreement	-	0.7	(0.7)	(100.0%)
Total	**8.4**	**19.9**	**(11.5)**	**(57.6%)**

Non-recurring expenses and income recorded declined by Euro 11.5 million. The fall is mainly due to the lack of: (i) costs incurred for the listing process; (ii) costs for the Call Option Agreement concluded following the positive outcome of the listing process in April 2017; and (iii) the significant reduction in costs for Mergers & Acquisitions of Euro 4.9 million. In addition, the item includes the insurance refund for Euro 1.5 million, obtained with regard to the fire occurred 25 February 2017 in Oderzo store sale (TV).

The main item of non-recurring income and expenses relates to the costs of mergers & acquisitions, of Euro 5.1 million in the year ended on 28 February 2019 (Euro 10.0 million the previous year ended 28 February 2018), are mainly incurred for the acquisition of the business units from DPS Group S.r.l. in liquidation ("DPS") and Galimberti S.p.A. ("Galimberti") and the reorganisation and definition of the new corporate structure of Monclick. These costs mainly relate to rental costs and personnel expenses for points of sale

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

incurred from the date of the completion of the acquisition to the date of the opening to the public, greater costs for education and training of employees at points of sale and, lastly, consulting costs and other minor costs incurred for the completion of the acquisition transactions.

Pre-opening, repositioning and closing costs for the sales outlets and the new Piacenza logistics hub equal Euro 3.7 million in the year ended on 28 February 2019 (Euro 3.5 million in the year ended on 28 February 2018). 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 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, the indirect channel (previously termed "wholesale"), e-commerce platforms, the B2B channel, as well as sales outlets located in airports and at railway stations. The pre-opening costs of the new Piacenza logistics hub were Euro 1.9 million.

Non-recurring income and expense is essentially in line with the previous year. These expenses mainly relate to mergers & acquisitions.

Income for exceptional accidents of Euro 1.5 million refers to the insurance reimbursement obtained in connection with the 25 February 2017 fire at the Oderzo (TV) sales outlet.

7.4. Consolidated profit for the year

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

	Year ended						**Changes**	
	28 February 2019			**28 February 2018**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Consolidated Adjusted EBITDA	**73.6**	**3.5%**	**16.4**	**68.9**	**3.7%**	**27.9**	**4.6**	**6.7%**
Amortisation, depreciation and impairment losses	(27.2)	(1.3%)	*0.3*	(21.7)	(1.2%)	*0.0*	(5.5)	25.4%
Financial income and expenses	(4.2)	(0.2%)	*(1.5)*	(4.5)	(0.2%)	*3.1*	0.3	(7.5%)
Income taxes	0.5	0.0%	*(1.4)*	(3.3)	(0.2%)	*(2.6)*	3.8	(116.6%)

Adjusted consolidated profit (loss) for the year	**42.7**	**2.0%**	***(2.6)***	**39.4**	**2.1%**	***0.5***	**3.3**	**8.3%**

Amortisation, depreciation and write-downs of fixed assets in the year ended 28 February 2019 totalled Euro 27.2 million (Euro 21.7 million in the previous year ended 28 February 2018). 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 relating to sales outlets closed during the period, 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 year ended 28 February 2019 totalled Euro 4.2 million (Euro 4.5 million in the previous year ended 28 February 2018). The decrease is mainly attributable to the savings in financial expenses made following the signing of the new Loan Agreement[31]. 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 on non-recurring expenses/(income) and the change in business model in the year ended 28 February 2019, stood at a negative Euro 0.5 million (a positive Euro 3.3 million in the previous year ended 28 February 2018).

The Adjusted Consolidated Profit/Loss for the year came to Euro 42.7 million (Euro 39.4 million in the previous year ended 28 February 2018); this positive trend is due to the rise in Adjusted EBITDA and savings on net financial charges and income tax, partially offset by the increase in amortisation.

IRES tax losses resulting from the tax estimate prepared when closing the financial statements as at 28 February 2019, , which were still available, totalled Euro 377.9 million in relation to Unieuro and Euro 6.3 million in relation to Monclick. These tax losses guarantee a substantial benefit in the payment of taxes in future years.

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

	Year ended				**Changes**	
(In millions of Euros and as a percentage of revenues)	**28 February 2019**	**%**	**28 February 2018**	**%**	**Δ**	**%**
Adjusted consolidated profit (loss) for the year	42.7	2.0%	39.4	2.1%	3.3	8.3%

31 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.

Non-recurring expenses/income	(8.4)	(0.4%)	(19.9)	(1.1%)	11.5	(57.7%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(7.9)	(0.4%)	(8.0)	(0.4%)	0.1	(1.0%)
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	0.1%	(3.1)	(0.2%)	4.6	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	1.4	0.1%	2.6	0.1%	(1.2)	(46.5%)
Consolidated Profit (Loss) for the year	**28.9**	1.4%	**11.0**	0.6%	**17.9**	162.7%

7.5. Cash flows

7.5.1.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.

(Amounts in millions of Euros)	Year ended		Changes	
	28 February 2019	**28 February 2018**	**Δ**	**%**
Consolidated Operating Profit	57.2	41.0	16.2	39.5%
Cash flow generated /(absorbed) by operating activities	27.8	51.6	(23.9)	(46.2%)
Taxes paid	(0.7)	0.0	(0.7)	(100.0%)
Interest paid	(3.2)	(8.8)	5.6	(63.3%)
Other changes	1.3	1.4	(0.1)	(7.7%)
Consolidated Net cash flow from (used in) operating activities	**82.3**	**85.2**	**(2.9)**	**(3.4%)**
Investments	(32.1)	(42.9)	10.7	(25.0%)
Investments for business combinations and business units	(5.6)	(14.5)	8.9	(61.4%)
Net cash inflow from acquisition	0.0	0.2	(0.2)	(100.0%)
Adjustment for non-recurring investments	17.0	25.8	(8.8)	(34.3%)
Non-recurring expenses /(income)	8.4	19.9	(11.5)	(57.6%)
Adjustment for non-cash components of non-recurring expenses/(income)	0.3	(1.5)	1.8	(120.7%)
Other non-recurring cash flows	(0.8)	(4.0)	3.2	100.0%
Theoretical tax impact of the above entries	(0.8)	(1.6)	0.8	(52.4%)
Consolidated Adjusted levered free cash flow	**68.7**	**66.7**	**2.0**	**3.0%**

The Consolidated net cash flow generated/(absorbed) by operating activities was a positive figure of Euro 82.3 million (a positive figure of Euro 85.2 million in the year ended 28 February 2018). The positive cash generation is connected with the positive trend of revenues and benefited from both external and internal growth actions and the favourable performance of the second half of the year, marked by a truly excellent Black Friday and a very positive Christmas season. This performance is partially offset by a rise in trade receivables generated by the Indirect channel, as a result of the partnership stipulated with Finiper during the year.

Investments made and paid for in the period stood at Euro 32.1 million in the year ended 28 February 2019 (Euro 42.9 million in the year ended 28 February 2018). This was 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, also in view of the necessary regulatory adjustments in respect of privacy, telematic fees and electronic invoicing, and start-up of existing applications with a view to the digitalisation of stores and the development of advanced functions for online platforms with the goal of

[32] See note in the section “Main financial and operating indicators”.

making each customer's omnichannel experience increasingly more practical and pleasant.

Investments made for business combinations and business units of Euro 5.6 million in the year ended 28 February 2019 (Euro 14.5 million in the year ended 28 February 2018) refer to the portion paid of the purchase price of the DPS and Galimberti business units.

Of all the investments made in the period, Euro 17.0 million are non-recurring (Euro 25.8 million in the year ended 28 February 2018) and refer to the portion paid during the period: (i) of investments, including capex, referring to the transaction for the acquisition of the business unit DPS for Euro 10.7 million, (ii) the investments for the construction of the new Piacenza logistics hub for Euro 5.5 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 sales outlets for Euro 0.8 million.

The adjustment for non-monetary non-recurring expenses/(income) components for Euro 0.3 million consists mainly of the insurance reimbursement obtained in connection with the 25 February 2017 fire at the Oderzo store, for Euro 1.5 million and the unpaid portion of non-recurring costs relative to the purchase of the business unit DPS and Galimberti and the unpaid portion of costs relative to the new Piacenza logistics hub. This adjustment will be gradually reduced when those costs will have been reported financially.

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

Below are the main changes recorded in the Group's net financial debt during the years ending 28 February 2019 and 28 February 2018:

	Year ended		Changes	
(Amounts in millions of Euros)	**28 February 2019**	**28 February 2018**	**Δ**	**%**
Operating profit	57.2	41.0	16.2	39.5%
Cash flow generated /(absorbed) by operating activities	27.8	51.6	(23.9)	(46.2%)
Taxes paid	(0.7)	0.0	(0.7)	(100.0%)
Interest paid	(3.2)	(8.8)	5.6	(63.3%)
Other changes	1.3	1.4	(0.1)	(7.7%)
Net cash flow from (used in) operating activities	**82.3**	**85.2**	**(2.9)**	**(3.4%)**
Investments	(32.1)	(42.9)	10.7	(25.0%)
Investments for business combinations and business units	(5.6)	(14.5)	8.9	(61.4%)
Cash contribution from merger	0.0	0.2	(0.2)	(100.0%)
Distribution of dividends	(20.0)	(20.0)	0.0	0.0%
Payables from the acquisition of Monclick and business units	0.0	(11.6)	11.6	(100.0%)
Other changes	0.4	1.0	(0.6)	(59.5%)
Change in net financial debt	**25.0**	**(2.5)**	**27.5**	**(1,084.0%)**

8. Statement of financial position

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 28 February 2019 and as at 28 February 2018:

(Amounts in millions of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Trade receivables	41.3	39.6
Inventories	362.3	313.5
Trade payables	(468.5)	(411.5)
Net operating working capital	**(64.8)**	**(58.4)**
Other working capital items	(169.8)	(147.1)
Net working capital	**(234.6)**	**(205.4)**
Non-current assets	150.9	132.3
Goodwill	178.0	174.8
Non-current liabilities	(23.9)	(20.0)
Net invested capital	**70.4**	**81.7**
Net financial debt	20.5	(4.5)
Shareholders' equity	(90.9)	(77.2)
Total shareholders' equity and financial liabilities	**(70.4)**	**(81.7)**

The Group's Net Working Capital as at 28 February 2019 was negative by Euro 64.8 million (negative by Euro 58.4 million as at 28 February 2018). The performance for the year of the Group's Net Operating Working Capital is attributable to: (i) promotions in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisitions and the new openings during the year which involved an increase in the value of trade payables which was higher than that of inventories. This performance is partially offset by a rise in trade receivables generated mainly by the Indirect channel, as a result of the partnership stipulated with Finiper during the year.

The Net Invested Capital of the Group stood at Euro 70.4 million at 28 February 2019, down Euro 11.3 million compared with 28 February 2018. The decrease is mainly attributable to: (i) decrease in the Group's Net Working Capital of Euro 30.5 million, of which Euro 5.3 million had a positive non-monetary effect due to the adoption of the new accounting standard IFRS 15, which had an impact on the timing of the recognition of several types of costs; (ii) investments excluding depreciation and amortisation of Euro 15.8 million, due to the costs incurred for the construction of the new Piacenza logistics hub, operations for the purchase of

DPS and Galimberti[33], interventions for the development of the direct stores network and the refurbishment of existing network stores and costs incurred for purchasing new hardware, software, licences and developments on pre-existing apps; and (iii) increase in non-current liabilities for Euro 2.8 million, mainly due to the recording of deferred tax on the impacts deriving from the application of IFRS 15.

Shareholders' equity amounted to Euro 90.9 million as at 28 February 2019 (Euro 77.2 million at 28 February 2018), with the increase of Euro 13.7 million mainly caused by the positive result recorded for the period, 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[34] reserved for some managers and employees, partially offset by the distribution of the dividend of Euro 20.0 million resolved on 05 June 2018 by the Shareholders' Meeting.

Below is a detailed breakdown of the Group's net financial debt as at 28 February 2019 and 28 February 2018 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(Amounts in millions of Euros)	**Year ended**		**Changes**	
	28 February 2019	**28 February 2018**	**Δ**	**%**
(A) Cash	84.5	61.4	23.1	37.5%
(B) Other liquid assets	0.0	0.0	0.0	0.0%
(C) Securities held for trading	0.0	0.0	0.0	0.0%
(D) Liquidity (A)+(B)+(C)	**84.5**	**61.4**	**23.1**	**37.5%**
- of which is subject to a pledge	*0.0*	*0.0*	*0.0*	0.0%
(E) Current financial receivables	0.0	0.0	0.0	0.0%
(F) Current bank payables	*(3.0)*	*(0.1)*	*(2.9)*	*3,697.5%*
(G) Current part of non-current debt	(9.5)	(6.9)	(2.6)	37.4%
(H) Other current financial payables	(7.6)	(6.3)	(1.4)	22.8%
(I) Current financial debt (F)+(G)+(H)	**(20.1)**	**(13.2)**	**(6.9)**	**52.4%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(20.1)*	*(13.2)*	*(6.9)*	*52.4%*
(J) Net current financial position (I)+(E)+(D)	**64.5**	**48.2**	**16.3**	**33.9%**

[33] It should be noted that, at the time of acquisition, the Group availed itself of the right provided under (revised) IFRS 3 to carry out a provisional allocation of the cost of the business combination at the fair value of the assets, liabilities and contingent liabilities (of the acquired business). If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised. Significant variations to what already accounted are not expected.

[34] 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 ("Regulations") whereby the terms and conditions of implementation of the Long-Term Incentive Plan were determined. The conclusion and subsequent acceptance of the Long-Term Incentive Plan by the Recipients took place in October 2017 and was effective from 29 June 2017.

(K) Non-current bank payables	(31.1)	(40.5)	9.4	(23.2%)
(L) Issued bonds	0.0	0.0	0.0	
(M) Other non-current financial payables	(12.8)	(12.2)	(0.6)	4.7%
(N) Non-current financial debt (K)+(L)+(M)	**(43.9)**	**(52.7)**	**8.8**	**(16.8%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	(43.9)	(52.7)	8.8	(16.8%)
(O) Net financial debt (J)+(N)	**20.5**	**(4.5)**	**25.0**	**(553.2%)**

Net financial debt has been reduced by Euro 25.0 million compared with 28 February 2018, generating a positive cash position for Euro 20.5 million as at 28 February 2019.

The main factor underlying the positive cash trends is the combined effect of: (i) the net cash flow generated by operating activities for Euro 82.3 million, (ii) the distribution of dividends of Euro 20.0 million approved by the Shareholders' Meeting on 05 June 2018, (iii) investments of Euro 32.1 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 5.6 million which refer to the purchase price paid in full during the period for the business unit DPS and Galimberti.

Gross financial debt totalled Euro 64.0 million, of which Euro 43.9 million was medium and long term, and Euro 20.1 million was short term.

9. Performance of Unieuro

The Unieuro S.P.A. reclassified Income Statement as at 28 February 2019 is illustrated below:

(In millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2019	**%**	**28 February 2018**	**%**	**Δ**	**%**
Revenue	2,079.1		1,835.5		243.6	**13.3%**
Gross Operating Profit	**59.9**	**2.9%**	**44.3**	**2.4%**	**15.6**	**35.3%**
Non-recurring expenses /(income)	7.7	0.4%	19.6	1.1%	(11.9)	(60.7%)
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	7.9	0.4%	8.0	0.4%	(0.1)	(0.9%)
Adjusted EBITDA	**75.6**	**3.6%**	**71.9**	**3.9%**	**3.7**	**5.1%**
Depreciation, amortisation and write-downs	(29.9)	(1.4%)	(27.3)	(1.5%)	(2.6)	9.4%
Financial income and expenses	(3.0)	(0.1%)	(7.6)	(0.4%)	4.6	(61.0%)
Non recurring depreciation, amortisation and write-downs	3.5	0.2%	6.3	0.3%	(2.8)	44.6%
Non-recurring financial expenses /(income)	(1.5)	(0.1%)	3.1	0.2%	(4.6)	148.4%
Income taxes	1.1	0.1%	(0.9)	(0.0%)	2.0	(217.9%)
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,	(1.6)	(0.1%)	(3.1)	(0.2%)	1.5	(48.6%)
Adjusted Net Income	**44.2**	**2.1%**	**42.4**	**2.3%**	**1.8**	**4.3%**
Non-recurring expenses /(income) , non-recurring financial expenses /(income), non-recurring depreciation, amortisation and write-downs	(9.7)	(0.5%)	(29.0)	(1.6%)	19.3	(66.5%)
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	(7.9)	(0.4%)	(8.0)	(0.4%)	0.1	(0.9%)
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,	1.6	0.1%	3.1	0.2%	(1.5)	(48.6%)
Profit (Loss) for the Year	**28.2**	**1.4%**	**8.5**	**0.5%**	**19.7**	**231.4%**

Unieuro's revenues for the year ended 28 February 2019 amounted to Euro 2,079.1 million, up 13.3% compared to Euro 1,835.5 million for the year ended 28 February 2018. In addition to the new openings and growth of the online channel, the performance was positively influenced by the 2 acquisitions made during the year, the 14 stores opened starting September 2018, the result of the acquisition of the former DPS/Trony and former Galimberti/Euronics business units.

The higher revenues, together with the continuous attention to the cost structure, allowed the achievement of an Adjusted EBITDA of Euro 75.6 million in the year ended 28 February 2019, up 5.1% compared to Euro 71.9 million in the year ended 28 February 2018.

Adjusted Profit (Loss) for the Year amounted to Euro 44.2 million in the year ended 28 February 2019 (Euro 42.4 million in the year ended 28 February 2018), representing 2.1% of revenue; the increase in Adjusted Profit (Loss) for the Year was due to the positive performance of operations, the improvement in financial management and the reduction in the tax burden compared to the same period of the previous year.

At 28 February 2019, Unieuro's net financial indebtedness amounted to Euro 13.4 million (Euro 6.9 million as at 28 February 2018). The increase recorded during the year, of Euro 20.3 million, is mainly due to the combined effect of: (i) the net cash flow generated by operating activities for Euro 77.7 million, (ii) the distribution of dividends of Euro 20.0 million approved by the Shareholders' Meeting on 05 June 2018, (iii) investments of Euro 37.7 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 5.6 million which refer to the purchase price paid in full during the period for the business unit DPS and Galimberti.

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

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2019 is illustrated below:

(Amounts in millions of Euros)	**Shareholders' equity as at 28 February 2019**	**Net result as at 28 February 2019**
Balances from the Parent Company's Annual Financial Statements	**87.7**	**28.2**
Difference between the carrying amount of equity investments and the profit/(loss) for the year	(8.1)	1.3
Allocation of goodwill, brand, software and customer list, excluding the tax effect	11.3	(0.6)
Shareholders' equity and profit/(loss) for the year from the Consolidated Financial Statements	**90.9**	**28.9**

11. Investments

Net investments made during the year came to Euro 37.7 million and relate for Euro 32.1 million to expenses incurred for the development of the new logistics hub in Piacenza, interventions to develop the network of direct stores and to refurbish the network of existing stores and costs for the purchase of new hardware, software, licences and developments on pre-existing applications and Euro 5.6 million refer to the portion paid of the purchase price of the DPS and Galimberti business units.

More specifically, investments for the year of Euro 32.1 million mainly relate to: (i) investments relating to the opening of new sales outlets in new user basins held to be strategic or basins that are not sufficiently covered by the current portfolio of stores and the refurbishment of sales outlets purchased from the former DPS Group S.r.l. and former Galimberti S.p.A. business units; (ii) extraordinary maintenance works and refurbishment of various sales outlets; (iii) development of the new logistics hub of Piacenza; (iv) costs incurred for the purchase of new hardware, software, licences, also in view of the necessary regulatory adjustments regarding privacy matters, telematic payments and electronic invoicing, as well as the development of pre-existing applications with a view to the digitisation of stores and launch of advanced functions for the on-line platform, with the aim of making the omnichannel experience of each customer increasingly functional and pleasant and (v) investments in the relocation of existing sales outlets to user basins held to be more strategic. For more details, see note 5.1 “Plant, machinery, equipment and other assets” and “Intangible assets with finite useful life” of the Consolidated financial statements.

12. Corporate governance and ownership structures

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

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

This document is available at the Company's website (http://www.unieurospa.it/).

On the basis of information available as at the date of the Annual Financial Report, Unieuro's major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l.[35] (accounting for the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [35] (Dixons Carphone plc) with 7.2%. Some shareholders that can be traced to the Silvestrini family[36] hold 5.1%, the asset management company Amundi Asset Management[35] has 5% of the capital of Unieuro, and, finally, some top managers of Unieuro[36] jointly hold 1.8%.

[35] Source: Consob, relevant shareholders Unieuro S.p.A.
[36] Source: re-processing of the results of the register of shareholders as at 12 June 2018

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

The tables below summarise the Group's credit and debt relations with related parties as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Board of directors**	**Main managers**	**total**	**Total balance sheet item**	**Impact on balance sheet item**
At 28 February 2019							
Other current liabilities	-	(96)	(233)	(278)	**(607)**	**189,103**	**(0.3%)**
Other non-current liabilities	-	-		(1,440)	**(1,440)**	**1,466**	**(98.2%)**
total	-	**(96)**	**(233)**	**(1,718)**	**(2,047)**		

(Amounts 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**
At 28 February 2018						
Other current liabilities	(75)	(190)	(365)	**(630)**	**(163,381)**	**0.4%**
Other non-current liabilities	-	-	(487)	**(487)**	**(718)**	**67.8%**
Total	**(75)**	**(190)**	**(852)**	**(1,117)**		

The following table summarises the economic relations of the Group to related parties as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	Economic relations with related parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Board of directors**	**Main managers**	**total**	**Total balance sheet item**	**Impact on balance sheet item**
At February 2019							
Purchases of materials and external services	(262)	(97)	(690)	-	**(1,049)**	**(1,923,930)**	**0.1%**
Personnel costs	-	-	-	(5,105)	**(5,105)**	**(169,878)**	**3.0%**
total	**(262)**	**(97)**	**(690)**	**(5,105)**	**(6,154)**		

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

For the periods concerned, related-party receivable/payable and income statement positions were mainly for:

- 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;

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

Main managers	
Year ended 28 February 2019	**Year 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 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	**Related parties**

Type	Pallacanestro Forlì 2.015 s.a r.l.	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 2017 to 28 February 2018										
Net cash flow from (used in) operating activities	-	4,221	50	(41)	(231)	(798)	(3,428)	**(227)**	**85,203**	**-0.3%**
Cash flow generated/(absorbed) by financing activities	-	(9,598)	-	-	-	-	-	**(9,598)**	**(3,317)**	**289.4%**
total	-	**(5,377)**	**50**	**(41)**	**(231)**	**(798)**	**(3,428)**			
Period from 1 March 2018 to 28 February 2019										
Net cash flow from (used in) operating activities	(262)	-	-	(76)	-	(647)	(2,815)	(4,062)	82,312	-4.9%
Cash flow generated/(absorbed) by financing activities	-	(6,760)	-	-	-	-	-	**(6,760)**	**(21,504)**	**31.4%**
total	(262)	**(6,760)**	**-**	**(76)**	**-**	**(647)**	**(2,815)**			

14. Information on corporate bodies

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

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

This document is available at the Company's website (http://www.unieurospa.com/).

14.1 Stock option plans

Long-Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders- Meeting of Unieuro approved the adoption of a stock option plan (the "Plan" or “Long-Term Incentive Plan” or “LTIP”) reserved for Executive Directors, associates and employees (executives and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to 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) to focus the attention of people covered by the plan on matters of strategic importance to Unieuro, (ii) to increase loyalty among people covered by the plan and give them incentive to remain with Unieuro, (iii) to increase the competitiveness of the company by identifying medium-term objectives and promoting the creation of value both for Unieuro and its shareholders and (iv) to ensure that the overall remuneration of the people covered by the plan remains competitive on the market.

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

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

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

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

- *Recipients* : the Plan is addressed to Directors with executive type positions, associates and employees (managers and others) of Unieuro ("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 Long Term Incentive Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

- *Object:* the object of the Plan is to grant the Recipients option rights that are not transferable by act inter vivos for the purchase or subscription against payment of ordinary shares in Unieuro for a maximum of 860,215 options, each of which entitling the bearer to subscribe one newly issued ordinary share ("Options"). If the target is exceeded with a performance of 120%, the number of Options will be increased up to 1,032,258. A share capital increase was approved for this purpose for a nominal maximum of €206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

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

- *Vesting*: the extent and existence of the right of every person to exercise options will happen on 31 July 2020 provided that: (i) the working relationship with the Recipient persists until that date, and (ii) the objectives are complied with, in terms of distributable profits, as indicated in the business plan on the basis of the following criteria:

    - 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 EUR 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 Long Term Incentive Plan until completion of the vesting period (29 February 2020) with the exercise of company rights pertaining to the Shares obtained during that year with the exercise of Subscription Rights

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

The cost for the Long-Term Incentive Plan included in the financial statements as at 28 February 2019 was Euro 2.0 million.

14.2 Treasury shares and holding Unieuro shares

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

15. Staff-related information

Composition of workforce

Below is a breakdown of employees by classification.

	28 February 2019		28 February 2018	
	Unieuro S.p.A.	**Monclick S.r.l.**	**Unieuro S.p.A.**	**Monclick S.r.l.**
Executives	23	1	17	3
Middle managers	52	0	57	1
Office workers	4,546	34	4,444	35
Factory workers	1	-	1	-
Apprentices	51	-	17	-
Temporary staff	-	-	-	-
Total	**4,673**	**35**	**4,536**	**39**

Gender equality and work environment

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

Search and selection

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

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

Training, organisation and compensation policies

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

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

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

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

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

Protection of health and safety

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

16. Management and coordination activities

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

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

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

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

17.1 Strategic and operational risks

The main financial risks to which the Group are the following:

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

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

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

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

Risks connected with the management of directly operated points of sale: The Unieuro Group is exposed to the risk of having to compete with the pricing offered by other competing companies when renewing agreements for directly operated points of sale. Additionally, there is also a potential risk deriving from the draft law on Sunday store closing, which may have repercussions on the number of visitors and, therefore, on the business volumes of the Unieuro Group.

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

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

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

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

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

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

Other operational risks: this category includes risks typical of the consumer electronics sector connected with: opening new points of sale, seasonality, failure to implement or the delayed implementation of its business strategy, the technological development of electronic products and the perception of new trends, the availability of products and inventory obsolescence, the operations of the logistics centre and procurement of products marketed, possible restrictions on imports, product liability, the operation of IT systems, management of post-sale customer assistance services, e-commerce fraud and services provided by third parties. The Group manages and measures these risks and they are reflected in the financial statements in items related to inventories, with respect to provisions for obsolescence and in provisions for risks and charges. For additional information on provisions and write-downs made during the year ended 28 February 2019, see the related notes to the consolidated financial statements.

17.2 Financial risks

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

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

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

The Group has a revolving line of Euro 90.0 million, which is generally fully utilised in the first half of each year to meet the related financial requirements and is instead repaid during periods of the greatest cash generation (typically the last half of each year).

The Company believes that existing lines of credit and loans as at 28 February 2019 are sufficient to cover requirements from its operating and investment activities and to repay maturing debt.

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

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

Credit risk: this is related to the Group's exposure to potential losses resulting from the failure of financial or commercial counterparties to fulfil their obligations. The Group has receivable monitoring processes that call for analysing the customers' reliability, assigning a credit line and controlling exposure using reports that break down maturities and average collection periods. There are no significant concentrations of risk as at 28 February 2019.

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

17.3 Legal and non-compliance risks:

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

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

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

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

The Group performs its business in sectors regulated by national and EU regulations concerning environmental protection and health and safety in the workplace. In accordance with the obligations of regulations on environmental protection and health and safety in the workplace, the Group makes the investments necessary to ensure compliance with the provisions of applicable laws and regulations.

18. Significant events during and after the year

Significant events

Significant events

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, so as to bring forward the total distribution of the coupon by the 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, aimed at optimising the celebration of its brand values in an ever more effective manner.

More than a million downloads for the Unieuro 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. Launched in November 2016, 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.

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 liquidation, 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 sales 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. The first 7 sales outlets were reopened to the public from mid-September to early October. More specifically, on 6 October, following an effective local advertising campaign, the Milan, San Babila point of sale was also re-opened: a 1,150 square metre space in an underground station, intended to strengthen Unieuro's presence in Milan as well as the Travel channel, given the millions of passengers transiting each year through this extremely central location.

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 total investment, equal to 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 previously under the Euronics brand, 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 sales 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.
The 5 former Galimberti sales outlets were reopened on 15 November, the Verona store on 23 November and that of Trieste on 8 December.

Exceptional results for "Black Roc Friday"

In November 2018, Unieuro launched "Black Roc Friday", the promotional campaign dedicated to the longest Black Friday in the history of the Company.
During the period running between 12 and 26 November, Unieuro S.p.A. recorded revenues up 50% on the corresponding period of 2017, achieving record levels on all sales channels, both physical and digital. On Black Friday, in particular, Unieuro recorded the highest ever daily revenues (+21% retail sales on 24 November 2017) whilst the unieuro.it platform booked an absolute record in terms of daily orders, which rose by 80% also thanks to the growing success of the mobile app.

Integration with the Google Assistant
In December 2018, Unieuro announced the launch of the Google Assistant, the voice assistant system for Android and IOS smartphones and tablets and smart speakers Google Home and Google Home Mini. Thanks to the launched integration, clients can receive information about the nearest sales outlet, find out about the latest news in the stores, select the best promotional offers or control the status of orders placed on the on-line store.

Strategic partnership with the "Iper, La grande i" chain
On 10 January 2019, Unieuro made a very important partnership agreement official with the Finiper Group. The agreement marked the continuation of the positive experience of a pilot project launched in February 2018 and by the end of 2019 will result in a total of 20 shop-in-shops branded "Unieuro by Iper", within the "Iper, La grande i" hypermarkets.
The new sales outlets, which already numbered 14 as at 28 February 2019, are managed directly and independently by Iper, by virtue of a commercial franchise agreement and boast a commercial surface area that ranges approximately between 400 and 800 square metres.
Thanks to this partnership, Unieuro has extended its market consolidation to include the large-scale retail channel and will benefit from the considerable traffic developed by the Iper hypermarkets, thereby generating higher purchase volumes and better supply conditions, to the benefit of the commercial offer of all sales channels. The shops-in-shops will also be enabled for pick-and-pay of the products acquired on the unieuro.it platform, thereby further boosting the Company's omnichannel strategy.

Updated Dividends Policy
In light of the positive market reaction to the June payment as a lump sum of the dividend relative to FY 2017/18, on 10 January 2019, the Unieuro Board of Directors resolved to adopt this method again this year and for the years to come.
With legal and effective requirements met for the distribution of dividends, as envisaged by the Dividends Policy resolved on 1 March 2017, the dividend will therefore be paid approximately in June the year after that to which it pertains.
The Dividends Policy, as amended above, remains unchanged in all other aspects, with particular reference to the quantification of the coupon, which will continue to be proposed as at least 50% of the Adjusted net result.

The acquisition of 12 Pistone (Expert) stores

On 15 January 2019, Unieuro announced its launch in Sicily, a region numbering five million inhabitants, up until that point poorly covered, through the acquisition of 100% of the share capital of a newly-established company owning 12 sales outlets in Sicily, belonging to Pistone S.p.A., one of the most important shareholders of the Expert buying group operating in Italy, with registered office in Carini (Palermo).
With a total sales surface area in excess of 25,000 square metres, the 12 stores develop turnover of approximately 140 million euros and boast positive profitability that exceeds the market average, also thanks to a winning, modern format and strategic locations in some of the most important Sicilian shopping centres.
The price agreed for the purchase of the investment in the newco was 17.4 million euros, of which 6 million euros paid at closing 6 million 12 months later and 5.4 million after a further 12 months.
In a parallel fashion, Unieuro has announced its intention of using the logistics platform offered by Pistone S.p.A., again in Carini, with the aim of making it into the secondary hub of the chain directly servicing the central platform of Piacenza.

Subsequent events

Completion of the Pistone transaction
On 1 March 2019, Unieuro completed purchase of 100% of the share capital of Carini Retail S.r.l., the company formerly owned by Pistone S.p.A. and holder of a business unit comprising 12 sales outlets in Sicily.
The integration began immediately and entailed the progressive adoption of the Unieuro brand by the new sales outlets, completion of which was celebrated by a high-impact local communication campaign.

Opening of 5 Additional Unieuro by Iper
On 14 March 2019, 5 new shop-in-shops were opened in as many hypermarkets of Iper, la Grande i. The number of sales outlets under the Unieuro by Iper brand thus reached 19 units.

Unieuro's app enhanced thanks to "augmented reality"
With the goal of developing a more and more personalized customer journey, Unieuro announced at the end of April a new and innovative feature in its App: augmented reality, that will give the possibility to simulate the real presence of large household appliances and TV in a specific environment, in order to easily chose the best solutions for the environment itself.

Market leadership
On 15 March, the Board of Directors examined some of the preliminary results of the year ended on 28 February 2019. In light of the revenues standing at 2.1 billion euros, for the first time ever, Unieuro is a market leader, no longer just in terms of number of sales outlets and profitability, but also business volumes. And this leadership position is set to increase even further in the current year, with the consolidation of the former Pistone stores, the start-up of

the Unieuro shops-in-shops by Iper and the incremental contribution of purchases and new openings completed in the last twelve months.

19. Foreseeable operating evolution

For FY 2019/2020, Unieuro expects to see a substantially stable market in terms of value, impacted by macro economic factors and possible regulatory evolutions. If growth of the on-line segment is once again expected to be two-figure, albeit normalised with respect to the major increase recorded last year, it will be physical retail that is most greatly impacted by the effects of the virtually zero economic growth.

The Group intends to continue the development strategy pursued successfully to date, with an effective omni-channel commercial approach that pays close attention to margins, an even greater focus on services and a selective growth plan with the simultaneous rationalisation of the network. In a parallel fashion, Unieuro will continue to monitor the market and assess external growth opportunities that may be useful to ensuring an ever more capillary level of distribution efficiency.

2019 will be the year of integration of ex-Pistone/Expert stores, which will require close attention in view of the characteristics of the business acquired and a business culture to be preserved in order to maintain the competitive advantage. At the same time, the development in Sicily will continue relentlessly thanks to the search for new locations and the launch of the new local logistics organisation, which will use the secondary hub of Carini.

Investments, also financed thanks to operative cash flow that is once again strong, will privilege the development and digitisation of the network, the continuous upgrades of the digital platform and the strengthening of the central infrastructure of Unieuro, starting from the IT systems, in order to adjust them to the growing needs of an increasingly extensive and articulate business context.

20. Consolidated non-financial statement of the Unieuro Group

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

The Consolidated Non-Financial Statement (hereinafter also referred to as the "**Statement**") of the Unieuro S.p.A. Group (hereinafter also referred to as the "Group"), prepared in accordance with Italian Legislative Decree no. 254/2016 implementing Directive 2014/95/EU, presents information and data on the policies practised and the management of environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption, useful to ensure the understanding of the activities carried out by the Group in these areas, its performance, the results achieved and the impacts deriving from them. The Statement also sets out the main risks connected with non-financial topics and how they are handled.

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

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

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

Reporting scope

The qualitative and quantitative information contained in the Statement refers to the performance of the Unieuro Group (hereinafter also the "Group") for the year ended 28 February 2019. Below, the terms "Unieuro" or "Group" shall mean the group of companies consisting of the parent company Unieuro S.p.A. and the subsidiary Monclick S.r.l., whereas

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

by the terms "Unieuro S.p.A." or "Company" we refer exclusively to the parent company Unieuro S.p.A.

In order to facilitate understanding of the evolution of *sustainability performance*, the quantitative information is presented over a three-year time frame, with the exception of some data, which is not available for the year as at 28 February 2017. Finally, it should be noted that some issues and indicators may have a different reporting scope compared to the one relating to the Group, if these have been assessed by management as not relevant for a specific company in consideration of the activities carried out. In this case, in the text, the reference scope of the topic/indicator is clearly explained.

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

Relevant issues for Unieuro

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

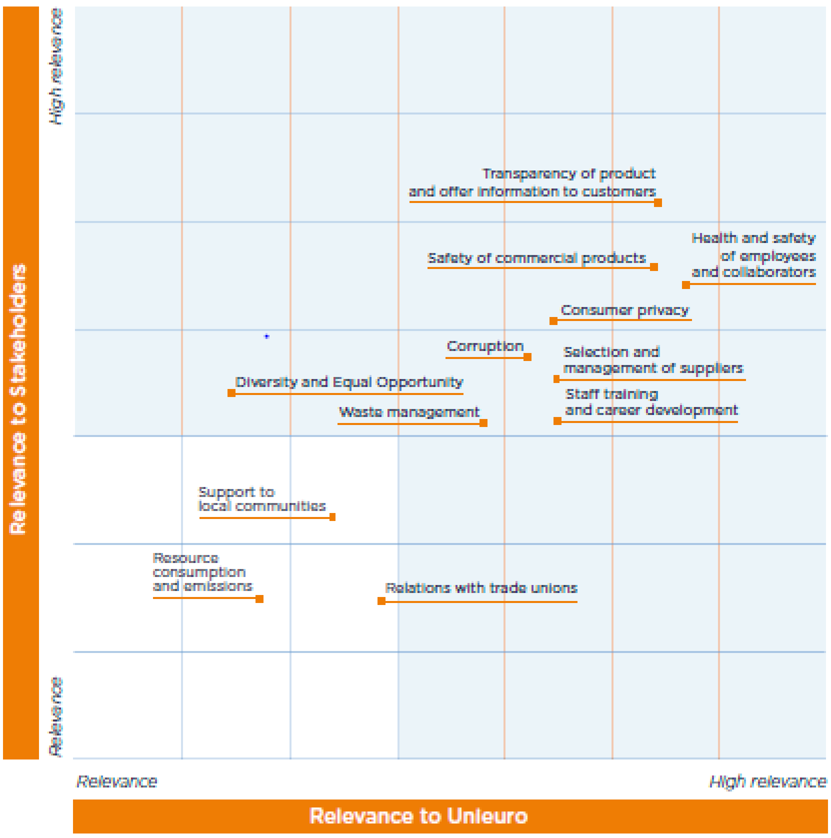
The materiality analysis process is carried out periodically and consists of three main phases: *preliminary identification*, *evaluation* and *definition* of the material topics.

1. Considering as a starting point the indications provided by Legislative Decree 254/2016, the potentially relevant issues were first identified on the basis of an analysis of the activities carried out by Unieuro, the characteristics of the sector, the approaches adopted by comparable companies at national and international level and the themes suggested by the GRI for each economic sector;

2. the topics that emerged have been discussed and assessed by the management team at dedicated meetings, thereby allowing for the definition of those most representative of the social-environmental impacts generated by the Group, according to their relevance in terms of achieving the company's objectives (relevance for Unieuro) and stakeholders (relevance for stakeholders);

3. upon completion of the analysis, a total of 12 material topics were defined, correlated to the aspects regulated by Italian Legislative Decree no. 254/2016.

The Group materiality resulting from the prioritisation of the topics is shown in the matrix below, which represents the two dimensions assessed.



Matrix of materiality

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

Relevant topics	Internal perimeter	External perimeter
Consumption of resources and emissions	Group	-
Waste management	Group	-
Selection and management of suppliers	Group	Providers
Consumer privacy	Group	-
Safety of products on the market	Group	Providers
Support for local communities	Unieuro S.p.A.	-

Transparency of information on products and offers to customers	Group	Providers
Diversity and equal opportunities	Group	-
Staff training and career development	Group	-
Relations with the trade unions	Group	-
Health and safety of employees and collaborators	Group	Logistics cooperation
Corruption	Group	-

Below is the statement of correlation between the Aspects of the Decree, the relevant topics and the indicators envisaged by the GRI Standards Sustainability Reporting Guidelines.

Aspects of Italian Legislative Decree no. 254/2016	Material theme	Scope	Aspects of the 2016 GRI Standards	Indicators
Environment	Consumption of resources and emissions	Unieuro Group	GRI 301: Materials	GRI 301-1
			GRI 302: Energy	GRI 302-1
			GRI 305: Emissions	GRI 305-1 GRI 305-2 GRI 305-3
	Waste management	Unieuro Group	GRI 306: Effluents and Waste	GRI 306-2
Company	Selection and management of suppliers	Unieuro Group	GRI 102: General disclosures	GRI 102-9
			GRI 308: Supplier environmental assessment	GRI 308-1
			GRI 414: Supplier social assessment	GRI 414-1
	Consumer privacy	Unieuro Group	GRI 418: Customer Privacy	GRI 418-1
	Safety of products on the market	Unieuro Group	GRI 416: Customer Health and Safety	GRI 416-2
	Support for local communities	Unieuro S.p.A.	GRI 413: Local Communities	GRI 413-1
	Transparency of information on products and offers to customers	Unieuro Group	GRI 417: Marketing and Labelling	GRI 417-1 GRI 417-3
Personal	Diversity and equal opportunities	Unieuro Group	GRI 102: General disclosures	GRI 102-8
			GRI 405: Diversity and equal opportunity	GRI 405-1 GRI 405-2

	Staff training and career development	Unieuro Group	GRI 404: Training and education	GRI 404-1 GRI 404-3
	Relations with the trade unions	Unieuro Group	GRI 102: General disclosures	GRI 102-41
			GRI 402: Labour/ Management Relations	GRI 402-1
	Health and safety of employees and collaborators	Unieuro Group	GRI 403: Occupational Health and Safety	GRI 403-2
Diversity of governance and control bodies	Diversity and equal opportunities	Unieuro Group	GRI 102: General disclosures	GRI 102-22
			GRI 405: Diversity and equal opportunity	GRI 405-1
Anti-Corruption	Corruption	Unieuro Group	GRI 205: Anti-corruption	GRI 205-1 GRI 205-2 GRI 205-3
Human rights	-	Unieuro Group	GRI 406: Non-discrimination	GRI 406-1

Stakeholder involvement

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

2. Group Profile

Unieuro is a leader in the distribution of consumer electronics and household electrical appliances in Italy, driven by an omni-channel approach that comprises direct stores (237 as at 28 February 2019), franchised stores (275) and the digital platform unieuro.it. The company is based in Forlí and has a central logistics platform in Piacenza; it numbers a workforce of more than 4,700 employees). List on the STAR segment of Borsa Italiana since 2017, Unieuro recorded revenues of 2.1 billion euros in the year ended as at 28 February 2019.

Employees by geographical region

Employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Valle d'Aosta	*N°*	5	10	**15**	7	10	**17**	7	10	**17**
Lombardy		378	328	**706**	371	311	**682**	331	291	**622**
Piedmont		200	274	**474**	213	275	**488**	205	266	**471**
Trentino Alto Adige		21	24	**45**	18	12	**30**	18	16	**34**
Veneto		304	239	**543**	262	189	**451**	266	199	**465**
Friuli Venezia Giulia		69	72	**141**	49	57	**106**	49	57	**106**
Liguria		116	131	**247**	102	118	**220**	92	109	**201**
Emilia Romagna		416	370	**786**	418	370	**788**	348	317	**665**
Tuscany		93	116	**209**	84	108	**192**	94	114	**208**
Abruzzo		31	31	**62**	28	31	**59**	7	6	**13**
Marche		122	105	**227**	134	113	**247**	48	51	**99**
Umbria		17	14	**31**	17	14	**31**	15	15	**30**
Molise		24	15	**39**	25	15	**40**	12	5	**17**
Lazio		409	352	**761**	421	365	**786**	265	252	**517**

Sardinia		66	63	**129**	57	62	**119**	59	62	**121**
Campania		20	7	**27**	19	9	**28**	15	10	**25**
Apulia		93	60	**153**	84	55	**139**	84	54	**138**
Basilicata		35	24	**59**	32	16	**48**	32	16	**48**
Calabria		11	15	**26**	11	15	**26**	11	15	**26**
Sicily		14	14	**28**	33	43	**76**	34	45	**79**
Total		**2,444**	**2,264**	**4,708**	2,385	2,188	**4,573**	**1,992**	**1,910**	**3,902**

Unieuro's mission is to combine the needs of today's customers with tomorrow's technological solutions, thanks to the convenience of its products and services and the acceptance of its people, the widespread presence, the vast assortment, as well as the ability to organise the offer in a pleasant, clear and relevant way.

The corporate values that inspire the Group's activities are:

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

All 512 direct and franchise stores are distinguished by the Unieuro brand, one of the most recognisable and established in the sector, with a claim - *"Batte. Forte. Sempre"*– which is quite unique and memorable on the retail scene. Today, the Unieuro brand presents itself as the sole interlocutor of a coherent communication ecosystem on all channels, online and off-line.

Through the five different distribution channels - integrated and converging - in which it operates, Unieuro markets a wide range of electronic consumer products, household electrical appliances and accessory services. In greater detail, the Company operates in the following product categories:

- GREY, including cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, telephone system accessories, as well as all wearable technological products, such as, for example, smartwatches;
- WHITE, including both major domestic appliances (MDA), such as washing machines, dryers, refrigerators and freezers and hobs, and small domestic appliances (SDA), such as microwave ovens, vacuum cleaners, kettles, coffee machines, toasters or irons, as well as home comfort products (mainly fixed and movable air conditioning systems);
- BROWN, consisting of televisions and related accessories, smart-TV devices and car accessories, as well as memory storage systems;

- Other products, including entertainment-related products such as consoles and video games, DVDs and Blu-rays, as well as all items sold by Unieuro that do not belong to the macro-categories of consumer electronics and home appliances such as drones, bicycles and hoverboards;
- Services, including home delivery, installation, collection of used items, extended warranty, consumer credit services through financial intermediaries and after-sales assistance.

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

The subsidiary Monclick S.r.l., on the other hand, sells IT, electronic and telephone system products and electrical appliances through the e-commerce platform in Italy, guaranteeing a comprehensive purchasing experience, completed through the home delivery and installation of the chosen product. It also operates in the segment known as Business to Business to Consumer (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.

Unieuro is a member of external associations, both on a national and local level, with a view to optimising its public and institutional relations. Nationally, the Company is a member of Aires (Italian Association of Retailer Specialised Appliances), which brings together the main companies and distribution groups specialised in consumer electronics and household appliances, in turn a member of Confcommercio Imprese per l'Italia.

Since 05 April 2018, Unieuro has been chairing Confimprese, which groups primary operators with direct and franchised distribution networks, regardless of the product sector in which they operate.

At a local level, on the other hand, Unieuro is associated with Confindustria (Forlì), Ascom (Forlì) and Confapi (Piacenza), to protect its interests in the territories in which the head office and the logistics hub are located respectively.

Shareholding and corporate structure

On 4 April 2017, Italian Electronics Holdings S.r.l. (IEH) - up until that point the sole shareholder of Unieuro S.p.A. - placed on the STAR Segment of the MTA (telematic stock market) organised and managed by Borsa Italiana S.p.A. 31.8% of the Company, equal to 6,363,637 ordinary shares, at a price of Euro 11 per share. On 03 May 2017, the greenshoe option granted by IEH was partially exercised, for 537,936 shares. Therefore, the placement covered a total of 6,901,573 ordinary shares of Unieuro S.p.A, equal to 34.51% of the share capital, for a total value of approximately 75.9 million euros.

On 06 September 2017, as part of an accelerated bookbuilding procedure, IEH placed a further 3.5 million ordinary shares, accounting for 17.5% of the share capital, at the price of Euro 16 per share. The total amount was 56 million euros.

On 17 October 2017, the partial demerger of IEH into eight newly established companies took place. Following the transaction, IEH is indirectly invested in 100% by the private equity fund Rhône Capital and is the majority shareholder of Unieuro through its holding of 33.8% of the share capital.

On 1 October 2018, Amundi Asset Management, Europe's largest asset manager in terms of assets under management, and amongst the top ten worldwide, declared that it held 5% of the Company's shares under non-discretionary management of investments, thereby making it the third largest shareholder of Unieuro.

On 28 November 2018, the shareholder agreement that bound the shareholders previously grouped together in IEH and originally stipulated on 10 December 2016, came to an end.

On 09 January 2019, the agreeing shareholders agreed to confirm some of the provisions of said shareholder agreement through the stipulation of a new shareholder agreement, which ended on 31 January 2019.

At year end, the share capital is as follows:

Share capital of Unieuro S.p.A.

Share capital	%
Italian Electronics Holdings (Rhône Capital) [38]	33.8
Alfa Srl (Dixons Carphone)[38]	7.2
Amundi Asset Management[38]	5.0
Shareholders that can be traced to the Silvestrini family [39]	5.1

[38] Source: Consob, relevant shareholders Unieuro S.p.A.

[39] Source: re-processing of the results of the register of shareholders as at 12 June 2018

Top manager Unieuro[39]	1.8
Other shareholders	47.1

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

Dialogue with shareholders

Again in FY 2018/2019, Unieuro guaranteed constant willingness for dialogue and discussion thanks to the Investor Relations function, structured and adapted to the needs of a Company of its size.

During its interfacing with the financial market, Unieuro was called to demonstrate that it could make its vision concrete, as proposed to potential investors since the IPO.

In FY 2018/19, such activities regarded:

- the promotion of the largest possible coverage of the Unieuro security by brokers, soliciting the critical interest by market participants;
- the organisation of half-yearly conference calls for financial analysts and investors, for a direct, public discussion with the management of the half-yearly and annual results;
- participation in investor conferences organised by third parties, with particular reference made to the two STAR conferences of Milan (March 2018) and London (October 2018) promoted by Borsa Italiana;
- physical and virtual meetings with market participants, including during roadshows in Italy and abroad, specifically organised;
- the constant update of the institutional website www.unieurospa.com, dedicated to all stakeholders, in particular financial stakeholders, interested in further investigating the corporate identity of Unieuro, its strategies, results and, more generally, the investment case;
- promotion of Unieuro’s visibility of the main traditional and digital financial media, during the dissemination of periodic results and extraordinary operations;
- the use of the professional social network LinkedIn, in order to share corporate contents, in particular to the benefit of minor shareholders and employees.

The main issues that emerged in the talks with investors concerned the sustainability of the business in light of a highly competitive market and the growing penetration of e-commerce, with the consequent pressure on operators’ margins. Close attention was paid to the Company’s external growth operations, the characteristics and reasons of which were at the heart of numerous meetings and conference calls. The investors also focussed on the evolution of the ownership structure and the sustainability of the Company’s profits and cash flows, as well as its capacity to accordingly remunerate capital.

Main non-financial risks and how they are handled

In consideration of the activities carried out by Unieuro and the characteristics of the reference market, below are the main non-financial risks of the Group and a description of how they are handled.

Environment

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

The Group Code of Ethics promotes the management of waste in compliance with current regulations, through selected suppliers, requiring a verification of authorisation, registration and communication of third parties, as necessary to the activities and traceability of the process and chain control. Moreover, in order to oversee said risk, the Group has also adopted a specific operating manual that defines roles and responsibilities for the proper management of WEEE disposal. For more details, reference is made to the paragraph entitled "Waste management".

Clients

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

The Unieuro Code of Ethics not only promotes relations with consumers hinged on complete transparency and satisfaction with respect to the products and services offered, but it also guarantees the Group's commitment to preserving the safety of its customers. The high standing of the suppliers chosen and the strict industry regulations currently in force in

Europe for the marketing of products (in particular the RoHs Directive[40]) guarantee the best possible monitoring of such risks. For more details, reference is made to the paragraph entitled “Consumer Health and Safety”.

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

The Group Code of Ethics requires particular caution in the processing of information relating to corporate activity and the data of employees and third parties in general (including customers), and undertakes to protect information generated or acquired within the corporate structure and/or during the management of business relationships. Unieuro S.p.A. in fact has specific control systems monitoring physical and IT accesses to the data centre and e-mail. The Company has also implemented and shared with all company departments, a Disaster Recovery Plan. This Plan not only sets out a series of actions to be taken in the event of an emergency but also includes a series of measures to be implemented from time to time, to verify validity.
Finally, Unieuro has launched a process of adaptation to the new data protection regulation (GDPR), equipping itself with an organisational model setting out policies and procedures that aim to mitigate possible data breaches. For more details on the privacy aspects, refer to the paragraph on “Consumer data security”.

Personal

The Group's results and success depend, among other things, on the ability to attract and retain qualified personnel and those who have held key positions in the business development stages. The loss of some of these resources could in fact affect, at least temporarily, Unieuro's competitive ability, activity and prospects, with possible negative effects on its business. Additional risks may relate to inadequate or inefficient internal communication processes, inadequate staff training and accidents, mainly deriving from the manual moving of loads in the warehouse to goods storage sites and/or occupational diseases.

Within the Code of Ethics, the Group undertakes to respect a series of essential principles for human resource management. These include the principle of equal opportunities and non-discrimination, to be respected both when hiring employees and thereafter, ensuring fair,

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[40] The Directive lays down rules concerning the restriction on the use of hazardous substances in Electrical and Electronic Equipment (EEE) in order to contribute to the protection of human health and the environment, including the ecologically correct disposal and recovery of waste EEE.

meritocratic treatment. Unieuro also undertakes to comply, in all its staff management policies, with the National Collective Bargaining Agreements and current provisions on employment regulations.
In order to attract and withhold its employees, Unieuro has adopted an individual performance assessment system that examines organisational and professional conduct and offers managerial and professional training courses to staff of both stores and offices.
The Group is also committed to creating a workplace that is open to dialogue and discussion, giving its employees the possibility of contacting their direct manager or the HR Department each time such may be considered necessary, through direct contact, telephone or e-mail. For more information, please refer to the paragraph on "Staff training and career development".

Additionally, in order to oversee the risk of injuries at work and occupational diseases, Unieuro S.p.A. has equipped itself with an Organisation, Management and Control Model in accordance with Italian Legislative Decree no. 231/2001 and the related verification protocols, in compliance with Italian Legislative Decree no. 81/2008. For more information, refer to the paragraph on "Health and Safety at Work".

Consistently with the Monclick business, the risk of injuries and occupational diseases is not relevant.

Finally, please note that the assessments of the management team have not currently revealed any activities carried out directly by the Group entailing risks of the violation of human rights (e.g. child labour, forced labour and freedom to associate and stipulate contracts).

Corruption

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

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

In order to minimise the risk of conduct that may be considered as corruption, the Unieuro Group has equipped itself with a specific Anti-Corruption Policy, in compliance with its Code of Ethics and in line with the best practices in matters of Anti-Corruption Compliance Programme and with the international standard ISO 37001:2016.

Moreover, in order to foster the collaboration of workers and the consequent revelation of corruption, the Group has implemented a whistleblowing policy formalised within a specific corporate policy (the “Whistleblowing Policy”), which provides stakeholders with tools by which to report unlawful conduct or violations of the Model 231, the Code of Ethics, the Anti-Corruption Policy and, in general, all internal corporate regulations adopted by the Company.
Reference is also made to the matter in the latest update of the Model 231, General Part, of Unieuro S.p.A.
For more details, please refer to the paragraphs entitled “Organisation, Management and Control Model and the corporate regulatory system” and “Fight against corruption”.

Supply chain

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

Moreover, considering the location of the main suppliers, the main environmental risks along the supply chain are those linked to the typical business of companies producing household electrical appliances and consumer electronics. These mainly include pollution of the soil and water due to incorrect disposal of water and fluids, atmospheric pollution caused by fumes brought about by the processing of materials and consumption of electricity and fuels and incorrect waste disposal (e.g. processing and packaging waste).
From a social viewpoint and in terms of respect for human rights, the risks linked to the supply chain mainly refer to failure to comply with reference legislation and, above all in some countries characterised by social instability, may regard risks connected with the violation of human rights (e.g. child labour, forced labour and freedom to associate and stipulate contracts).

The main environmental risk connected with the supply chain relates to the risk of the incorrect disposal of WEEE, as already mentioned in the “Environment” section of this paragraph.

To mitigate these risks, in its Code of Ethics, the Group has laid down a series of principles that must be respected both by Group employees, when choosing new suppliers, and by suppliers in all relations with the Group. For more information, see the paragraph on “Selection and management of suppliers”.

Governance

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

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

On 12 December 2016, the Company's Shareholders approved the adoption of a new company by-laws; for more information on the Governance system, please refer to the Corporate Governance Report and ownership structure as of 28 February 2019.

Board of Directors

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

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

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

Members of the Board of Directors

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

Members of the Board of Directors

Assignment	Age	Gender	Type	Independence	Membership of groups of stakeholders
Chairman of the Board	68	M	-	-	-
Chief Executive Officer	60	M	Executive	Non-independent	-
Director	65	M	Non-Executive	Non-independent	Rhone Capital
Director	42	M	Non-Executive	Non-independent	Rhone Capital
Director	74	M	Non-Executive	Non-independent	-
Director	70	M	Non-Executive	Independent	-
Director	50	M	Non-Executive	Independent	-

Members of the Board of Directors by age group

Age range	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
under the age of 30	*N°*	-	-	-	-	-	-	-	-	-
Between 30 and 50 years		2	-	2	2	-	2	2	-	2
age over 50 years		5	-	5	5	-	5	4	1	5
Total		**7**	**0**	**7**	**7**	**0**	**7**	**6**	**1**	**7**

CONTROL AND RISK COMMITTEE

The Control and Risk Committee, appointed by the Board of Directors, has the task of assisting the Board of Directors with preparatory, advisory and consultative functions, in evaluations and decisions relating to the internal control and risk management system, as well as those concerning the approval of periodic financial reports. The Control and Risk

Committee numbers three directors, of whom two are non-executive and independent and one is non-executive.

Remuneration and Appointments Committee

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

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

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

The Remuneration and Appointments Committees number three directors, of whom two are non-executive and independent and one is non-executive.

Committee for Transactions with Related Parties

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

Board of Statutory Auditors

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

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

Members of the Board of Statutory Auditors

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

Compensation of the Board of Statutory Auditors

Assignment	Age	Gender
Chairman of the Board	43	M
Statutory Auditor	53	M
Statutory Auditor	52	M
Alternate auditor	46	M
Alternate auditor	68	M

Members of the Board of Statutory Auditors by age group

Age range	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
under the age of 30	*N°*	-	-	**0**	-	-	**0**	-	-	**0**
Between 30 and 50 years		2	-	**2**	4	-	**4**	4	-	**4**
age over 50 years		3	-	**3**	1	-	**1**	1	-	**1**
Total		**5**	**0**	**5**	**5**	**0**	**5**	**5**	**0**	**5**

Organisation, Management and Control Model and corporate regulatory system

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

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

To guarantee the effective implementation of the models, a Supervisory Body (SB) has been appointed that verifies the implementation and effectiveness of Model 231.

In March 2019, the Organisation, Management and Control Model was updated with the new offences considered under 231 and the provisions on whistleblowing (Italian Law no. 179 of 30 November 2017 - "*Provisions for the protection of those reporting crimes or irregularities of which they have become aware during their public or private employment*").
Indeed, addressees of the 231 Model are offered a reporting system through which to highlight unlawful conduct, on the basis of precise, consistent elements of fact (Art. 6, paragraph 2-bis of Italian Legislative Decree 231/2001). The reports are collected through specific channels (the *Whistleblowing Portal*), made available on the company intranet and the e-mail address odf@unieuro.com) and managed in line with respect to the provisions of the recent Whistleblowing Policy (adopted starting March 2019).

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

The fight against corruption

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

In addition to the principles and rules of conduct outlined in the Code of Ethics, the Organisational, Management and Control Model identifies the so-called "sensitive" activities to the offences referred to in Legislative Decree no. 231/2001, including the crime of corruption, and defines specific control measures to support the instrumental processes deemed to be exposed to the potential risk of commission of offences. A system of sanctions is also adopted aimed at ensuring the effective implementation of Model 231 and outlining information and training activities on the contents of the same. The training courses are provided in the classroom with regard to the top managers (Directors and Area Managers) and through the e-learning platform for the remaining employees. During FY 2017/18, training involved 2,390 employees, excluding the members of the Board of Directors. They have been rescheduled for delivery for FY 2019/2020, consistently with the latest regulatory update on Model 231. As already mentioned above, thanks to the whistleblowing system implemented, Unieuro also establishes the methods through which to report unlawful or illegitimate action, conduct or omissions, which constitute or may constitute breach or inducement to breach the Group's control measures.

On the basis of the principles defined in the Code of Ethics and in supplementation of the Model 231, in March 2019, Unieuro defined a specific Anti-Corruption Policy, which lays down a series of rules for staff to follow in order to strengthen anti-corruption control measures. More specifically, the Policy establishes the obligation to adhere to anti-corruption rules, providing a definition of what may be interpreted as corruption and establishing the obligation to report any unlawful practices in which staff may be actively or passively involved.

Performance indicators

During the risk assessment activities carried out by the Company during the 2016/17 financial year in order to identify "sensitive" activities and processes deemed to be exposed to the potential risk of commission of offences pursuant to Legislative Decree 231/2001, ten processes were mapped, of which seven were at risk of commission of the crime of corruption. At the same time, the related procedures and controls were defined.

During the 2018/19 financial year, no reports were found for the Group that concerned incidents involving corruption.

3. Employees

Personnel Management

The Unieuro Group employs 4,708 resources, up approximately 3% compared to the previous year mainly following the acquisition and subsequent relaunch of a total of 14 stores previously managed by competitors.

Employees are divided between business activities (clerks, cashiers, storekeepers and store managers), amounting to 4,361 employees, and support activities (employees, specialists, coordinators, managers, director of headquarters functions (Finance and Control, Commercial, Omnichannel, Marketing, Property, Technical Office, Human Resources, IT, Logistics, Service, Customer Care and Sales, Investor Relations), equal to 347 employees. The majority of the resources, 86%, are employed on permanent contracts, thereby guaranteeing the Group the possibility to retain qualified personnel within the company.

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

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

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

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

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

Performance indicators

Employees divided by age group, gender and function

Employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	N°	**190**	**157**	**347**	188	148	**336**	**152**	**122**	**274**
under the age of 30		11	22	**33**	10	22	**32**	7	15	**22**
Between 30 and 50 years		146	119	**265**	150	112	**262**	112	92	**204**
age over 50 years		33	16	**49**	28	14	**42**	33	15	**48**
Employees employed in business activities		**2,184**	**2,177**	**4,361**	**2,197**	**2,020**	**4,237**	**1,840**	**1,788**	**3,628**
under the age of 30		335	242	**577**	355	235	**590**	248	163	**411**
Between 30 and 50 years		1,634	1,648	**3,282**	1,606	1,628	**3,234**	1,335	1,434	**2,769**
age over 50 years		215	287	**502**	236	177	**413**	257	191	**448**
Total		**2,374**	**2,334**	**4,708**	**2,385**	**2,188**	**4,573**	**1,992**	**1,910**	**3,902**

Number of employees by type of contract and geographical area[41]

Employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Fixed-term contract	N°	**372**	**294**	**666**	**364**	**265**	**629**	**242**	**176**	**418**
North		240	198	438	239	166	**405**	170	120	**290**
Centre		115	83	198	113	93	**206**	60	48	**108**
South and Islands		17	13	30	12	6	**18**	12	8	**20**
Permanent contract		**2,072**	**1,970**	**4,042**	**2,021**	**1,923**	**3,944**	**1,750**	**1,734**	**3,484**
North		1,269	1,250	2,519	1,201	1,176	**2,377**	1,146	1,145	**2,291**
Centre		581	550	1,131	543	507	**1,050**	369	390	**759**
South and Islands		222	170	392	277	240	**517**	235	199	**434**
Total		**2,444**	**2,264**	**4,708**	**2,385**	**2,188**	**4,573**	**1,992**	**1,910**	**3,902**

[41] The subdivision by geographical areas is distributed as follows:
North: Valle d'Aosta, Piedmont, Lombardy, Trentino Alto Adige, Friuli Venezia Giulia, Veneto, Emilia Romagna, Liguria
Centre: Tuscany, Marche, Umbria, Lazio
South and islands: Sicily, Sardinia, Campania, Apulia, Basilicata, Molise, Abruzzo, Calabria

Diversity, equal opportunities and respect for human rights

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

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

This commitment took the form of training courses for managers in the course of the 2018/19 financial year, focused on personnel management and labour regulations and aimed at guaranteeing all workers the same opportunities, so that everyone can enjoy fair treatment based on merit criteria and strict compliance with the law.

Confirming the Group's commitment to equal opportunities, female presence within the company is 48%. The age group that is composed of the largest number of employees is between 30 and 50 years for both female and male staff. During the last financial year, 964 resources were included, of which 46% were women, with a prevalence of the under-30s age group (55%).

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

Performance indicators

Employees divided by age group, gender and level.

Employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Executives	*N°*	**23**	**1**	**24**	**18**	**2**	**20**	**10**	**1**	**11**
under the age of 30		-	-	-	-	-	-	-	-	-
Between 30 and 50 years		17	1	18	14	2	16	5	1	6
age over 50 years		6	-	6	4	-	4	5	-	5
Middle managers		**38**	**14**	**52**	**44**	**14**	**58**	**48**	**9**	**57**
under the age of 30		-	-	-	-	-	-	0	-	-
Between 30 and 50 years		31	11	42	36	11	47	37	5	42
age over 50 years		7	3	10	8	3	11	11	4	15
Office workers		**2,383**	**2,248**	**4,631**	**2,323**	**2,171**	**4,494**	**1,934**	**1,899**	**3,833**
under the age of 30		346	264	610	365	257	622	255	178	433
Between 30 and 50 years		1,732	1,755	3,487	1,706	1,727	3,433	1,405	1,520	2,925
age over 50 years		305	229	534	252	187	439	274	201	475
Factory workers		**-**	**1**	**1**	**-**	**1**	**1**	**-**	**1**	**1**
under the age of 30		-	-	-	-	-	-	-	-	-
Between 30 and 50 years		-	-	-	-	-	-	-	-	-
age over 50 years		-	1	1	-	1	1	-	1	1
Total		**2,444**	**2,264**	**4,708**	**2,385**	**2,188**	**4,573**	**1,992**	**1,910**	**3,902**
under the age of 30		346	264	**610**	365	257	**622**	255	178	**433**
Between 30 and 50 years		1,780	1,767	**3,547**	1,756	1,740	**3,496**	1,447	1,526	**2,973**
age over 50 years		318	233	**551**	264	191	**455**	290	206	**496**

Employees divided by type of employment and gender.

Employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Full-time employees	*N°*	1,897	1,103	**3,000**	1,844	1,100	**2,944**	1,505	910	**2,415**
Part-time employees		547	1,161	**1,708**	541	1,088	**1,629**	487	1,000	**1,487**
Total		**2,444**	**2,264**	**4,708**	**2,385**	**2,188**	**4,573**	**1,992**	**1,910**	**3,902**

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

Number of new hires	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
North	N°	**365**	**316**	**681**	**317**	**232**	**549**	**170**	**121**	**291**
under the age of 30		215	178	393	217	149	**366**	140	88	**228**
Between 30 and 50 years		118	118	236	97	77	**174**	25	31	**56**
age over 50 years		32	20	52	3	6	**9**	5	2	**7**
Centre		**123**	**101**	**224**	**330**	**237**	**567**	**182**	**125**	**307**
under the age of 30		76	46	122	225	153	**378**	148	92	**240**
Between 30 and 50 years		43	54	97	102	78	**180**	29	31	**60**
age over 50 years		4	1	5	3	6	**9**	5	2	**7**
South and Islands		**31**	**28**	**59**	**294**	**225**	**519**	**147**	**106**	**253**
under the age of 30		13	4	17	184	129	**313**	122	79	**201**
Between 30 and 50 years		16	23	39	103	84	**187**	20	25	**45**
age over 50 years		2	1	3	7	12	**19**	5	2	**7**
Total		**519**	**445**	**964**	**941**	**694**	**1,635**	**499**	**352**	**851**
under the age of 30		304	228	**532**	626	431	**1,057**	410	259	**669**
Between 30 and 50 years		177	195	**372**	302	239	**541**	74	87	**161**
age over 50 years		38	22	**60**	13	24	**37**	15	6	**21**

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

Employees who have left the company	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
North	N°	**322**	**225**	**547**	**238**	**186**	**424**	**134**	**131**	**265**
under the age of 30		207	134	341	159	111	**270**	82	52	**134**
Between 30 and 50 years		100	79	179	68	69	**137**	43	69	**112**
age over 50 years		15	12	27	11	6	**17**	9	10	**19**
Centre		**140**	**118**	**258**	**142**	**93**	**235**	**30**	**25**	**55**
under the age of 30		63	55	118	67	45	**112**	10	6	**16**
Between 30 and 50 years		71	61	132	68	43	**111**	19	18	**37**
age over 50 years		6	2	8	7	5	**12**	1	1	**2**
South and Islands		**21**	**41**	**62**	**12**	**14**	**26**	**15**	**10**	**25**
under the age of 30		3	1	4	4	5	**9**	4	4	**8**
Between 30 and 50 years		18	40	58	7	9	**16**	11	6	**17**

age over 50 years		-	-	-	1	-	**1**	-	-	-
Total		**483**	**384**	**867**	**392**	**293**	**685**	**179**	**166**	**345**
under the age of 30		273	190	**463**	230	161	**391**	96	62	**158**
Between 30 and 50 years		189	180	**369**	143	121	**264**	73	93	**166**
age over 50 years		21	14	**35**	19	11	**30**	10	11	**21**

Turnover rate[42]

Turnover rate	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Inbound turnover rate	%	21.2%	19.7%	**20.5%**	31.0%	24.2%	**27.8%**	12.5%	9.6%	**11.1%**
Outgoing turnover rate		19.7%	17.0%	**18.4%**	16.6%	13.5%	**15.1%**	9.0%	8.7%	**8.8%**

Gender relationship between the average basic salary and the average remuneration divided by level.[43]

Employees by level[44]	u.m.	28/02/2019		28/02/2018		28/02/2017	
		Basic salary	Fees	Basic salary	Fees	Basic salary	Fees
Executives	%	50%	39%	76%	76%	87%	99%
Middle managers		113%	112%	126%	130%	106%	113%
Office workers		126%	128%	117%	118%	116%	118%

Despite the slight reduction with respect to FY 2017/18 (-7.3 percentage points), the inbound turnover rate remains in any case high and mainly refers to intake as a consequence of the acquisition of certain business units belonging to the companies DPS Group S.r.l. (115 employees) and Galimberti S.p.A. (64 employees) as well as the opening of 3 new sales outlets (70 employees). Still referring to the increase in Ingoing and Outgoing turnover rates, it is noted that Unieuro S.p.A. needs to replace salespeople involved in new colleagues training activities, who are in business trip for long periods during the year.

On the other hand, with regard to the indicators referring to staff salaries, for the managerial levels there is a higher value for the male gender, both for the basic salary and for the remuneration with a difference of the two values decreasing for middle managers and increasing for office workers compared to 2017/18. Relative to managers, the ratio of gender relative to remuneration is not significant.

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42 The figure is calculated as the ratio between total income/expenses and total employees in the reference year.

43 The figure is calculated as the ratio between the average basic salary of men over that of women and between the average remuneration of men over that of women.

44 The value for the "Workers" level is not reported as it is made up of only one resource.

Staff training and career development

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

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

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

During the 2018/19 financial year, 34,833 hours of training were provided, to 4,417 employees, with an increase of approximately 41% on the previous year. This positive change, proportional to the number of incoming employees recorded during the tax year (following acquisitions by the Group and new sales outlets); it is also connected with the cyclical nature of training obligations and an increase in resources dedicated to training[45].

Performance indicators

Hours of training provided

Hours of training by gender and function	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	Hours	269	75	**344**	612	40	**652**	901	285	**1,186**
Employees employed in business functions		23,915	10,574	**34,489**	16,502	7,475	**23,977**	15,729	9.132	**24,861**
Total		**24,184**	**10,649**	**34,833**	**17,114**	**7,515**	**24,629**	**16,630**	**9,417**	**26,047**

45 Starting March 2018, training relative to legal obligations in respect of health and safety at work (pursuant to Italian Legislative Decree no. 81/2008) is managed directly by the Unieuro Safety Office, which is therefore outsourced by the HR Office.

Employees involved in training activities broken down by gender and function[46]

Number of employees involved by gender and function	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	*N.*	71	18	**89**	39	5	**44**	93	45	**138**
Employees employed in business functions		2,998	1,330	**4,328**	1,399	661	**2,060**	3100	2,412	**5,512**
Total		**3,069**	**1,348**	**4,417**	**1,438**	**666**	**2,104**	**3,193**	**2,457**	**5,650**

Hours of training by type

Hours of training by type	u.m.	28/02/2019	28/02/2018	28/02/2017
Products	*Hours*	15,625	17,419	18,134
Management development		140	3,544	2,804
Marketing		-	1,448	192
Inclusion of newly hired employees in the company		224	1,248	272
Safety (pursuant to Legislative Decree 81/2008)		11,588	970	1,997
Client reception[47]		-	-	2,648
Managerial Students Academy		4,484	-	-
Apprentices		2,335	-	-
Legal obligations		309	-	-
Privacy		128	-	-
Total		**34,833**	**24,629**	**26,047**

Average hours of training divided by gender, level and function[48]

Average hours of training by gender and category of employees	u.m.	28/02/2019			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employed in support functions	*Hours /No.*	1.42	0.48	**0.99**	3.26	0.27	**1.94**	5.93	2.34	**4.33**
Employees in business functions		10.94	4.86	**7.90**	7.51	3.66	**5.66**	8.55	5.11	**6.85**
Executives		2.17	-	**2.08**	2.67	-	**2.40**	5.00	-	**4.55**
Middle managers		5.32	3.14	**4.73**	19.45	5.14	**16.00**	18.58	21.44	**19.04**
Office workers		10.04	4.72	**7.46**	6.98	3.43	**5.26**	8.11	4.86	**6.50**
Total		**9.89**	**4.70**	**7.40**	**7.18**	**3.43**	**5.39**	**8.35**	**4.93**	**6.68**

46 The figure refers to the sum of the employees who participated in the training courses multiplied by the number of courses in which each participated.

47 Training on *"Client reception"* during FYs 2017/18 and 2018/19 has been included under *"Inclusion of newly hired employees in the company"*, hence it is delivered under the scope of this latter type of training.

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

Performance evaluation

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

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

Evaluation cycles are managed by a specific portal, which monitors all phases and can be accessed at any time by all employees. The interviews held to assess performance are individual and involve the collaborator and their manager, in addition, if applicable, to the Human Resource Department and/or the person responsible for the evaluation.

The evaluation process is currently extended to all organisational roles, in FY 2017/18 covering 4,183 people, making for 88.8% of the company population (89.7% of men and 87.7% of women).

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

Performance indicators

Performance evaluation

Professional categories	u.m.	28/02/2018[49]			28/02/2017		
		Man	Woman	Total	Man	Woman	Total
Executives	%	88.9	50	**85**	100	100	**100**
Middle managers		100	92.9	**98.3**	100	100	**100**
Office workers		91.9	90.9	**91.4**	97.4	95.8	**96.6**
Factory workers		-	100	**100**	-	100	**100**
Total		**92**	**90.9**	**91.5**	**97.5**	**95.9**	**96.7**

49 The figure posted as at 28/02/2018 is related to the performance appraisals for the period 01/03/2017 - 28/02/2018. For the period 01/03/2018 - 28/02/2019 the Company intends to pursue the same objectives as the previous year, but it will be possible to calculate the quantitative and qualitative data not before the month of September 2019 (end of the evaluation cycles business).

Health & Safety

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

The policies aimed at mitigating the risks have been structured and formalised on the basis of the internal management models used by the company, or the Model 231 and the related verification protocols, in compliance with Legislative Decree no. 81/2008. In order to correctly comply with the dictates of the afore-mentioned Decree, the Company also has the task of promoting the culture of safety within the company through appropriate information and training actions towards all staff at different levels of the organisation. During the year, all training was therefore carried out envisaged by current health and safety at work regulations, for a total of 11,588 hours of training delivered to 1,380 employees, of whom 71% men and 29% women (most classed as “office workers”).
In addition to training activities, the Company provides its personnel with personal protection equipment (PPE), also aimed at mitigating the risk of accidents in the workplace, with the main reference to the activities carried out at the sales outlets. In 2006 it also set up a special "Help Desk" portal, accessible from all sales outlets and centrally managed by the Technical and Services Office, which also aims to collect complaints from employees and customers about possible violations of the safety rules.

In 2018, a new figure was included, reporting to the Prevention and Protection Service Manager, assigned the task of organising, coordinating and monitoring staff training activities, medical check-ups and certificates for the attendance of compulsory courses.

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

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

Performance indicators

Accidents by type and gender and accident indices

Employees	u.m.	28/02/2019[50]			28/02/2018			28/02/2017		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total

50 As regards the subsidiary Monclick S.r.l., no injuries were recorded at work.

Accidents	N°	**56**	**58**	**114**	**50**	**40**	**90**	**53**	**38**	**91**
at work		43	40	**83**	35	24	**59**	36	19	**55**
ongoing		13	18	**31**	15	16	**31**	17	19	**36**
Deaths		-	-	-	-	-	-	-	-	-
at work		-	-	-	-	-	-	-	-	-
ongoing		-	-	-	-	-	-	-	-	-
Cases of occupational diseases		-	-	-	-	-	-	-	-	-

Accident indexes

Accident indexes[51]	**28/02/2019**			**28/02/2018**			**28/02/2017**		
	Man	**Woman**	**Total**	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**
Lost working hours rate	1.96	2.67	2.26	1.99	1.86	**1.93**	1.87	1.66	**1.78**
Absentee rate	3.13	3.22	6.35	3.11	2.11	**5.11**	2.47	1.70	**4.17**
Rate of occupational diseases (ODR)	-	-	-	-	-	-	-	-	-
Accident rate (IR)	13.98	19.19	16.22	13.26	14.11	**13.62**	16.05	14.89	**15.54**

Accidents of external collaborators by type and gender and accident indices

External collaborators	**u.m.**	**28/02/2019**	**28/02/2018**	**28/02/2017**
Accidents	N°	**17**	**14**	**7**
at work		14	13	7
ongoing		3	1	-
Deaths		-	-	-
at work		-	-	-
ongoing		-	-	-

Accident indexes

Accident indexes[51]	**28/02/2019**	**28/02/2018**	**28/02/2017**
Accident rate (IR)	**31.00**	**32.18**	**20.78**

51 Accident indexes take into account injuries at work and during travel; they are calculated as follows:
Lost working hours rate: (total number of hours lost by accidents/total hours worked) * 1,000
Absentee rate: (absence days per injury / working days in the period)
Occupational disease rate (ODR): (total number of occupational diseases/total hours worked) * 200,000
Incident rate (IR): ((total number of accidents + total number of deaths)/total hours worked) * 1,000,000

Relationship with the trade unions

Operating in a sector of high work intensity, in which the quality of the relationship between sales staff and customers is key to having a competitive advantage, the correct management of trade union relations is an important matter for Unieuro, in order to guarantee a positive, constructive discussion with the workers' representatives. Over the years, Unieuro has always practised a policy of mutual exchange and direct and transparent dialogue with trade unions, both national and regional, signing second level agreements or solidarity contracts, comparing and presenting the results of the company or individual sales outlets and data relating to staff.

The Company signed two second level agreements with the union parties - on 13 March and 12 April 2017 - which regulate aspects such as the incentive system, labour relations and Sunday work, the latter with the aim of sharing the organisational and methodological principles aimed at guaranteeing the necessary supervision at the point of sale on Sundays of opening in respect of a fair rotation among workers and assuring a long-term planning of Sunday openings. Additionally, agreements have been stipulated (one on a national level[52] and two more locally[53]) to manage surpluses at some sales outlets, through solidarity contracts (also partly valid for 2018).

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

Performance indicators

Employees covered by collective bargaining agreements[54]

Employees	28/02/2019	28/02/2018	28/02/2017
Number of employees covered by collective bargaining agreements	4,708	4,534	3,902
Total employees	4,708	4,573	3,902
Coverage rate	**100%**	**99%**	**100%**

52 Agreement relative to 11 sales outlets (Aosta, Arma di Taggia, Asti, Bari, Cantu, Castagnito, Lamezia, Lecce, Matera, Nardò, Sassari), through the stipulation of a solidarity contract in force from 25/09/2017 to 24/09/2018.

53 Agreements relative to the sale outlets of Siracusa and Maglie, through the stipulation of solidarity contracts in force respectively from 17/03/2017 to 26/03/2018 and from 22/05/2017 to 21/05/2018.

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

4. Company

Customers

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

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

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

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

Quality of services and customer centricity

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

- abandonment rate;
- number of calls managed per hour;
- number of incoming tickets[55];
- management time/resolution of incoming tickets;
- sample check of the quality of tickets and calls;
- verification of online order allocations.

Through Customer Care, which is part of the Customer Relationship Management (CRM) Department, the Group carries out constant monitoring, also with a view to avoiding possible inefficiencies related to the delivery of products at home and the lack of adequate availability of products during particularly successful advertising campaigns and promotional activities. Thanks to the information gathered, Unieuro has developed a corrective action plan that will result in an order management project to optimise inventory stocks and respond to customer requests quickly and effectively.

Moreover, Customer Care carries out periodic analyses of defects of individual product categories marketed, on the basis of complaints received and historic data, so as to inform the competent Category Manager of any suppliers that may show a high rate of defects.

Regarding Monclick, Customer Care monitors the performance in terms of e-mails, telephone calls and social network messages managed on a daily basis compared to those received from its team of operators, with the help of automatic reports and customer feedback, in compliance with the operating manual and under the constant supervision of management. On average, Customer Care handles 80% of monthly contacts (e-mails and telephone calls) received.
The Care Team also takes care of all aspects related to customer management and care during the purchase process, from pre-sale product insights to the aid for browsing the web, from the completion of the transactions to the updating of information related to the tracking of shipments up to the management of any issues with the order.

Health and safety of consumers

Unieuro's strength, in addition to the competitiveness and the level of service offered, is also based on the level of trust that customers develop towards the products sold. For this reason,

[55] Communication tool with the customer by completing an online form available on the Company's website.

the Group is committed to ensuring the highest level of quality and protection of consumers, both in terms of safety of the product sold, and from the point of view of protection of the data and information collected.

As regards products that are not Electroline branded, the trust in the product is protected first of all thanks to the procurement from high profile suppliers, often international, whose quality and reliability are a fundamental part of their positioning as market leader. The conformity of the products with the laws and regulations on safety is, moreover, periodically monitored by means of sample checks by the external authorities, in order to evaluate their real characteristics and certifications in the light of the European RoHs Directive (Restriction of Hazardous Substances Directive), laying down specific rules concerning the restriction on the use of hazardous substances in Electrical and Electronic Equipment in order to contribute to the protection of human health and the environment. During FY 2018/2019, the Company did not receive any complaints or reports of non-conformity with regulations or laws that impact consumer health and safety.

As regards Electroline branded products, compliance with laws and regulations is monitored by an external company, which did not, in FY 2018/2019, come across any non-conformities regarding aspects impacting consumer health and safety.

The sale of products harmful to the health of citizens or not in line with European safety or product quality standards, albeit governed by framework agreements and certified by third parties, could in fact expose Unieuro to the risk of claims for compensation for damage and loss of trust by consumers. In order to monitor this risk, the Company has activated insurance contracts relative to those aspects for which it is unable to legitimately claim against the supplier or manufacturer.

Transparency of product information and commercial offers to customers

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

The main advertising campaigns consist, either alternately or simultaneously, of the distribution of promotional flyers, radio and television advertising and promotional offers such as points collections, competitions, purchase vouchers and targeted “underselling” promotional operations.

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

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

The management model adopted by the Company provides for the collaboration of experts, internal and external to the company, dedicated to the prior verification of the feasibility of certain commercial operations (for example, sales "below cost"), as well as to the verification of the content of information communicated outside. Specifically, the Marketing Department must guarantee the correspondence between the characteristics of the products presented in any communication of an advertising and/or promotional nature and those offered for sale, with particular reference to the quantity, quality, origin or origin of the products.

During the fiscal year, the Company recorded a single case of non-conformity of a private label product, concerning labelling and information documentation inside the product packaging. The proceedings ended with a sanction of Euro 84,000, which was subsequently challenged and the administrative procedure is currently underway before the Forlì Chamber of Commerce.

Regarding the communication and marketing activities, instead, during the last two years, no significant incidents of non-compliance occurred. During the fiscal year, there were 5 cases of non-conformity with provisions of the law regarding communication and marketing activities referring to sanctions and/or administrative disputes for “underselling” held to be irregular and for which legal proceedings are in progress, or still at the administrative stages.
Although the Company has defined specific procedures aimed at guaranteeing the disclosure of correct, clear and transparent information, the Company undertakes to promptly implement the actions necessary to ensure an ever-increasing level of transparency.

Consumer data security

Recognising the increasingly important importance of the protection of privacy and the protection of personal data, Unieuro defines precise rules of confidentiality to ensure maximum protection. In fact, in the context of online commerce, in fact, increasingly stringent rules and policies are needed, capable of protecting the customer and responding to increasingly specific regulatory requirements introduced by the European Commission with the regulation General Data Protection Regulation (GDPR).

The regulation intends to strengthen and harmonize the regulatory framework regarding the protection of personal data in the European Union and to give citizens greater control over their personal data. The text, published in the European Official Journal on 4 May 2016 and effective from May 2018, repealed the provisions of Italian Legislative Decree no. 196/2003 for the protection of personal data.

In this respect, the Group has started a process of adjustment to the new regulation, adopting a Privacy Organisational Model, which contains policies and procedures aiming to mitigate all risks by means of:

- the imposition of more controlled flows of activities;
- ensuring the accountability of those appointed and external data processors;
- the provision of contractual protection to be required of suppliers;
- the preparation of technical and IT measures to increase the level of IT security.

The Group has also appointed a Data Protection Officer (DPO) to prepare the Computerised Register of Processing and is organising a staff training process.

An anti-fraud verification system has also been installed, with specific firewall to manage any attempts of hacker attacks, and specific encrypted protocols have been defined to protect online transactions and avoid the risks of cloning credit cards and of the customer's personal data.

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

The reports, complaints and requests made by customers in regard to data processing (amendment or erasure) may be sent to the company through different channels:

- in person at the sales outlets;
- by telephone by means of the call centre, to the company’s certified e-mail address;
- by e-mail, through a specific address managed by the Legal Office;
- by post;
- by e-mail or fax to the address of any employee of the company.

Complaints and claims are managed by the Legal Office, for practices considered highest risk, the consultancy can be sought of the DPO and external subjects, experts in privacy matters.

The Unieuro S.p.A. e-mail address dedicated to privacy receives numerous requests for changes to or erasure of data every day. Some of these are due to inconsistencies in the transcription into the IT system of data, due to IT and/or human error, whilst others may derive from a simple rethink by the customer on consent given previously. As at the date of approval of this Statement, it is not possible to determine how many of these requests derive from errors in data input (computer or human) or a simple rethink by customers. Unieuro in fact numbers approximately 7 million active fidelity cards (of which approximately 3 million with expressed profiling and/or contact consent) in addition to numerous persons registered with the website.

In order to reduce the risks deriving from such human errors, Unieuro has appointed the company in charge of storing the hard copy fidelity card forms to analyse the data and consent given on the forms and check consistency with the Unieuro database. Additionally, Unieuro takes timely action to best manage all customer requests so as to guarantee the protection of data and confidential information and avoid possible negative consequences, both in terms of reputation and sanctions.

During FY 2018/2019, three cases of data loss were recorded. In one of these, dating back to January 2019, a collaborator of Unieuro suffered an IT attack with consequent risk of the loss of sensitive data. The Company reacted quickly enough to prevent any data loss. Unieuro in any case believed it appropriate to notify the Data Protection Authority following checks carried out jointly with the DPO. .

In the other two cases, minor data breaches were generated, which did not meet the requirements for reporting to the Authority (as confirmed by the DPO).

As regards Monclick, the number of significant privacy complaints made by customers was null in the last year, thanks to the adoption of all security systems and the application of GDPR rules, also in terms of the erasure of records at customer request.

Management of complaints

The Company is committed to developing a constant dialogue with its customers in order to maintain the relationship on a level of excellence. The management of complaints and other instances with which customers express their dissatisfaction is governed by specific procedures that ensure the taking charge of individual complaints received both at the registered office and directly at the certified email address. In particular, the Legal Department, together with the internal departments involved, checks each complaint with the aim of handling it as promptly as possible, in line with the obligations imposed by law, and to contain litigation as far as possible. In addition to the principles of conduct, the Company has set up additional control measures to protect industrial and intellectual property, with particular attention to the application procedures related to the management of product sales activities. The Company, as a seller in accordance with the Consumer Code, receives numerous complaints and out-of-court claims from consumers and their representatives, referring to the possible non-conformity of products. To date, around 30 judicial litigations are pending, arising from disputes not settled out of court.

Selection and management of suppliers

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

In consideration of the high profile and reputational level of the main suppliers with which Unieuro interfaces on a daily basis, their selection is currently based on economic criteria that do not specifically target predefined social or environmental aspects. Furthermore, the Company mainly maintains relations with the European legal offices of the suppliers it relies on. Relations with suppliers, in any case, are always based on compliance with current regulations and the principles of transparency, fairness and honesty, as set out in the Code of Ethics. In particular, potential new suppliers are evaluated and selected using objective methods, taking into account, in addition to the quality, costs and services offered, the requirements of integrity, reputation, and professionalism, as well as the absence of any suspicion past or present involvement in unlawful activities. On their part, suppliers, in their relations with the Group, must undertake to guarantee the protection of child labour and workers' rights, as well as the safety of the environment and the workplace. Precisely because of the nature of these suppliers, there are currently no company procedures for the prior verification of the safety of products and information to be provided at the marketing stage, but each purchasing manager (Category Manager), in the ordinary management of relations with these suppliers, ensures that the risk of errors in the data supplied regarding the products as well as the absence of the relevant approval certifications, is monitored.

Discussions with suppliers take place constantly and continuously, once a week, with the main suppliers, through direct meetings and telephone calls. Matters relating to price, product and timing and methods relative to the product's entire life cycle, are discussed.

The Company has also developed a line of private label products, purchased directly from an intermediary company and sold to the end consumer. Starting 2018, the intermediary has undertaken, in contracts stipulated, to respect quality standards and certifications of standards in force on Chinese territory, where production takes place.

In regard to Monclick, please note that following the progressive rise in the percentage of drop ship[56] by Unieuro (in FY 2018/2019, even in excess of 80%), the purchases made of

[56] Sales model thanks to which the seller sells a product to an end user, without materially having it in its warehouse.

goods by Monclick independently are no longer of significant amount for the purposes of this Statement.

Activities in support of the local community

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

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

In FY 2018/2019, the project was renewed, also thanks to the creation of a new docu-film, and three meetings were held (Rome, Verona and Matera) in November and January, as well as another two meetings in March (Palermo and Catania).

In parallel with the commitment to awareness campaigns, the Company devotes particular attention to supporting the sports in the area in which it operates and promoting the values of sport.

In FY 2018/19, Unieuro S.p.A. supported the local basketball team as main sponsor and sponsored the Forlí sports centre, called the Unieuro Arena.

Investments for the community

Investments for the community	u.m.	28/02/2019	28/02/2018	28/02/2017
Sponsorships	€	294,000	269,288	218,871

Environment

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

Waste management

Unieuro, as a distributor of electrical and electronic equipment, falls under the legislative obligations of Legislative Decree no. 121/2016 and 49/2014, which regulates the conduct of free collection of electrical and electronic equipment (WEEE) of very small size, as well as the technical requirements for the transport thereof. Collection methods vary depending on the "dimension" of the WEEE.

Small WEEE[57] may be delivered free of charge by customers to any Unieuro sales outlet, with no obligation to buy a new equivalent appliance (termed "one for zero"). The Company has entrusted the management of this waste to an external company, which collects and disposes of the WEEE.

For large WEEE, the customer shall instead deliver the used appliance only upon purchase of a new product, as long as the WEEE returned serves the same purpose as the product purchased (termed "one for one"). In order to guarantee responsible management and to comply with the requests for deposit and collection as sanctioned by Italian Legislative Decree nos 121/2016 and 49/2015, the Company has adopted a specific operating manual that defines roles and responsibilities for the proper management of WEEE disposal. The manual requires the identification of specific areas within the company's sales outlets, where special containers are installed for the disposal of WEEE waste with the specific indication of whether it is hazardous or non-hazardous equipment. The management of the collection is facilitated by the use of the management software "RAEEgest" which, in addition to guaranteeing the traceability of the operations, sends a notice in the event that such waste has been registered in the warehouse for more than 45 days or has reached the maximum weight of 3.5 tons. Once these limits have been reached, the waste is then handed over to the carrier who takes care of the correct disposal.

[57] The term "small WEEE" is used to refer to that with a dimension of the longest size of less than 25 cm.

Monclick has entrusted the collection and deposit of the WEEE to the "Grouping Place" to an external company operating for and on its behalf. Once the WEEE has been deposited, when said limits are reached, it is delivered to the carrier, which ensures its correct disposal.

Responsible for the WEEE disposal process is the Logistics function which operates, for collection and disposal activities, through the supervision by local operators employed by the company. The Logistics operators audit stores to verify compliance with the "operating manual - WEEE procedures" as well as the correct archiving of documentation. To facilitate correct management, the manuals and other necessary information can be consulted through the RAEEgest portal.

In addition to the WEEE, the company produces urban waste deriving from ordinary office activities and the operational management of the stores, which mainly consist of mixed packaging, toners and cartridges. Each type of waste is collected according to the current laws by means of specialised companies authorised for this purpose.

Performance indicators

Total weight of WEEE disposed of[58]

WEEE waste disposed of	u.m.	28/02/2019	28/02/2018	28/02/2017
Disposal	*ton*	10,577	6,574	6,922
Total		**10,577**	**6,574**	**6,922**

Total weight of non-hazardous waste, broken down by type of disposal[59]

Non-hazardous waste by type of disposal	u.m.	28/02/2019	28/02/2018
Recycling	*ton*	3.577	3,751
Total		**3.577**	**3,751**

The significant variation in the quantity of WEEE disposed of between FYs 2017/18 and 2018/19 is mainly due to the larger quantity of WEEE collected and managed by the Group, including after the increase recorded in sales in the reference categories. It should also be noted that in FY 2017/18, the contribution made by Monclick was limited to the period 01 June 2017 - 28 February 2018.

58 The figure in tonnes has been calculated as the "number of category parts produced by estimated average weight of the product category). The data of the company Monclick are the result of estimates, calculated from the data provided by the company that manages waste disposal.

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

Energy consumption and emissions

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

However, Unieuro's commitment has resulted in various energy efficiency initiatives, including the installation at 82 sales outlets of systems that have led to a 24% reduction in consumption; the replacement of obsolete lighting systems with LED fixtures that allow an estimated saving of about 50% of energy and the replacement of air conditioning systems with high efficiency machines. In addition, building automation systems have been installed that allow the integrated management of electrical systems such as lighting, heating and air conditioning, anti-intrusion and fire alarms. Moreover, the Monclick office is located in a low environmental impact building, "LEED platinum" certified, and equipped with the most modern systems for the improvement and optimisation of energy consumption.

As shown in the following tables, electricity consumption and related emissions rose by around 13% compared to the previous year, due to the increased number of sales outlets, confirming the effectiveness of the initiatives undertaken. Fuel consumption, on the other hand, mainly composed of diesel fuel for the heating of Unieuro S.p.A. offices remained unchanged on last year.

Fuel consumed through movements of Unieuro S.p.A. staff during the year rose by 2%. This increase is connected with Group growth, both in terms of the number of employees and sales outlets.

Performance indicators

Indirect energy consumption[60]

Electricity for the operation of offices	u.m.	28/02/2019	28/02/2018	28/02/2017
Electricity	*kWh*	61,796,784	54,975,973	57,232,361
of which from non-renewable sources	%	100%	100%	100%

Emissions generated by indirect energy consumption[61]

Indirect emissions - Scope 2	u.m.	28/02/2019	28/02/2018	28/02/2017
Emissions from electricity consumption	*kg CO_2e*	23,173,794	20,615,990	21,462,135

Direct fuel consumption for the operation of offices and sales outlets[62]

Fuel from non-renewable sources	u.m.	28/02/2019	28/02/2018	28/02/2017
Diesel	*Litres*	129,642	129,642	103,183
	Joule	4,946	4,946	3,936

Emissions generated by direct fuel consumption[63]

Direct emissions - Scope 1	u.m.	28/02/2019	28/02/2018	28/02/2017
Emissions from diesel consumption	*kg CO_2e*	340,562	337,090	268,293

Kilometres travelled by staff[64]

Kilometres travelled by staff	u.m.	28/02/2019	28/02/2018	28/02/2017
By private cars	*km*	1,064,572	1,300,377	863,358
By company cars		3,830,000	3,508,206	2,948,061
Total kilometres travelled		**4,894,572**	**4,808,583**	**3,811,419**

Emissions generated by direct and indirect fuel consumption[65]

Direct and indirect emissions - Scope 3	u.m.	28/02/2019	28/02/2018	28/02/2017
Indirect emissions for consumption with private cars	*kg CO_2e*	195,104	237,215	157,494

60 Data obtained from the utility bills sent by the energy supplier, whilst for the subsidiary Monclick, consumption for the months of 2018 was deduced from the bills sent by the energy supplier and the month of February 2019 was estimated on the basis of the consumption recorded for that same month the previous year.

61 The conversion factors of ENERDATA 2015 were used to calculate the indirect emissions.

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

63 The conversion factors of the Department for Environment, Food and Rural Affairs (DEFRA) 2018 were used to calculate the emissions.

64 The mileage of company cars is derived from the fuel cards; the mileage of private cars is estimated starting from employee expense reimbursements and dividing the total monetary value by the average cost of fuel €0.28. For FY 2018/2019, the figure given excludes taxi costs insofar as this information was not available. The figure excludes the subsidiary Monclick S.r.l. as not significant.

65 The conversion factors of the Department for Environment, Food and Rural Affairs (DEFRA) 2018 were used to calculate the emissions.

Direct emissions for consumption with company cars		701,924	639,967	537,785
Total emissions for staff travel		**897,028**	**877,182**	**695,279**

Consumption of resources

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

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

During the 2018/19 financial year, 290 million copies of advertising material were distributed throughout Italy, a reduction on the previous year (310 million). The procurement takes place from some of the main paper mills that observe strict quality and environmental certification standards and whose products, Elemental Chlorine Free (ECF) certified as they do not use organic elemental chlorine in the whitening phase, contain on average 40% of recycled fibre, while the remaining 60% comes from cellulose obtained from forests managed according to the PEFC (Program for Endorsement of Forest Certification schemes) and FSC (Forest Stewardship Council) standards.

Performance indicators

Consumption of resources[66]

Consumption of paper	u.m.	28/02/2019	28/02/2018	28/02/2017
Consumption of paper	*kg*	63,800	68,640	66,000

[66] The calculation of paper consumption was estimated by multiplying the number of copies purchased and distributed by the average weight of 22 grams.

5. GRI Content Index

The Group's Non-Financial Statement has been prepared in accordance with the GRI Standards: "Core" option. The following table shows the Group information based on the GRI Standards published in 2016 by the Global Reporting Initiative with reference to the analysis of materiality of Unieuro and related to the financial years ended 28/02/2018 and 28/02/2019.

GRI Standard	Description	Notes	Contact information
	General Standards		
102	**General Disclosures**		
	Organisational Profile		
102-1	Name of the organisation		p. 3
102-2	Main brands, products or services (Programs for compliance with laws and voluntary codes related to marketing activities)		p. 9
102-3	Location of the main office		p. 8
102-4	Location of the main offices		p. 8
102-5	Ownership structure and legal form		p. 10
102-6	Markets served		p. 8
102-7	Size of the organisation		pp. 8-9 Annual Financial Report (at February 2019)
102-8	Employees by type of contract, gender, geographical area, classification		p. 8; p. 20-23
102-9	Description of the supply chain organisation		pp. 37-38
102-10	Significant changes in the organisation and in the supply chain		pp. 8-10; 37-38
102-11	Method of application of the principle or prudential approach		pp. 18-19
102-12	Adoption of external codes and principles in the economic, social and environmental spheres		pp. 34
102-13	Participations in trade associations		p. 9
	Strategy		
102-14	Statement by the Chair		Annual Financial Report (at February 2019)
102-15	Main impacts, risks and opportunities		pp. 11-14
	Ethics and Integrity		
102-16	Values, Principles, Standards and Rules of Conduct		p. 18
	Governance		
102-18	Governance structure		pp. 15-17
102-22	Composition of the highest governing bodies and its commissions		pp. 16-17
102-24	Nomination and selection processes for the highest governing bodies		p. 15
	Stakeholder Engagement		
102-40	List of stakeholders involved		pp. 6-7
102-41	Employees covered by collective labour agreements		p. 31
102-42	Identification process and selection of stakeholders to be involved		p. 7
102-43	Approach to stakeholder engagement		p. 7
102-44	Key aspects and critical issues emerged from stakeholder engagement and related actions		p. 10-11; 18; 28; 33; 37
	Reporting Practice		
102-45	List of entities included in the consolidated financial statements and those not included in the sustainability report		p. 3
102-46	Process for defining contents		pp. 3-4
102-47	Identified material aspects		pp. 4-5
102-48	Explanation of the effects of changes in information	In FY 2018/19, there were no	-

	included in previous financial statements and related reasons	significant changes with respect to the information included in previous reports.	
102-49	Significant changes compared to the previous financial statements	In FY 2018/19, there were no significant changes with respect to the material topics and reporting scope.	-
102-50	Reporting period		p. 3
102-51	Publication date of the previous financial statements		p. 3
102-52	Reporting frequency		p. 3
102-53	Contacts and addresses for information on the financial statements		Annual Financial Report (at February 2019)
102-54	GRI content index and choice of the "in accordance" option		p. 3
102-55	GRI content index		pp. 43-45
102-56	External certification		Independent report by KPMG

Topic Specific Standard			
GRI Standard	**Description**	**Notes/Omissions**	**Contact information**
200	**Economic**		
205	**Anti-Corruption**		
103	Information on management methods		pp. 18-19
205-1	Evaluation operations for risks related to corruption		p. 19
205-2	Communication and training on corruption procedures		p. 19
205-3	Episodes of corruption and actions taken in response		p. 19
300	**Environment**		
301	**Materials**		
103	Information on management methods		p. 42
301-1	Raw materials used by weight or volume		p. 42
302	**Energy**		
103	Information on management methods		p. 40
302-1	Energy consumption within the organisation		pp. 40-41
305	**Emissions**		
103	Information on management methods		p. 40
305-1	Scope 1 emissions		pp. 40-41
305-2	Scope 2 emissions		pp. 40-41
305-3	Scope 3 emissions		pp. 40-41
306	**Waste and Discharges**		
103	Information on management methods		p. 39
306-2	Total weight of waste by type and disposal methods		pp. 39-40
307	**Environmental Compliance**		
103	Information on management methods		p. 39
307-1	Sanctions for failure to comply with environmental laws and regulations	During the 2018/19 financial year, no environmental reports were found.	-
308	**Evaluation of suppliers based on environmental criteria**		
103	Information on management methods		p. 37
308-1	New suppliers selected based on environmental criteria		p. 37
400	**Business performance**		
401	**Occupation**		
103	Information on management methods		pp. 20; 22
401-1	Total number and percentage of new hires and turnover, by age, gender and region		pp. 24-25
402	**Management of industrial relations**		
103	Information on management methods		p. 31
402-1	Minimum notice period for significant operational changes (organisational changes) indicating if these conditions are included in the collective bargaining agreement		p. 31
403	**Health and Safety at Work**		

103	Information on management methods		p. 29
403-2	Type of accident and accident rate, rate of occupational diseases, absenteeism rate and total number of deaths by territorial distribution and gender		pp. 29-30
404	**Training and Education**		
103	Information on management methods		pp. 25; 28
404-1	Average annual training hours per employee		pp. 25-27
404-3	Percentage of employees who receive regular reports on the results and career development, by gender and employee category		p. 28
405	**Diversity and Equal Opportunities**		
103	Information on management methods		p. 22
405-1	Composition of the governing bodies and breakdown of personnel by categories of employees, by gender, age, belonging to protected categories and other indicators of diversity	In FY 2018/19, information relating to employees belonging to protected categories was not available. It will be published within the next three years.	pp. 16-17; 23
405-2	Ratio of the basic salary and remuneration of women to that of men by category of employees		p. 25
406	**Non-discrimination**		
103	Information on management methods		p. 22
406-1	Episodes of discrimination and actions taken	No episodes of discrimination occurred during the 2018/19 financial year.	-
413	**Local Communities**		
103	Information on management methods		p. 38
413-1	Activities that include the involvement of local communities		p. 38
414	**Social assessment of suppliers**		
103	Information on management methods		p. 37
414-1	New suppliers that have been selected using social criteria		p. 37
416	**Health and safety of consumers**		
103	Information on management methods		pp. 33-34
416-2	Total number of cases of non-compliance with voluntary regulations and codes regarding the health and safety impacts of products and services during their life cycle		pp. 33-34
417	**Labelling of products and services**		
103	Information on management methods		pp. 34-35
417-1	Type of information related to the products and services required by the procedures and percentage of significant products and services subject to these information requirements		pp. 34-35
417-3	Incidents related to non-compliance regarding information related to the product or service in communication and marketing activities		pp. 34-35
418	**Consumer privacy**		
103	Information on management methods		pp. 35-36
418-1	Complaints concerning breaches of consumer privacy and loss of data relating to them		p. 36
419	**Socio-economic Compliance**		
103	Information on management methods		p. 18
419-1	Significant monetary and non-monetary sanctions for non-compliance with laws or regulations in the socio-economic area	During the 2018/19 financial year, no social or economic reports were received.	

8 May 2019

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

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

CONSOLIDATED FINANCIAL STATEMENTS OF UNIEURO GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[67]
Plant, machinery, equipment and other assets	5.1	84,942	74,831
Goodwill	5.2	177,965	174,843
Intangible assets with a definite useful life	5.3	28,312	25,034
Deferred tax assets	5.4	35,179	30,105
Other non-current assets	5.5	2,493	2,371
Total non-current assets		**328,891**	**307,184**
Inventories	5.6	362,342	313,528
Trade receivables	5.7	41,288	39,572
Current tax assets	5.8	2,118	3,147
Other current assets	5.5	19,773	16,157
Cash and cash equivalents	5.9	84,488	61,414
Total current assets		**510,009**	**433,818**
Total assets		**838,900**	**741,002**
Share capital	5.10	4,000	4,000
Reserves	5.10	29,558	105,996
Profit/(loss) carried forward	5.10	57,319	(32,780)
Profit/(Loss) of third parties	5.10	-	-
Total shareholders' equity		**90,877**	**77,216**
Financial liabilities	5.11	31,112	40,518
Employee benefits	5.12	10,994	11,179
Other financial liabilities	5.13	12,771	12,195
Provisions	5.14	7,718	5,696
Deferred tax liabilities	5.4	3,712	2,448
Other non-current liabilities	5.15	1,466	718
Total non-current liabilities		**67,773**	**72,754**
Financial liabilities	5.11	12,455	6,961
Other financial liabilities	5.13	7,683	6,256
Trade payables	5.16	468,458	411,450
Current tax liabilities	5.8	1,204	-
Provisions	5.14	1,348	2,984
Other current liabilities	5.15	189,102	163,381
Total current liabilities		**680,250**	**591,032**
Total liabilities and shareholders' equity		**838,900**	**741,002**

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

[67] 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	Year ended 28 February 2019	28 February 2018[68]
Revenue	5.17	2,104,519	1,873,792
Other income	5.18	4,343	6,395
TOTAL REVENUE AND INCOME		**2,108,862**	**1,880,187**
Purchases of materials and external services	5.19	(1,923,930)	(1,715,540)
Personnel costs	5.20	(169,878)	(156,296)
Changes in inventory	5.6	48,593	41,193
Other operating costs and expenses	5.21	(6,445)	(8,531)
GROSS OPERATING PROFIT		**57,202**	**41,013**
Amortisation, depreciation and impairment losses	5.22	(27,568)	(21,728)
OPERATING PROFIT		**29,634**	**19,285**
Financial income	5.23	1,588	303
Financial expenses	5.23	(4,252)	(7,933)
PROFIT BEFORE TAX		**26,970**	**11,655**
Income taxes	5.24	1,925	(697)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**28,895**	**10,958**
Profit/(loss) of the Group for the financial year	5.10	**28,895**	**10,958**
Profit/(loss) of the third parties for the financial year	5.10	**-**	**-**
Basic earnings per share (in Euros)	5.26	1.44	0.55
Diluted earnings per share	5.26	1.44	0.55

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[68]
PROFIT/(LOSS) FOR THE CONSOLIDATED YEAR		**28,895**	**10,958**
Other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year:			
Gain (losses) on cash flow hedges	5.13	(171)	(250)
Income taxes		47	59
Total other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year	5.10	**(124)**	**(191)**
Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:			
Actuarial gains (losses) on defined benefit plans	5.12	(650)	103
Income taxes		177	(18)
Total other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss) for the year:	5.10	**(473)**	**85**
Total statement of comprehensive income for the consolidated		**28,298**	**10,852**

[68] 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. For more details, please refer to Note 2.7.1 Changes to the accounting standards of the Consolidated financial statements as at 28 February 2019.

year

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

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018
Cash flow from operations			
Profit (loss) for the year	5.10	28,895	10,958
Adjustments for:			
Income taxes	5.24	(1,925)	697
Net financial expenses (income)	5.23	2,664	7,630
Depreciation, amortisation and write-downs	5.22	27,568	21,728
Other changes		1,325	1,386
		58,527	42,399
Changes in:			
- Inventories	5.6	(48,814)	(41,193)
- Trade receivables	5.7	(1,716)	18,940
- Trade payables	5.16	50,964	52,669
- Other changes in operating assets and liabilities	5.5-5.14-5.15	27,332	21,213
Cash flow generated /(used) by operating activities		27,766	51,629
Taxes paid	5.24	(741)	-
Interest paid	5.23	(3,240)	(8,825)
Net cash flow from (used in) operating activities	**5.26**	**82,312**	**85,203**
Cash flow from investment activities			
Purchases of plant, equipment and other assets	5.1	(29,386)	(33,617)
Purchases of intangible assets	5.3	(2,761)	(9,270)
Investments for business combinations and business units	5.5	(5,587)	(14,485)
Net cash inflow from acquisition	5.9	-	233
Cash flow generated/(absorbed) by investing activities	**5.26**	**(37,734)**	**(57,138)**
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.11	(4,700)	16,529
Increase/(Decrease) in other financial liabilities	5.13	3,196	154
Distribution of dividends	5.10	(20,000)	(20,000)
Cash flow generated/(absorbed) by financing activities	**5.26**	**(21,504)**	**(3,317)**
Net increase/(decrease) in cash and cash equivalents		**23,074**	**24,748**
OPENING CASH AND CASH EQUIVALENTS		**61,414**	**36,666**
Net increase/(decrease) in cash and cash equivalents		**23,074**	**24,748**
CLOSING CASH AND CASH EQUIVALENTS		**84,488**	**61,414**

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros)	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity	Non-controlling interest	Total shareholders' equity
Balance as at 28 February 2017	**5.10**	**4,000**	**800**	**55,223**	**0**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**	**0**	**84,979**
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	10,958	10,958	-	10,958
Other components of consolidated comprehensive income		-	-	-	(191)	85	-		-	(106)	-	(106)
Total statement of comprehensive income for the consolidated year		**-**	**-**	**-**	**(191)**	**85**	**-**	**-**	**10,958**	**10,852**	**-**	**10,852**
Allocation of prior year result		-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	(8,413)	-	-	-	-	(11,587)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	(5,586)	-	6,971	1,385	-	1,385
Total transactions with shareholders		**-**	**-**	**(8,413)**	**-**	**-**	**(5,586)**	**-**	**(4,616)**	**(18,615)**	**-**	**(18,615)**
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**
Effect of the change in the accounting standard (IFRS 15)		-	-	-	-	-	-	-	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**	**0**	**81,254**
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	28,895	28,895	-	28,895
Other components of consolidated comprehensive income		-	-	-	(124)	(473)	-		-	(597)	-	(597)
Total statement of comprehensive income for the consolidated year		**-**	**-**	**-**	**(124)**	**(473)**	**-**	**-**	**28,895**	**28,298**	**-**	**28,298**
Allocation of prior year result		-	-	-	-	-	-	-	(8,521)	(8,521)	-	(8,521)
Covering retained losses and negative reserves		-	-	(46,810)	-	-	-	(11,055)	(66,386)	8,521	-	8,521
Distribution of dividends		-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	2,024	-	(699)	1,325	-	1,325
Total transactions with shareholders		**-**	**-**	**(46,810)**	**-**	**-**	**2,024**	**(31,055)**	**57,166**	**(18,675)**	**-**	**(18,675)**
Balance as at 28 February 2019	**5.10**	**4,000**	**800**	**0**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**0**	**90,877**

The notes are an integral part of these 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, established in the late 1930s by Vittorio Silvestrini. Unieuro is today the largest Italian chain of consumer electronics and appliances by number of sales 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 nearness.

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

On 01 March 2019, Unieuro completed a contract for the purchase of 100% of the share capital of Carini Retail S.r.l. (hereinafter also referred to as “**Carini Retail**”). The price agreed by the parties was Euro 17,400 thousand. Through this acquisition, Unieuro announced its launch in Sicily, a region numbering five million inhabitants, up until that point poorly covered. The transaction took place through the acquisition of 100% of the share capital of a newly-established company owning 12 sales outlets in Sicily, belonging to Pistone S.p.A., one of the most important shareholders of the Expert buying group operating in Italy, with registered office in Carini (Palermo).

On the basis of information available as at the date of the Annual Financial Report, Unieuro's major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l.[69] (accounting for the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [69] (Dixons Carphone plc) with 7.2%. Some shareholders that can be traced to the Silvestrini family[70] hold 5.1%, the asset management company Amundi Asset Management[69] has 5% of the capital of Unieuro, and, finally, some top managers of Unieuro[70] jointly hold 1.8%.

Please note that 28 November 2018 marked an end to the Shareholder Agreement regarding Unieuro S.p.A., as stipulated on 10 December 2016, as subsequently amended, by and between Italian Electronics Holdings S.à.r.l., Alfa S.r.l., Alexander S.r.l., Victor S.r.l, GNM Investimenti S.r.l., Giufra S.r.l., Gami S.r.l., MT Invest S.r.l. and Theta S.r.l., with reference to the shares held in the Company's share capital. On 09 January 2019, the agreeing shareholders agreed to confirm some of the provisions of said shareholder agreement through the stipulation of a new shareholder agreement, which ended on 31 January 2019.

As at the date of the Annual Financial Report, Italian Electronics Holding S. à r.l., in light of the current shareholding structure it is therefore the relative majority shareholder.

[69] Source: Consob, relevant shareholders Unieuro S.p.A.
[70] Source: re-processing of the results of the register of shareholders as at 12 June 2018

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

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

2.1 Basis of preparation of the consolidated financial statements

The Group's consolidated financial statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for financial year ended 28 February 2019, as well as the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity for financial year ended 28 February 2018 of Unieuro and the related notes to the financial statements.

2.2 Preparation criteria for the consolidated financial statements

The Group's Consolidated Financial Statements were drafted on a going concern basis, since the directors verified that there were no indicators of a financial, operating or other nature of any critical areas regarding the company's ability to honour its obligations in the foreseeable future and over the next 12 months.
The consolidated financial statements were drafted on the basis of the historical cost criteria, except for the derivative financial instruments which were measured at their fair value.
Please see the Report on Operations for information regarding the nature of the company's operations and significant events after the balance sheet date.

As at 28 February 2019, the Group 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.

The major shareholders of Unieuro as at 28 February 2019 are disclosed in Introduction.

The Consolidated Financial Statements are presented in Euros, the functional currency of the Group. The amounts are expressed in thousands of Euros, except as specifically indicated. The rounding is done at the individual account level and then totalled. It is hereby specified that any differences found in any tables are due to rounding of amounts which are expressed in thousands of Euro.

The consolidated financial statements as at 28 February 2019, approved by the Board of Directors of the Company on 08 May 2019, have been audited and will be submitted for approval to the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The consolidated financial statements were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union.
Furthermore, the consolidated financial statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the consolidated income, consolidated balance sheet and consolidated cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

2.4 Consolidated financial statement schedules

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

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

B) **Consolidated income statement:** the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.

C) **Consolidated statement of comprehensive income:** this item includes the profit/(loss) for the year as well as the income and expenses recognized directly in equity for transactions other than those with shareholders.

D) **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 year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.

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

The consolidated financial statements are shown in comparative form.

2.5 Consolidation policies and scope of consolidation

The Consolidated Financial Statements as at 28 February 2019 include the financial statements of the parent company, Unieuro S.p.A., and its subsidiary Monclick S.r.l.
The group company statements used for full consolidated have been duly amended and reclassified, in order to align them with the aforementioned international accounting standards.

Subsidiaries

These are companies over which the Group exercises control as defined by IFRS 10. This control exists when the Group has the power, directly or indirectly, to determine the financial and operating standards of an enterprise to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control over it was assumed until this control ceases.
For the purposes of consolidation of the subsidiaries, the total integration method is applied, thus assuming the full amount of the financial assets and liabilities and all costs and revenues. The book value of the consolidated investment is then eliminated from the related shareholders' equity. The share of shareholders' equity and the result relating to the minority shareholders is shown respectively in a special item in shareholders' equity and in the consolidated income statement.
In accordance with IFRS 3, the subsidiary acquired by the Group is accounted for using the purchase method, whereby:

- the acquisition cost is the fair value of the divested assets, considering the issuance of equity instruments, and liabilities assumed, plus directly attributable transaction costs;
- the excess of the acquisition cost compared to the market value of the Group's share in the net assets is recorded as goodwill;
- if the acquisition cost is less than the fair value of the Group's share in the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

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

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

In application of the IFRS, the preparation of the consolidated financial statements requires the usage of estimates and assumptions that have an effect on the values of the consolidated balance sheet assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. The estimates and assumptions are based on elements which are known as at the date that the consolidated financial statements are prepared, are based on the experience of the management and other elements - if any - considered to be significant. The actual figures may differ from the estimates. The estimates are used to recognise the provision for bad debts, inventory obsolescence, assets referring to the capitalisation of costs for obtaining the contract, the liability fro the contract for the sale of guarantee extension services, measure amortization and depreciation, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.
Management regularly revises the estimates and assumptions and the effects of any changes are presented in the income statement.
Below is a summary of the critical valuation processes and the key assumptions used by the Group in applying the IFRS, which can have significant effects on the values recognized in the financial statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

Recoverable amount

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The Group periodically reviews the book value of non-current assets held and used and the book value of assets that are held for sale, when the facts and circumstances require this review. The company tests goodwill for impairment at least once a year and whenever events or circumstances indicate a possible impairment loss. The company regularly monitors the recoverability of non-current assets' carrying amounts by estimating the cash flows expected from the use or sale of the asset and discounting them to calculate the asset's present value. When the book value of a non-current asset has become impaired, the Group writes down the

excess of the book value of the asset and its recoverable value through usage or sale thereof, determined with reference to the cash flows used for the recent business plans.
The estimates and assumptions used as part of this analysis, in particular the impairment tests carried out on goodwill, reflect the status of the Group's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

Recoverability of deferred tax assets

The Group recognises deferred tax assets up to the value which it considers to be probable that it will recover. Where necessary, the Group makes adjustments to reduce the value of a deferred tax asset down to the value that it considers probable to recover. The company considers the budget results and forecasts for future years in line with the budgets used for impairment tests, described earlier for the recoverable amount of non-current assets, to determine the recoverable amounts of deferred tax assets.

Bad debt provision

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

Obsolescence Provision

The stock write-down provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Company. It also considers specific actions introduced by the company in order to align the carrying amount of inventory to the lower of its cost and estimated realisable value.

Assets from the contract relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is sold directly at the sales outlets through the recognition of an additional amount over and above the product sold. Sales staff are recognised an incentive for each additional sale made of extended warranty services.
When warranty services are sold, the Group records an asset equal to the vale of the premiums paid to employees and then recognises this asset as a cost throughout the time that the service is being provided. The release of this asset as a cost is determined by the estimated

interventions for repairs under warranty, consistently with the reversal of the liability form the contract relative to the sale of the extended warranty service.

Trade payables

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

Liabilities from the contract relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is offered by the Group and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.
The warranty extension compared to the legal requirement can be in timing (more years covered) and/or the risks covered (e.g., product damage) depending on the product category sold.
When the warranty service is sold, the Group recognises a liability equal to the sales value of said service and then reclassifies it to revenue over the service term. This reclassification of said liability as a revenue is calculated considering the estimated number of repair work interventions during the warranty period. These are estimated using historical information on the nature, frequency and cost of the work provided under warranty spread out over time to simulate the future occurrence of these events.

Defined benefit plans and other post-employment benefits

The Group provides a defined benefit plan to its employees (employees severance indemnity). It applies an actuarial method to calculate the cost and net interest expense of the benefit plans involving the use of estimates and assumptions to determine its net obligation. The method includes financial variables, such as, the discount rate and future increases in salaries, as well as the probability that future events may occur using demographic variables (employee turnover and mortality). Specifically, the discount rates applied are the rates or yield curves of high quality corporate bonds in the reference markets. Changes in each factor could affect the amount of the liability.

Provisions

The Group creates a provision for disputes and legal proceedings under way when it is considered probable that there will be a financial outlay and when the amount of the relative expenses can be reasonably estimated. If it is unable to estimate the cash disbursement or if such disbursement becomes probable, the company does not set up a provision but simply discloses the event in the notes.
During the normal course of business, the Group monitors the status of the disputes which are ongoing and consults with its own legal and tax advisors. It is therefore possible that the value of the provisions for the disputes and lawsuits involving the Group may change as a result of future developments in the proceedings that are ongoing.

Equity-settled share-based payment plans

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

Hedging derivatives

The fair value of derivatives is estimated using the prices on regulated markets or provided by financial counterparts. In their absence, management estimates fair value using valuation models that consider subjective variables, such as, for example, estimated cash flows and price volatility.

2.7 Accounting standards

The accounting criteria and standards adopted for the preparation of these 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 2.7.1. Changes to the accounting standards listed below.

2.7.1 Changes to the accounting standards

The Group has adopted IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial instruments) starting 01 March 2018. Below is a summary of the impacts resulting from the application of the new standards. Based on the analyses conducted, the adoption of new accounting standard IFRS 9 Financial Instruments, has not led to significant impacts in the consolidated financial statements ended 28 February 2019. 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.

Group sales are mainly made to the end consumer, who pays the price of sale upon collecting the product, i.e. at the time the entity fulfils its obligation. Sales made to the Indirect channel and B2B channel are recorded at the time of the transfer of control of goods and services at an amount that reflects the sum it expects to receive in exchange for these products or services. For more details, please refer to Note 2.7.2 Key accounting standards

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.

(Amounts 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 IFRS 15 on the individual items involved in the statement of financial position as at 28 February 2019 and the statement of profit/(loss) and other components of comprehensive income at 28 February 2019.

Effects on the consolidated statement of financial position

(Amounts in thousands of Euros)	Notes	28 February 2019 As reported	Adjustments	Reclassifications	28 February 2019 Balances without considering the effect of the application of IFRS 15
Plant, machinery, equipment and other assets		84,942	-	-	84,942
Goodwill		177,965	-	-	177,965
Intangible assets with a definite useful life		28,312	-	-	28,312
Deferred tax assets		35,179	-	-	35,179
Other non-current assets		2,493	-	-	2,493
Total non-current assets		**328,891**	**-**	**-**	**328,891**
Inventories	3	362,342	-	(322)	362,020
Trade receivables		41,288	-	-	41,288
Current tax assets	1-2	2,118	169	-	2,287
Other current assets	1	19,773	(5,958)	-	13,815
Cash and cash equivalents		84,488	-	-	84,488
Total current assets		**510,009**	**(5,789)**	**(322)**	**503,898**
Total assets		**838,900**	**(5,789)**	**(322)**	**832,789**
Share capital		4,000	-	-	4,000
Reserves		29,558	-	-	29,558
Profit/(loss) carried forward	1-2	57,319	(4,889)	-	52,430
Profit/(Loss) of third parties		-	-	-	-
Total shareholders' equity		**90,877**	**(4,889)**	**-**	**85,988**
Financial liabilities		31,112	-	-	31,112
Employee benefits		10,994	-	-	10,994
Other financial liabilities		12,771	-	-	12,771
Provisions		7,718	-	-	7,718
Deferred tax liabilities	1	3,712	(1,126)	-	2,586
Other non-current liabilities		1,466	-	-	1,466
Total non-current liabilities		**67,773**	**(1,126)**	**-**	**66,647**
Financial liabilities		12,455	-	-	12,455
Other financial liabilities		7,683	-	-	7,683
Trade payables		468,458	-	-	468,458
Current tax liabilities		1,204	-	-	1,204
Provisions	3	1,348	-	61	1,409
Other current liabilities	2-3	189,102	226	(383)	188,945
Total current liabilities		**680,250**	**226**	**(322)**	**680,154**
Total liabilities and shareholders' equity		**838,900**	**(5,789)**	**(322)**	**832,789**

Effects on the consolidated income statement

(Amounts in thousands of Euros)	**Notes**	**28 February 2019 As reported**	**Adjustments**	**Reclassifications**	**28 February 2019 Balances without considering the effect of the application of IFRS 15**
Revenue	1-2-3-4	2,104,519	19	(3,280)	2,101,258
Other income	4	4,343	--	310	4,653
TOTAL REVENUE AND INCOME		**2,108,862**	**19**	**(2,970)**	**2,105,911**
Purchases of materials and external services	5	(1,923,930)	--	3,071	(1,920,859)
Personnel costs	1	(169,878)	644	--	(169,234)
Changes in inventory	3	48,593	--	(101)	48,492
Other operating costs and expenses		(6,445)	--	--	(6,445)
GROSS OPERATING PROFIT		**57,202**	**663**	**--**	**57,865**
Amortisation, depreciation and impairment losses		(27,568)	--	--	(27,568)
OPERATING PROFIT		**29,634**	**663**	**--**	**30,297**
Financial income		1,588	--	--	1,588
Financial expenses		(4,252)	--	--	(4,252)
PROFIT BEFORE TAX		**26,970**	**663**	**--**	**27,633**
Income taxes	1-2	1,925	188	--	2,113
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**28,895**	**851**	**--**	**29,746**
Profit/(loss) of the Group for the financial year		**28,895**	**851**	**--**	**29,746**
Profit/(loss) of the third parties for the financial year		**-**	**-**	**-**	**-**

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 initial costs incurred for the conclusion of contracts for the sale of extended warranty services. The adoption of the standard had an impact on the timing of the recognition of certain costs with the initial costs incurred for procuring the contract which can qualified as contract costs represented by the bonuses paid to employees for each additional sale made. These costs have been deferred consistently with the revenues for the sale of extended warranty services.

2. *Rights not exercised by the customer*

As envisaged by the new standard IFRS 15, when the Group receives an early payment made by a customer 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 method has had no significant impact on that carried out by the Group during 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 compliance with IFRS 15, the Group now 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 market value of expected returns as a liability for future repayments and with a counter-entry of 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, and in order to ensure a better representation, the Group has 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 charge-back 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 began applying IFRS 9 starting 01 March 2018. Based on the analyses conducted, the adoption of new accounting standard IFRS 9 Financial Instruments, has not led to significant impacts in the consolidated financial statements ended 28 February 2019. In particular the new provisions of IFRS 9: (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the expected credit losses); and (iii) amend the provisions regarding hedge accounting.

2.7.2 Key accounting standards

Business combinations and goodwill

Business combinations are recognised using the acquisition method. As at the date the control is acquired, this requires recognition of their value of identifiable assets (including intangible fixed assets which had previously not been recognized) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.
Every contingent consideration is also recognised by the Group at its fair value on its acquisition date. Fair value gains and losses of the contingent consideration classified as assets or liabilities are recognized in profit or loss as required by IAS 39. If the contingent consideration is recognized in equity, its initial fair value is never redetermined.
Goodwill arising from a business combination is initially measured at cost which is the amount by which the fair value of the consideration paid exceeds the Group's portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired company. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Group or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Group have been assigned to these units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes;

- - not be larger than the identified operating segments.

When an entity disposes of an operation within a CGU or group of units to which goodwill has been allocated, the goodwill associated with that operation should be included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of in those circumstances is measured based on the relative values of the activity disposed of and the portion of the units retained.
Any profits from the purchase of a company at favourable prices are immediately recognised in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognised as expenses in the profit/(loss) of the year in which they are incurred.
After initial recognition, goodwill is not amortised and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Transactions under common control are recognized at their carrying amount, i.e., without recognising a gain, pursuant to the IFRS and the guidance of OPI 1 (Assirevi's preliminary considerations about the IFRS) about the accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements. According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. If the transfer values are higher than these historical carrying amounts, the difference is eliminated by adjusting the acquirer's equity downwards.

Fair value hierarchy

Several standards and disclosure requirements entail the calculation of the fair value of financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, the standard has established a three-level hierarchy reflecting the importance of the inputs used to calculate fair value. The levels are:

- - Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and in the case of multiple active markets, the most advantageous market for the asset or liability is identified;

- - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: quoted prices in markets that are not active or interest rates and yield curves observable at commonly quoted intervals; and

- - Level 3: unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that Levels 1 and 2 inputs are not available. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date, reflecting the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Plant, machinery, equipment and other assets (property, plant and equipment)

Recognition and measurement
Property, plant and equipment are measured at acquisition cost including any directly attributable costs less any accumulated depreciation and any accumulated impairment losses.
Any financial expenses incurred for the acquisition or construction of capitalised assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalised and amortised throughout the life of the asset class they refer to. All other financial expenses are recognised in the income statements during the year they refer to.
If a tangible fixed asset is composed of various components with differing useful lives, these components are recognised separately (if they are significant components).
The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual value of the asset, and it is recognised in the income statement during the year in which the elimination takes place.
Subsequent expenditures

The costs incurred subsequently to the purges of the assets and the replacement cost of certain parts of the assets recognised in this category are added to the book value of the element they refer to and they are capitalised only if they increase the future economic benefits of the asset itself. All other costs are recognised in the income statement once incurred.
When the replacement cost of certain parts of the asset is capitalised, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalised and amortised on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognised in the income statement in the year in which they are incurred.
Assets under construction are recognised at cost under assets under construction for as long as their construction is not available for use; when they become available for use, the cost is classified in the relative item and depreciated.
Assets under finance lease
Other assets, plant and machinery held under finance leases, where the Group has substantially assumed all the risks and rewards incidental to ownership, are recognized at the lease inception date as property, plant and equipment at their fair value or, if lower, the present value of the minimum lease payments. They are depreciated over their estimated useful lives and their carrying amounts are adjusted for impairment calculated using the methods set out below. The liability to the lessor is recognized under "Other financial liabilities".
Amortization
Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized. Any changes to the amortization plan are applied prospectively.
The depreciable amount is the asset's carrying amount less its estimated net sales value at the end of its useful life, if material and reasonably determinable.
Depreciation rates are calculated considering each asset's estimated useful life and the internal utilization plans that consider the asset's technological and physical wear and tear and their estimated realisable value net of scrapping costs. When the asset comprises more than one material component with different useful lives, depreciation is calculated separately for each component. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. If the conditions for the impairment loss no longer exist in the future, the impairment loss is reversed back to the carrying amount the asset would have had (net of depreciation) had the impairment loss never been recognized.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

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

Intangible assets with a definite useful life

Initial recognition and measurement
Separately acquired intangible assets are initially recognized at cost while intangible assets acquired in a business combination are recognized at the acquisition-date fair value. After initial recognition the intangible fixed assets are recognised at cost, net of amortization and any accumulated impairment.

Key Money paid for store openings is considered as a cost related to a real estate lease and is generally regarded as an asset with a finite useful life determined by the underlying contract period. These are initially capitalised at cost and after initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Amortization
Intangible assets are amortized over their useful lives and are tested for impairment whenever there is an indication of a possible impairment loss. The amortization period and method are reviewed at each annual reporting date or more frequently if necessary. Any changes to the amortization plan are applied prospectively.
The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

It is recognized in profit or loss when the asset is derecognized. Amortization is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

Category	% used

Software	20%
Entry rights	Based on the duration of the lease starting from the date that the shop opens
Key Money	Based on the duration of the lease starting from the date that the shop opens
Brands	5-10%

Financial assets

The Group determines the classification of its financial assets on the basis of the business model adopted for their management and the characteristics of the related cash flows and, where adequate and permitted, revises this classification at the end of each year.

a) Financial assets measured at amortised cost
This category includes financial assets for which the following requirements are met:
- (i) the asset is held as part of a business model the aim of which is to hold the asset with a view to collecting on the related contractual cash flows; and
- (ii) the contractual terms of the asset envisage cash flows represented purely by payments of principal and interest on the amount of principal to be repaid.

These are mainly trade receivables, loans and other receivables.

Trade receivables with no significant financial component are recognised at the price defined for the related transaction (determined in accordance with the provisions of standard IFRS 15 Revenue from Contracts with Customers).
Other receivables and loans are initially recognised on the financial statements at fair value, increased by any accessory costs directly attributed to the transactions that generated them.

An assigned receivable is eliminated if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the book value of an assigned asset and the consideration received is recognised amongst financial items of income.

At subsequent measurement, the financial assets at amortised cost, with the exception of receivables with no significant financial component, are discounted using the effective interest rate. The effects of this measurement are recognised amongst the financial items of income.

With reference to the impairment model, the Group measures receivables adopting an expected loss logic.

For trade receivables, the Group takes a simplified approach to measurement, which does not require the recording of periodic changes to the credit risk, as much as it does the booking of an expected credit loss (an “ECL”), calculated over the lifetime of the receivable (the “lifetime ECL”); more specifically, trade receivables are entirely written-down where there is no reasonable expectation to recover such (e.g. situations of bankruptcy).

The impairment applied in accordance with IFRS 9 is booked to the Consolidated Income Statement net of any positive effects linked to releases or write-backs and is stated amongst operating costs.

b) Financial assets measured at fair value through other comprehensive income (“FVOCI”)
This category includes financial assets for which the following requirements are met:

(i) the asset is held under the scope of a business model the aim of which is both to collect on contractual cash flows and to sell the asset; and
(ii) the contractual terms of the asset envisage cash flows represented purely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised on the financial statements at fair value, increased by any accessory costs directly attributed to the transactions that generated them. At subsequent measuring, the measurement applied at the time of booking is updated and any changes in fair value are recognised on the statement of comprehensive income.

With reference to the impairment model, please refer to the description detailed in point a) above.

c) Financial assets measured at fair value through profit and loss (“FVPL”)
This category includes financial assets that are not classified elsewhere in previous categories (i.e. residual category). They are mainly derivatives.

Assets of this category are booked at fair value initially.
Accessory costs incurred when booking the asset are immediately allocated to the consolidated income statement.

At subsequent measurement, FVPL financial assets are measured at fair value.
Profit and loss deriving from changes in fair value are booked to the consolidated income statement during the period in which they are recorded.
Purchases and sales of financial assets are booked on the settlement date.
Financial assets are removed from the financial statements when the related contractual rights expire or when the Group transfers all risks and benefits of the ownership of the financial asset.

Inventories

Inventories are measured at the lower of the cost and net realizable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. It includes in particular the purchase price and other costs which are directly attributable to the purchase of goods. Trade discounts, returns and other similar items are deducted in determining the costs of purchase. The method used to allocate cost is the weighted average cost method.
The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

Cash and cash equivalents
Cash and cash equivalents include cash-on-hand and term and short-term deposits, the latter with an original maturity of less than three months. For statement of cash flows purposes, cash and cash equivalents comprise the above less bank overdrafts.

Financial liabilities

Financial liabilities are initially recognized at the fair value of the consideration received net of directly related transaction costs. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Discounting using the effective interest method is recognized under financial expense in profit or loss.
If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.
Leasing payables are initially booked at the fair value of the instrumental assets contracted or, if less, at the current value of the minimum payments due.

Employee benefits

Post-employment benefits can be provided in the form of defined contribution plans and/or defined benefit plans. They are based on the employees' remuneration and length of service.
Defined contribution plans are post-employment benefit plans based on which the Group and, sometimes, its employees pay contributions of a specific amount into a distinct entity (a fund) and the Group does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.
Defined benefit plans are post-employment benefit plans other than defined contribution plans. They may be unfunded, or they may be wholly or partly funded by contributions by the company, and sometimes its employees, into an entity, or fund, that is legally separate from the company and from which the employee benefits are paid.
The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

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

The actuarial valuation is carried out by an actuary who is not employed by the Group.
Following the amendments made to Italian post-employment benefits (TFR) by Law no. 296 of 27 December 2006 and subsequent decrees and regulations (the “Pension reform”) issued in early 2007:

- - the benefits vested up to December 31, 2006 are considered to be a defined benefit plan under IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognised in the vesting period;
- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognised as a cost in their entirety and the portion which has not yet been paid is recognised as a liability under "Other current liabilities".

Provisions

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

Onerous contracts provision

A provision for charges of contracts is established when the non-discretionary costs required to fulfil obligations that have been assumed are higher than the economic benefits that the Group expects to obtain by virtue of the contract. The unavoidable costs under a contract reflect the least net cost of terminating the contract, which is the lower of the cost of performing the obligations under the contract and any damages or penalties arising from failure to perform the obligations under such contract. Prior to recognizing the provision, the Group recognises any impairment of the assets associated with the contract.

Provision for DOS restorations

When a lease agreement includes a clause requiring the restoration of a building, the company recognises a provision for DOS restorations. The carrying amount of its obligation includes the estimated restoration costs up until when the building is returned to the lessor.

Restructuring provision

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

Trade payables

Trade payables are recognized at their nominal amount, net of discounts, returns or invoicing adjustments, which is equal to the fair value of the company's obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Group tests the asset for impairment.
The standard does not require formal preparation of an estimate of the recoverable amount except when there is an indication of impairment. The only exceptions are intangible assets not yet available for use and goodwill acquired in a business combination which are tested for impairment annually and whenever there is an indication of impairment. The Group has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.
In evaluating whether there is an indication of impairment of an asset, the Group considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Group's discount rate, thereby diminishing the recoverable value of the asset;

- significant changes in the technological environment and market in which the Group operates;

- - the asset's physical obsolescence is unrelated to the depreciation or amortization charged in a certain period of time;

- - any extraordinary plans introduced during the reporting period that could impact the assets (e.g., a restructuring plan); and

- - interim operating losses.

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

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

In order to best understand the guidance of IAS 36, some key definitions are set out below:

Value in use: this is the present value of the future cash flows expected to be derived from an asset or cash generating unit. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets do not include the effects of extraordinary activities (restructurings, sales and acquisitions) and cover a maximum period of five years.

Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm’s length transaction on the measurement date. To determine the fair value of an asset, the Group uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;
Cash-generating unit (CGU): the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs.
It is not always necessary to determine both an asset’s fair value and its value in use. If either of these amounts exceeds the asset’s carrying amount, it is not necessary to estimate the other amount. It may not be possible to determine fair value of an asset or a cash-generating unit because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction between market operators. In this case, the company may use the asset’s value in use as its recoverable amount.

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

On each balance sheet closing date, the Group will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. An impairment loss recognized in prior periods can be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.
The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognised in previous years. This write back is recognised in the income statement.

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges
The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.
Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

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

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

Share-based payment

Key executives and certain managers of the Group may receive a portion of their remuneration in the form of share based payments. Under IFRS 2, they qualify as equity-settled share-based payment transactions. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the fair value of the share-based payment at the grant date is recognized as a cost in profit or loss with a balancing entry in the relevant equity reserve. Changes in the current value after the grant date do not have an effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Derecognition of financial assets and liabilities

The company derecognises a financial asset (or, where applicable, part of a similar financial asset) when:

- the rights to receive cash flows from the asset have expired;

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

The company removes a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Revenue

Revenue from contracts with customers is booked in accordance with standard IFRS 15. On the basis of the five-phase model introduced by IFRS 15, the Group books revenues after having identified contracts with its customers and the related provisions to be made (transfer of goods and/or services), determined the price to which it believes it is entitled in exchange for the completion of each provision, as well as assessed the method by which said provisions can be made (fulfilment at a given time versus fulfilment over time).

Revenues are booked when the performance obligations are met through the transfer of goods or services promised to the customer, when the Group is likely to receive the economic benefits arising from them and the relative amount may be determined reliably, regardless of the collection. The price of the transaction, which represents the amount of the price that the entity expects to receive in exchange for the supply of goods or services to customers, is allocated on the basis of the stand-alone selling prices of the related performance obligations. Revenues are measured not including discounts, reductions, bonuses or other taxes on sales. The following specific revenue identification criteria must be met in order to recognise revenue:

Sale of goods

The revenue is recognised when control of the asset is transferred to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the Indirect and B2B channel. Moreover, bill and hold sales, in which delivery is delayed at the buyer's request, are also recognized as revenue when the buyer takes title and accepts billing. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way, the revenue from the sale is recorded when the good is purchased by the consumer, even if installation is required; indeed, the revenue is recognised immediately upon acceptance of delivery by the purchaser when the installation procedure is very simple (for example installation of a device that requires only unpacking, and connection to an electrical outlet).
The Group has a customer loyalty program which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. When they reach a specified minimum number of points, these can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. The Group records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty program and the historical information regarding the percentage of loyalty point usage by customers.

Right of return
In order to book the transfer of products with right of return, the Group notes the following:
a) adjustment of sales revenues by the amount of the price of the product for which return is envisaged;
b) records a liability for future reimbursements;

c) records an asset (and the corresponding adjustment of the cost of the sales) for the right to recover products from the customer upon extinguishing of the liability for future reimbursements.

Rendering of services

Revenues and costs deriving from the provisions of services (revenues realised over time) are recorded according to the measurement of progress made by the entity towards the complete fulfilment of the obligation over time. More specifically, the transfer over time is measured on the basis of the input method, i.e. considering the efforts or input used by the Group to fulfil the individual performance obligation.
For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, the Group recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. These are estimated using historical information on the nature, frequency and cost of the work provided under warranty spread out over time to simulate the future occurrence of these events.

The Group incurs costs for the acquisition of the contract spanning several years.
These costs, typically represented by the premiums recognised to employees for each additional sale made and which will be recovered by means of revenues deriving from the contract, were capitalised as contract costs and amortised on the basis of the measurement of the entity's progress in transferring the goods and services transferred to the customer over time.

Commissions

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

Revenues from operating leases as lessor

Revenue from operating leases is recognized on a systematic basis over the lease term and is classified under "Other income", given its operating nature.

Costs

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

The cost to acquire goods is recognized when the company assumes all the risks and rewards of ownership of the good, measured at fair value of the consideration due net of any returns, rebates, trade discounts and premiums.

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

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

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

Interest income and expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Taxes

Current taxes

Income taxes are determined using a realistic estimate of the tax expense to be paid on an accruals basis and considering the ruling tax legislation. The tax rates and tax laws applied to calculate the income taxes are those enacted or substantially enacted by the end of the reporting period. Current taxes on off-income statement items are recognized directly in the statement of comprehensive income, and hence, in equity, consistently with the item to which they refer.
It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company" which is Monclick S.r.l. The option makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic

sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation. The economic relations, responsibilities and reciprocal obligations between the "Consolidating Company" and the "Consolidated Company" have been set out in detail in a specific contract that establishes the operating procedures for management of the tax positions between the various companies that belong to the Domestic Tax Consolidation.

Deferred taxes liabilities

Deferred taxes are calculated using the liability method applied to temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The company remeasures deferred tax assets at the end of every reporting period and decreases them to reflect the amount that will no longer be recovered through sufficient taxable profits available in the future. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. The estimate has considered the provisions of law 208 of 28 December 2015 the “2016 Stability Law 2016” were taken into account. It required the Company to reduce the IRES rate from 27.5% to 24% with effect for tax periods after 28 February 2017.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same taxation authority and the company has a legally enforceable right to set off current tax assets against current tax liabilities.

Effects of the changes in foreign currencies

The financial statements are presented in Euro, which is the Group's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. Cash assets and liabilities denominated in foreign currency are retranslated into the functional currency at the exchange rate in effect at the reporting date. All foreign exchange differences are recognised in the income statement. Non-monetary items in foreign currency carried at historical cost are converted using the transaction-date exchange rates. Non-monetary items recognized at fair value in foreign currency are converted using the exchange rate ruling on the date fair value was measured.

Earnings per share

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

Earnings per share - diluted
The diluted earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved. To this end, the shares are adjusted for the effects of all dilutive potential ordinary shares.

Segment Reporting

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
Segment reporting has been prepared to comply with IFRS 8 - Operating segments, which requires the presentation of information in line with the methods adopted by the chief operating decision maker. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the Group for allocation of resources and for analysis of the relative performances.

2.8 New accounting standards

Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Group as at 28 February 2019

Below are the new accounting standards or amendments to standards applicable for the years beginning after 1 January 2019, for which early application is allowed. The Group has decided not to adopt them early for preparation of these financial statements:

- IFRS 16 – Leases On 13 January 2016, the IASB issued "IFRS 16 – Leases". The Group, which will need to adopt IFRS 16 Leasing starting 01 March 2019, has estimated the effects, as reported below, deriving from the first time adoption of this standard on the consolidated financial statements. Please note that the final effects of the adoption of said standard as at 01 March 2019 may differ insofar as new measurement criteria may be changed from now until the presentation of the Group's first consolidated financial statements for the year including the date of first application.

With the publication of the new accounting standards IFRS 16 "Leases", the IASB replaces the accounting rules envisaged by IAS 17 and the interpretations IFRIC 4 "*Determining whether an Arrangement contains a Lease"*, SIC-15 "*Operating Leases—Incentives"* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease".*

IFRS 16 introduces a single model for booking leasing on the financial statements of lessees, whereby the lessee records an asset that represents a right to use the underlying asset and a liability that reflects the obligation to make payment of lease charges. The transition to IFRS 16 has introduced some elements of professional judgement that entail the definition of certain accounting policies and the use of assumptions and estimates in connection with the lease term and the definition of the incremental borrowing rate.
Exemptions are envisaged to the application of IFRS 16 for short-term leases and assets of modest value.
The Group will reassess the classification of sub-leasing in which it is the lessor; on the basis of the information currently available, the Group expects to reclassify a sub-lease as a financial lease.

The Group's contracts coming under the scope of application of the standard mainly refer to the rental of stores, central offices, warehouses and vehicles.

The nature of the costs relating to said leases will change insofar as the Group will be amortising the assets for the right of use and financial expenses on the leasing liabilities. Previously, the Group booked the costs for operating leases on a straight line basis throughout the duration of the lease and noted the assets and liabilities only where there were temporary differences between when the lease charges were paid and the costs recorded. Additionally, the Group will cease recording provisions for operating leases considered as expenses, including the payment for the lease amongst leasing liabilities.
No significant impact is expected for the Group's financial leases.

The Group intends to apply IFRS 16 from the date of first application (i.e. 01 March 2019), using the modified retroactive method and, therefore, without recalculating the comparative information.

The impacts as at 01 March 2019 show an increase in financial liabilities for an amount of approximately Euro 440 million, equal to the current value of the future charges expected by the lease term.

The adoption of IFRS 16 will not affect its capacity to respect the covenant envisaged in the loan contract described under not 5.11 Financial liabilities.

- 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 will come into force on 1 January 2019. Early application is permitted.

- 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 will come into force on 1 January 2019.

- On 12 October 2017 the IASB issued amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures.* The amendments are designed to clarify to which long-terms receivables from an associated company or joint venture which, in essence, are part of the net investment of the associated company or joint venture IFRS 9 applies.

- 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.
- On 12 October 2017, the IASB issued amendments to IFRS 9 - Prepayment Features with Negative Compensation. The amendments are aimed at allowing the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets featuring an early termination option with negative compensation. The provisions of IFRS 9 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 starting 01 March 2019. With reference to the new standards, based on some calculations, it is reasonable to assume that the effects for the Group arising from first time application of these new standards will not be significant.

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

- On 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.

- On 22 October 2018, the IASB published changes to IFRS 3 - Business Combinations. The amendment aims to help determine if a transaction is an acquisition of a business or group of businesses that does not meet the definition of business given in IFRS 3. The changes will apply to acquisitions made after 1 January 2020.
- On 31 October 2018, the IASB published changes to IAS 1 and IFRS 8 - Definition of Material. The amendment aims to clarify the definition of "material" so as to help companies decide whether or not information needs to be included on the financial statements. The changes will apply as from 1 January 2020.
- 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 come into effect starting 1 January 2021.

3 INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

The main financing instruments used are:

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

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

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

3.1 Credit Risk

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Group to the risk of default, subjecting it to potential lawsuits. By way of introduction, we note that the credit risk which the Group is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Indirect channel[71]) and wholesale customers (B2B channel), which represent a total of approximately 16.5% of the Group's revenues as at 28 February 2019, 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*);

[71] The Indirect channel, which was previously referred to as the Wholesale channel, includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators.

- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Group until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

The liquidity risk consists of the possible difficulty of obtaining financial resources at an acceptable cost in order to conduct normal operating activities. The factors that influence liquidity risk refer both to resources that are generated or absorbed by current operations as well as to those that are generated or absorbed by investments and financing, the latter referring to repayment schedules or accessing short and long-term financial loans and the availability of funds in the financial market.

The financial structure in its entirety is constantly monitored by the Group to ensure coverage of its liquidity needs. Below is the Group's financial structure by deadline for the years and at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Balance as at 28 February 2019**	**Within 12M**	**Between 12M and 60M**	**Over 60M**	**total**
Financial liabilities	43,567	12,455	31,112	-	43,567
Other financial liabilities	20,454	7,683	12,771	-	20,454
Total	**64,021**	**20,138**	**43,883**	**-**	**64,021**

(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**

3.3 Market Risk

3.3.1 Interest rate risk

The Group uses external financial resources in the form of debt and available liquidity from bank deposits. Changes in the market interest rate levels influence the cost and return of various forms of financing and usage, thereby affecting the level of the Group's financial income and expenses.

To address these risks, the Company has stipulated with a pool of banks derivative contracts consisting of Interest Rate Swaps (IRS) in order to mitigate the potential effect of changes in the interest rates on the economic result, with economically acceptable terms and conditions.
The interest rate swaps in existence as at 28 February 2019 were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A. On 12 February 2018, following the closing which took place on 9 January 2018, the date on which the loan agreement known as the *Senior Facilities Agreement* (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**	**28/02/2019**	**28/02/2018**	**28/02/2019**	**28/02/2018**
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	42,500	50,000	413	251

The interest rate swaps, which satisfy the requirements of IFRS 9, are recognised using the hedge accounting method. The amount recognised in equity under the cash flow hedge reserve is equal to Euro 314 thousand (negative) as at 28 February 2019 and Euro 191 thousand (negative) as at 28 February 2018.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2019.
Effect of changes on financial expenses - income statement
To address the risk of changes in interest rates, the Group has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 BPs, would have resulted in an effect on financial expenses for 2019 as follows below.

(Amounts in thousands of Euros)	**- 50 bp**	**+ 50 bp**
At 28 February 2019	32	(201)

Note: the positive sign indicates a higher profit and an increase in equity; the negative sign indicates a lower profit and a decrease in equity.

We note that the sensitivity analysis arising from a hypothetical change in the market rates which respectively discount appreciation and depreciation equal to 50 BPS, takes into account the hedges established by the Group.

We note that for the purposes of this analysis, no hypothesis has been made relative to the effect of the amortized cost.

Effect of a change in the cash flow hedge- shareholders' equity reserve

The impact on the fair value of IRS derivatives arising from a hypothetical change in interest rates is summarized in the table below.

(Amounts in thousands of Euros)	**- 50 bp**	**+ 50 bp**
Sensitivity analysis as at 28 February 2018	(492)	497

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 28 February 2019, there are no forward instruments. 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 amortised cost criterion. Trade payables and receivables are measured at their book value, net of any provision for bad debts, as this is considered to be close to the current value.

The following table shows a breakdown of financial assets and liabilities by category at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Period ended 28 February 2019**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**total**
Financial assets not designated at fair value				
Cash and cash equivalents	84,488	-	-	**84,488**
Trade receivables	41,288	-	-	**41,288**
Other assets	22,266	-	-	**22,266**
Financial assets designated at fair value				
Other assets		0		**0**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	43,567	**43,567**
Trade payables	-	-	468,458	**468,458**
Other liabilities	-	-	190,568	**190,568**
Other financial liabilities	-	-	20,041	**20,041**
Financial liabilities designated at fair value				
Other financial liabilities	-	413	-	**413**

(Amounts in thousands of Euros)	**Year ended 28 February 2018**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**total**
Financial assets not designated at fair value				
Cash and cash equivalents	61,414	-	-	**61,414**
Trade receivables	39,572	-	-	**39,572**
Other assets	18,472	-	-	**18,472**

Financial assets designated at fair value				
Other assets		56		**56**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	47,479	**47,479**
Trade payables	-	-	411,450	**411,450**
Other liabilities	-	-	164,060	**164,060**
Other financial liabilities	-	-	18,128	**18,128**
Financial liabilities designated at fair value				
Other financial liabilities	-	323	-	**323**

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 Euros and as a percentage of revenues)	**Year ended**	
	28 February 2019	**28 February 2018**[72]
Revenue	2,104,519	1,873,792
GROSS OPERATING PROFIT	**57,202**	**41,013**
% of revenues	*2.7%*	*2.2%*
Depreciation, amortisation and write-downs	(27,568)	(21,728)
OPERATING PROFIT	**29,634**	**19,285**
Financial income	1,588	303
Financial expenses	(4,252)	(7,933)
PROFIT BEFORE TAX	**26,970**	**11,655**
Income taxes	1,925	(697)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,895**	**10,958**

[72] 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 impact of the gross Profit/(loss) on Revenues increases from 2.7% for the year ended 28 February 2019 to 2.2% for the year ended 28 February 2018.
The table below contains a breakdown of revenue by product category and service offered:

(in thousands of Euros and as a percentage of revenues)	**Year ended**			
	28 February 2019	**%**	**28 February 2018[72-73]**	**%**
Grey	992,867	47.2%	883,984	47.2%
White	548,547	26.1%	493,337	26.3%
Brown	367,920	17.5%	325,980	17.4%
Services	84,545	4.0%	66,757	3.6%
Other products	110,640	5.3%	103,734	5.5%
Total revenues by category	**2,104,519**	**100.0%**	**1,873,792**	**100.0%**

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

(Amounts in thousands of Euros)	**Period ended**	
	28 February 2019	**28 February 2018[72]**
Abroad	4,682	9,058
Italy	2,099,837	1,864,734
Total	**2,104,519**	**1,873,792**

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 ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2019 and 28 February 2018

(Amounts in thousands of Euros)	**Amounts as at 28 February 2019**	**Amounts as at 28 February 2018**

[73] 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.

	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Plant and machinery	136,242	(96,699)	39,543	122,136	(88,904)	33,232
Equipment	22,502	(15,122)	7,380	18,445	(14,269)	4,176
Other assets	175,295	(139,126)	36,169	164,802	(129,611)	35,191
Tangible assets under construction	1,851	-	1,851	2,232	-	2,232
Total plant, machinery, equipment and other assets	**335,889**	**(250,947)**	**84,942**	**307,615**	**(232,784)**	**74,831**

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The change in the item “Plant, machinery, equipment and other assets” for the period from 28 February 2018 to 28 February 2019 is shown below:

(Amounts in thousands of Euros)	Plant and machinery	Equipment	Other assets	Tangible assets under construction and payments on account	total
Balance as at 28 February 2017	**25,777**	**3,463**	**26,670**	**4,912**	**60,822**
First Monclick consolidation	2	-	136	-	138
Increases	13,905	1,365	15,858	1,774	32,902
Business unit acquisitions	685	--	1,242	--	1,927
Decreases	-	(5)	(10)	(4,454)	(4,469)
Amortisation, depreciation and write downs/(write backs)	(7,137)	(651)	(8,715)	-	(16,503)
Decreases in Amortisation, Depreciation Provision	-	4	10	-	14
Balance as at 28 February 2018	**33,232**	**4,176**	**35,191**	**2,232**	**74,831**
Increases	14,732	4,103	11,334	1,836	32,005
Business unit acquisitions	221	4	122	--	347
Decreases	(847)	(50)	(964)	(1,633)	(3,494)
Amortisation, depreciation and write downs/(write backs)	(8,642)	(903)	(10,307)	(584)	(20,435)
Decreases in Amortisation, Depreciation Provision	847	50	791	-	1,688
Balance as at 28 February 2019	**39,543**	**7,380**	**36,169**	**1,851**	**84,942**

In the year ended 28 February 2019, the Company made net investments net of Euro 30,547 thousand.

In particular, net investments were mainly: (i) interventions for restructuring of selected points of sale costing Euro 2,371 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets acquired from the Ex DPS Group S.r.l.and Ex Galimberti S.p.A. business units for Euro 7,526 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing Euro 2,263 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing Euro 3,784 thousand; (v) investments in creating facilities dedicated to the display of specific products inside sales outlets and other investments regarding the purchase of RT servers and PCs in order to comply with the new regulations on privacy (GDPR) for a total of Euro 1,875 thousand; (vi) investments connected with the development of a new logistics hub in Piacenza for 5,628 thousand.

The new financial lease contracts come to Euro 6,753 thousand, of which (i) Euro 131 thousand for electronic machinery; (ii) Euro 1,963 thousand for furnishing; (iii) Euro 4,496 mainly relating to lifting equipment, surveillance/anti break-in systems and data transmission network for the new Piacenza warehouse; and (iv) Euro 163 thousand relative to electrical systems for existing sales outlets undergoing restructuring/relocation.

Note that the acquisition of the 7 sales outlets belonging to DPS Group S.r.l. and the 5 sales outlets belonging to the Galimberti S.p.A. business unit were configured as business combinations and therefore came under the 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 347 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.
The values and useful life are reflected in the financial statements from the date Unieuro acquired control. For further details, see note 5.28 “Business unit combinations”
The item "Amortization and write-downs (write backs)" of Euro 19,851 thousand includes Euro 18,083 thousand in depreciation and Euro 1,768 thousand of write-downs and write backs. Impairment mainly relates to stores for which rental expense contracts have been identified.

With reference to the financial year ended 28 February 2018, the Group made investments, including the effects of the first Monclick consolidation and net of decreases of the category “Assets under construction”, amounting to €30,513 thousand.

In particular, the investments were mainly: (i) interventions for restructuring of selected points of sale costing Euro 5,784 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening and acquisition of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets from the Andreoli S.p.A. and Cerioni S.p.A. business units costing Euro 13,487 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing Euro 812 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing Euro 6,943 thousand; (v) investments in a new data centre and other tangible infrastructures costing Euro 1,422 thousand (vi) a contribution resulting from the acquisition of 21 sales outlets belonging to the Andreoli S.p.A. business unit and the acquisition of 19 sales outlets belonging to the Cerioni S.p.A. business unit costing Euro 1,927 thousand and (vii) a contribution resulting from the first Monclick consolidation amounting to Euro 138 thousand.

The new financial leases are equal to Euro 2,655 thousand and of these Euro 198 thousand referred to electronic machines and Euro 2,457 thousand to furniture and furnishings.

Note that Monclick's acquisition of the 21 sales outlets belonging to the Andreoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit were configured as business combinations and came under the scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.
To assess this fair value, the Company appointed internal technicians who, with reference to the business units Andreoli S.p.A. and Cerioni S.p.A., estimated the value of acquired asset at Euro 1,927 thousand, whilst the fair value of the assets resulting from the first consolidated of Monclick amounts to Euro 138 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.
The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets, 1 June 2017 for Monclick and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets.
The item "Amortization and write-downs (write backs)" of Euro 16,503 thousand includes Euro 15,498 thousand in depreciation and Euro 983 thousand of write-downs and write backs. The write-downs mainly refer to stores for which onerous leases were identified while the write backs refer to stores with a significant improvement in their economic results, so that the lease was no longer considered onerous, and therefore previously written down assets were written back.

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

5.2 Goodwill

The breakdown of the item “Goodwill” as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Goodwill	177,965	174,843
Total Goodwill	**177,965**	**174,843**

The change in the “Goodwill” item for the period from 28 February 2017 to 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Goodwill**
Balance as at 28 February 2017	**151,396**
First Monclick consolidation	7,199
Acquisitions	16,153
Increases	-
Write-downs	-
Balance as at 28 February 2018	**174,748**
Business unit acquisitions	95
Balance as at 28 February 2018 recalculated	**174,843**
Acquisitions	3,122
Increases	-
Write-downs	-
Balance as at 28 February 2019	**177,965**

The value of goodwill at 28 February 2019, equalling Euro 177,965 thousand, increased over the year ended 28 February 2018 by Euro 3,122 thousand. The increase refers (i) to the acquisition of the DPS business unit for Euro 1,240 thousand and (ii) to the acquisition of the Galimberti business unit for Euro 1,882 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 in goodwill as at 28 February 2018 of Euro 95 thousand.

It should be noted that, at the time of acquisition of the DPS business unit and Galimberti business unit, Unieuro availed itself of the right provided under IFRS 3 to carry out a provisional allocation of the cost of business combinations at fair value of the acquired assets, liabilities and contingent liabilities assumed. If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised. Significant variations to what already accounted are not expected. For more details about the transactions, see note 5.28 "Business unit combinations".

Goodwill as at 28 February 2019 and 28 February 2018 can be broken down as follows:

(Amounts in thousands of Euros)	**Goodwill at 28 February 2019**	**Goodwill at 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
Galimberti S.p.A.	1,882	-
DPS Group S.r.l.	1,240	-
Dixons Travel	194	194
Total Goodwill	**177,965**	**174,843**

5.2.1 Impairment test

Based on the provisions of international accounting standard IAS 36, the Group should carry out a check, at least once a year, to ensure the recoverability of the value of the goodwill through an impairment test, comparing the carrying amount of the Cash Generating Units ("**CGU**") to which the goodwill is allocated with the recoverable value. The value in use has consistently been adopted as the recoverable value in relation to market volatility and the difficulty of collecting information related to determining fair value.

The goodwill impairment test for each CGU was approved by the Company's Board of Directors on 08 May 2019. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Group's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points which do not enjoy decision-making autonomy.

The Group has identified an operating segment, which is the entire Group and covers all the services and products provided to customers. The Group's corporate vision as a single omnichannel business ensures that the Group has identified a single Strategic Business Unit (SBU). Within the SBU the Group has identified three CGUs to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The Group identified three CGUs to which the goodwill was allocated:

- *Retail;*

- *Indirect;*

- *B2B.*

The three units benefit from shared resources, like administration, back office and logistics, but each of them features a different expected growth, with different risks and opportunities and with specific features which cannot be provided in the other CGUs.

The Retail CGU relates to all financial flows coming from the Retail, Online and Travel distribution channels. The Online and Travel channels are included in the Retail CGU because the website uses the sales points for the delivery of goods and also often for the supply of products to customers, while the Travel channel includes sales points located at the main public transport hubs.

The Indirect CGU, which was previously referred to as Wholesale, includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators.

The B2B CGU relates to the wholesale supply of products under the scope of the business-to-business channel.

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used. As described previously, the Group opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

The source of the data on which the assumptions are made for determining the financial flows are the final balances and the business plans.

The Business Plan used for the impairment test referring to the financial year ending 28 February 2019 is based on the strategic lines of the plan approved by the Board of Directors on 12 December 2016, as subsequently updated, taking into account recent operating trends. The Business Plan underlying the impairment test was prepared on a consolidated basis, taking into account recent business performance. Specifically, the stocktaking data referred to the years ending 28 February 2017, 28 February 2018 and 28 February 2019, have been taken into consideration, the budget for the period ending 29 February 2020 was elaborated and, as a result, the financial data until 29 February 2024 was updated. The impairment test was approved by the Board of Directors on 8 May 2019.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2019 are based, among other things, on external sources and on the analyses conducted by the Group. In this regard note that based on the market sources used by the Group, the Italian market of traditional consumer electronics channels (i.e. excluding internet channels) was estimated as slightly down, while the Online channel is expected to grow.
In spite of the claims in the market sources the performance of traditional consumer electronics channels is estimated as slightly negative, with growth only forecast for the Online channel. The Group actually registered record positive performances and its growth is not, in the opinion of the Group Directors, directly related to market trends. The Group therefore anticipates continuing to maintain positive performances in the future irrespective of the performance of the reference market. Specifically, the Group projects growth, in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

Taking the above into account, the main assumptions underlying the anticipated cash flow projections involve the:

(i) **Retail CGU**: sales are taken as growing over the reference time frame;

(ii) **Indirect CGU**: growing sales as a result of new partnership agreements stipulated and the development of the assets of existing affiliates;

(iii) **B2B CGU**: sales constant during the reference time frame.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11.99%.

The discount rate (or actualisation rate) applied is the rate which reflects the current evaluations of the market, the time value of money and the specific risks of the asset. For the purpose of calculating the discount rate there must be consistency between the parameters used and the reference market of the Company and consistency between the Company's operating activities and incoming flows. All the parameters used for calculating the actualisation rate should be used in the corporate context, so that it expresses "normal" conditions over a medium-/long-term time span.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside wholesale and/or business-to-business sales).
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context also taking into consideration the size of the Company compared with comparable businesses identified.
- Cost of debt capital id (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference

date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).

- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Group has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Group overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Group's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2019.

as at 28 February 2019 *(Amounts in millions of Euros)*	**WACC**	**g**	**Terminal Value (TV)**	**Recoverable Amount (RA)**	**% TV over RA**
CGU Retail	11.99%	0.0%	152.2	305.9	49.8%
Indirect CGU	11.99%	0.0%	26.5	49.3	53.8%
CGU B2B	11.99%	0.0%	12.0	13.2	90.9%

The results of the impairment tests as at 28 February 2019 are given below:

as at 28 February 2019 *(Amounts in millions of Euros)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	€/mln	54.3	305.9	251.7
Indirect CGU	€/mln	(11.2)	49.3	60.5
CGU B2B	€/mln	(7.9)	13.2	21.1

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the B2B and Indirect CGUs as at 28 February 2019 was negative as a result of the negative net working capital allocated to the B2B and Indirect CGUs.
The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, such as the change in the percentage of EBITDA, WACC and the growth rate, vary.
The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2019, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 28 February 2019 *(Amounts in millions of Euros)*			**Terminal plan EBITDA**		
Sensitivity Difference RA vs CA	0	-5.00%	-10.00%	-15.00%	-20.00%
CGU Retail	251.7	231.3	210.9	190.6	170.2
Indirect CGU	60.5	58.1	55.7	53.3	50.9
CGU B2B	21.1	20.1	19.0	17.9	16.8

Below is the breakdown of the stress test which identifies the values for the following parameters: (i) EBITDA (gross operating profit, percentage change over the years of the plan and in the terminal value), (ii) g and (iii) WACC sensitized separately compared with the basic scenario, the differential between the recoverable value and the carrying amount is, all things being equal, zero.

Parameter / CGU	**Retail**	**Indirect**	**B2B**
% change in EBITDA (Plan and TV)	(60.6%)	(117.2%)	(96.6%)
g factor	n.a. (1)	n.a. (1)	n.a. (1)

WACC	65.9%	n.a. (1)	n.a. (1)

(1) For some of the parameters selected, taking into consideration the configuration of the cash flows on which the calculation of the recoverable amount and/or the value of the carrying amount was based, there is no reasonable value identified for the parameter for which the recalculated sum for the recoverable amount corresponds to the respective value of the carrying amount.

Lastly, the Group has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new sales points over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2019 *(Amounts in millions of Euros)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	€/mln	54.3	262.5	208.2

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Group.

5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	**Amounts as at 28 February 2019**			**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	53,269	(40,450)	12,819	47,407	(35,508)	11,899
Concessions, licences and brands	13,361	(7,626)	5,735	13,361	(6,609)	6,752
Key Money	8,130	(1,572)	6,558	5,710	(398)	5,312
Intangible fixed assets under construction	4,259	(1,059)	3,200	1,071		1,071
Total intangible assets with a finite useful life	**79,019**	**(50,707)**	**28,312**	**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 28 February 2019 is given below:

(Amounts in thousands of Euros)	**Software**	**Concessions, licences and brands**	**Key Money**	**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	5,513	1	3,320	1,071	9,905
Acquisitions	-	-	2,390	-	2,390
Decreases	-	-	-	(1,093)	(1,093)
Amortisation, depreciation and write downs/(write backs)	(3,968)	(859)	(398)	-	(5,225)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 28 February 2018	**11,899**	**6,752**	**5,312**	**1,071**	**25,034**
Increases	5,862			3,188	9,050
Acquisitions	-	-	2,420		2,420
Decreases	-	-	-	(1,059)	(1,059)
Amortisation, depreciation and write downs/(write backs)	(4,942)	(1,017)	(1,174)	-	(7,133)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance at 28 February 2019	**12,819**	**5,735**	**6,558**	**3,200**	**28,312**

Regarding the year ended 28 February 2019, the total increases of Euro 9,050 thousand mainly relate to the "Software" category for Euro 5,862 thousand, and to the "Key money" category for Euro 2,420 thousand.

The increases relating to the category "Software" for Euro 5,862 thousand, are attributable in the main to: (i) new software and licences, (ii) costs incurred for the development and updating of the website www.unieuro.it and (iii) costs incurred for extraordinary operations on existing management software.

Increases relating to "key money" for Euro 2,420 refer to the payment of key money for the period stipulation of lease contracts relative to the purchases of business units for Euro 1,948, the acquisitions of 7 sales outlets belonging to the former DPS Group S.r.l. business unit and the 5 sales outlets belonging to the Galimberti S.p.A. business unit for Euro 473 thousand. These transactions are configured as business combinations and come under the scope of

IFRS 3. 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. The values and useful life are reflected in the financial statements from the date Unieuro acquired control. For more details, refer to note 5.28 “Business unit combinations”

For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money.

Increases in fixed assets under construction relate to the implementation of new and existing software.

Regarding the financial year ended 28 February 2018, the increases, including the first Monclick consolidation, Acquisitions and net of decreases in the category “Assets under construction”, amount to a total of €18,451 thousand.

The item First Monclick consolidation results from the acquisition of control of Monclick which was configured as a business combination and fell within the scope of IFRS 3. As required by 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 Consolidated Financial Statements of Unieuro starting from 1 June 2017. The value of the brand and the customer lists was attributed to the “Concessions, licences and brands” category, while the value of software was attributed to the “software” category.

The item increases relates mainly to the category “Software” for Euro 5,513 thousand, attributable in the main to: (i) new software and licences, (ii) costs incurred for the development and updating of the new website, www.unieuro.it and (iii) costs incurred for extraordinary interventions on pre-existing management software, under the “Key Money” category, amounting to Euro 3,320 thousand, referring to the payment of Key Money for the stipulation of lease agreements carried out during the financial year, for the Euroma2 sales outlet, the sales outlet located in Brescia and the sales outlet located in Modena, which opened in December 2017 and under the “Assets under construction” category, amounting to Euro 1,071 thousand, mainly due to the implementation of new software.

The item “Acquisitions”, referring to the “Key Money” category for Euro 2,390 thousand, results from the acquisition of the control of the Andreoli S.p.A. and Cerioni S.p.A. business units, which have been configured as a business combination and fall within the scope of application of IFRS 3. As required by 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. The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For 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.

5.4 Deferred tax assets and deferred tax liabilities

The change in the item "Deferred tax assets" and the item "Deferred tax liabilities" for the period from 28 February 2017 to 28 February 2019 is given 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 2017	**838**	**1,610**	**886**	**4,736**	**843**	**1,126**	**6,647**	**16,686**	**12,752**	**29,438**
Provision/Releases to the Income Statement	(14)	878	21	(446)	-	237	(3,025)	(2,349)	2,975	626
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	41	-	-	41	-	41
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	(146)	(151)	-	(9)	(836)	93	(1,342)	(2,391)	7,241	4,850
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	224	-	-	224	-	224
Balance as at 28 February 2019	**678**	**2,337**	**907**	**4,281**	**272**	**1,456**	**2,280**	**12,211**	**22,968**	**35,179**

The balance as at 28 February 2019 was Euro 35,179 thousand and was mainly composed of: (i) Euro 12,211 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 22,968 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 other current liabilities;

- the provision of Euro 7,241 thousand in deferred tax assets relating to tax losses.

The balance as at 28 February 2018, equal to Euro 30,105 thousand, is composed mainly of Euro 3,622 thousand from deferred tax assets recorded in other current liabilities, composed of deferred income for guarantee extension services, deferred tax assets recorded on tax losses of Euro 15,727 thousand and deferred tax assets recorded on goodwill of Euro 4,290 thousand. The change in the item deferred tax assets recorded in the last financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;

- the provision of Euro 2.975 thousand in deferred tax assets relating to tax losses.

Note that the tax losses still available as at 28 February 2019 with reference to Unieuro are equal to Euro 377,943 thousand and with reference to Monclick are equal to Euro 6.338 thousand.

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

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

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

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

Deferred tax liabilities

(Amounts in thousands of Euros)	**Intangible assets**	**Other current assets**	**Total net deferred taxes**
Balance as at 28 February 2017	**322**	**-**	**322**
First Monclick consolidation	1,982	-	1,982
Provision/Releases to the Income Statement	144	-	144
Provision/Releases to the Comprehensive Income Statement	-	-	-

Balance as at 28 February 2018	**2,448**	**-**	**2,448**
Adjustment at the date of the first time adoption of IRFS 15	-	1,483	1,483
Provision/Releases to the Income Statement	139	(358)	(219)
Provision/Releases to the Comprehensive Income Statement	-	-	0
Balance as at 28 February 2018	**2,587**	**1,125**	**3,712**

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 2.7.1 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 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Deferred charges	8,997	11,220
Contract assets	5,337	-
Tax credits	3,544	3,791
Other current assets	166	231
Accrued income	1,643	888
Advances to suppliers	86	27
Other current assets	**19,773**	**16,157**
Deposit assets	2,220	2,066
Deposits to suppliers	266	218
Other non-current assets	7	87
Other non-current assets	**2,493**	**2,371**
Total Other current assets and Other non-current assets	**22,266**	**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 reduction in “Prepaid expenses” is mainly due to the different payment timing of insurance premiums, in particular last year the premium was paid at the same time as the new insurance contract was stipulated.

“Accrued income” of Euro 1,643 thousand at 28 February 2019 (Euro 888 thousand at 28 February 2018) mainly refers to the value of the insurance reimbursement obtained during the year in connection with the Oderzo fire, for Euro 1,521 thousand; the first part of the indemnity had been recognised last year, for Euro 800 thousand.

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 2.7.1 Changes to the accounting standards.

Tax credits as at 28 February 2019 and 28 February 2018 refer, in the main, for €1,610 thousand to the IRES credit for IRAP not deducted.

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

5.6 Inventories

Warehouse inventories break down as follows:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Merchandise	371,462	322,093
Consumables	659	561
Gross stock	**372,121**	**322,654**
Inventory bad debt provision	(9,779)	(9,126)
Total Inventories	**362,342**	**313,528**

The value of gross inventories went from Euro 322,654 thousand as at 28 February 2018 to Euro 372,121 thousand as at 28 February 2019, an increase of 15.3% in total gross inventories. The increase is attributable to: (i) the different business scope consequent to the opening of 8 ex Cerioni/Euronics stores between December 2017 and January 2018 and the opening of 14 new sales outlets starting September 2018, as a result of the purchase of the ex-DPS/Trony and ex-Galimberti/Euronics business units and (ii) the major leap in the on-line business, (iii) the partnership stipulated with Finiper, which has marked Unieuro’s launch into Large Retail and (iv) the increased volumes handled.

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

The change in the obsolescence fund for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	Inventory bad debt provision
Balance as at 28 February 2017	**(5,770)**
Direct write-down	(4,892)
First Monclick consolidation	(399)
Provisions	-
Reclassifications	-
Releases to the Income Statement	1,935
Utilisation	-
Balance as at 28 February 2018	**(9,126)**
Direct write-down	-
Provisions	(819)
Reclassifications	-
Releases to the Income Statement	166
Utilisation	-
Balance as at 28 February 2019	**(9,779)**

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 28 February 2019 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 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Trade receivables from third-parties	43,779	41,984
Trade receivables from related-parties	-	-
Gross trade receivables	**43,779**	**41,984**
Bad debt provision	(2,491)	(2,412)
Total Trade receivables	**41,288**	**39,572**

The value of receivables, referring to the Indirect and B2B channels, rose by Euro 1,716 thousand on last year; this increase is mainly due to the partnership stipulated with Finiper, which marked Unieuro's launch into Large Retail.

The change in the bad debt provision for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	**Bad debt provision**
Balance as at 28 February 2017	**(2,279)**
First Monclick consolidation	(250)
Provisions	(146)
Contribution from merger	-
Releases to the Income Statement	180
Utilisation	83
Balance as at 28 February 2018	**(2,412)**
Provisions	(100)
Releases to the Income Statement	-
Utilisation	(21)
Balance as at 28 February 2019	**(2,491)**

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. Drawdowns follow credit situations for which the elements of certainty and accuracy, or the presence of existing insolvency proceedings, determine the deletion of the actual position. As shown in the tables above, the bad debt provision stood at EUR 2,491 thousand as at 28 February 2019 and EUR 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 and credit insurance contracts 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 and liabilities

Below is a breakdown of the item "Current tax assets" and “Current tax liabilities” as at 28 February 2019 and as at 28 February 2018:

Current tax assets

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
IRES credits	2,116	2,811
IRAP credits	2	336
Total Current tax assets	**2,118**	**3,147**

As at 28 February 2019, “IRES credits” included credits for Euro 2,116 thousand (Euro 2,811 thousand at 28 February 2018), which included the IRES receivable from the previous year and the credit generated during the year for withholdings and the IRES debt reffered to the Consolidated current taxes.
Lastly, the item includes IRAP credits of Euro 2 thousand deriving from the estimated period tax of the subsidiary Monclick. The IRAP balance of Euro 336 thousand at 28 February 2018 has been zeroed following the period offsetting.

Current tax liabilities

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
IRAP payables	1,204	-
IRES payables	-	-
Total Current tax liabilities	**1,204**	**-**

At 28 February 2019, under “IRAP payables”, payables are entered in the amount of Euro 1,204 deriving from the estimated tax of Unieuro for the year ended on 28 February 2019; last year net of the payment on account, Unieuro had a balance in credit of Euro 336 thousand, which was offset during the period.

5.9 Cash and cash equivalents

A breakdown of the item “Cash and cash equivalents” as at 28 February 2019 and as at 28 February 2018 is shown below:

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

	28 February 2019	28 February 2018
Bank accounts	77,007	53,894
Petty cash	7,481	7,520
Total cash and cash equivalents	**84,488**	**61,414**

Cash and cash equivalents stood at Euro 84,488 thousand as at 28 February 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:

(Amounts 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 interest**	**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**
Effect of the change in the accounting standard (IFRS 15)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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 Year	-	-	-	-	-	-	-	28,895	28,895	-	28,895
Other components of comprehensive income	-	-	-	(124)	(473)	-		-	(597)	-	(597)
Total statement of comprehensive income for the year	**-**	**-**	**-**	**(124)**	**(473)**	**-**	**-**	**28,895**	**28,298**	**-**	**28,298**
Allocation of prior year result	-	-	-	-	-	-	-	(8,521)	(8,521)	-	(8,521)
Covering retained losses and negative reserves	-	-	(46,810)	-	-	-	(11,055)	66,386	8,521	-	8,521
Distribution of dividends	-	-	-	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	2,024	-	(699)	1,325	-	1,325
Total transactions with shareholders	**-**	**-**	**(46,810)**	**-**	**-**	**2,024**	**(31,055)**	**57,166**	**(18,675)**	**-**	**(18,675)**
Balance as at 28 February 2019	**4,000**	**800**	**0**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**0**	**90,877**

Shareholders' equity, equal to Euro 90,877 thousand at 28 February 2019 (Euro 77,216 thousand as at 28 February 2018) increase 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 consolidated profit of Euro 28,895 thousand and the other components of the comprehensive income statement negative for Euro 597 thousand; (iii) the reporting amongst profit/(loss) carried forward of the effects deriving from the application of the new accounting standard IFRS 15 for Euro 4,038 thousand and (iv) the recording in the reserve of share-based payments of Euro 1,325 thousand which refer to the Long Term Incentive Plan for certain managers and employees.

The Share capital as at 28 February 2019 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of EUR 800 thousand as at 28 February 2019 (EUR 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 and has maintained it to 28 February 2019;

- the extraordinary reserve of Euro 0 thousand as at 28 February 2019 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the year 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 315 as at 28 February 2019 (negative for 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, negative for Euro 1,247 thousand as at 28 February 2019 (negative for Euro 774 thousand as at 28 February 2018); it fell by Euro 473 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 3,376 thousand at 28 February 2019 (Euro 1,352 thousand at 28 February 2018); the reserve has changed due to: (i) the recording of Euro 2,024 thousand offsetting the recording of personnel costs for the share-based payment plan and (ii) the 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 profit and loss carried forward to the item other non current liabilities, for Euro 699 thousand. For more details, please see Note 5.27.

(Amounts 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 interest**	**Total shareholders' equity**
Balance as at 28 February 2017	**4,000**	**800**	**55,223**	**0**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**	**0**	**84,979**
Profit/(loss) for the consolidated	-	-	-	-	-	-	-	10,958	10,958	-	10,958

period											
Other components of consolidated comprehensive income	-	-	-	(191)	85	-		-	(106)	-	(106)
Total statement of comprehensive income for the consolidated year	**-**	**-**	**-**	**(191)**	**85**	**-**	**-**	**10,958**	**10,852**	**-**	**10,852**
Allocation of prior year result	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	(8,413)	-	-	-	-	(11,587)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	(5,586)	-	6,971	1,385	-	1,385
Total transactions with shareholders	**-**	**-**	**(8,413)**	**-**	**-**	**(5,586)**	**-**	**(4,616)**	**(18,615)**	**-**	**(18,615)**
Balance as at 28 February 2018	**4,000**	**800**	**46,810**	**(191)**	**(774)**	**1,352**	**57,999**	**(32,780)**	**77,216**	**0**	**77,216**

Shareholders' equity, equal to Euro 77,216 thousand at 28 February 2018 (Euro 84,979 thousand as at 28 February 2017) fell during the year as a result of: (i) the distribution of a dividend of Euro 20,000 thousand of which Euro 11,587 thousand was in respect of the profit for the year ended 28 February 2017 and Euro 8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting; (ii) the recording of a profit for the year of Euro 10,958 thousand and the other components of the comprehensive income statement of Euro 106 thousand; and (iii) the recording in the reserve for share-based payments of Euro 679 thousand with regard to the Long Term Incentive Plan for certain managers and employees and Euro 706 with reference to the Call Option Agreement that ended following listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana which took place on 4 April 2017.

The Share capital as at 28 February 2018 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of EUR 800 thousand as at 28 February 2018 (EUR 800 thousand as at 28 February 2017), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it to 28 February 2018;

- the extraordinary reserve of Euro 46,810 thousand at 28 February 2018 (Euro 55,223 thousand at 28 February 2017); this reserve fell during the period as a result of the distribution of a dividend of Euro 20,000 thousand of which Euro 11,587 thousand was in respect of the profit for the year ended 28 February 2017 and for Euro 8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 191 as at 28 February 2018 (zero as at 28 February 2017); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement signed during the year (for more details, refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of €774 thousand as at 28 February 2018 (€859 thousand as at 28 February 2017); it rose of €85 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 1,352 thousand at 28 February 2018 (Euro 6,938 thousand at 28 February 2017); it has changed with reference to the “Call Option Agreement” as a result of: (i) recognition of Euro 706 thousand as the offset of the personnel costs for the share-based payment plan and (ii) following the successful outcome of the project of listing the share-based payment reserve under the item Profits/(losses) for a total of Euro 7,644 thousand; instead, with reference to the “Long Term Incentive Plan” stipulated during the year, as a result of: (i) the recording of Euro 1,352 thousand offsetting the recording of personnel costs for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 20 June 2017 which involved the reclassification of the item that refers to the monetary bonus earned by managers and employees under the regulation to the item other non current liabilities. It should therefore be noted that the reserve for share-based payments of Euro 1,352 thousand and the Profit (losses) carried forward – LTIP of Euro 673 thousand both refer to the accounting of the share-based payment plan called Long Term Incentive Plan and together represent the fair value measurement of the options granted under the plan (IFRS 2). For more details, please see Note 5.27.

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 28 February 2019 is illustrated below:

(Amounts in millions of Euros)	**Shareholders' equity as at 28 February 2019**	**Net result as at 28 February 2019**
Balances from the Parent Company's Annual Financial Statements	**87,691**	**28,169**

Difference between the carrying amount of equity investments and the profit/(loss) for the year	(8,147)	1,291
Allocation of goodwill, brand, software and customer list, excluding the tax effect	11,333	(565)
Shareholders' equity and profit/(loss) for the year from the Consolidated Financial Statements	**90,877**	**28,895**

5.11 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Current financial liabilities	12,455	6,961
Non-current financial liabilities	31,112	40,518
Total financial liabilities	**43,567**	**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 conclusion of relations and the repayment of the previous lines of credit and the provision of the new funding.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.
The new lines, including Euro 190.0 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 require compliance by Unieuro S.p.A. with a twelve-month consolidation ratio which will be 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 28 February 2019 the covenant was calculated and complied with. See below for the summary table:

	28 February 2019	
Description of covenants	Contractual value	Covenant result
LEVERAGE RATIO	< 1.30	(0.29)
Consolidated net financial debt/Consolidated Adjusted LTM EBITDA		

The Loan Agreement includes Unieuro'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 28 February 2019 and until the date these financial statements were prepared, no events occurred that could give rise to the early repayment of the loan.

Financial liabilities as at 28 February 2019 and at 28 February 2018 are illustrated below:

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**At 28 February 2019**		
				total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	75,000	0.35% - 7.0%	3,049	3,049	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-		-
Current bank debts				**3,049**	**3,049**	**-**
Term Loan	Dec-22	50,000	Euribor 3m+spread	42,500	10,000	32,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(1,982)	(594)	(1,388)
Non-current bank payables and current part of non-current debt				**40,518**	**9,406**	**31,112**
Total				**43,567**	**12,455**	**31,112**

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

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

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**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 debts				**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 rate method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

The financial liabilities at 28 February 2019 total Euro 43,567 thousand with a decrease of Euro 3,912 thousand compared to 28 February 2018. This change is due mainly to the use of the hot money line for Euro 3,000 thousand and to the normal repayment of principal shares of the Loan for Euro 7,500 thousand.

The loans are evaluated using the amortised cost method based on the provisions of IFRS 9 and therefore their value is reduced by the ancillary expenses on the loans, equal to Euro 1,982 thousand as at 28 February 2019 (Euro 2,600 thousand as at 28 February 2018).

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

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Within 1 year	12,455	6,961
From 1 to 5 years	31,112	40,518
More than 5 years	-	-
Total	**43,567**	**47,479**

A breakdown of the net financial debt as at 28 February 2019 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.

(Amounts in thousands of Euros)		**as at 28 February 2019**		**as at 28 February 2018**	
	Ref		*of which related parties*		*of which related parties*

(A) Cash	5.9	84,488	-	61,414	-
(B) Other liquid assets		-	-	-	-
(C) Securities held for trading		-	-	-	-
(D) Liquidity (A)+(B)+(C)		**84,488**	**-**	**61,414**	**-**
- of which is subject to a pledge			-		-
(E) Current financial receivables			**-**	**-**	**-**
(F) Current bank payables	5.11	(3,049)	-	(79)	-
(G) Current part of non-current debt	5.11	(9,406)	-	(6,882)	-
(H) Other current financial payables	5.13-5.15	(7,683)	-	(6,256)	-
(I) Current financial debt (F)+(G)+(H)		**(20,138)**	**-**	**(13,217)**	**-**
- of which is secured		-	-	*0*	-
- of which is unsecured		*(20,138)*	-	*(13,217)*	-
(J) Net current financial position (I)+(E)+(D)		**64,350**	**-**	**48,197**	**-**
(K) Non-current bank payables	5.11	(31,112)	-	(40,518)	-
(L) Issued bonds		-	-	-	-
(M) Other non-current financial payables	5.13-5.15	(12,771)	-	(12,195)	-
(N) Non-current financial debt (K)+(L)+(M)		**(43,883)**	**-**	**(52,713)**	**-**
- of which is secured		-	-	-	-
- of which is unsecured		*(43,883)*	-	*(52,713)*	-
(O) Net financial debt (J)+(N)		**20,467**	**-**	**(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 2019 and 28 February 2018. See Note 5.13 "Other financial liabilities" for more details.

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Other financial liabilities	7,683	6,256
Other current financial payables	**7,683**	**6,256**
Other financial liabilities	12,771	12,195
Other non-current financial payables	**12,771**	**12,195**
Total financial payables	**20,454**	**18,451**

5.12 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	
Balance as at 28 February 2017	**9,783**
First Monclick consolidation	611
Service cost	89

Interest cost	139
Business unit acquisitions	1,255
Settlements/advances	(595)
Actuarial (profits)/losses	(103)
Balance as at 28 February 2018	**11,179**
Service cost	79
Curtailment	(50)
Interest cost	125
Business unit acquisitions	79
Settlements/advances	(1,068)
Actuarial (profits)/losses	650
Balance as at 28 February 2019	**10,994**

This item includes the TFR (severance pay) required by Law No. 297 of 25 May 1982 which guarantees statutory compensatory settlements to an employee when the employment relationship is ended. Severance pay, regulated by Article 2120 of the Italian Civil Code, is recalculated in accordance with the provisions of IAS 19, expressing the amount of the actual value of the final obligation as a liability, where the actual value of the obligation is calculated through the "projected unit credit" method.

The item business unit acquisitions refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the Galimberti S.p.A. business unit; for more details, refer to Note 5.28 - "Business unit combinations".

Settlements recorded in the financial year ended 28 February 2019 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

Below is a breakdown of the economic and demographic recruitment used for the purpose of the actuarial evaluations:

	Year ended	
Economic recruitment	**28 February 2019**	**28 February 2018**
Inflation rate	1.50%	1.50%
Actualisation rate	0.8%	1.37%
Severance pay increase rate	2.625%	2.625%

Demographic assumptions	Year ended	
	28 February 2019	28 February 2018
Fatality rate Demographic tables RG48	Disability probability	Disability probability
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the *iBoxx Eurozone Corporates AA* index with a duration of 7-10 years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 28 February 2019, relating to the main actuarial hypotheses in the calculation model taking into consideration the above and increasing and decreasing the average annual turnover rate, the advance request rate, the average inflation and actualisation rate, respectively of 1%, -1%, 0.25% and -0.25%. The results are summarised in the table below:

(Amounts in thousands of Euros)	Impact on DBO as 28 February 2019	
Change to the parameter	**Unieuro**	**Monclick**
1% increase in turnover rate	10,564	328
1% decrease in turnover rate	10,769	349
1% increase in advance request rate	10,369	317
1% decrease in advance request rate	11,113	361
0.25% increase in inflation rate	10,814	341
0.25% decrease in inflation rate	10,509	327
0.25% increase in actualisation rate	10,418	325
0.25% decrease in actualisation rate	10,912	343

5.13 Other financial liabilities

A breakdown of the item current and non-current “Other financial liabilities” as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February	28 February 2018

	2019	
Payables for investments in equity investments and business units	4,176	3,165
Payables to leasing companies	3,262	2,777
Fair value of derivative instruments	245	172
Factoring liabilities	-	142
Debts to other financing entities	**7,683**	**6,256**
Payables for investments in equity investments and business units	5,686	8,037
Payables to leasing companies	6,917	4,008
Fair value of derivative instruments	168	150
Other non-current financial liabilities	**12,771**	**12,195**
Total financial liabilities	**20,454**	**18,451**

Payables to leasing companies
Payables owed to leasing companies amount to a total of Euro 9,862 thousand at 28 February 2019 and Euro 11,202 thousand at 28 February 2018. The reduction is mainly due to the 01 August 2018 stipulation of the transaction with Project Shop Land S.p.A. to reduce the purchase price of Monclick S.r.l. for Euro 1,500 thousand. The existing debt cash flows as at 28 February 2019 were discounted.

Payables for investments in equity investments and business units
Payables owed to leasing companies amount to a total of Euro 10,179 thousand at 28 February 2019 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:

(Amounts in thousands of Euros)	**Minimum payments due for financial leasing as at**		**Capital share as at**	
	28 February 2019	**28 February 2018**	**28 February 2019**	**28 February 2018**

Within 1 year	3,430	2,936	3,262	2,777
From 1 to 5 years	7,112	4,139	6,917	4,008
More than 5 years	-	-	-	-
Total	**10,542**	**7,075**	**10,179**	**6,785**

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

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Minimum payments due for financial leasing	10,542	7,075
(Future financial expense)	(363)	(386)
total	**10,179**	**6. 785**

Fair value of derivative instruments

Financial instruments for hedging, as at 28 February 2019, 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. The financial liability comes to Euro 413 thousand at 28 February 2019 (Euro 250 thousand at 28 February 2018). These derivative finance transactions on interest rates were designed for hedging in accordance with the requirements of IFRS 9 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 28 February 2019 (Euro 72 thousand as at 28 February 2018). The effects of these currency hedging derivative financial instruments are reported in the income statement because they do not comply with all the requirements of IFRS 9 for hedge accounting.

Factoring liabilities

Payables to factoring companies stood at Euro 0 thousand as at 28 February 2019 (Euro 142 thousand as at 28 February 2018) and refer to transfers of trade receivables 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 28 February 2019 is broken down below:

(Amounts 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**	**2,468**	**881**	**175**	**1,399**	**8,624**

Business unit acquisitions	-	56	-	-	-	56
Balance as at 28 February 2018 recalculated	**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	66	1,102	38	1,189	799	**3,194**
Draw-downs/releases	(358)	(484)	(795)	(1,005)	(124)	**(2,766)**
Balance as at 28 February 2019	**3,409**	**3,142**	**124**	**359**	**2,032**	**9,066**
- of which current portion	-	502	*124*	*359*	363	*1,348*
- of which non-current portion	*3,409*	*2,640*	-	-	1,669	*7,718*

The change in the item "Provisions" for the period from 28 February 2017 to 28 February 2018 is broken down below:

(Amounts 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	115	1,293	-	-	357	**1,765**
Business unit acquisitions	-	71	-	-	-	**71**
Draw-downs/releases	(2,063)	(638)	(647)	(91)	(30)	**(3,469)**
Balance as at 28 February 2018	**3,701**	**2,468**	**881**	**175**	**1,399**	**8,624**
- of which current portion	*1,051*	509	*814*	*175*	379	*2,928*
- of which non-current portion	*2,650*	*1,959*	*67*	-	1,020	*5,696*

The “Tax dispute provision”, equal to Euro 3,409 thousand as at 28 February 2019 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 3,142 thousand as at 28 February 2019 and Euro 2,524 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 provisions for disputes as at 28 February 2018 of Euro 56 thousand.

The “Onerous contracts provision”, equal to Euro 124 thousand as at 28 February 2019 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 359 thousand as at 28 February 2019 and Euro 175 thousand as at 28 February 2018, refer mainly to the personnel restructuring process of the closing sales outlets.

The “Other provisions for risks”, equal to Euro 2,032 as at 28 February 2019 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 IFRS 15 refers to the accounting treatment of sales with return right; for more details, please refer to Note 2.7.1 Changes to the accounting standards.

5.15 Other current liabilities and other non-current liabilities

A breakdown of the items “Other current liabilities” and “Other non-current liabilities” as at 28 February 2019 and 28 February 2018 is shown below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Contract liabilities	127,956	-
Payables to personnel	35,383	34,879
Payables for VAT	14,667	17,102
Deferred income and accrued liabilities	4,332	101,281
Payables to welfare institutions	3,638	2,780
Payables for IRPEF (income tax)	3,037	2,481
Other tax payables	85	106
Other current liabilities	5	1,316
Payments on account from customers	-	3,436
Total other current liabilities	**189,103**	**163,381**
Long-Term Incentive Plan cash bonus	1,440	692
Deposit liabilities	26	26
Total other non-current liabilities	**1,466**	**718**

The item "Other current liabilities" increased by Euro 25,722 thousand in the year ended 28 February 2019 compared with the year ended 28 February 2018. The increase in the item recorded in the period in question is mainly due to greater liabilities from the contract relating to the servicing of the extended warranty. Please note that following the clarifications introduced by the new accounting standard IFRS 15, the liabilities relative to the extended warranty service have been reclassified from Deferred income and accrued liabilities to Liabilities from contract.

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

- liabilities from contract for Euro 127,956 thousand at 28 February 2019, mainly relating to deferred revenues for extended warranty services. Revenue from sales is reported according to the term of the contract, or the period for which there is a performance obligation, thereby re-discounting sales pertaining to future periods. Note that following the application of the new accounting standard IFRS 15, the Group amended the accounting of commercial incentives recognised to customers accompanying extended warranty services sold, the adoption of the standard had a particular impact on the timing of the recognition of these revenues and has reclassified these liabilities from Deferred income and accrued liabilities to Liabilities from contract. The item also includes: (i) deposits received from customers; (ii) liabilities relative to vouchers; and (iii) liabilities relative to sales with the right of return. For more details, please refer to Note 2.7.1 Changes to the accounting standards.

- deferred income and accrued liabilities for Euro 4,332 thousand at 28 February 2019 (Euro 101,281 thousand at 28 February 2018), mainly relating to the recording of amortisation using the straight line method, of operating lease contracts. Last year, the item included the liabilities relating to the extended warranty service, which after clarifications introduced by the new accounting standard IFRS 15, have been reclassified under Liabilities from contract;

- payables to employees for Euro 35,383 thousand per 28 February 2019 (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 14,667 thousand at 28 February 2019 (Euro 17,102 thousand at 28 February 2018) composed of payables resulting from the VAT settlement with regard to February 2019;

The item "Other non-current liabilities" increased to Euro 748 thousand in the year ended 28 February 2019 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 1,440 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 28 February 2019 and as at 28 February 2018 is shown below:

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

	28 February 2019	28 February 2018
Trade payables to third-parties	466,534	408,995
Trade payables to related-parties	(1)	-
Gross trade payables	**466,533**	**408,995**
Bad debt provision - amount due from suppliers	1,925	2,455
Total Trade payables	**468,458**	**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 57,538 thousand as at 28 February 2019 compared with 28 February 2018. The increase is related to the increase in volumes handled as a result of: (i) promotions run in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisitions and the new openings during the year which involved an increase in the value of trade payables which was higher than that of inventories.

The change in the "Bad debt provision and suppliers account debit balance", related to debt balances considered not yet recoverables, for the period from 29 February 2016 to 28 February 2019 is given below:

(Amounts in thousands of Euros)	Bad debt provision - amount due from suppliers
Balance as at 28 February 2017	**2,027**
First Monclick consolidation	130
Provisions	488
Releases to the Income Statement	-
Utilisation	(190)
Balance as at 28 February 2018	**2,455**
Provisions	0
Releases to the Income Statement	(170)
Utilisation	(360)
Balance as at 28 February 2019	**1,925**

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 have not been restated, namely they are presented in accordance with IAS 18, IAS 11 and the related interpretations. For more details, please refer to Note 2.7.1 Changes to 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 Operating segments information 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.

Below is a breakdown of revenues by channel:

(in thousands of Euros and as a percentage of revenues)	**Year ended**				**Changes**	
	28 February 2019	**%**	**28 February 2018**[74]	**%**	**Δ**	**%**
Retail	1,477,761	70.2%	1,327,866	70.9%	149,895	11.3%
Online	245,030	11.6%	184,980	9.9%	60,050	32.5%
Indirect	231,027	11.0%	209,003	11.2%	22,024	10.5%
B2B	117,105	5.6%	128,381	6.9%	-11,276	(8.8%)
Travel	33,596	1.6%	23,562	1.3%	10,034	42.6%
total	**2,104,519**	**100.00%**	**1,873,792**	**100.00%**	**230,727**	**12.3%**

The Retail channel books a rise in sales of 11.3% to Euro 1,477,761 thousand, mainly as a result of the increase in the number of stores (+11 sales outlets on 28 February 2018) and the good performance of the sales network on equal scope, driven in particular by smartphones, TV and the vacuum segment.

The consolidated revenues of the Online channel stand at Euro 245,030 thousand, growth of 32.5% compared with Euro 184,980 thousand in the same period of the previous year. For the first time, this channel is the second contributor to total revenues of the Unieuro Group, booking growth of Euro 60,050 thousand on last year. The reasons behind the success, both in absolute value and market share, lie in the Group's omnichannel strategy, which assigns the physical sales outlet the valuable role of pick-up point, to the benefit of web customers. The continuous innovation, linked to the continuous release of new platform functions and

[74] 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 indirect channel to the B2B channel.

improvements, the attention paid to contents and the effectiveness of the digital communication campaigns have further strengthened the competitive advantage.

The Indirect channel[75] (previously referred to as the Wholesale channel), which includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators, for a total of 275 sales outlets - recorded sales of Euro 231,027 thousand, up 10.5% on the Euro 209,003 thousand booked the same period of the previous financial year. Growth was driven by the Large Retail segment, with the opening of the first 14 Unieuro shops-in-shops by Iper in *Iper, La grande i* hypermarkets, under the scope of the partnership that was made official last 10 January 2019.

The B2B channel[74] - which 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) - recorded sales of Euro 117,105 thousand, down 8.8% on last year, due to the change in competition starting the last quarter.

Finally, the Travel channel - comprising 12 direct sales outlets located at some of the main public transport hubs, such as airports and railway and underground railway stations - recorded growth of 42.6% for a value of Euro 10,034 thousand, also thanks to the October 2018 opening of the ex-DPS/Trony sales outlet at the underground railway station of Milan San Babila.

Below is a breakdown of revenues by category:

(in thousands of Euros and as a percentage of revenues)	**Year ended**				**Changes**	
	28 February 2019	**%**	**28 February 2018[76]**	**%**	**Δ**	**%**
Grey	992,867	47.2%	883,984	47.2%	108,883	12.3%
White	548,547	26.1%	493,337	26.3%	55,210	11.2%
Brown	367,920	17.5%	325,980	17.4%	41,940	12.9%
Services	84,545	4.0%	66,757	3.6%	17,788	26.6%
Other products	110,640	5.3%	103,734	5.5%	6,906	6.7%
Total revenues by category	**2,104,519**	**100.0%**	**1,873,792**	**100.0%**	**230,727**	**12.3%**

[75] 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 indirect channel to the B2B channel.

[76] 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, telephone system accessories, as well as all wearable technological products, kept its incidence on total revenues unchanged at 47.2%, generating turnover of Euro 992,867 thousand, up 12.3% on the Euro 883,984 thousand of last year, thanks to the good performance of the telephone systems segment, which benefited from a mix movement towards the top of the range and the good performance of several new models, as well as a positive trend in sales of wearables and accessories, in particular earpieces.

The White category, composed of major domestic appliances (MDA) such as washing machines, tumble driers, refrigerators or freezers and ovens, small domestic appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, generated turnover of Euro 548,547 thousand, up 11.2% on the Euro 493,337 thousand of last year, thanks to the success of the vacuum segment and the increased penetration of tumble driers and dishwashers.

The Brown category, comprising televisions and their accessories, audio devices, smart-TV devices and car accessories, as well as memory storage systems, such as CDs/DVDs or USB pen drives, booked period growth in revenues up to Euro 367,920 thousand (+12.9% on the Euro 325,980 thousand of last year), benefiting from the growing success of top-of-the-range televisions, in particular ultraHD and OLED, the good performance of the audio segment and the driving effect of the 2018 football world cup.

The Services category recorded growth of 26.6% in consolidated revenues thanks to the expansion of the sales network and the Unieuro Group's continued focus on the provision of services to its customers. Excellent performance for extended warranties and consumer credit.

The Other products category recorded an increase in consolidated revenues of 6.7%; this group includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as e-mobility. The performance was driven by the good performance of gaming consoles, which offset the decline in sales of products linked to electric mobility.

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

(Amounts in thousands of Euros)	**Period ended**	
	28 February 2019	**28 February 2018**[77]
Abroad	4,682	9,058
Italy	2,099,837	1,864,734
Total	**2,104,519**	**1,873,792**

[77] 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.

5.18 Other income

Below is a breakdown of the item "Other income" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	28 February 2018
Rental and lease income	1,851	1,588
Insurance reimbursements	1,670	1,858
Other income	822	2,949
Total Other Income	**4,343**	**6,395**

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. Please note that during the year, the following took place: (i) booking of the insurance reimbursement for Euro 1,520 thousand, obtained in connection with the 25 February 2017 fire at the Oderzo (TV) sales outlet; and (ii) the reclassification to the item Revenues which took place following the clarifications introduced by the new accounting standard IFRS 15 of the charging back of costs relating to the Unieuro Club loyalty scheme. For more details, please refer to Note 2.7.1 Changes to the accounting standards.

5.19 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	28 February 2018
Purchase of goods	1,684,306	1,500,427
Building rental and expenses	71,513	64,099
Transport	54,011	42,832
Marketing	49,996	50,368
Utilities	14,053	12,765
Maintenance and rental charges	12,403	10,498
General sales expenses	10,205	8,858
Other costs	9,710	8,055
Consulting	8,410	9,233
Purchase of consumables	5,910	4,629
Travel expenses	2,645	2,978
Purchase of intercompany goods		

Payments to administrative and supervisory bodies	768	798
Total Purchases of materials and external services	**1,923,930**	**1,715,540**
Changes in inventory	(48,593)	(41,193)
Total, including the change in inventories	**1,875,337**	**1,674,347**

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 1,674,347 thousand as at 28 February 2018 to Euro 1,875,337 thousand in the year ended 28 February 2019, an increase of Euro 200,990 thousand or 12.0%.

The main increase is attributable to the item "Purchase of goods" for Euro 183,879 thousand mainly resulting from the increase in turnover due to (i) external and internal growth actions, (ii) the favourable performance of the second half of the year, marked by the truly excellent Black Friday and (iii) the significantly positive Christmas season.

The item “Building rental and expenses” rises by Euro 7,414 thousand on 28 February 2018, or 11.6%; this increase is due to the (i) run rate of acquisitions made during the second part of the previous year; (ii) acquisitions made during the year ended on 28 February 2019 and (iii) the new openings made during the reference period.

The item “Transport” rose from Euro 42,832 thousand as at 28 February 2018 to Euro 54,011 thousand as at 28 February 2019, mainly as a result of the increased volume of business and due to the increasing weight of home deliveries relating to online orders.

The item “Marketing” fell from Euro 50,368 thousand at 28 February 2018 to Euro 49,996 thousand at 28 February 2019. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. There was a fall in traditional marketing activities in the year ended 28 February 2019, partly offset by the increase in digital marketing activities.

The item “Utilities” increased by Euro 1,288 thousand compared with 28 February 2018 or 10.1%, with the increase mainly due to the increase in the number of sales outlets recorded in the year.

The item “General sales expenses” increased from Euro 8,858 thousand at 28 February 2018 to Euro 10,205 thousand at 28 February 2019. The item mainly includes the cost of fees on sales transactions with the increase due to the increase in turnover.

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item rose by Euro 1,655 thousand compared with 28 February 2018 or 20.5% 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 point of sale which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017 with a new insurance contract concluded 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 0.5% at 28 February 2019 (0.4% at 28 February 2018).

The item “Consultancy” fell from Euro 9,233 thousand at 28 February 2018 to Euro 8,410 thousand at 28 February 2019. 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.

5.20 Personnel expenses

Below is a breakdown of the item "Personnel expenses" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Wages and salaries	122,357	113,598
Welfare expenses	36,748	32,429
Severance pay	8,146	7,604
Other personnel costs	2,627	2,665
Total personnel costs	**169,878**	**156,296**

Personnel costs went from 156,296 thousand in the year ended 28 February 2018 to Euro 168,878 thousand in the year ended 28 February 2019, an increase of Euro 13,582 thousand or 8.7%.

The item “Wages and salaries” increased by Euro 8,759 or around 7.7% with the increase due mainly to (i) an increase in the number of employees following acquisitions and the opening of new stores and (ii) the strengthening of certain strategic functions at the head office.

The item “Other personnel costs”, was equal to Euro 2,627 thousand at 28 February 2019 (Euro 2,665 thousand at 28 February 2018); this item mainly includes the reporting of Euro 2,024 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

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Non-income based taxes	6,225	7,398
Provision made/(released) for supplier bad debts	(170)	489
Provision made/(released) for the write-down of other assets	-	178
Bad debt provision/(releases) - amount due from suppliers	100	146
Other operating expenses	290	320
Total other operating costs and expenses	**6,445**	**8,531**

"Other operating costs and expenses" went from Euro 8,531 thousand in the year ended 28 February 2018 to Euro 6,445 thousand in the year ended 28 February 2019, a decrease of Euro 2,086 thousand or 24.5%.

The decrease is due to the combined effect of: (i) reduction of non-income tax and duties and (ii) decline in the impairment of doubtful debt.

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

5.22 Depreciation, amortisation and write-downs

Below is a breakdown of the item "Depreciation, amortisation and write-downs" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Depreciation and amortisation of tangible fixed assets	18,080	15,517
Depreciation and amortisation of intangible fixed assets	7,115	5,222
Write-downs/(write backs) of tangible and intangible fixed assets	2,373	989
Total depreciation, amortisation and write-downs	**27,568**	**21,728**

The item "Depreciation, amortisation and write-downs" went from Euro 21,728 thousand in the year ended 28 February 2018 to Euro 27,568 thousand in the year ended 28 February

2019, a rise of Euro 5,840 thousand or 26.9%. The increase relates to the progressive increase in investments made in recent years also related to new acquisitions.
The item “Write-downs/(write backs) of tangible and intangible fixed assets” increased in the year ended 28 February 2019 compared with the year ended 28 February 2018 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

Below is a breakdown of the item "Financial income" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Interest income	5	26
Other financial income	1,583	277
Total financial income	**1,588**	**303**

"Financial income" went from Euro 303 thousand in the year ended 28 February 2018 to Euro 1,588 thousand in the year ended 28 February 2019, an increase of Euro 1,285 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 expense" is given below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Interest expense on bank loans	2,645	6,652
Other financial expense	1,607	1,281
Total Financial Expenses	**4,252**	**7,933**

"Financial expenses" went from Euro 7,933 thousand in the year ended 28 February 2018 to Euro 4,252 thousand in the year ended 28 February 2019, a decrease of Euro 3,681 thousand or 46.4%.

The item “Interest expense on bank loans” fell at 28 February 2019 by Euro 4,007 thousand compared with the same period of the previous year; 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 Euro 1,607 thousand as at 28 February 2019 (Euro 1,281 thousand as at 28 February 2018) mainly includes the interest relating to other financial liabilities and the expenses related to the cash discounts given to customers.

5.24 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Current taxes	(3,078)	(1,676)
Deferred taxes liabilities	5,069	482
Tax provision allocation	(66)	497
Total	**1,925**	**(697)**

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

(In thousands of Euros and as a percentage of the profit before tax)	**Year ended**			
	28 February 2019	**%**	**28 February 2018**	**%**
Profit of period before taxes	26,970		11,655	
Theoretical income tax (IRES)	(6,473)	24.0%	(2,797)	24.0%
IRAP	(2,456)	(9.1%)	(1,255)	(10.8%)
Tax effect of permanent differences and other differences	10,920	40.5%	2,858	24.5%
Tax for the period	**1,991**		**(1,194)**	
Accrual to/(release from) tax provision	(66)		497	
Total taxes	**1,925**		**(697)**	
Actual tax rate		**7.1%**		**(6.0%)**

The impact of taxes on income is calculated considering (accrual to)/release from tax provision for tax disputes. In the financial years ended 28 February 2019 and 28 February 2018 the impact of taxes on the pre-tax result was 7.1% positive and 6.0% negative, respectively; the fall was due to the recording of deferred tax income on tax losses of Euro 7,241 thousand. For more details, please see Note 5.4.

It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company" which is Monclick S.r.l. The option makes it possible to determine IRES debt (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item "Allocation to tax provision" went from a release of Euro 497 thousand in the financial year ended 28 February 2018 to a provision of Euro 66 thousand in the financial year ended 28 February 2019.

5.25 Basic and diluted earnings per share

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

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Adjusted consolidated profit (loss) for the year [A]	28,895	10,958
Average number of shares (in thousands) [B] (1)	20,000	20,000
Basic and diluted earnings per share (in Euro) [A/B]	**1.44**	**0.55**

(1) The average number of shares (in thousands) considered for the purpose of calculating the basic earnings per share was defined using the number of Unieuro S.p.A. shares issued on 12 December 2016.

The details of the calculation of the diluted earnings per share are given in the table below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Result for the period/financial year [A]	28,895	10,958
Average number of shares (in thousands) [B] (1)	20,000	20,000
Effect of the options on shares upon issuance [C] (2)	-	39
Diluted earnings per share (*in Euro*) [A/(B+C)]	**1.44**	**0.55**

(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 operations

	Year ended	
(Amounts in thousands of Euros)	**28 February 2019**	**28 February 2018**
Cash flow from operations		
Consolidated profit (loss) for the year	28,895	10,958
Adjustments for:		
Income taxes	(1,925)	697
Net financial expenses (income)	2,664	7,630
Depreciation, amortisation and write-downs	27,568	21,728
(Profits)/losses from the sale of property, plant and machinery		
Other changes	1,325	1,386
	58,527	42,399
Changes in:		
- Inventories	(48,814)	(41,193)
- Trade receivables	(1,716)	18,940
- Trade payables	50,964	52,669
- Other changes in operating assets and liabilities	27,332	21,213
Cash flow generated /(used) by operating activities	27,766	51,629
Taxes paid	(741)	-
Interest paid	(3,240)	(8,825)
Net cash flow from (used in) operating activities	**82,312**	**85,203**

The net cash flow from (used in) operating activities went from Euro 85,203 thousand in the year ended 28 February 2018 to Euro 82,312 thousand in the year ended 28 February 2019. The positive cash generation is connected with the positive trend of revenues and benefited from both external and internal growth actions and the favourable performance of the second half of the year, marked by a truly excellent Black Friday and a very positive Christmas season. This performance is partially offset by a rise in trade receivables generated by the Indirect channel, as a result of the partnership stipulated with Finiper during the year.

Cash flow generated (absorbed) by investment activities

(Amounts in thousands of Euros)	Year ended 28 February 2019	28 February 2018
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(29,386)	(33,617)
Purchases of intangible assets	(2,761)	(9,270)
Collections from the sale of plant, equipment and other assets	-	1
Investments for business combinations and business units	(5,587)	(14,485)
Net cash inflow from acquisition		233
Cash flow generated/(absorbed) by investing activities	**(37,734)**	**(57,138)**

Investment activities absorbed liquidity of Euro 37,784 thousand and Euro 57,138 thousand, respectively, in the years ended 28 February 2019 and 28 February 2018.

With reference to the year ended 28 February 2019, the Company's main requirements involved:

- Investments in companies and business units of Euro 5,587 thousand relate to the share of the purchase price paid for the business unit of DPS Group S.r.l. for Euro 3,400 thousand and the business unit of Galimberti S.p.A. for Euro 2,187 thousand.

- investments in plant, machinery and equipment of Euro 26,386 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;

- investments in intangible assets for Euro 2,761 thousand relative to the costs incurred for the purchase of new hardware, software, licences, also in view of the necessary regulatory adjustments in respect of privacy, telematic fees and electronic invoicing, and start-up of existing applications with a view to the digitalisation of stores and the development of advanced functions for online platforms with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

Cash flow generated/(absorbed) by financing activities

(Amounts in thousands of Euros)	Year ended 28 February 2019	28 February 2018
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	(4,700)	16,529
Increase/(Decrease) in other financial liabilities	3,196	154
Distribution of dividends	(20,000)	(20,000)
Net cash and cash equivalents generated by financing activities	**(21,504)**	**(3,317)**

Financing absorbed liquidity of Euro 21,504 thousand in the year ended 28 February 2019 and Euro 3,317 thousand for the year ended 28 February 2018.

The cash flow from financing activities as at 28 February 2019 mainly reflects:

- a decrease in financial liabilities of Euro 4,700 thousand mainly due to the use of the hot money line for Euro 3,000 thousand and to the normal repayment of principal shares of the Loan for Euro 7,500 thousand.

- an increase in other financial liabilities of Euro 3,196 thousand mainly due to the increase in 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 Long Term Incentive Plan were referred to the same Shareholders' Meeting for specific definition by the Unieuro Board of Directors. On 29 June 2017, the Board of Directors approved the plan regulations for the plan (following the "Regulations") whereby the terms and conditions of implementation of Long Term Incentive Plan were determined.
The Recipients subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date of approval of the regulations by the Board of Directors.
The Regulations also provide for the terms and conditions described below:

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of 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 Long Term Incentive Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

- *Object:* the object of the Plan is to grant the Recipients option rights that are not transferable by act inter vivos for the purchase or subscription against payment of ordinary shares in 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, 2018- 2025.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method. The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the provisions of IFRS 2, the probability of the Recipients leaving the plan, which ranges from 5% to 15% and the probability of achieving the performance targets 100%, were taken into account.
In determining the fair value at the allocation date of the share-based payment, the following data was used:

Fair value at grant date	€7.126
Price of options at grant date	€16.29
Exercise price	€11.00
Anticipated volatility	32%
Duration of the option	5.5 years
Expected dividends	Expected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	Number of options 28 February 2019
Existing at the start of the financial year	831,255-
Exercised during the financial year	-
Granted during the financial year	-
Contribution from merger	-
Withdrawn during the financial year (bad leaver)	-
Existing at the end of the financial year	**831,255**

Not allocated at the beginning of the financial year	28,960
Exercisable at the end of the financial year	-
Not granted at the end of the financial year	**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 assets acquired and liabilities assumed are reflected in the financial statements from the date Unieuro acquired control, namely from 23 August 2018.

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

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

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

(Amounts in thousands of Euros)	**28 February 2019**
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. Significant variations to what already accounted are not expected.

Acquisition of the Galimberti S.p.A. business unit

Following participation in the competitive procedure launched by the Court of Milan, on 10 October 2018, Unieuro was awarded the contract for a business unit of Galimberti S.p.A., in an arrangement with creditors. The business unit is 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).

The acquisition, concluded on 30 October 2018, guarantees Unieuro efficient, capillary cover of north-east Italy.

The price for the sale of the company is Euro 2,489 thousand of which Euro 500 thousand paid by way of deposit.

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

(Amounts in thousands of Euros)	**Acquired assets (liabilities)**	**Identifiable assets (liabilities)**	**Recognised assets (liabilities)**
Plant, machinery, equipment and other assets and intangible assets with finite useful life	134	0	134
Other current assets/liabilities	(223)	0	(223)
Employee benefits	(79)	0	(79)

Total net identifiable assets	**(168)**	**0**	**(168)**

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

(Amounts in thousands of Euros)	**28 February 2019**
Transaction consideration	(2,489)
Assumption of debt of personnel	302
Transaction consideration excluding assumption of personnel debt	**(2,187)**
% Acquired	100%
Acquired Assets (liabilities)	(168)
Fair Value adjustment of acquired assets (liabilities)	**0**
Excess Price to be Allocated	**(2,355)**
Key Money	**473**
Retail	*473*
Residual goodwill	**1,882**
Retail	*1,882*

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. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money at Euro 473 thousand.

The residual goodwill measured during the business combination of Euro 1,882 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. Significant variations to what already accounted are not expected.

6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Board of directors**	**Main managers**	**total**	**Total balance sheet item**	**Impact on balance sheet item**
At 28 February 2019							
Other current liabilities	-	(96)	(233)	(278)	**(607)**	**189,103**	**(0.3%)**
Other non-current liabilities	-	-		(1,440)	**(1,440)**	**1,466**	**(98.2%)**
total	-	**(96)**	**(233)**	**(1,718)**	**(2,047)**		

(Amounts 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**
At 28 February 2018						
Other current liabilities	(75)	(190)	(365)	**(630)**	**(163,381)**	**0.4%**
Other non-current liabilities	-	-	(487)	**(487)**	**(718)**	**67.8%**
total	**(75)**	**(190)**	**(852)**	**(1,117)**		

The following table summarises the economic relations of the Group to related parties as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	Economic relations with related parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Board of directors**	**Main managers**	**total**	**Total balance sheet item**	**Impact on balance sheet item**
At February 2019							
Purchases of materials and external services	(262)	(97)	(690)	-	**(1,049)**	**(1,923,930)**	**0.1%**
Personnel costs	-	-	-	(5,105)	**(5,105)**	**(169,878)**	**3.0%**
total	**(262)**	**(97)**	**(690)**	**(5,105)**	**(6,154)**		

(Amounts in thousands of Euros)	Economic relations with related parties as at 28 February 2018

Type	Statutory Auditors	Rhône Capital II L.P.	Board of directors	Main managers	total	Total balance sheet item	Impact on balance sheet item
At February 2018							
Purchases of materials and external services	(87)	(151)	(571)	-	**(809)**	**(1,7145,540)**	**0.0%**
Personnel costs	-	-	-	(4,608)	**(4,608)**	**(156,296)**	**2.9%**
total	**(87)**	**(151)**	**(571)**	**(4,608)**	**(5,417)**		

For the periods concerned, related-party receivable/payable and income statement positions were mainly for:

- 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;

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

Main managers	
Year ended 28 February 2019	**Year 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 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	Related parties									
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**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 2017 to 28 February 2018										

Net cash flow from (used in) operating activities	-	4,221	50	(41)	(231)	(798)	(3,428)	**(227)**	**85,203**	**-0.3%**
Cash flow generated/(absorbed) by financing activities	-	(9,598)	-	-	-	-	-	**(9,598)**	**(3,317)**	**289.4%**
total	**-**	**(5,377)**	**50**	**(41)**	**(231)**	**(798)**	**(3,428)**			
Period from 1 March 2018 to 28 February 2019										
Net cash flow from (used in) operating activities	(262)	-	-	(76)	-	(647)	(2,815)	(4,062)	82,312	-4.9%
Cash flow generated/(absorbed) by financing activities	-	(6,760)	-	-	-	-	-	**(6,760)**	**(21,504)**	**31.4%**
total	(262)	**(6,760)**	**-**	**(76)**	**-**	**(647)**	**(2,815)**			

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

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Guarantees and sureties in favour of:		
Parties and third-party companies	47,383	32,072
Total	**47,383**	**32,072**

Operating lease assets

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

As at 28 February 2019, the amount of rental fees due for operating lease agreements is given below:

(Amounts in thousands of Euros)	**Period ended 28 February 2019**			
	Within the financial year	**Between 1 and 5 years**	**More than 5 years**	**total**
Rental fees due for operating lease agreements	37,747	54,279	6,499	98,525

As at 28 February 2018, the amount of rental fees due for operating lease agreements is given below:

(Amounts in thousands of Euros)	**Period ended 28 February 2018**			
	Within the financial year	**Between 1 and 5 years**	**More than 5 years**	**total**
Rental fees due for operating lease agreements	52,219	35,919	289	88,427

The rent still due to operating lease agreements reported an increase of Euro 10,098 thousand in the year ended 28 February 2019 compared with the year ended 28 February 2018, mainly due to the combined effect of: (i) taking over the rental agreements of the sales outlets acquired, (ii) new openings of sales outlets during the year and (iii) renegotiation with some landlords of the main contractual conditions.

Disclosure on transparency obligations in the system of public grants (Italian Law no. 124/2017, Art. 1 paragraphs 125-129)

As required by legislation regulating transparency in public grants introduced by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 as subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), reference is made to the National Register of State Aid. Please note that the Group benefited from general measures open to all businesses coming under the general structure of the definitive reference system by the State, such as, merely by way of example, benefits relative to super and hyper amortisation. In the year ended on 28 February 2019, the Group did not receive additional grants, contributions and economic advantages of any type from the public administrations and equivalents, from companies controlled by public administrations and from jointly publicly held companies.

Payments to the independent auditors

Payments to the independent auditors and its network for legally-required audits and other services as at 28 February 2019 are highlighted below:

Type of service	**Entity providing the service**	**Prices (in thousands of euros)**
Audit	KPMG S.p.A.	639
Certification services	KPMG S.p.A.	18
Other services	KPMG S.p.A.	230
Other services	KPMG Advisory S.p.A.	47
	Total	**934**

Subsequent events

No events occurred after the reference date of the separate financial statements that require adjustments to the values reported in the financial statements.

Completion of the Pistone transaction
On 1 March 2019, Unieuro completed purchase of 100% of the share capital of Carini Retail S.r.l., the company formerly owned by Pistone S.p.A. and holder of a business unit comprising 12 sales outlets in Sicily.
The integration began immediately and entailed the progressive adoption of the Unieuro brand by the new sales outlets, completion of which was celebrated by a high-impact local communication campaign.
The price agreed for the purchase of the investment in the newco is Euro 17.4 million and is regulated in three tranches: Euro 6 million at closing, Euro 6 million 12 months later and Euro 5.4 million after a further 12 months.
Differently to the transactions carried out to date, Unieuro also separately acquired the goods inventories of Pistone S.p.A. This made it possible to speed up the reopening of the stores under the Unieuro brands, thereby guaranteeing continuity of service to customers and minimising the extraordinary costs linked with the days of forced closure.
Parallel to the integration of the former Expert stores, Unieuro also started using the logistics platform offered by Pistone S.p.A., again in Carini, which has become the secondary hub of the chain directly servicing the central platform of Piacenza.
Unieuro will thus significantly improve the service offered to Sicilian customers and develop cost synergies in restocking direct and indirect sales outlets in Sicily and Calabria, as well as making home deliveries to web customers.

Opening of 5 Additional Unieuro by Iper
On 14 March 2019, 5 new shop-in-shops were opened in as many hypermarkets of Iper, la Grande i. The number of sales outlets under the Unieuro by Iper brand thus reached 19 units.

Unieuro's app enhanced thanks to "augmented reality"
With the goal of developing a more and more personalized customer journey, Unieuro announced at the end of April a new and innovative feature in its App: augmented reality, that will give the possibility to simulate the real presence of large household appliances and TV in a specific environment, in order to easily chose the best solutions for the environment itself.

Market leadership
On 15 March, the Board of Directors examined some of the preliminary results of the year ended on 28 February 2019. In light of the revenues standing at 2.1 billion euros, for the first time ever, Unieuro is a market leader, no longer just in terms of number of sales outlets and profitability, but also business volumes. And this leadership position is set to increase even further in the current year, with the consolidation of the former Pistone stores, the start-up of

the Unieuro shops-in-shops by Iper and the incremental contribution of purchases and new openings completed in the last twelve months.

Appendix 1

Statement of Financial Position as at 28/02/2019 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(Amounts in thousands of Euros)	Year ended					
	28 February 2019	**Of which with Related-Parties**	**Weight %**	**28 February 2018**	**Of which with Related-Parties**	**Weight %**
Plant, machinery, equipment and other assets	84,942			74,831		
Goodwill	177,965			174,843		
Intangible assets with a definite useful life	28,312			25,034		
Deferred tax assets	35,179			30,105		
Other non-current assets	2,493			2,371		
Total non-current assets	**328,891**	**-**	**0.0%**	**307,184**	**-**	**0.0%**
Inventories	362,342			313,528		
Trade receivables	41,288			39,572		
Current tax assets	2,118			3,147		
Other current assets	19,773			16,157		
Cash and cash equivalents	84,488			61,414		
Assets held for sale	-			-		
Total current assets	**510,009**	**-**	**0.0%**	**433,818**	**-**	**0.0%**
Total Assets	**838,900**	**-**	**0.0%**	**741,002**	**-**	**0.0%**
Share capital	4,000			4,000		
Reserves	29,558			105,996		
Profit/(loss) carried forward	57,319	(5,892)	(10.3%)	(32,780)	(5,417)	16.5%
Profit/(Loss) of third parties	-			-		
Total shareholders' equity	**90,877**	**(5,892)**	**(6.5%)**	**77,216**	**(5,417)**	**(7.0%)**
Financial liabilities	31,112			40,518		
Employee benefits	10,994			11,179		
Other financial liabilities	12,771			12,195		
Provisions	7,718			5,696		
Deferred tax liabilities	3,712			2,448		
Other non-current liabilities	1,466	1,440	98.2%	718	487	67.8%
Total non-current liabilities	**67,773**	**1,440**	**2.1%**	**72,754**	**487**	**0.7%**
Financial liabilities	12,455			6,961		
Other financial liabilities	7,683			6,256		
Trade payables	468,458			411,450		
Current tax liabilities	1,204			-		
Provisions	1,348			2,984		
Other current liabilities	189,102	607	0.3%	163,381	630	0.4%
Total current liabilities	**680,250**	**607**	**0.1%**	**591,032**	**630**	**0.1%**
Total liabilities and shareholders' equity	**838,900**	**(3,845)**	**(0.5%)**	**741,002**	**(4,300)**	**(0.6%)**

Appendix 2

Income Statement as at 28/02/2019 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(Amounts in thousands of Euros)	**28 February 2019**	**Of which with Related-Parties**	**Weight %**	**28 February 2018**	**Of which with Related-Parties**	**Weight %**
Revenue	2,104,519			1,873,792		
Other income	4,343			6,395		0.0%
TOTAL REVENUE AND INCOME	**2,108,862**	**-**	**0.0%**	**1,880,187**	**0**	**0.0%**
Purchases of materials and external services	(1,923,930)	(1,049)	0.0%	(1,715,540)	(809)	0.0%
Personnel costs	(169,878)	(5,105)	3.0%	(156,296)	(4,608)	2.9%
Changes in inventory	48,593			41,193		
Other operating costs and expenses	(6,445)			(8,531)		
GROSS OPERATING PROFIT	**57,202**	**(6,154)**	**(10.8%)**	**41,013**	**(5,417)**	**(13.2%)**
Amortization, depreciation and impairment losses	(27,568)			(21,728)		
OPERATING PROFIT	**29,634**	**(6,154)**	**(20.8%)**	**19,285**	**(5,417)**	**(28.1%)**
Financial income	1,588			303		
Financial expenses	(4,252)			(7,933)		0.0%
PROFIT BEFORE TAX	**26,970**	**(6,154)**	**(22.8%)**	**11,655**	**(5,417)**	**(46.5%)**
Income taxes	1,925			(697)		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,895**	**(6,154)**	**(21.3%)**	**10,958**	**(5,417)**	**(49.4%)**

Appendix 3

Cash Flow Statement as at 28/02/2019 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(Amounts in thousands of Euros)	Year ended					
	28 February 2019	**Of which with Related-Parties**	**Weight %**	**28 February 2018**	**Of which with Related-Parties**	**Weight %**
Cash flow from operations						
Profit (loss) for the year	28,895	(6,154)	(21.3%)	10,958	(5,417)	(49.4%)
Adjustments for:	-			-		
Income taxes	(1,925)			697		
Net financial expenses (income)	2,664			7,630		
Depreciation, amortisation and write-downs	27,568			21,728		
Other changes	1,325	1,424	107.5%	1,386	952	68.7%
	58,527	**(4,730)**	**(8.1%)**	**42,399**	**(4,465)**	**(10.5%)**
Changes in:						
- Inventories	(48,814)			(41,193)		
- Trade receivables	(1,716)	-	0.0%	18,940	244	1.3%
- Trade payables	50,964	-	0.0%	52,669	(15)	(0.0%)
- Other changes in operating assets and liabilities	27,332	930	3.4%	21,213	4,009	18.9%
Cash flow generated /(used) by operating activities	27,766	(3,800)	(13.7%)	51,629	(227)	(0.4%)
Taxes paid	(741)			-		
Interest paid	(3,240)			(8,825)		
Net cash flow from (used in) operating activities	**82,312**	**(3,800)**	**(4.7%)**	**85,203**	**(227)**	**(0.3%)**
Cash flow from investment activities						
Purchases of plant, equipment and other assets	(29,386)			(33,617)		
Purchases of intangible assets	(2,761)			(9,270)		
Collections from the sale of plant, equipment and other assets	-			1		
Investments for business combinations and business units	(5,587)			(14,485)		
Cash flow generated/(absorbed) by investing activities	**(37,734)**	**-**	**0.0%**	**(57,371)**	**-**	**0.0%**
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	(4,700)			16,529		
Increase/(Decrease) in other financial liabilities	3,196			154		
Distribution of dividends	(20,000)	(6,760)	34%	(20,000)	(9,598)	48%
Cash flow generated/(absorbed) by financing activities	**(21,504)**	**(6,760)**	**31.4%**	**(3,317)**	**(9,598)**	**289.4%**
Net increase/(decrease) in cash and cash equivalents	**23,074**	**(10,560)**	**(45.5%)**	**24,515**	**(9,825)**	**(40.1%)**
OPENING CASH AND CASH EQUIVALENTS	61,414			**36,666**		
Net increase/(decrease) in cash and cash equivalents	23,074			**24,748**		
CLOSING CASH AND CASH EQUIVALENTS	84,488			**61,414**		

Appendix 4

Income Statement as at 28/02/2019 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(Amounts in thousands of Euros)	**28 February 2019**	**Of which non-recurring**	**Weight %**	**28 February 2018**	**Of which non-recurring**	**Weight %**
Revenue	2,104,519			1,873,792		
Other income	4,343	1,809	41.7%	6,395	929	14.5%
TOTAL REVENUE AND INCOME	**2,108,862**	**1,809**	0.1%	**1,880,187**	**929**	0.0%
Purchases of materials and external services	(1,923,930)	(6,901)	0.4%	(1,715,540)	(14,338)	0.8%
Personnel costs	(169,878)	(3,155)	1.9%	(156,296)	(5,902)	3.8%
Changes in inventory	48,593			41,193		0.0
Other operating costs and expenses	(6,445)	(189)	2.9%	(8,531)	(614)	
GROSS OPERATING PROFIT	**57,202**	**(8,436)**	**(14.7%)**	**41,013**	**(19,925)**	**(48.6%)**
Amortization, depreciation and impairment losses	(27,568)	(320)	1.2%	(21,728)		
OPERATING PROFIT	**29,634**	**(8,756)**	**(29.5%)**	**19,285**	**(19,925)**	**(103.3%)**
Financial income	1,588			303		
Financial expenses	(4,252)	1,500	-35.3%	(7,933)	(3,128)	
PROFIT BEFORE TAX	**26,970**	**(7,256)**	**(26.9%)**	**11,655**	**(23,053)**	**(197.8%)**
Income taxes	1,925			(697)		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,895**	**(7,256)**	**(25.1%)**	**10,958**	**(23,053)**	**(210.4%)**

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 28 FEBRUARY 2019, IN ACCORDANCE WITH ART. 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

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 implementation of the administrative and accounting procedures for the preparation of the consolidated financial statements of the Unieuro Group in financial year 2019.

It is also certified that the FY 2019 consolidated financial statements 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 Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

8 May 2019

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

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Unieuro S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Unieuro Group (the "group"), which comprise the statement of financial position as at 28 February 2019, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Unieuro Group as at 28 February 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Unieuro S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 28 February 2019 include goodwill of €178.0 million. The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 29 February 2020 to 29 February 2024 business plan, which was originally approved by the parent's board of directors on 12 December 2016 and subsequently updated by it on 17 April 2018 and 8 May 2019 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding and analysing the process adopted to prepare the impairment tests approved by the parent's board of directors on 8 May 2019; — understanding and analysing the process used to draft the plan; — analysing the reasonableness of the main assumptions used by the directors to determine the recoverable amount of goodwill, including the plan's operating cash flows. Our analyses included comparing the main assumptions used to the group's historical data and external information, where available; — analysing the valuation models adopted by the directors for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Premiums and contributions from suppliers

Notes to the consolidated financial statements: note 2.6 - Use of estimates and judgements in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
The group has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on	Our audit procedures included: — understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the group's management;

the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers. For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.	— assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — obtaining audit evidence supporting the check of the existence and accuracy of premiums and contributions from suppliers, including through external confirmations; — checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation; — checking the mathematical accuracy of premiums and contributions from suppliers; — analysing the reasonableness of the assumptions in the estimate through discussions with the relevant internal departments, comparison with historical figures and our knowledge of the group and its operating environment; — assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.

Measurement of inventories

Notes to the consolidated financial statements: note 2.5 - Use of estimates and judgements in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies; note 5.6 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 28 February 2019 include inventories of €362.3 million, net of the allowance for inventory write-down of €9.8 million. Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the group's business segment; — the sales' seasonality, with peaks in November and December; — the decreasing price curve due to technological obsolescence of products;	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — checking the accuracy of the inventory calculation algorithm; — checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments; — checking the mathematical accuracy of the allowance for inventory write-down;

— the high number of product codes handled. For the above reasons, we believe that the measurement of inventories is a key audit matter.	— analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments and analysis of age bands and write-down rates applied; comparing the assumptions with historical figures and our knowledge of the group and its operating environment; — comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 28 February 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 28 February 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 28 February 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Unieuro S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Bologna, 21 May 2019

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Unieuro S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2019 consolidated non-financial statement of the Unieuro Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 8 May 2019 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Unieuro S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards"- "core" option, issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the entity's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
    - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
    - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;

- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

   Furthermore, with respect to significant information, considering the group's business and characteristics:

   - at parent and the subsidiary Monclick S.r.l. level:

     a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,

     b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 consolidated non-financial statement of the Unieuro Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Bologna, 21 May 2019

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

ANNUAL FINANCIAL STATEMENTS OF UNIEURO S.p.A.

STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[78]
Plant, machinery, equipment and other assets	5.1	84,851	74,714
Goodwill	5.2	170,767	167,645
Intangible assets with a definite useful life	5.3	22,534	18,421
Deferred tax assets	5.4	35,179	30,105
Other non-current assets	5.5	15,045	13,095
Total non-current assets		**328,376**	**303,980**
Inventories	5.6	362,133	313,188
Trade receivables	5.7	41,643	40,366
Current tax assets	5.8	2,093	2,887
Other current assets	5.5	18,315	14,421
Cash and cash equivalents	5.9	77,412	60,209
Total current assets		**501,596**	**431,071**
Total assets		**829,972**	**735,051**
Share capital	5.10	4,000	4,000
Reserves	5.10	29,535	105,957
Profit/(loss) carried forward	5.10	54,156	(35,217)
Total shareholders' equity		**87,691**	**74,740**
Financial liabilities	5.11	31,112	40,518
Employee benefits	5.12	10,660	10,586
Other financial liabilities	5.13	12,771	12,195
Provisions	5.14	7,718	5,696
Deferred tax liabilities	5.4	2,112	630
Other non-current liabilities	5.15	1,466	718
Total non-current liabilities		**65,839**	**70,343**
Financial liabilities	5.11	12,455	6,961
Other financial liabilities	5.13	7,683	7,473
Trade payables	5.16	463,984	410,086
Current tax liabilities	5.8	1,204	-
Provisions	5.14	1,341	2,976
Other current liabilities	5.15	189,775	162,472
Total current liabilities		**676,442**	**589,968**
Total liabilities and shareholders' equity		**829,972**	**735,051**

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

[78] 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.

INCOME STATEMENT

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[79]
Revenue	5.17	2,079,148	1,835,518
Other income	5.18	4,593	5,377
TOTAL REVENUE AND INCOME		**2,083,741**	**1,840,895**
Purchases of materials and external services	5.19	(1,898,409)	(1,677,217)
Personnel costs	5.20	(167,785)	(154,464)
Changes in inventory	5.6	48,724	43,637
Other operating costs and expenses	5.21	(6,325)	(8,502)
GROSS OPERATING PROFIT		**59,946**	**44,349**
Amortisation, depreciation and impairment losses	5.22	(29,876)	(27,346)
OPERATING PROFIT		**30,070**	**17,003**
Financial income	5.23	1,587	299
Financial expenses	5.23	(4,549)	(7,920)
PROFIT BEFORE TAX		**27,108**	**9,382**
Income taxes	5.24	1,061	(861)
PROFIT/(LOSS) FOR THE YEAR		**28,169**	**8,521**
Basic earnings per share (in Euros) [(1)]	5.25	1.44	0.55
Diluted earnings per share) [(1)]	5.25	1.44	0.55

[(1)]The Base Result and diluted per share was computed with reference to the Profit/(Loss) of the consolidated year.
The notes are an integral part of these annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[79]
PROFIT/(LOSS) FOR THE CONSOLIDATED YEAR		**28,169**	**8,521**
Other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated year:			
Gain (losses) on cash flow hedges	5.13	(171)	(250)
Income taxes		47	59
Total other components of comprehensive income that are or could be restated under profit/(loss) for the year	5.10	**(124)**	**(191)**
Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the consolidated year:			
Actuarial gains (losses) on defined benefit plans	5.12	(634)	64
Income taxes		177	(18)
Total other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:	5.10	**(457)**	**46**
Total statement of comprehensive income for the year		**27,588**	**8,376**

[79] Unieuro 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 notes are an integral part of these annual financial statements.

CASH FLOW STATEMENT

(Amounts in thousands of Euros)	Notes	Year ended 28 February 2019	28 February 2018[79]
Cash flow from operations			
Profit (Loss) for the Year	5.10	28,169	8,521
Adjustments for:			
Income taxes	5.24	(1,061)	861
Net financial expenses (income)	5.23	2,962	7,621
Depreciation, amortisation and write-downs	5.22	29,876	27,346
Other changes		1,325	1,386
		61,271	45,735
Changes in:			
- Inventories	5.6	(48,945)	(43,637)
- Trade receivables	5.7	(1,277)	(5,163)
- Trade payables	5.16	47,854	81,033
- Other changes in operating assets and liabilities	5.5-5.14-5.15	23,029	20,860
Cash flow generated /(used) by operating activities		20,661	53,093
Taxes paid	5.24	(741)	-
Interest paid	5.23	(3,538)	(8,816)
Net cash flow from (used in) operating activities	**5.26**	**77,653**	**90,012**
Cash flow from investment activities			
Purchases of plant, equipment and other assets[80]	5.1	(29,382)	(33,615)
Purchases of intangible assets	5.3	(2,760)	(9,270)
Collections from the sale of plant, equipment and other assets	5.1		1
Investments in equity investments	5.5	-	(9,283)
Investments for business combinations and business units	5.5	(5,587)	(10,985)
Cash flow generated/(absorbed) by investing activities	**5.26**	**(37,729)**	**(63,152)**
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.11	(4,700)	16,529
Increase/(Decrease) in other financial liabilities	5.13	1,979	154
Distribution of dividends	5.10	(20,000)	(20,000)
Cash flow generated/(absorbed) by financing activities	**5.26**	**(22,721)**	**(3,317)**
Net increase/(decrease) in cash and cash equivalents		**17,203**	**23,543**
OPENING CASH AND CASH EQUIVALENTS		**60,209**	**36,666**
Net increase/(decrease) in cash and cash equivalents		**17,203**	**23,543**
CLOSING CASH AND CASH EQUIVALENTS		**77,412**	**60,209**

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

STATEMENT OF CHANGES IN EQUITY

[80] The items “Purchases of plant, equipment and other assets” and “Purchases of intangible assets”, for the purpose of better representation include the portion paid of net investments during the period.

(Amounts in thousands of Euros)	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity
Balance as at 28 February 2017	**5.10**	**4,000**	**800**	**55,223**	**0**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**
Profit (Loss) for the Year		-	-	-	-	-	-	-	8,521	8,521
Other components of comprehensive income		-	-	-	(191)	46	-		-	(145)
Total statement of comprehensive income for the year		**-**	**-**	**-**	**(191)**	**46**	**-**	**-**	**8,521**	**8,376**
Allocation of prior year result		-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	(8,413)	-	-	-	-	(11,587)	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	(5,586)	-	6,971	1,385
Total transactions with shareholders		**-**	**-**	**(8,413)**	**-**	**-**	**(5,586)**	**-**	**(4,616)**	**(18,615)**
Balance as at 28 February 2018	**5.10**	**4,000**	**800**	**46,810**	**(191)**	**(813)**	**1,352**	**57,999**	**(35,217)**	**74,740**
Effect of the change in the accounting standard (IFRS 15)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,038**	**4,038**
Adjusted balance at 1 March 2018	**5.10**	**4,000**	**800**	**46,810**	**(191)**	**(813)**	**1,352**	**57,999**	**(31,179)**	**78,778**
Profit (Loss) for the Year		-	-	-	-	-	-	-	28,169	28,169
Other components of comprehensive income		-	-	-	(124)	(457)	-		-	(581)
Total statement of comprehensive income for the year		**-**	**-**	**-**	**(124)**	**(457)**	**-**	**-**	**28,169**	**27,588**
Allocation of prior year result		-	-	-	-	-	-	-	(8,521)	(8,521)
Covering retained losses and negative reserves		-	-	(46,810)	-	-	-	(11,055)	66,386	8,521
Distribution of dividends		-	-	-	-	-	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	2,024	-	(699)	1,325
Total transactions with shareholders		**-**	**-**	**(46,810)**	**-**	**-**	**2,024**	**(31,055)**	**57,166**	**(18,675)**
Balance as at 28 February 2019	**5.10**	**4,000**	**800**	**0**	**(315)**	**(1,270)**	**3,376**	**26,944**	**54,156**	**87,691**

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

NOTES

1. INTRODUCTION

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

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

On 09 June 2017 On 23 February 2017, Unieuro completed a contract for the purchase of 100% of the share capital of Monclick S.r.l. (hereinafter also referred to as "**Monclick**"). The price agreed by the parties was Euro 10,000 thousand. Through its acquisition of Monclick, Unieuro intends to strengthen its position in the online sales sector (exploiting Monclick's competitive position) and to launch and develop, as the leading specialist operator, the marketing of electronic consumer goods in the B2B2C channel.

On 01 March 2019, Unieuro completed a contract for the purchase of 100% of the share capital of Carini Retail S.r.l. (hereinafter also referred to as "**Carini Retail**"). The price agreed by the parties was Euro 17,400 thousand. Through this acquisition, Unieuro announced its launch in Sicily, a region numbering five million inhabitants, up until that point poorly covered. The transaction took place through the acquisition of 100% of the share capital of a newly-established company owning 12 sales outlets in Sicily, belonging to Pistone S.p.A., one of the most important shareholders of the Expert buying group operating in Italy, with registered office in Carini (Palermo).

On the basis of information available as at the date of the Annual Financial Report, Unieuro's major shareholders, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l.[81] (accounting for the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [81] (Dixons Carphone plc) with 7.2%. Some shareholders that can be traced to the Silvestrini family[82] hold 5.1%, the asset management company Amundi Asset Management[84] has 5% of the capital of Unieuro and, finally, some top managers of Unieuro[82] jointly hold 1.8%.

Please note that 28 November 2018 marked an end to the Shareholder Agreement regarding Unieuro S.p.A., as stipulated on 10 December 2016, as subsequently amended, by and between Italian Electronics Holdings S.à.r.l., Alfa S.r.l., Alexander S.r.l., Victor S.r.l, GNM Investimenti S.r.l., Giufra S.r.l., Gami S.r.l., MT Invest S.r.l. and Theta S.r.l., with reference to the shares held in the Company's share capital. On 09 January 2019, the agreeing shareholders agreed to confirm some of the provisions of said shareholder agreement through the stipulation of a new shareholder agreement, which ended on 31 January 2019.

As at the date of the Annual Financial Report, Italian Electronics Holding S. à r.l., in light of the current shareholding structure it is therefore the relative majority shareholder.

[81] Source: Consob, relevant shareholders Unieuro S.p.A.
[82] Source: re-processing of the results of the register of shareholders as at 12 June 2018

CRITERIA ADOPTED FOR PREPARATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND SUMMARY OF THE ACCOUNTING PRINCIPLES

Below are the preparation criteria, the main accounting principles and valuation criteria adopted for the drafting of the financial statements for the year of Unieuro S.p.A. (the "Annual Financial Statements"). These principles and criteria were applied consistently to all the years presented within this document, considering that specified under note 2.6.1 "Changes to accounting standards".

2.1 Basis of preparation of the financial statements

The financial statements for the year comprised the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes thereto for the years ended 28 February 2019 and 28 February 2018.

2.2 Preparation criteria

The separate financial statements were drafted on a going concern basis, since the directors verified that there were no indicators of a financial, operating or other nature of any critical areas regarding the company's ability to honour its obligations in the foreseeable future and in particular the next 12 months.
The financial statements were drafted on the basis of the historical cost criteria, except for the derivative financial instruments which were measured at their fair value.
Please see the Report on Operations for information regarding the nature of the company's operations and significant events after the balance sheet date.
The major shareholders of the Company as at 28 February 2019 disclosed in Introduction..

The annual financial statements are presented in Euro, which is the Company's functional currency. The amounts are expressed in thousands of Euros, except as specifically indicated. The rounding is done at the individual account level and then totalled. It is hereby specified that any differences found in any tables are due to rounding of amounts which are expressed in thousands of Euro.
The separate financial statements as at 28 February 2019, approved by the Company's Board of Directors on 08 May 2019 and submitted for the audit, will be presented for the approval of the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The financial statements for the year were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union. The year during which the company first adopted the International Accounting standards (IAS/IFRS) was the year ended 28 February 2007.
Furthermore, the annual financial statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular, it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the income, balance sheet and cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

2.4 Financial statement schedules

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

a) **Balance sheet and income statement:** the company's equity and income is shown by distinctly presenting current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability items of the amounts that are expected to be settled or recovered within or later than 12 months from the balance sheet date.

b) **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 comprehensive income:** this item includes the profit/(loss) for the year as well as the income and expenses recognized directly in equity for transactions other than those with shareholders.

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

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

The annual financial statements are shown in comparative form.

2.5 The use of estimates and valuations in the preparation of the financial statements

Preparation of the Financial statement under IFRS requires management to make estimates and assumptions that affect the carrying amount of assets and liabilities and the disclosures about contingent assets and liabilities at the reporting date. The estimates are used to recognise the provision for bad debts, inventory obsolescence, assets referring to the capitalisation of costs for obtaining the contract, the liability fro the contract for the sale of guarantee extension services, measure amortization and depreciation, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.
Management regularly revises the estimates and assumptions and the effects of any changes are presented in the income statement.
Following is a summary of the critical valuation processes and the key assumptions used by the company in applying the IFRS, which can have significant effects on the values recognised in the financial statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

Recoverable amount

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The company regularly monitors the carrying amounts of non-current assets held and used or that will be sold, whenever events or circumstances warrant such checks. The company tests goodwill for impairment at least once a year and whenever events or circumstances indicate a possible impairment loss. The company regularly monitors the recoverability of non-current assets' carrying amounts by estimating the cash flows expected from the use or sale of the asset and discounting them to calculate the asset's present value. When a non-current asset has undergone impairment, the company recognises an impairment loss equal to the difference between the asset's carrying amount and its recoverable amount through use or sale, calculated using the cash flows included in the most recent business plans.
The estimates and assumptions used as part of this analysis, in particular in performing the impairment tests on equity investments and acquisitions, reflect the status of the company's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

Recoverability of deferred tax assets

The Company recognises deferred tax assets up to the value which it considers to be probable that it will recover. When necessary, it recognises adjustments to reduce the deferred tax assets' carrying amount to their recoverable amount. The company considers the budget results and forecasts for future years in line with the budgets used for impairment tests, described earlier for the recoverable amount of non-current assets, to determine the recoverable amounts of deferred tax assets.

Bad debt provision

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

Obsolescence Provision

The inventory bad debt provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Company. It also considers specific actions introduced by the company in order to align the carrying amount of inventory to the lower of its cost and estimated realisable value.

Assets from the contract relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that Unieuro offers to its customers. This service is sold directly at the sales outlets through the recognition of an additional amount over and above the product sold. Sales staff are recognised an incentive for each additional sale made of extended warranty services.
When warranty services are sold, Unieuro records an asset equal to the vale of the premiums paid to employees and then recognises this asset as a cost throughout the time that the service is being provided. The release of this asset as a cost is determined by the estimated interventions for repairs under warranty, consistently with the reversal of the liability form the contract relative to the sale of the extended warranty service.

Trade payables

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

Liabilities from the contract relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that Unieuro offers to its customers. This service is offered by Unieuro and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.
The warranty extension compared to the legal requirement can be in timing (more years covered) and/or the risks covered (e.g., product damage) depending on the product category sold.
When the warranty service is sold, Unieuro recognises a liability equal to the sales value of said service and then reclassifies it to revenue over the service term. This reclassification of said liability as a revenue is calculated considering the estimated number of repair work interventions during the warranty period. These are estimated using historical information on the nature, frequency and cost of the work provided under warranty spread out over time to simulate the future occurrence of these events.

Defined benefit plans and other post-employment benefits

The company has set up a defined benefit plan (post-employment benefits) for its employees.
It applies an actuarial method to calculate the cost and net interest expense of the benefit plans involving the use of estimates and assumptions to determine its net obligation. The method includes financial variables, such as, the discount rate and future increases in salaries, as well as the probability that future events may occur using demographic variables (employee turnover and mortality). Specifically, the discount rates applied are the rates or yield curves of high quality corporate bonds in the reference markets. Changes in each factor could affect the amount of the liability.

Provisions

The company recognises a provision for disputes and legal proceedings whenever it deems it probable that it will have to disburse funds or when it can reasonably estimate the related expense. If it is unable to estimate the cash disbursement or if such disbursement becomes probable, the company does not set up a provision but simply discloses the event in the notes.
During the normal course of business, the company monitors the status of pending disputes and consults its legal and tax advisors. The amount of the related provisions may vary over time due to future developments in these pending disputes.

Equity-settled share-based payment plans

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

Hedging derivatives

The fair value of derivatives is estimated using the prices on regulated markets or provided by financial counterparts. In their absence, management estimates fair value using valuation models that consider subjective variables, such as, for example, estimated cash flows and price volatility.

2.6 Accounting principles

The accounting criteria and standards adopted for the preparation of these Annual Financial Statements were the same as those applied in preparing the Unieuro annual financial statements for the year ended 28 February 2018 apart from the new standards and/or supplements adopted described in Note 2.6.1. Changes to the accounting standards listed below.

2.6.1 Changes to the accounting standards

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.

Unieuro 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.

Unieuro sales are mainly made to the end consumer, who pays the price of sale upon collecting the product, i.e. at the time the entity fulfils its obligation. Sales made to the Indirect channel and B2B channel are recorded at the time of the transfer of control of goods and services at an amount that reflects the sum it expects to receive in exchange for these products or services. For more details, please refer to Note 2.6.2 Key accounting standards

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.

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

The table below summarises the effects of the application of IFRS 15 on the individual items involved in the statement of financial position as at 28 February 2019 and the statement of profit/(loss) and other components of Unieuro's comprehensive income at 28 February 2019.

Effects on the statement of financial position

(Amounts in thousands of Euros)	**Notes**	**28 February 2019 As reported**	**Adjustments**	**Reclassifications**	**28 February 2019 Balances without considering the effect of the application of IFRS 15**
Plant, machinery, equipment and other assets		84,851	-	-	84,851
Goodwill		170,767	-	-	170,767
Intangible assets with a definite useful life		22,534	-	-	22,534
Deferred tax assets		35,179	-	-	35,179
Other non-current assets		15,045	-	-	15,045
Total non-current assets		**328,376**	**-**	**-**	**328,376**
Inventories	3	362,133	-	(322)	361,811

Trade receivables		41,643	-	-	41,643
Current tax assets	1-2	2,093	169	-	2,262
Other current assets	1	18,315	(5,958)	-	12,357
Cash and cash equivalents		77,412	-	-	77,412
Total current assets		**501,596**	**(5,789)**	**(322)**	**495,485**
Total assets		**829,972**	**(5,789)**	**(322)**	**823,861**
Share capital		4,000	-	-	4,000
Reserves		29,535	-	-	29,535
Profit/(loss) carried forward	1-2	54,156	(4,889)	-	49,267
Total shareholders' equity		**87,691**	**(4,889)**	**-**	**82,802**
Financial liabilities		31,112	-	-	31,112
Employee benefits		10,660	-	-	10,660
Other financial liabilities		12,771	-	-	12,771
Provisions		7,718	-	-	7,718
Deferred tax liabilities	1	2,112	(1,126)	-	986
Other non-current liabilities		1,466	-	-	1,466
Total non-current liabilities		**65,839**	**(1,126)**	**-**	**64,713**
Financial liabilities		12,455	-	-	12,455
Other financial liabilities		7,683	-	-	7,683
Trade payables		463,984	-	-	463,984
Current tax liabilities		1,024	-	-	1,204
Provisions	3	1,341	-	61	1,402
Other current liabilities	2-3	189,775	226	(383)	189,618
Total current liabilities		**676,442**	**226**	**(322)**	**676,346**
Total liabilities and shareholders' equity		**829,972**	**(5,789)**	**(322)**	**823,861**

Effects on the income statement

(Amounts in thousands of Euros)	**Notes**	**28 February 2019 As reported**	**Adjustments**	**Reclassifications**	**28 February 2019 Balances without considering the effect of the application of IFRS 15**
Revenue	1-2-3-4	2,079,148	19	(3,280)	2,075,887
Other income	4	4,593	--	310	4,903
TOTAL REVENUE AND INCOME		**2,083,741**	**19**	**(2,970)**	**2,080,790**
Purchases of materials and external services	5	(1,898,409)	--	3,071	(1,895,338)
Personnel costs	1	(167,785)	644	--	(167,141)
Changes in inventory	3	48,724	--	(101)	48,623
Other operating costs and expenses		(6,325)	--	--	(6,325)
GROSS OPERATING PROFIT		**59,946**	**663**	**--**	**60,609**
Amortisation, depreciation and impairment losses		(29,876)	--	--	(29,876)
OPERATING PROFIT		**30,070**	**663**	**--**	**30,733**
Financial income		1,587	--	--	1,587
Financial expenses		(4,549)	--	--	(4,549)
PROFIT BEFORE TAX		**27,108**	**663**	**--**	**27,771**
Income taxes	1-2	1,061	188	--	1,249
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**28,169**	**851**	**--**	**29,020**

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, Unieuro modified the accounting of initial costs incurred for the conclusion of contracts for the sale of extended warranty services. The adoption of the standard had an impact on the timing of the recognition of certain costs with the initial costs incurred for procuring the contract which can qualified as contract costs represented by the bonuses paid to employees for each additional sale made. These costs have been deferred consistently with the revenues for the sale of extended warranty services.

2. *Rights not exercised by the customer*

As envisaged by the new standard IFRS 15, when Unieuro receives an early payment made by a customer 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 method has had no significant impact on that carried out by Unieuro during previous years.

3. *Sales with the right of return*

Previously, Unieuro reported a liability for the margin related to returns expected from the sale of products with counterparties in a dedicated returns provision. In compliance with IFRS 15, Unieuro now 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 market value of expected returns as a liability for future repayments and with a counter-entry of 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, and in order to ensure a better representation, Unieuro has 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 charge-back 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, Unieuro began applying IFRS 9 starting 01 March 2018. Based on the analyses conducted, the adoption of new accounting standard IFRS 9 Financial Instruments, has not led to significant impacts in the financial statements ended 28 February 2019. In particular the new provisions of IFRS 9: (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the (i) modify the classification and valuation model for financial assets; (ii) introduce a new method for writing down financial assets that takes into account expected losses (the expected credit losses); and (iii) amend the provisions regarding hedge accounting.

2.6.2 Key accounting standards

Business combinations and goodwill

Business combinations are recognised using the acquisition method. As at the date the control is acquired, this requires recognition of their value of identifiable assets (including intangible fixed assets which had previously not been recognized) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.
The contingent consideration is also recognized at its acquisition-date fair value. Fair value gains and losses of the contingent consideration classified as assets or liabilities are recognized in profit or loss as required by IAS 39. If the contingent consideration is recognized in equity, its initial fair value is never redetermined.
Goodwill arising from a business combination is initially recognized at cost, being the difference between the consideration's fair value and the company's share of net fair value of the acquiree's identifiable assets, liabilities assumed and contingent liabilities. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Company or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Company have been assigned to these units or groups of units. Each unit or group of units to which the goodwill is allocated should:

- - represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and

- - not be larger than the identified operating segments.

When an entity disposes of an operation within a CGU or group of units to which goodwill has been allocated, the goodwill associated with that operation should be included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of in those circumstances is measured based on the relative values of the activity disposed of and the portion of the units retained.
Any profits from the purchase of a company at favourable prices are immediately recognised in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognised as expenses in the profit/(loss) of the year in which they are incurred.
After initial recognition, goodwill is not amortised and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Transactions under common control are recognized at their carrying amount, i.e., without recognising a gain, pursuant to the IFRS and the guidance of OPI 1 (Assirevi's preliminary considerations about the IFRS) about the accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements. According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. If the transfer values are higher than these historical carrying amounts, the difference is eliminated by adjusting the acquirer's equity downwards.

Fair value hierarchy

Several standards and disclosure requirements entail the calculation of the fair value of financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, the standard has established a three-level hierarchy reflecting the importance of the inputs used to calculate fair value. The levels are:

- - Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and in the case of multiple active markets, the most advantageous market for the asset or liability is identified;

- - Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following: quoted prices in markets that are not active or interest rates and yield curves observable at commonly quoted intervals; and

- - Level 3: unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that Levels 1 and 2 inputs are not available. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date, reflecting the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Plant, machinery, equipment and other assets (property, plant and equipment)

Recognition and measurement

Property, plant and equipment are measured at acquisition cost including any directly attributable costs less any accumulated depreciation and any accumulated impairment losses.
Any financial expenses incurred for the acquisition or construction of capitalised assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalised and amortised throughout the life of the asset class they refer to. All other financial expenses are recognised in the income statements during the year they refer to.
If a tangible fixed asset is composed of various components with differing useful lives, these components are recognised separately (if they are significant components).
The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual value of the asset, and it is recognised in the income statement during the year in which the elimination takes place.

Subsequent expenditures

The costs incurred subsequently to the purges of the assets and the replacement cost of certain parts of the
assets recognised in this category are added to the book value of the element they refer to and they are capitalised only if they increase the future economic benefits of the asset itself. All other costs are recognised in the income statement once incurred.
When the replacement cost of certain parts of the asset is capitalised, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalised and amortised on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognised in the income statement in the year in which they are incurred.

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

Assets under finance lease

Other assets, plant and machinery held under finance leases, where the company has substantially assumed all the risks and rewards incidental to ownership, are recognized at the lease inception date as property, plant and equipment at their fair value or, if lower, the present value of the minimum lease payments. They are depreciated over their estimated useful lives and their carrying amounts are adjusted for impairment calculated using the methods set out below. The liability to the lessor is recognized under "Other financial liabilities".

Amortization

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognized. Any changes to the amortization plan are applied prospectively.
The depreciable amount is the asset's carrying amount less its estimated net sales value at the end of its useful life, if material and reasonably determinable.
Depreciation rates are calculated considering each asset's estimated useful life and the internal utilization plans that consider the asset's technological and physical wear and tear and their estimated realisable value net of scrapping costs. When the asset comprises more than one material component with different useful lives, depreciation is calculated separately for each component. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. If the conditions for the impairment loss no longer exist in the future, the impairment loss is reversed back to the carrying amount the asset would have had (net of depreciation) had the impairment loss never been recognized.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

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

Intangible assets with a definite useful life

Initial recognition and measurement

Separately acquired intangible assets are initially recognized at cost while intangible assets acquired in a business combination are recognized at the acquisition-date fair value. After initial recognition the intangible fixed assets are recognised at cost, net of amortization and any accumulated impairment.
Key Money paid for store openings is considered as a cost related to a real estate lease and is generally regarded as an asset with a finite useful life determined by the underlying contract period. These are initially capitalised at cost and after initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditures

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

Amortization

Intangible assets are amortized over their useful lives and are tested for impairment whenever there is an indication of a possible impairment loss. The amortization period and method are reviewed at each annual reporting date or more frequently if necessary. Any changes to the amortization plan are applied prospectively.

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

It is recognized in profit or loss when the asset is derecognized. Amortization is calculated on a straight-line basis over the asset's estimated useful life using the following rates:

Category	**% used**
Software	20%
Entry rights	Based on the duration of the lease starting from the date that the shop opens
Key Money	Based on the duration of the lease starting from the date that the shop opens
Brands	5-10%

Financial assets

Unieuro determines the classification of its financial assets on the basis of the business model adopted for their management and the characteristics of the related cash flows and, where adequate and permitted, revises this classification at the end of each year.

a) Financial assets measured at amortised cost
This category includes financial assets for which the following requirements are met:

(iii) the asset is held as part of a business model the aim of which is to hold the asset with a view to collecting on the related contractual cash flows; and

(iv) the contractual terms of the asset envisage cash flows represented purely by payments of principal and interest on the amount of principal to be repaid.

These are mainly trade receivables, loans and other receivables.

Trade receivables with no significant financial component are recognised at the price defined for the related transaction (determined in accordance with the provisions of standard IFRS 15 Revenue from Contracts with Customers).
Other receivables and loans are initially recognised on the financial statements at fair value, increased by any accessory costs directly attributed to the transactions that generated them.

An assigned receivable is eliminated if the assignment provides for the total transfer of the connected risks and benefits (contractual rights to receive the flows from a financial asset). The difference between the book value of an assigned asset and the consideration received is recognised amongst financial items of income.

At subsequent measurement, the financial assets at amortised cost, with the exception of receivables with no significant financial component, are discounted using the effective interest rate. The effects of this measurement are recognised amongst the financial items of income.

With reference to the impairment model, Unieuro measures receivables adopting an expected loss logic.
For trade receivables, Unieuro takes a simplified approach to measurement, which does not require the recording of periodic changes to the credit risk, as much as it does the booking of an expected credit loss (an "ECL"), calculated over the lifetime of the receivable (the "lifetime ECL"); more specifically, trade receivables are entirely written-down where there is no reasonable expectation to recover such (e.g. situations of bankruptcy).

The impairment applied in accordance with IFRS 9 is booked to the Consolidated Income Statement net of any positive effects linked to releases or write-backs and is stated amongst operating costs.

b) Financial assets measured at fair value through other comprehensive income ("FVOCI")
This category includes financial assets for which the following requirements are met:

(iii) the asset is held under the scope of a business model the aim of which is both to collect on contractual cash flows and to sell the asset;
(iv) the contractual terms of the asset envisage cash flows represented purely by payments of principal and interest on the amount of principal to be repaid.

These assets are initially recognised on the financial statements at fair value, increased by any accessory costs directly attributed to the transactions that generated them. At subsequent measuring, the measurement applied at the time of booking is updated and any changes in fair value are recognised on the statement of comprehensive income.

With reference to the impairment model, please refer to the description detailed in point a) above.

c) Financial assets measured at fair value through profit and loss ("FVPL")
This category includes financial assets that are not classified elsewhere in previous categories (i.e. residual category). They are mainly derivatives.

Assets of this category are booked at fair value initially.
Accessory costs incurred when booking the asset are immediately allocated to the income statement.

At subsequent measurement, FVPL financial assets are measured at fair value.

Profit and loss deriving from changes in fair value are booked to the consolidated income statement during the period in which they are recorded.
Purchases and sales of financial assets are booked on the settlement date.
Financial assets are removed from the financial statements when the related contractual rights expire or when Unieuro transfers all risks and benefits of the ownership of the financial asset.

Equity investments in subsidiary companies

Equity investments in subsidiary companies (not classified as held for sale) are classified under the item “other non-current assets” and they are recorded at cost, adjusted for losses in value.
The positive differences that emerge during the acquisition of equity investments between the price and the corresponding shares of shareholders' equity are maintained in the carrying amount of the actual equity investments. The purchase or sale values of equity investments, business units or corporate assets under joint control are reported in line with the historical carrying amounts of the cost without recording capital gains or capital losses.
If there are indications that the equity investments may have suffered a reduction in value, they are subjected to impairments tests and written down if necessary. For the impairment loss to be debited to the income statement there must be objective evidence that events have occurred which have an impact on the future estimated cash flows of the actual equity investments. Any losses exceeding the carrying amount of the equity investments that may emerge in the presence of legal or implicit obligations for hedging the losses of the investee companies are recorded under provision for risks and charges. The original value is restored in subsequent years if the reasons for the impairment no longer exist.
The related dividends are recorded under financial income from equity investments at the time the right to obtaining them is established, which usually coincides with the shareholders' meeting resolution.

Inventories

Inventories are measured at the lower of the cost and net realizable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. It includes in particular the purchase price and other costs which are directly attributable to the purchase of goods. Trade discounts, returns and other similar items are deducted in determining the costs of purchase. The method used to allocate cost is the weighted average cost method.
The value of the obsolete and slow moving inventories is written down in relation to the possibility of use or realization, through Inventory bad debt provision.

Cash and cash equivalents

Cash and cash equivalents include cash-on-hand and term and short-term deposits, the latter with an original maturity of less than three months. For statement of cash flows purposes, cash and cash equivalents comprise the above less bank overdrafts.

Financial liabilities

Financial liabilities are initially recognized at the fair value of the consideration received net of directly related transaction costs. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Discounting using the effective interest method is recognized under financial expense in profit or loss.

If there is a change in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.
Leasing payables are initially booked at the fair value of the instrumental assets contracted or, if less, at the current value of the minimum payments due.

Employee benefits

Post-employment benefits can be provided in the form of defined contribution plans and/or defined benefit plans. They are based on the employees' remuneration and length of service.

Defined contribution plans are post-employment benefit plans where the company and sometimes its employees pay fixed contributions into a separate entity (a fund) and have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. They may be unfunded, or they may be wholly or partly funded by contributions by the company, and sometimes its employees, into an entity, or fund, that is legally separate from the company and from which the employee benefits are paid.
The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

The adjustments to the liabilities regarding employee benefits are determined on the basis of actuarial assumptions, which are based on demographic and financial assumptions and recognised on an accrual basis concurrently with the employment services required in order to obtain the benefit. The amount of the rights accrued during the year by the employees and the portion of the interests on the accrued amount at the beginning of the period and the corresponding movements referring to the same period observed is allocated to the income statement under the item "Personnel expenses" while the financial expense arising from the actuarial calculation is recognised in the comprehensive statement of income under the item "Profit (loss) from restatement of defined benefit plans".
The company engaged an external actuary to perform the actuarial valuation.
Following the amendments made to Italian post-employment benefits (TFR) by Law no. 296 of 27 December 2006 and subsequent decrees and regulations (the "Pension reform") issued in early 2007:

- - the benefits vested up to December 31, 2006 are considered to be a defined benefit plan under IAS 19. Benefits provided to employees in the form of TFR which are granted upon termination of the employment relationship are recognised in the vesting period;
- TFR which accrues subsequently to 1 January 2007 is considered to be a defined contribution plan and therefore the contributions accrued during the period are recognised as a cost in their entirety and the portion which has not yet been paid is recognised as a liability under "Other current liabilities".

Provisions

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company believes that allocation to the provision will be partially or fully refunded, for example in the case of risks covered by insurance policies, the indemnification is recognised distinctly and separately in assets if, and only if, it is practically certain. In this case, the cost of the eventual allocation is shown in the income statement net of the amount recognised for the indemnification. When the effect of the time value of money is significant, the company discounts the non-current part of the provision.

Onerous contracts provision

The company recognises a provision for onerous contracts when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of terminating the contract, which is the lower of the cost of performing the obligations under the contract and any damages or penalties arising from failure to perform the obligations under such contract. Prior to recognizing the provision, the company recognises any impairment of the assets associated with the contract.

Provision for DOS restorations

When a lease agreement includes a clause requiring the restoration of a building, the company recognises a provision for DOS restorations. The carrying amount of its obligation includes the estimated restoration costs up until when the building is returned to the lessor.

Restructuring provision

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

Trade payables

Trade payables are recognized at their nominal amount, net of discounts, returns or invoicing adjustments, which is equal to the fair value of the company's obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The company tests property, plant and equipment and intangible assets for impairment. When there is an indication of impairment, it estimates the asset's recoverable amount.
The standard does not require formal preparation of an estimate of the recoverable amount except when there is an indication of impairment. The only exceptions are intangible assets not yet available for use and goodwill acquired in a business combination which are tested for impairment annually and whenever there is an indication of impairment. Management performs the impairment test for all those assets that require annual testing at the reporting date.
In assessing whether there is any indication that an asset may be impaired, the company considers the following indications:

- \- market interest rates or other market rates of return on investment have increased during the period, and those increases are likely to affect the discount rate used and decrease the asset's recoverable amount;

- - significant changes have taken place in the technological or market environment in which the company operates;

- - the asset's physical obsolescence is unrelated to the depreciation or amortization charged in a certain period of time;

- - any extraordinary plans introduced during the reporting period that could impact the assets (e.g., a restructuring plan); and

- - interim operating losses.

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

As described in IAS 36, the recoverable value of an asset is the higher of the value in use and the fair value (net of costs to sell) of the asset itself. Furthermore, in the definition provided in the international accounting standard, the instructions are the same whether they refer to a single asset or to cash flow generating units.
In order to best understand the guidance of IAS 36, some key definitions are set out below:
Value in use: this is the present value of the future cash flows expected to be derived from an asset or cash generating unit. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets do not include the effects of extraordinary activities (restructurings, sales and acquisitions) and cover a maximum period of five years.
Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. The company uses valuation models to determine fair value based on quoted shares, multiple models and other available indicators.
Cash-generating unit (CGU): the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A group of assets is the smallest identifiable group able to generate incoming cash flows;
Book value: the book value is the value of assets net of depreciation, write-downs and write backs.

It is not always necessary to determine both an asset's fair value and its value in use. If either of these amounts exceeds the asset's carrying amount, it is not necessary to estimate the other amount. It may not be possible to determine fair value of an asset or a cash-generating unit because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an orderly transaction between market operators. In this case, the company may use the asset's value in use as its recoverable amount.
Once all the values useful to measure the asset or the cash-generating unit have been identified and determined, the company compares its carrying amount with its recoverable amount. If the carrying amount is higher than the recoverable amount, the company reduces the asset's carrying amount to its recoverable amount and the reduction is an impairment loss.

On each balance sheet closing date the company will furthermore measure, in regard to all the assets other than goodwill, eventual existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. An impairment loss recognized in prior periods can be reversed if, and only if, there has been a change

in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.
The write-back cannot exceed the book value that would have existed, net of depreciation and amortization, if no impairment loss had been recognised in previous years. This write back is recognised in the income statement.

Derivative financial instruments and hedge accounting

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

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

The Company uses the derivative financial instruments to cover their exposure to interest rate and currency risk.
The derivatives are initially measured at fair value; the transaction costs attributable to them are recognised in the income statement at the time that they are incurred. After initial recognition, the derivatives are measured at fair value. The relative changes are recognised as described below.
Cash flow hedges
The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.
Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

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

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

Share-based payment

Key management personnel and some managers may receive part of their remuneration in the form of share based payments. Under IFRS 2, they qualify as equity-settled share-based payment transactions. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the fair value of the share-based payment at the grant date is recognized as a cost in profit or loss with a balancing entry in the relevant equity reserve. Changes in the current value after the grant date do not have an effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Derecognition of financial assets and liabilities

The company derecognises a financial asset (or, where applicable, part of a similar financial asset) when:

- the rights to receive cash flows from the asset have expired;

- • the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients promptly.

The company removes a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Revenue

Revenue from contracts with customers is booked in accordance with standard IFRS 15. On the basis of the five-phase model introduced by IFRS 15, Unieuro books revenues after having identified contracts with its customers and the related provisions to be made (transfer of goods and/or services), determined the price to which it believes it is entitled in exchange for the completion of each provision, as well as assessed the method by which said provisions can be made (fulfilment at a given time versus fulfilment over time).

Revenues are booked when the performance obligations are met through the transfer of goods or services promised to the customer, when the Group is likely to receive the economic benefits arising from them and the relative amount may be determined reliably, regardless of the collection. The price of the transaction, which represents the amount of the price that the entity expects to receive in exchange for the supply of goods or services to customers, is allocated on the basis of the stand-alone selling prices of the related performance obligations.
Revenues are measured not including discounts, reductions, bonuses or other taxes on sales.
The following specific revenue identification criteria must be met in order to recognise revenue:

Sale of goods

The revenue is recognised when control of the asset is transferred to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the Indirect and B2B channel. Moreover, bill and hold sales, in which delivery is delayed at the buyer's request, are also recognized as revenue when the buyer takes title and accepts billing. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way, the revenue from the sale is recorded when the good is purchased by the consumer, even if installation is required; indeed, the revenue is recognised immediately upon acceptance of delivery by the purchaser when the installation procedure is very simple (for example installation of a device that requires only unpacking, and connection to an electrical outlet).
Unieuro has a customer loyalty program which is based on points, the Unieuro Club, with which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. When they reach a specified minimum number of points, these can be used as a discount on the purchase of another product. The duration of the programme coincides with the

fiscal year. Unieuro records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty programme and the historical information regarding the percentage of loyalty point usage by customers.

Right of return
In order to book the transfer of products with right of return, Unieuro notes the following:
a) adjustment of sales revenues by the amount of the price of the product for which return is envisaged;
b) records a liability for future reimbursements and
c) records an asset (and the corresponding adjustment of the cost of the sales) for the right to recover products from the customer upon extinguishing of the liability for future reimbursements.

Rendering of services

Revenues and costs deriving from the provisions of services (revenues realised over time) are recorded according to the measurement of progress made by the entity towards the complete fulfilment of the obligation over time. . More specifically, the transfer over time is measured on the basis of the input method, i.e. considering the efforts or input used by the Group to fulfil the individual performance obligation.
For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, Unieuro recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. These are estimated using historical information on the nature, frequency and cost of the work provided under warranty spread out over time to simulate the future occurrence of these events.

Unieuro incurs costs for the acquisition of the contract spanning several years.
These costs, typically represented by the premiums recognised to employees for each additional sale made and which will be recovered by means of revenues deriving from the contract, were capitalised as contract costs and amortised on the basis of the measurement of the entity's progress in transferring the goods and services transferred to the customer over time.

Commissions

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

Revenues from operating leases as lessor

Revenue from operating leases is recognized on a systematic basis over the lease term and is classified under "Other income", given its operating nature.

Costs

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

The cost to acquire goods is recognized when the company assumes all the risks and rewards of ownership of the good, measured at fair value of the consideration due net of any returns, rebates, trade discounts and premiums.

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

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

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

Interest income and expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Taxes

Current taxes

Income taxes are determined using a realistic estimate of the tax expense to be paid on an accruals basis and considering the ruling tax legislation. The tax rates and tax laws applied to calculate the income taxes are those enacted or substantially enacted by the end of the reporting period. Current taxes on off-income statement items are recognized directly in the statement of comprehensive income, and hence, in equity, consistently with the item to which they refer.
It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company" which is Monclick S.r.l. The option makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation. The economic relations, responsibilities and reciprocal obligations between the "Consolidating Company" and the "Consolidated Company" have been set out in detail in a specific contract that establishes the operating procedures for management of the tax positions between the various companies that belong to the Domestic Tax Consolidation.

Deferred taxes liabilities

Deferred taxes are calculated using the liability method applied to temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.
The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The company remeasures deferred tax assets at the end of every reporting period and decreases them to reflect the amount that will no longer be recovered through sufficient taxable profits available in the future. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.
Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. The estimate has considered the provisions of law 208 of 28 December 2015 the "2016 Stability Law 2016" were taken into account. It required the Company to reduce the IRES rate from 27.5% to 24% with effect for tax periods after 28 February 2017.
The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

Effects of the changes in foreign currencies

The Financial statements are presented in Euro, which is the company's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. Cash assets and liabilities denominated in foreign currency are retranslated into the functional currency at the exchange rate in effect at the reporting date. All foreign exchange differences are recognised in the income statement. Non-monetary items in foreign currency carried at historical cost are converted using the transaction-date exchange rates. Non-monetary items recognized at fair value in foreign currency are converted using the exchange rate ruling on the date fair value was measured.

Earnings per share

Earnings per share - basic

Basic earnings per share are calculated by dividing the company's profit by the number of Unieuro shares at the date of approval of the Financial statements.

Earnings per share - diluted

Diluted earnings per share are calculated by dividing the company's profit by the number of Unieuro shares at the date of approval of the Financial statements. To this end, the shares are adjusted for the effects of all dilutive potential ordinary shares.

Segment Reporting

IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
Segment reporting has been prepared to comply with IFRS 8 - Operating segments, which requires the presentation of information in line with the methods adopted by the chief operating decision maker. Therefore, identification of the operating segments and the information presented is based on internal reports used by management to allocate resources to the segment and assess its performance.

2.7 New accounting standards

Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet of mandatory application and had not been adopted early by Unieuro as at 28 February 2019

Below are the new accounting standards or amendments to standards applicable for the years beginning after 1 January 2019, for which early application is allowed. Unieuro has decided not to adopt them early for preparation of these financial statements:

- IFRS 16 – Leases On 13 January 2016, the IASB issued "IFRS 16 – Leases". Unieuro, which will need to adopt IFRS 16 Leasing starting 01 March 2019, has estimated the effects, as reported below, deriving from the first time adoption of this standard on the financial statements. Please note that the final effects of the adoption of said standard as at 01 March 2019 may differ insofar as new measurement criteria may be changed from now until the presentation of Unieuro's first financial statements for the year including the date of first application.

  With the publication of the new accounting standards IFRS 16 "Leases", the IASB replaces the accounting rules envisaged by IAS 17 and the interpretations IFRIC 4 "*Determining whether an Arrangement contains a Lease"*, SIC-15 "*Operating Leases—Incentives"* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease"*.

  IFRS 16 introduces a single model for booking leasing on the financial statements of lessees, whereby the lessee records an asset that represents a right to use the underlying asset and a liability that reflects the obligation to make payment of lease charges. The transition to IFRS 16 has introduced some elements of professional judgement that entail the definition of certain accounting policies and the use of assumptions and estimates in connection with the lease term and the definition of the incremental borrowing rate.
  Exemptions are envisaged to the application of IFRS 16 for short-term leases and assets of modest value.
  Unieuro will reassess the classification of sub-leasing in which it is the lessor; on the basis of the information currently available, Unieuro expects to reclassify a sub-lease as a financial lease.

Unieuro's contracts coming under the scope of application of the standard mainly refer to the rental of stores, central offices, warehouses and vehicles.

The nature of the costs relating to said leases will change insofar as Unieuro will be amortising the assets for the right of use and financial expenses on the leasing liabilities. Previously, Unieuro booked the costs for operating leases on a straight line basis throughout the duration of the lease and noted the assets and liabilities only where there were temporary differences between when the lease charges were paid and the costs recorded. Additionally, Unieuro will cease recording provisions for operating leases considered as expenses, including the payment for the lease amongst leasing liabilities.
No significant impact is expected for Unieuro’s financial leases.

Unieuro intends to apply IFRS 16 from the date of first application (i.e. 01 March 2019), using the modified retroactive method and, therefore, without recalculating the comparative information.
The impacts as at 01 March 2019 show an increase in financial liabilities for an amount of approximately Euro 440 million, equal to the current value of the future charges expected by the lease term.

The adoption of IFRS 16 will not affect its capacity to respect the covenant envisaged in the loan contract described under not 5.11 Financial liabilities.

- 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 will come into force on 1 January 2019. Early application is permitted.

- 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 will come into force on 1 January 2019.

- On 12 October 2017 the IASB issued amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures.* The amendments are designed to clarify to which long-terms receivables from an associated company or joint venture which, in essence, are part of the net investment of the associated company or joint venture IFRS 9 applies.

- 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.
- On 12 October 2017, the IASB issued amendments to IFRS 9 - Prepayment Features with Negative Compensation. The amendments are aimed at allowing the measurement at amortised cost or fair value through other comprehensive income (OCI) of financial assets featuring an early termination option with negative compensation. The provisions of IFRS 9 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 Unieuro, 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 starting 01 March 2019. With reference to the new standards, based on some calculations, it is reasonable to assume that the effects for Unieuro arising from first time application of these new standards will not be significant.

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

- On 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.

- On 22 October 2018, the IASB published changes to IFRS 3 - Business Combinations. The amendment aims to help determine if a transaction is an acquisition of a business or group of businesses that does not meet the definition of business given in IFRS 3. The changes will apply to acquisitions made after 1 January 2020.
- On 31 October 2018, the IASB published changes to IAS 1 and IFRS 8 - Definition of Material. The amendment aims to clarify the definition of "material" so as to help companies decide whether or not information needs to be included on the financial statements. The changes will apply as from 1 January 2020.
- 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 come into effect starting 1 January 2021.

3 INFORMATION ON FINANCIAL RISKS

In terms of business risks, the main risks identified, monitored and, as specified below, actively managed by the Company are as follows:

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

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

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

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

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

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

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

3.1 Credit Risk

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Company to the risk of default, subjecting it to potential lawsuits. By way of introduction we note that the credit risk which the Company is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Indirect channel) and wholesale customers (B2B channel) which represent a total of 16.1% of the Company's revenues as at 28 February 2019, require the company to use strategies and instruments to reduce this risk. The Company has in place processes for credit monitoring that provide for obtaining bank guarantees to cover a significant amount of the turnover in existence with customers, analyse the reliability of customers, the attribution of a credit line, control of exposures through reporting with separate payment deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations, lease instalments paid early and advances paid for services which therefore carry a limited credit risk.
The financial assets are recognised net of write-downs calculated based on counterparty default risk. This is determined according to procedures that can involve both write-downs of individual positions, if they are individually significant, and for which there is an objective condition of total or partial non-collectability, or on collective write-downs based on historical and statistical data. Furthermore, the book value of the financial assets represents the Company’s maximum exposure to credit risk.

3.2 Liquidity Risk

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby minimizing the cost of financial management. This translates into procuring financial resources sufficient to maintain the company’s financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited by:

- cash flows from operations: optimal management of incoming cash flows from normal operations as compared to cash outflows;

- usage of short-term loans (*hot money*);

- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Company until maturity;

- usage of non-committed financial assets only for funding purposes;

- usage of medium/long-term loans able to maintain the Company’s ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

The liquidity risk consists of the possible difficulty of obtaining financial resources at an acceptable cost in order to conduct normal operating activities. The factors that influence liquidity risk refer both to resources that are generated or absorbed by current operations as well as to those that are generated or absorbed by investments and financing, the latter referring to repayment schedules or accessing short and long-term financial loans and the availability of funds in the financial market.

The financial structure in its entirety is constantly monitored by the Company to ensure coverage of its liquidity needs. Below is the Company's financial structure by deadline for the years and at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Balance as at 28 February 2019	Within 12M	Between 12M and 60M	Over 60M	total
Financial liabilities	43,567	12,455	31,112	-	43,567
Other financial liabilities	20,454	7,683	12,771	-	20,454
Total	**64,021**	**20,138**	**43,883**	**-**	**64,021**

(Amounts in thousands of Euros)	Balance as at 28 February 2018	Within 12M	Between 12M and 60M	Over 60M	total
Financial liabilities	47,479	6,961	40,518	-	47,479
Other financial liabilities	19,668	7,473	12,195	-	19,668
Total	**67,147**	**14,434**	**52,713**	**-**	**67,147**

3.3 Market Risk

3.3.1 Interest rate risk

The Company uses external financial resources in the form of debt and available liquidity from bank deposits. Changes in the market interest rate levels influence the cost and return of various forms of financing and usage, thereby affecting the level of the Company's financial income and expenses.

To address these risks, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps (IRS) in order to mitigate the potential effect of changes in the interest rates on the economic result, with economically acceptable terms and conditions.

The interest rate swaps in existence as at 28 February 2019 were stipulated following the conclusion of a loan contract with a pool of banks, led by Banca IMI S.p.A. On 12 February 2018, following the closing which took place on 9 January 2018, the date on which the loan agreement known as the *Senior Facilities Agreement* (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**	**28/02/2019**	**28/02/2018**	**28/02/2019**	**28/02/2018**
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	42,500	50,000	413	251

The interest rate swaps, which satisfy the requirements of IFRS 9, are recognised using the hedge accounting method. The amount recognised in equity under the cash flow hedge reserve is equal to Euro 313 thousand (negative) as at 28 February 2019 and Euro 191 thousand (negative) as at 28 February 2018.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 28 February 2019.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 BPS, would have resulted in an effect on financial expenses for 2018 as follows below.

(Amounts in thousands of Euros)	**- 50 bp**	**+ 50 bp**
At 28 February 2019	32	(201)

Note: the positive sign indicates a higher profit and an increase in equity; the negative sign indicates a lower profit and a decrease in equity.

We note that the sensitivity analysis arising from a hypothetical increase or decrease of 50 bp in market rates, takes into account the hedges established by the Company.

We note that for the purposes of this analysis, no hypothesis has been made relative to the effect of the amortized cost.

Effect of a change in the cash flow hedge- shareholders' equity reserve

The impact on the fair value of IRS derivatives arising from a hypothetical change in interest rates is summarized in the table below.

(Amounts in thousands of Euros)	**- 50 bp**	**+ 50 bp**
Sensitivity analysis as at 28 February 2019	(492)	497

3.3.2 Currency Risk

The company is exposed to currency risk, which is the risk connected to fluctuations in the exchange rate of two currencies, mainly due to importation of merchandise. This risk is considered irrelevant for the Company since the volume of the transactions in a foreign currency is not significant; in any case the Company covers the estimated exposure to currency rate fluctuations related to the main transactions anticipated in the short term concerning merchandise imports which require payment to suppliers in United States dollars, using forward contracts for United States dollars. At 28 February 2019, there are no forward instruments. 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 amortised cost criterion. Trade payables and receivables are measured at their book value, net of any provision for bad debts, as this is considered to be close to the current value.

The table below separates financial assets and liabilities by category as at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Period ended 28 February 2019**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**total**
Financial assets not designated at fair value				
Cash and cash equivalents	77,412	-	-	**77,412**
Trade receivables	41,643	-	-	**41,643**
Other assets	33,360	-	-	**33,360**
Financial assets designated at fair value				
Other assets		0		**0**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	43,567	**43,567**
Trade payables	-	-	463,984	**463,984**
Other liabilities	-	-	191,241	**191,241**
Other financial liabilities	-	-	20,041	**20,041**
Financial liabilities designated at fair value				
Other financial liabilities	-	413	-	**413**

(Amounts in thousands of Euros)	**Year ended 28 February 2018**

	Loans and receivables	Fair value of hedging instruments	Other liabilities	total
Financial assets not designated at fair value				
Cash and cash equivalents	60,209	-	-	**60,209**
Trade receivables	40,366	-	-	**40,366**
Other assets	27,460	-	-	**27,460**
Financial assets designated at fair value				
Other assets		56		**56**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	47,479	**47,479**
Trade payables	-	-	410,086	**410,086**
Other liabilities	-	-	163,150	**163,150**
Other financial liabilities	-	-	19,345	**19,345**
Financial liabilities designated at fair value				
Other financial liabilities	-	323	-	**323**

4 INFORMATION ON OPERATING SEGMENTS

Management has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. Management's view of the company as an omnichannel business means that the company has identified a single strategic business unit (SGBU). 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 are not considered significant by management when taking decisions.
The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

(in thousands of Euros and as a percentage of revenues)	**Year ended**	
	28 February 2019	**28 February 2018**[83]
Revenue	2,079,148	1,835,518
GROSS OPERATING PROFIT	**59,946**	**44,349**
% of revenues	*2.9%*	*2.4%*
Depreciation, amortisation and write-downs	(29,876)	(27,346)
OPERATING PROFIT	**30,070**	**17,003**
Financial income	1,587	299
Financial expenses	(4,549)	(7,920)
PROFIT BEFORE TAX	**27,108**	**9,382**
Income taxes	1,061	(861)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,169**	**8,521**

[83] Unieuro 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 impact of the gross Profit/(loss) on Revenues rose from 2.4% for the year ended 28 February 2018 to 2.9% for the year ended 28 February 2019, with the increase mainly due to the increase in sales volumes.
The table below contains a breakdown of revenue by product category and service offered:

(In millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2019	**%**	**28 February 2018[84]**	**%**	**2019 vs 2018**	**%**
Grey	981,590	47.2%	872,337	47.5%	109,253	12.5 %
White	545,468	26.2%	485,183	26.4%	60,285	12.4 %
Brown	358,559	17.2%	309,823	16.9%	48,736	15.7 %
Other products	109,528	5.3%	102,116	5.6%	7,412	7.3%
Services	84,003	4.0%	66,059	3.6%	17,944	27.2 %
Total revenues by category	**2,079,148**	**100.0 %**	**1,835,518**	**100.0 %**	243,630	13.3 %

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

(Amounts in thousands of Euros)	Period ended	
	28 February 2019	**28 February 2018[85]**
Abroad	3,954	7,540
Italy	2,075,194	1,827,978
Total	**2,079,148**	**1,835,518**

The revenues are attributed based on the invoicing in Italy/abroad.
Non-current assets in countries other than those in which the Company has branches are not recognised.

5 NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Amounts as at 28 February 2019			Amounts as at 28 February 2018		
	Historical cost	**Accumulated Amortisation and Depreciation**	**Net book value**	**Historical cost**	**Accumulated Amortisation and Depreciation**	**Net book value**

[84] 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.
[85] Unieuro 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.

Plant and machinery	136,184	(96,643)	39,541	122,078	(88,848)	33,230
Equipment	22,502	(15,122)	7,380	18,445	(14,269)	4,176
Other assets	175,011	(138,933)	36,078	164,523	(129,447)	35,076
Tangible assets under construction	1,852	-	1,852	2,232	-	2,232
Total plant, machinery, equipment and other assets	**335,549**	**(250,698)**	**84,851**	**307,278**	**(232,564)**	**74,714**

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2017 to 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Plant and machinery**	**Equipment**	**Other assets**	**Tangible assets under construction and payments on account**	**Total**
Balance as at 28 February 2017	**25,777**	**3,463**	**26,670**	**4,912**	**60,822**
Increases	13,905	1,365	15,857	1,774	32,901
Business unit acquisitions	685	--	1,242	--	1,927
Decreases	-	(5)	(10)	(4,454)	(4,469)
Amortisation, depreciation and write downs/(write backs)	(7,137)	(651)	(8,693)	-	(16,481)
Decreases in Amortisation, Depreciation Provision	-	4	10	-	14
Balance as at 28 February 2018	**33,230**	**4,176**	**35,076**	**2,232**	**74,714**
Increases	14,732	4,103	11,330	1,837	32,002
Business unit acquisitions	221	4	123	--	348
Decreases	(847)	(50)	(964)	(1,633)	(3,494)
Amortisation, depreciation and write downs/(write backs)	(8,642)	(903)	(10,277)	(584)	(20,406)
Decreases in Amortisation, Depreciation Provision	847	50	790	-	1,687
Balance as at 28 February 2019	**39,541**	**7,380**	**36,078**	**1,852**	**84,851**

In the year ended 28 February 2019, the Company made net investments net of Euro 30,543 thousand.

In particular, net investments were mainly: (i) interventions for restructuring of selected points of sale costing Euro 2,371 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets acquired from the Ex DPS Group S.r.l.and Galimberti S.p.A. business units for Euro 7,526 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing Euro 2,263 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing Euro 3,779 thousand; (v) investments in creating facilities dedicated to the display of specific products inside sales outlets and other investments regarding the purchase of RT servers and PCs in order to comply with the new regulations on privacy (GDPR) for a total of Euro 1,875 thousand; (vi) investments connected with the development of a new logistics hub in Piacenza for 5,628 thousand.

The new financial lease contracts come to Euro 6,753 thousand, of which (i) Euro 131 thousand for electronic machinery; (ii) Euro 1,963 thousand for furnishing; (iii) Euro 4,496 mainly relating to lifting equipment, surveillance/anti break-in systems and data transmission network for the new Piacenza warehouse; and (iv) Euro 163 thousand relative to electrical systems for existing sales outlets undergoing restructuring/relocation.

Note that the acquisition of the 7 sales outlets belonging to DPS Group S.r.l. and the 5 sales outlets belonging to the Galimberti S.p.A. business unit were configured as business combinations and therefore came under the 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 347 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.
The values and useful life are reflected in the financial statements from the date Unieuro acquired control. For further details, see note 5.28 “Business unit combinations”

The item "Amortization and write-downs (write backs)" of Euro 29,876 thousand includes Euro 20,406 thousand in amortisation, depreciation, write-downs and write-backs. Impairment mainly relates to stores for which rental expense contracts have been identified.

In the year ended 28 February 2018, the Company made investments net of decreases in the category "Assets under construction" of €30,374 thousand.

In particular, the investments were mainly: (i) interventions for restructuring of selected points of sale costing Euro 5,784 thousand through the restyling of the layouts and reduction or expansion of the sales surface area; (ii) investments for the opening and acquisition of new points of sale in new consumer areas considered to be strategic or in areas which were not sufficiently covered by the current portfolio of stores and refurbishing of the sales outlets from the Andreoli S.p.A. and Cerioni S.p.A. business units costing Euro 13,487 thousand; (iii) investments in relocating existing points of sale in consumer areas considered to be more strategic costing Euro 812 thousand; (iv) minor maintenance interventions of an extraordinary nature and renewal of the furniture in various points of sale costing Euro 6,943 thousand; (v) investments in a new data centre and other tangible infrastructures costing Euro 1,421 thousand and (vi) a contribution resulting from the acquisition of 21 sales outlets belonging to the Andreoli S.p.A. business unit and the acquisition of 19 sales outlets belonging to the Cerioni S.p.A. business unit costing Euro 1,927 thousand.

The new financial leases are equal to Euro 2,655 thousand and of these Euro 198 thousand referred to electronic machines and Euro 2,457 thousand to furniture and furnishings.

Note that the acquisition of the 21 sales outlets belonging to the Andreoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit were configured as business combinations and therefore came under the scope of IFRS 3. As required by the 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 1,927 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.
The values and useful life were reflected in the Financial Statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets.
The item "Amortization and write-downs (write backs)" of Euro 16,481 thousand includes Euro 15,498 thousand in depreciation and Euro 983 thousand of write-downs and write backs. The write-downs mainly refer to stores for which onerous leases were identified, while the write backs refer to

stores with a significant improvement in their economic results, so that the lease was no longer considered onerous, and therefore previously written down assets were written back.

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

5.2 Goodwill

The breakdown of the item "Goodwill" as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Goodwill	170,767	167,645
Total Goodwill	**170,767**	**167,645**

The change in the "Goodwill" item for the period from 28 February 2017 to 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Goodwill**
Balance as at 28 February 2017	**151,396**
Acquisitions	16,154
Increases	-
Write-downs	-
Balance as at 28 February 2018	**167,550**
Business unit acquisitions	95
Balance as at 28 February 2018 recalculated	**167,645**
Acquisitions	3,122
Increases	-
Write-downs	-
Balance as at 28 February 2019	**170,767**

The value of goodwill at 28 February 2019, equalling Euro 170,767 thousand, increased over the year ended 28 February 2018 by Euro 3,122 thousand. The increase refers (i) to the acquisition of the DPS business unit for Euro 1,240 thousand and (ii) to the acquisition of the Galimberti business unit for Euro 1,882 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 in goodwill as at 28 February 2018 of Euro 95 thousand.

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

Significant variations to what already accounted are not expected. For more details about the transactions, see note 5.28 "Business unit combinations".

Goodwill as at 28 February 2019 and 28 February 2018 can be broken down as follows:

(Amounts in thousands of Euros)	**Goodwill at 28 February 2019**	**Goodwill at 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 the acquisition of business units:		
Andreoli S.p.A.	10,500	10,500
Cerioni S.p.A.	5,749	5,749
Galimberti S.p.A.	1,882	-
DPS Group S.r.l.	1,240	-
Dixons Travel	194	194
Total Goodwill	**170,767**	**167,645**

5.2.1 Impairment test

Based on the provisions of international accounting standard IAS 36, the Company should carry out a check, at least once a year, to ensure the recoverability of the value of the goodwill through an impairment test, comparing the carrying amount of the Cash Generating Units ("CGU") to which the goodwill is allocated with the recoverable value. The value in use has consistently been adopted as the recoverable value in relation to market volatility and the difficulty of collecting information related to determining fair value.

The goodwill impairment test prepared by the Company for each CGU was approved by the Company's Board of Directors on 08 May 2019. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Company's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points, which do not enjoy decision-making autonomy.

The operating sector identified by the Company into which all the services and products supplied to the customer, converge coincides with the entire Company. The Company's corporate vision as a single omnichannel business ensures that the Company has identified a single Strategic Business Unit (SBU). Within the SBU the Company has identified three CGUs to which the goodwill was allocated. This approach is supported by the operating control model by the corporate management which considers the entire activity uniformly, disregarding the product lines or geographic locations whose division is not considered significant for the purpose of taking corporate decisions.

The Company identified three CGUs to which the goodwill was allocated:

- *Retail;*
- *Indirect;*
- *B2B.*

The three units benefit from shared resources, like administration, back office and logistics, but each of them features a different expected growth, with different risks and opportunities and with specific features which cannot be provided in the other CGUs.

The Retail CGU relates to all financial flows coming from the Retail, Online and Travel distribution channels. The Online and Travel channels are included in the Retail CGU because the website uses the sales points for the delivery of goods and also often for the supply of products to customers, while the Travel channel includes sales points located at the main public transport hubs.

The Indirect CGU, which was previously referred to as Wholesale, includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators.

The B2B CGU relates to the wholesale supply of products under the scope of the business-to-business channel.

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used.

As described previously, the Company opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

The source of the data on which the assumptions are made for determining the financial flows are the final balances and the business plans.

The Business Plan used for the impairment test referring to the financial year ending 28 February 2019 is based on the strategic lines of the plan approved by the Board of Directors on 12 December 2016, as subsequently updated, taking into account recent operating trends. Specifically, the stocktaking data referred to the years ending 28 February 2017, 28 February 2018 and 28 February 2019, have been taken into consideration, the budget for the period ending 29 February 2020 was elaborated and, as a result, the financial data until 29 February 2024 was updated. The impairment test was approved by the Board of Directors on 8 May 2019.

The reference market growth estimates included in the business plan used for the impairment test at 28 February 2019 are based, among other things, on external sources and on the analyses conducted by the Company with the support of a leading consulting firm. In this regard, note that based on the market sources used by the Company, the Italian market of traditional consumer electronics channels (i.e. excluding internet channels) was estimated as slightly down, while the Online channel is expected to grow.

In spite of the claims in the market sources the performance of traditional consumer electronics channels is estimated as slightly negative, with growth only forecast for the Online channel. The business plans use a positive growth rate for the impairment tests, higher and challenging compared with the reference market growth forecast. The Company actually registered record positive performances and its growth is not, in the opinion of the Company Directors, directly related to market trends. The Company therefore anticipates continuing to maintain positive performances in the future irrespective of the performance of the reference market. Specifically, the Company projects growth, in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

Also note that, in previous financial years the Company largely reached the targets which were approved during the preparation of the plans underlying the impairment test.
Taking the above into account, the main assumptions underlying the anticipated cash flow projections involve the:

(iv) **Retail CGU**: sales are taken as growing over the reference time frame;

(v) **Indirect CGU**: growing sales as a result of new partnership agreements stipulated and the development of the assets of existing affiliates;

(vi) **B2B CGU**: sales constant during the reference time frame.

The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;

- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;

- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11,99%.

The discount rate (or actualisation rate) applied is the rate which reflects the current evaluations of the market, the time value of money and the specific risks of the asset. For the purpose of calculating the discount rate there must be consistency between the parameters used and the reference market of the Company and consistency between the Company's operating activities and incoming flows. All the parameters used for calculating the actualisation rate should be used in the corporate context, so that it expresses "normal" conditions over a medium-/long-term time span.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.

- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside Indirect and/or business-to-business sales).
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context also taking into consideration the size of the Company compared with comparable businesses identified.
- Cost of debt capital i_d (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Company has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.
The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Company overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Company's three CGUs relating to the analyses of the impairment tests conducted with reference to 28 February 2019.

as at 28 February 2019	**WACC**	**g**	**Terminal Value (TV)**	**Recoverable Amount (RA)**	**% TV over RA**

(Amounts in millions of Euros)					
CGU Retail	11.99%	0.0%	154,2	308.0	50.0%
Indirect CGU	11.99%	0.0%	26.5	49.3	53.4%
CGU B2B	11.99%	0.0%	9.5	9.2	103.3%

The results of the impairment tests as at 28 February 2019 are given below:

as at 28 February 2019 *(Amounts in millions of Euros)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	€/mln	47.4	308.0	260.6
Indirect CGU	€/mln	(11.2)	49.3	60.5
CGU B2B	€/mln	(9.3)	9.2	18.6

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the B2B and Indirect CGUs as at 28 February 2019 was negative as a result of the negative net working capital allocated to the B2B and Indirect CGUs.
The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, such as the change in the percentage of EBITDA, WACC and the growth rate, vary.
The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2019, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 28 February 2019 *(Amounts in millions of Euros)*	**Terminal plan EBITDA**				
Sensitivity Difference RA vs CA	0	-5.00%	-10.00%	-15.00%	-20.00%
CGU Retail	260.6	240.0	219.5	198.9	178.4
Indirect CGU	60.5	58.1	55.7	53.2	50.9
CGU B2B	18.6	17.7	16.8	15.9	15.1

Below is the breakdown of the stress test which identifies the values for the following parameters: (i) EBITDA (gross operating profit, percentage change over the years of the plan and in the terminal value), (ii) g and (iii) WACC sensitized separately compared with the basic scenario, the differential between the recoverable value and the carrying amount is, all things being equal, zero.

Parameter / CGU	**Retail**	**Indirect**	**B2B**
% change in EBITDA (Plan and TV)	(62.2%)	(117.2%)	(102.4%)
g factor	n.a. (1)	n.a. (1)	n.a. (1)
WACC	79.6%	n.a. (1)	n.a. (1)

(2) For some of the parameters selected, taking into consideration the configuration of the cash flows on which the calculation of the recoverable amount and/or the value of the carrying amount was based, there is no reasonable value identified for the parameter for which the recalculated sum for the recoverable amount corresponds to the respective value of the carrying amount.

Lastly, the Company has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new directly operated stores over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2019 *(Amounts in millions of Euros)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
CGU Retail	€/mln	47.4	264.2	216.8

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Company.

5.3 Intangible assets with a finite useful life

The balance of the item "Intangible assets with a finite useful life" is given below, broken down by category as at 28 February 2019 and as at 28 February 2018:

(Amounts in thousands of Euros)	**Amounts as at 28 February 2019**			**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	51,979	(39,990)	11,989	46,112	(35,305)	10,807
Concessions, licences and brands	7,407	(6,619)	788	7,407	(6,176)	1,231
Key Money	8,130	(1,573)	6,557	5,710	(398)	5,312
Intangible fixed assets under construction	3,200		3,200	1,071		1,071
Total intangible assets with a finite useful life	**70,716**	**(48,182)**	**22,534**	**60,300**	**(41,879)**	**18,421**

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2017 to 28 February 2019 is given below:

(Amounts in thousands of Euros)	**Software**	**Concessions, licences and brands**	**Key Money**	**Intangible fixed assets under construction**	**total**
Balance as at 28 February 2017	**9,059**	**1,656**	**-**	**1,093**	**11,808**
Increases	5,513	1	3,320	1,071	9,905
Acquisitions	-	-	2,390	-	2,390
Decreases	-	-	-	(1,093)	(1,093)
Amortisation, depreciation and write downs/(write backs)	(3,765)	(426)	(398)	-	(4,589)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 28 February 2018	**10,807**	**1,231**	**5,312**	**1,071**	**18,421**

Increases	5,862	-		3,188	9,050
Acquisitions	-	-	2,420		2,420
Decreases	-	-	-	(1,059)	(1,059)
Amortisation, depreciation and write downs/(write backs)	(4,680)	(443)	(1,175)	-	(6,298)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance at 28 February 2019	**11,989**	**788**	**6,557**	**3,200**	**22,534**

Regarding the year ended 28 February 2019, the total increases of Euro 9,050 thousand mainly relate to the "Software" category for Euro 5,862 thousand, and to the "Key money" category for Euro 2,420 thousand.

The increases relating to the category "Software" for Euro 5,862 thousand, are attributable in the main to: (i) new software and licences, (ii) costs incurred for the development and updating of the website www.unieuro.it and (iii) costs incurred for extraordinary operations on existing management software.

Increases relating to "key money" for Euro 2,420 refer to the payment of key money for the period stipulation of lease contracts relative to the purchases of business units for Euro 1,948, the acquisitions of 7 sales outlets belonging to the former DPS Group S.r.l. business unit and the 5 sales outlets belonging to the Galimberti S.p.A. business unit for Euro 473 thousand. These transactions are configured as business combinations and come under the scope of IFRS 3. 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. The values and useful life are reflected in the financial statements from the date Unieuro acquired control. For further details, see note 5.28 "Business unit combinations".
For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money.

Increases in fixed assets under construction relate to the implementation of new and existing software.

Regarding the year ended 28 February 2018, the total increases of Euro 11,202 thousand mainly relate to the "Software" category for Euro 5,513 thousand, and to the "Key money" category for Euro 5,710 thousand.

The increases relating to the category "Software" for Euro 5,513 thousand, are attributable in the main to: (i) new software and licences, (ii) costs incurred for the development and updating of the website www.unieuro.it and (iii) costs incurred for extraordinary operations on existing management software.

The increases relating to the category "Key money" of Euro 3,320 thousand refer to the payment of Key money for the lease agreements concluded during the year for the Euroma2 sales outlet, the sales outlet located in Brescia and the sales outlet located in Modena which opened in December 2017. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract.

The investments relating to the acquisitions of the business units in the “Key money” category for Euro 2,390 thousand refer to the acquisition of the 21 sales outlet belonging to the Anderoli S.p.A. business unit and the 19 sales outlets belonging to the Cerioni S.p.A. business unit. These transactions are configured as business combinations and come under the scope of IFRS 3. As required by the standard, the intangible assets were recorded separately from goodwill and recorded at their fair value on the acquisition date, which meets the requirements under IAS 38. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. The values and useful life were reflected in the Financial Statements from the date of the acquisition of control by Unieuro, namely 17 May 2017, of the Andreoli sales outlets and from 31 October 2017 for the progressive acquisition of the 19 Cerioni sales outlets. For further details, see note 5.28 “Business unit combinations”
For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money.

Increases in fixed assets under construction relate to the implementation of new software.

5.4 Deferred tax assets and deferred tax liabilities

The change in the item "Deferred tax assets" and the item "Deferred tax liabilities" for the period from 28 February 2017 to 28 February 2019 is given 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 2017	**838**	**1,610**	**886**	**4,736**	**843**	**1,126**	**6,647**	**16,686**	**12,752**	**29,438**
Provision/Releases to the Income Statement	(14)	878	21	(446)	-	237	(3,025)	(2,349)	2,975	626
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	41	-	-	41	-	41
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	(146)	(151)	-	(9)	(836)	93	(1,342)	(2,391)	7,241	4,850
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	224	-	-	224	-	224
Balance as at 28 February 2019	**678**	**2,337**	**907**	**4,281**	**272**	**1,456**	**2,280**	**12,211**	**22,968**	**35,179**

The balance as at 28 February 2019 was Euro 35,179 thousand and was mainly composed of: (i) Euro 12,211 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 22,968 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 other current liabilities;
- the provision of Euro 7,241 thousand in deferred tax assets relating to tax losses.

The balance as at 28 February 2018 was Euro 30,105 thousand and was mainly composed of: (i) Euro 14,378 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 15,727 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 other current liabilities;
- the provision of Euro 2.975 thousand in deferred tax assets relating to tax losses.

Note that the tax losses still available as at 28 February 2019 with reference to Unieuro are equal to Euro 377,943.

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

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over taking into consideration their possible recovery over a time frame of three years;
- the forecast of the Company's earnings in the medium and long-term.

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

Deferred tax liabilities

(Amounts in thousands of Euros)	**Intangible assets**	**Other current assets**	**Total net deferred taxes**
Balance as at 28 February 2017	**322**	**-**	**322**
Provision/Releases to the Income Statement	308	-	308
Provision/Releases to the Comprehensive Income Statement	-	-	-
Balance as at 28 February 2018	**630**	**-**	**630**
Adjustment at the date of the first time adoption of IRFS 15	-	1,483	1,483
Provision/Releases to the Income Statement	357	(358)	(1)
Provision/Releases to the Comprehensive Income Statement	-	-	0
Balance as at 28 February 2019	**987**	**1,125**	**2,113**

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 2.6.1 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 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Deferred charges	8,889	11,110
Contract assets	5,337	-
Tax credits	2,225	2,225
Accrued income	1,643	888
Other current assets	135	171
Advances to suppliers	86	27
Other current assets	**18,315**	**14,421**
Other non-current assets	12,559	10,811
Deposit assets	2,220	2,066
Deposits to suppliers	266	218
Other non-current assets	**15,045**	**13,095**
Total Other current assets and Other non-current assets	**33,360**	**27,516**

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 reduction in “Prepaid expenses” is mainly due to the different payment timing of insurance premiums, in particular last year the premium was paid at the same time as the new insurance contract was stipulated.

“Accrued income” of Euro 1,643 thousand at 28 February 2019 (Euro 888 thousand at 28 February 2018) mainly refers to the value of the insurance reimbursement obtained during the year in connection with the 25 February 2017 Oderzo fire, for Euro 1,521 thousand; the first part of the indemnity had been recognised last year, for Euro 800 thousand.

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 2.6.1 Changes to the accounting standards.

Tax credits as at 28 February 2019 and 28 February 2018 refer, in the main, for €1,610 thousand to the IRES credit for IRAP not deducted.

The item “Other non-current assets” includes equity investments, deposit assets and deposits to suppliers.
The breakdown of the item “Equity Investments" as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Equity investment in Monclick S.r.l.	12,551	10,724

Other equity investments	8	87
Equity investments	**12,559**	**10,811**

The change in the item "Equity investments" for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	**Equity investments**
Balance as at 28 February 2017	**90**
Acquisitions	10,000
Increases	7,000
Write-downs	(6,279)
Balance as at 28 February 2018	**10,811**
Acquisitions	-
Increases	5,000
Write-downs	(3,173)
Decreases	(79)
Balance as at 28 February 2019	**12,559**

Information relating to the equity investments owned in associated companies at 28 February 2019 is given below pursuant to Article 2427 of the Italian Civil Code:

(Amounts in thousands of Euros)	**Registered offices**	**Carrying amount**	**Share Capital**	**Ownership percentage**	**Shareholders' equity**	**Profit (loss) for the year**
Monclick S.r.l.	Vimercate (MB)	12,551	100	100%	4,475	(1,927)

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

Monclick represents a “pure player” in the Italian panorama of e-commerce, that is, a company that sells products only through the web channel, without having physical sales or pick-up points.
The investee operates in two business lines that appeal to the same consumers, while reaching them through two different channels: (i) *Online*, which includes online sales of consumer products directly to the final consumer through “Monclick” website, and (ii) *B2B2C,* that is, the channel for products and services sold to the final consumer through partnerships with large companies.

During the year ended on 28 February 2019, the subsidiary recorded revenues of Euro 59,503 thousand (Euro 102,103 thousand during the fourteen month period ended on 28 February 2018) and a loss for the period of Euro 1,927 thousand (loss of Euro 3,916 thousand during the fourteen month period closed at 28 February 2018).
The reference market was characterised by: (i) growing competitive pressure to which the pure players were subjected which led Monclick to defend its market shares by sacrificing, especially in the first part of the period, its pricing policies, (ii) increasing demands for a more prompt and efficient service from customers which led to an increase in logistic costs for the entire year. Despite this, the period economic result benefited from actions designed to mitigate the impacts on the income statement of these phenomena, including: (i) the implementation of the drop shipping flow by Unieuro which involves an improvement in buying conditions; (ii) the cutting of logistics costs by exploiting the synergies generated through the current Unieuro S.p.A. distribution structure and 9iii) efficiency in administrative services and general expenses.

The significant increase in margins recorded on the B2C channel with respect to last year (despite the mentioned growth of the incidence of the logistics cost) and the action taken to limit structural costs (in particular linked to the payroll cost and, specifically if stripped of the non-recurring restructuring costs) were unable to guarantee achieving operative break-even due to the major reduction in sales volumes of the B2B2C channel as compared with last year (particularly in reference to the client TIM).

Starting last year, Monclick launched an organisational and structural review process aimed at the gradual rebalancing of operations. Plans were prepared and developed for this process to strengthen business activities and a strategy was implemented to increase revenues and make costs more efficient.
On 29 June 2017, 10 January 2018 and 14 November 2018, the Unieuro Board of Directors approved payments to the provision to cover losses of Euro 1,192 thousand, Euro 1,783 thousand and Euro 1,269 thousand, respectively and capital contribution payments of Euro 2,808 thousand, Euro 1,217 thousand and Euro 3,731 thousand, respectively.

Trade receivables due to Monclick at 28 February 2019 stood at Euro 1,807 thousand, while trade payables by Monclick at 28 February 2019 stood at Euro 318 thousand. For more information, see note 5.7 Trade receivables and 5.16 Trade payables.

5.5.1 Impairment test on the value of the equity investment

The equity investment in Monclick at 28 February 2019 was subjected to an impairment test by comparing the recoverable value with the carrying amount of the equity investment. The recoverable value is represented by the greater of the fair value of the asset excluding sales costs and its value in use.
The value in use was calculated as the current value of future cash flows that are expected to be generated by the Cash Generating Unit "CGU" identified in Monclick, discounted at the rate that reflects the specific risks of the CGU at the valuation date.
The source of the data on which the assumptions are made for determining the cash flows are the final balances and the business plan for the period 29 February 2020 to 29 February 2024 of the investee company approved by Director of Monclick on 10 April 2019. The reference market growth estimates included in the business plan used for the impairment test at 28 February 2019 are based, among other things, on external sources and on the analyses conducted by the Company. Note that, based on the market sources used by the Company, the online market is expected to grow.
The impairment test was approved by the Board of Directors on 08 May 2019. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.
The evaluation assumptions used for determining the recoverable value are based on the above-mentioned business plans and on several main hypotheses:

- the explicit period to be adopted for the business plan is 5 years;

- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" of 0% was used;

- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) is 13.83%.

The estimation procedure adopted for defining the parameters determining the WACC is reported below:

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.
- Beta (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics.
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context also taking into consideration the size of Monclick compared with comparable businesses identified.
- Cost of debt capital id (1-t) - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

The results of the impairment tests as at 28 February 2019 are given below:

as at 28 February 2019 *(Amounts in millions of Euros)*		**Carrying Amount (CA)**	**Recoverable Amount (RA)**	**RA compared with CA**
Monclick S.r.l.	€/mln	15.7	12.5	(3.2)

It emerged from the results of the impairment test that the carrying amount of the equity investment exceeded its recoverable value therefore there was the need to make an adjustment to the carrying amount of the equity investment of Euro 3,173 thousand.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted as the main parameters used, such as the change in the percentage of EBITDA, WACC and the growth rate, vary.
The results are given below in terms of the difference between the recoverable amount and the carrying amount for the equity investment in Monclick subject to impairment tests as at 28 February 2019, the sensitivity analysis conducted assuming a percentage reduction in EBITDA, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 28 February 2019				**Terminal plan EBITDA**		
(Amounts in millions of Euros)	WACC					
Sensitivity Difference RA vs CA		0.0%	(5.0%)	(10.0%)	(15.0%)	(20.0%)
Monclick S.r.l.	13.83%	(3.2)	(3.4)	(3.6)	(3.8)	(4.0)

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 28 February 2019, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 28 February 2019		Perpetual growth rate (g)				
(Amounts in millions of Euros)	WACC					
Sensitivity Difference RA vs CA		0.0%	(0.5%)	(1.0%)	(1.5%)	(2.0%)
Monclick S.r.l.	13.83%	(3.2)	(3.4)	(3.5)	(3.7)	(3.8)

It should be pointed out that the parameters and information used for the impairment test on the equity investment are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the equity investment in Monclick with consequences to the results and the operating results, financial position and cash flows of the Company.

5.6 Inventories

Warehouse inventories break down as follows:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Merchandise	371,211	321,545
Consumables	659	561
Gross stock	**371,870**	**322,106**
Obsolescence Provision	(9,737)	(8,918)
Total Inventories	**362,133**	**313,188**

The value of gross inventories went from Euro 322,106 thousand as at 28 February 2018 to Euro 371,870 thousand as at 28 February 2019, an increase of 15.6% in total gross inventories. The increase is attributable to: (i) the different business scope consequent to the opening of 8 ex Cerioni/Euronics stores between December 2017 and January 2018 and the opening of 14 new sales outlets starting September 2018, as a result of the purchase of the ex-DPS/Trony and ex-Galimberti/Euronics business units and (ii) the major leap in the on-line business, (iii) the partnership stipulated with Finiper, which has marked Unieuro's launch into Large Retail and (iv) the increased volumes handled.

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

The change in the obsolescence fund for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	**Obsolescence Provision**
Balance as at 28 February 2017	**(5,770)**

Direct write-down	(4,892)
Provisions	-
Releases to the Income Statement	1,744
Utilisation	-
Balance as at 28 February 2018	**(8,918)**
Direct write-down	-
Provisions	(819)
Releases to the Income Statement	-
Utilisation	-
Balance as at 28 February 2019	**(9,737)**

The increase in the warehouse obsolescences fund equal to Euro 819 thousand is attributable to the adaptation of the warehouse bad debt provision which includes the prudential write down of the value of goods at 28 February 2019 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 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Trade receivables from third-parties	42,179	39,906
Trade receivables from related-parties	1,807	2,802
Gross trade receivables	**43,986**	**42,708**
Bad debt provision	(2,343)	(2,342)
Total Trade receivables	**41,643**	**40,366**

The value of receivables, referring to the Indirect and B2B channels, rose by Euro 1,277 thousand on last year; this increase is mainly due to the partnership stipulated with Finiper, which marked Unieuro's launch into Large Retail.

The change in the bad debt provision for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	**Bad debt provision**
Balance as at 28 February 2017	**(2,279)**
Provisions	(146)
Releases to the Income Statement	-
Utilisation	83
Balance as at 28 February 2018	**(2,342)**
Provisions	(22)
Releases to the Income Statement	-
Utilisation	21
Balance as at 28 February 2019	**(2,343)**

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. Drawdowns follow credit situations for which the elements of certainty and accuracy, or the presence of existing insolvency proceedings, determine the deletion of the actual position. As shown in the tables above, the bad debt provision stood at EUR 2,343 thousand as at 28 February 2019 and EUR 2,342 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. Unieuro has credit control processes which include obtaining bank guarantees and credit insurance contracts 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 2019 and as at 28 February 2018:

Current tax assets

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
IRES credits	2,093	2,649
IRAP credits	-	238
Total Current tax assets	**2,093**	**2,887**

As at 28 February 2019, “IRES credits” included credits for Euro 2,093 thousand (Euro 2,649 thousand at 28 February 2018), which included the IRES receivable from the previous year and the credit generated during the year for withholdings and the IRES debt reffered to the Consolidated current taxes.
The IRAP balance of Euro 238 thousand at 28 February 2018 has been zeroed following the period offsetting.

Current tax liabilities

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
IRAP payables	1,204	-
IRES payables	-	-
Total Current tax liabilities	**1,204**	**-**

At 28 February 2019, under “IRAP payables”, payables are entered in the amount of Euro 1,204 deriving from the estimated tax of Unieuro for the year ended on 28 February 2019 net of the payment on account; last year, Unieuro had a balance in credit of Euro 238 thousand, which was offset during the period.

5.9 Cash and cash equivalents

A breakdown of the item “Cash and cash equivalents” as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2018	**28 February 2018**
Bank accounts	69,932	52,691
Petty cash	7,480	7,518
Total cash and cash equivalents	**77,412**	**60,209**

Cash and cash equivalents stood at Euro 77,412 thousand as at 28 February 2019 and Euro 60,209 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:

(Amounts 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
Balance as at 28 February 2018	**4,000**	**800**	**46,810**	**(191)**	**(813)**	**1,352**	**57,999**	**(35,217)**	**74,740**
Effect of the change in the accounting standard (IFRS 15)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,038**	**4,038**
Adjusted balance at 1 March 2018	**4,000**	**800**	**46,810**	**(191)**	**(813)**	**1,352**	**57,999**	**(31,179)**	**78,778**
Profit (Loss) for the Year	-	-	-	-	-	-	-	28,169	28,169
Other components of comprehensive income	-	-	-	(124)	(457)	-		-	(581)
Total statement of comprehensive income for the year	**-**	**-**	**-**	**(124)**	**(457)**	**-**	**-**	**28,169**	**27,588**
Allocation of prior year result	-	-	-	-	-	-	-	(8,521)	(8,521)
Covering retained losses and negative reserves	-	-	(46,810)	-	-	-	(11,055)	66,386	8,521
Distribution of dividends	-	-	-	-	-	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	2,024	-	(699)	1,325
Total transactions with shareholders	**-**	**-**	**(46,810)**	**-**	**-**	**2,024**	**(31,055)**	**57,166**	**(18,675)**
Balance as at 28 February 2019	**4,000**	**800**	**0**	**(315)**	**(1,270)**	**3,376**	**26,944**	**54,156**	**87,691**

Shareholders' equity, equal to Euro 87,691 thousand at 28 February 2019 (Euro 74,740 thousand as at 28 February 2018) increase 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 consolidated profit of Euro 28,169 thousand and the other components of the comprehensive income statement negative for Euro 581 thousand; (iii) the reporting amongst profit/(loss) carried forward of the effects deriving from the application of the new accounting standard IFRS 15 for Euro 4,038 thousand and (iv) the recording in the reserve of share-based payments of Euro 1,325 thousand which refer to the Long Term Incentive Plan for certain managers and employees.

The Share capital as at 28 February 2019 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 28 February 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 and has maintained it to 28 February 2018;

- the extraordinary reserve of Euro 0 thousand as at 28 February 2019 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the year 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 315 as at 28 February 2019 (negative for 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, negative for Euro 1,270 thousand as at 28 February 2019 (negative for Euro 813 thousand as at 28 February 2018); it fell by Euro 457 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 3,376 thousand at 28 February 2019 (Euro 1,352 thousand at 28 February 2018); the reserve has changed due to: (i) the recording of Euro 2,024 thousand offsetting the recording of personnel costs for the share-based payment plan and (ii) the 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 profit and loss carried forward to the item other non current liabilities, for Euro 699 thousand. For more details, please see Note 5.27.

(Amounts 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**
Balance as at 28 February 2017	**4,000**	**800**	**55,223**	**0**	**(859)**	**6,938**	**57,999**	**(39,122)**	**84,979**
Profit (Loss) for the Year	-	-	-	-	-	-	-	8,521	8,521
Other components of comprehensive income	-	-	-	(191)	46	-		-	(145)
Total statement of comprehensive income for the year	**-**	**-**	**-**	**(191)**	**46**	**-**	**-**	**8,521**	**8,376**

Allocation of prior year result	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	(8,413)	-	-	-	-	(11,587)	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	(5,586)	-	6,971	1,385
Total transactions with shareholders	**-**	**-**	**(8,413)**	**-**	**-**	**(5,586)**	**-**	**(4,616)**	**(18,615)**
Balance as at 28 February 2018	**4,000**	**800**	**46,810**	**(191)**	**(813)**	**1,352**	**57,999**	**(35,217)**	**74,740**

Shareholders' equity, equal to Euro 74,740 thousand (Euro 84,979 thousand as at 28 February 2017) fell during the year as a result of: (i) the distribution of a dividend of Euro 20,000 thousand of which Euro 11,587 thousand was in respect of the profit for the year ended 28 February 2017 and Euro 8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting; (ii) the recording of a profit for the year of Euro 8,521 thousand and the other components of the comprehensive income statement of Euro 145 thousand; and (iii) the recording in the reserve for share-based payments of Euro 679 thousand with regard to the Long Term Incentive Plan for certain managers and employees and Euro 706 with reference to the Call Option Agreement that ended following listing on the STAR segment of the Mercato Telematico Azionario run by Borsa Italiana which took place on 4 April 2017.

The Share capital as at 28 February 2018 stood at €4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of EUR 800 thousand as at 28 February 2018 (EUR 800 thousand as at 28 February 2017), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it to 28 February 2018;

- the extraordinary reserve of Euro 46,810 thousand at 28 February 2018 (Euro 55,223 thousand at 28 February 2017); this reserve fell during the period as a result of the distribution of a dividend of Euro 20,000 thousand of which Euro 11,587 thousand was in respect of the profit for the year ended 28 February 2017 and for Euro 8,413 thousand was from the use of part of the extraordinary reserve, as approved on 20 June 2017 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 191 as at 28 February 2018 (zero as at 28 February 2017); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement signed during the year (for more details, refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of €813 thousand as at 28 February 2018 (€859 thousand as at 28 February 2017); it fell by €46 thousand following the actuarial valuation relating to severance pay;

the reserve for share-based payments amounting to Euro 1,352 thousand at 28 February 2018 (Euro 6,938 thousand at 28 February 2017); the reserve has changed with reference to the "Call Option Agreement" as a result of: (i) recognition of Euro 706 thousand as the offset of the personnel costs for the share-based payment plan and (ii) following the successful outcome of the project of listing the share-based payment reserve under the item Profits/(losses) for a total of Euro 7,644 thousand; instead, with reference to the "Long Term Incentive Plan" stipulated during the year, as a result of:

(i) the recording of Euro 1,352 thousand offsetting the recording of personnel costs for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 20 June 2017 which involved the reclassification of the item that refers to the monetary bonus earned by managers and employees under the regulation to the item other non current liabilities. It should therefore be noted that the reserve for share-based payments of Euro 1,352 thousand and the Profit (losses) carried forward – LTIP of Euro 673 thousand both refer to the accounting of the share-based payment plan called Long Term Incentive Plan and together represent the fair value measurement of the options granted under the plan (IFRS 2). For more details, please see Note 5.26.

Pursuant to Article 2424 of the Civil Code, information is provided on the origin, nature and possibility of use of the Shareholders' Equity items at 28 February 2019:

(Amounts in thousands of Euros)

Nature / Description	**Amount**	**Possibility for use (*)**	**Amount Available**	**Use in the previous 3 financial years to cover losses**	**Use in the previous 3 financial years for other reasons**
Capital	4,000	B	4,000		
Capital Reserves					
Share premium reserve		A, B, C		69	
Other capital reserves	26,944	A, B, C	26,944	14,247	20,000(**)
Reserve for share-based payments - LTIP	3,376	A, B	3,376		
Suspended tax retained earnings					
Reserve pursuant to Law No. 121/87		A, B, C		75	
Retained Earnings					
Legal reserve	800	A, B	800		
Extraordinary Reserve		A, B, C		46,810	12,293(**)
Valuation reserve Actuarial TFR	(1,270)		(1,270)		
Cash flow hedge reserve	(315)		(315)		
FTA Other Reserves	4,038	A, B	4,038	(3,336)	
Profit (losses) carried forward - FTA other Reserves	23,321	B	23,321		
Profit (losses) carried forward - IAS adjustments				(22,106)	
Profit (losses) carried t forward - Call option agreement		A, B, C		7,644	
Profit (losses) carried forward – LTIP	(1,372)		(1,372)		
Profit (losses) carried forward- other				(51,924)	
Profit (loss) for the period	28,169	A, B, C	28,169	8,521	
Total	**87,691**		**87,691**	-	-
Non-distributable portion			35,535		
Residual distributable portion gross of the results for the period			**52,156**	-	-

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

(**) Distribution of reserves

5.11 Financial liabilities

A breakdown of the item current and non-current “Financial liabilities” as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Current financial liabilities	12,455	6,961
Non-current financial liabilities	31,112	40,518
Total financial liabilities	**43,567**	**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 conclusion of relations and the repayment of the previous lines of credit and the provision of the new funding.

The transaction consisted of three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.
The new lines, including Euro 190.0 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 require compliance by Unieuro S.p.A. with a twelve-month consolidation ratio which will be 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 28 February 2019 the covenant was calculated and complied with. See below for the summary table:

	28 February 2019	
Description of covenants	Contractual value	Covenant result
LEVERAGE RATIO	< 1.3	(0.29)
Consolidated net financial debt/Consolidated Adjusted LTM EBITDA		

The Loan Agreement includes Unieuro'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 28 February 2019 and until the date these financial statements were prepared, no events occurred that could give rise to the early repayment of the loan.

Financial liabilities as at 28 February 2019 and at 28 February 2018 are illustrated below:

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**At 28 February 2019**		
				total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	71,000	0.35% - 7.0%	3,049	3,049	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-		-
Current bank debts				**3,049**	**3,049**	**-**
Term Loan	Dec-22	50,000	Euribor 3m+spread	42,500	10,000	32,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(1,982)	(594)	(1,388)
Non-current bank payables and current part of non-current debt				**40,518**	**9,406**	**31,112**
Total				**43,567**	**12,455**	**31,112**

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

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

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**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 debts				**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 rate method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

The financial liabilities at 28 February 2019 total Euro 43,567 thousand with a decrease of Euro 3,912 thousand compared to 28 February 2018. This change is due mainly to the use of the hot money line for Euro 3,000 thousand and to the normal repayment of principal shares of the Loan for Euro 7,500 thousand.

The loans are evaluated using the amortised cost method based on the provisions of IFRS 9 and therefore their value is reduced by the ancillary expenses on the loans, equal to Euro 1,982 thousand as at 28 February 2019 (Euro 2,600 thousand as at 28 February 2018).

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

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

	28 February 2019	28 February 2018
Within 1 year	12,455	6,961
From 1 to 5 years	31,112	40,518
More than 5 years	-	-
Total	**43,567**	**47,479**

A breakdown of the net financial debt as at 28 February 2019 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.

(Amounts in thousands of Euros)		**as at 28 February 2019**		**as at 28 February 2018**	
	Ref		*of which related parties*		*of which related parties*
(A) Cash	5.9	77,412	-	60,209	-
(B) Other liquid assets		-	-	-	-
(C) Securities held for trading		-	-	-	-
(D) Liquidity (A)+(B)+(C)		**77,412**	**-**	**60,209**	**-**
- of which is subject to a pledge			-		-
(E) Current financial receivables			**-**		**-**
(F) Current bank payables	5.11	(3,049)	-	(79)	-
(G) Current part of non-current debt	5.11	(9,406)	-	(6,882)	-
(H) Other current financial payables	5.13-5.15	(7,683)	-	(7,473)	-
(I) Current financial debt (F)+(G)+(H)		**(20,138)**	**-**	**(14,434)**	**-**
- of which is secured		-	-	*0*	-
- of which is unsecured		*(20,138)*	-	*(14,434)*	-
(J) Net current financial position (I)+(E)+(D)		**57,274**	**-**	**45,775**	-
(K) Non-current bank payables	5.11	(31,112)	-	(40,518)	-
(L) Issued bonds		-	-	-	-
(M) Other non-current financial payables	5.13-5.15	(12,771)	-	(12,195)	-
(N) Non-current financial debt (K)+(L)+(M)		**(43,883)**	**-**	**(52,713)**	-
- of which is secured		-	-	*0*	-
- of which is unsecured		*(43,883)*	-	*(52,713)*	-
(O) Net financial debt (J)+(N)		**13,391**	**-**	**(6,938)**	**-**

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 2019 and 28 February 2018. See Note 5.13 "Other financial liabilities" for more details.

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Other financial liabilities	7,683	7,473
Other current financial payables	**7,683**	**7,473**
Other financial liabilities	12,771	12,195
Other non-current financial payables	**12,771**	**12,195**
Total financial payables	**20,454**	**19,668**

5.12 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2017 to 28 February 2019 is broken down below:

(Amounts in thousands of Euros)	
Balance as at 28 February 2017	**9,783**
Service cost	-
Interest cost	133
Business unit acquisitions	1,255
Settlements/advances	(521)
Actuarial (profits)/losses	(64)
Balance as at 28 February 2018	**10,586**
Service cost	-
Interest cost	121
Business unit acquisitions	79
Settlements/advances	(760)
Actuarial (profits)/losses	634
Balance as at 28 February 2019	**10,660**

This item includes the TFR (severance pay) required by Law No. 297 of 25 May 1982 which guarantees statutory compensatory settlements to an employee when the employment relationship is ended. Severance pay, regulated by Article 2120 of the Italian Civil Code, is recalculated in accordance with the provisions of IAS 19, expressing the amount of the actual value of the final obligation as a liability, where the actual value of the obligation is calculated through the “projected unit credit” method.

The item business unit acquisitions refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the Galimberti S.p.A. business unit; for more details, refer to Note 5.28 - "Business unit combinations".

Settlements recorded in the financial year ended 28 February 2019 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

Below is a breakdown of the economic and demographic recruitment used for the purpose of the actuarial evaluations:

	Year ended	
Economic recruitment	**28 February 2019**	**28 February 2018**
Inflation rate	1.50%	1.50%
Actualisation rate	0.8%	1.37%
Severance pay increase rate	2.625%	2.625%

Demographic assumptions	**Year ended**	
	28 February 2019	**28 February 2018**
Fatality rate Demographic tables RG48	Disability probability	Disability probability

Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the *iBoxx Eurozone Corporates AA* index with a duration of 7-10 years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 28 February 2019, relating to the main actuarial hypotheses in the calculation model taking into consideration the above and increasing and decreasing the average annual turnover rate, the advance request rate, the average inflation and actualisation rate, respectively of 1%, -1%, 0.25% and -0.25%. The results are summarised in the table below:

Change to the parameter *(Amounts in thousands of Euros)*	**Impact on DBO as 28 February 2019**
1% increase in turnover rate	10,564
1% decrease in turnover rate	10,769
1% increase in advance request rate	10,369
1% decrease in advance request rate	11,113
0.25% increase in inflation rate	10,814
0.25% decrease in inflation rate	10,509
0.25% increase in actualisation rate	10,418
0.25% decrease in actualisation rate	10,912

5.13 Other financial liabilities

A breakdown of the item current and non-current "Other financial liabilities" as at 28 February 2019 and as at 28 February 2018 is shown below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Payables for investments in equity investments and business units	4,176	3,165
Payables to leasing companies	3,262	2,777
Other financial payables to subsidiaries	-	1,217
Fair value of derivative instruments	245	172
Factoring liabilities	-	142
Debts to other financing entities	**7,683**	**7,473**
Payables for investments in equity investments and business units	5,686	8,037
Payables to leasing companies	6,917	4,008
Fair value of derivative instruments	168	150
Other non-current financial liabilities	**12,771**	**12,195**
Total financial liabilities	**20,454**	**19,668**

Payables to leasing companies

Payables owed to leasing companies amount to a total of Euro 9,862 thousand at 28 February 2019 and Euro 11,202 thousand at 28 February 2018. The reduction is mainly due to the 01 August 2018 stipulation of the transaction with Project Shop Land S.p.A. to reduce the purchase price of Monclick S.r.l. for Euro 1,500 thousand. The existing debt cash flows as at 28 February 2019 were discounted.

Payables for investments in equity investments and business units
Payables owed to leasing companies amount to a total of Euro 10,179 thousand at 28 February 2019 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:

(Amounts in thousands of Euros)	**Minimum payments due for financial leasing as at**		**Capital share as at**	
	28 February 2019	**28 February 2018**	**28 February 2019**	**28 February 2018**
Within 1 year	3,430	2,936	3,262	2,777
From 1 to 5 years	7,112	4,139	6,917	4,008
More than 5 years	-	-	-	-
Total	**10,542**	**7,075**	**10,179**	**6,785**

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

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Minimum payments due for financial leasing	10,542	7,075
(Future financial expense)	(363)	(386)
total	**10,179**	**6. 785**

Other financial payables to subsidiaries

Other financial payables totalled Euro 0 thousand at 28 February 2019 (Euro 1,217 thousand at 28 February 2018). This item relates to the share capital increase approved by the Company with regard to the subsidiary company Monclick for the share not yet paid. Payment was made by offsetting with commercial credits on 31 March 2018.

Fair value of derivative instruments
Financial instruments for hedging, as at 28 February 2019, 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. The financial liability comes to Euro 413 thousand at 28 February 2019 (Euro 250 thousand at 28 February 2018). These derivative finance transactions on interest rates were designed for hedging in accordance with the

requirements of IFRS 9 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 28 February 2019 (Euro 72 thousand as at 28 February 2018). The effects of these currency hedging derivative financial instruments are reported in the income statement because they do not comply with all the requirements of IFRS 9 for hedge accounting.

Factoring liabilities
Payables to factoring companies stood at Euro 0 thousand as at 28 February 2019 (Euro 142 thousand as at 28 February 2018) and refer to transfers of trade receivables 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 28 February 2019 is broken down below:

(Amounts 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**	**2,460**	**881**	**175**	**1,399**	**8,616**
Business unit acquisitions	-	56	-	-	-	56
Balance as at 28 February 2018 recalculated	**3,701**	**2,516**	**881**	**175**	**1,399**	**8,672**
- of which current portion	*1,051*	557	*814*	*175*	379	*2,976*
- 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	66	1,102	38	1,189	799	**3,194**
Draw-downs/releases	(358)	(483)	(795)	(1,005)	(124)	**(2,765)**
Balance as at 28 February 2019	**3,409**	**3,135**	**124**	**359**	**2,032**	**9,059**
- of which current portion	-	495	*124*	*359*	363	*1,341*
- of which non-current portion	*3,409*	*2,640*	-	-	1,669	*7,718*

The change in the item "Provisions" for the period from 28 February 2017 to 28 February 2018 is broken down below:

(Amounts 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	115	1,285	-	-	357	**1,757**
Business unit acquisitions	-	71	-	-	-	**71**
Draw-downs/releases	(2,063)	(638)	(647)	(91)	(30)	**(3,469)**
Balance as at 28 February 2018	**3,701**	**2,460**	**881**	**175**	**1,399**	**8,616**
- of which current portion	*1,051*	501	*814*	*175*	379	*2,920*
- of which non-current portion	*2,650*	*1,959*	*67*	-	1,020	*5,696*

The “Tax dispute provision”, equal to Euro 3,409 thousand as at 28 February 2019 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 3,135 thousand as at 28 February 2019 and Euro 2,460 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 provisions for disputes as at 28 February 2018 of Euro 56 thousand.

The “Onerous contracts provision”, equal to Euro 124 thousand as at 28 February 2019 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 359 thousand as at 28 February 2019 and Euro 175 thousand as at 28 February 2018, refer mainly to the personnel restructuring process of the closing sales outlets.

The “Other provisions for risks”, equal to Euro 2,032 as at 28 February 2019 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 IFRS 15 refers to the accounting treatment of sales with return right; for more details, please refer to Note 2.6.1 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 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Contract liabilities	127,155	-
Payables to personnel	35,029	34,416
Payables for VAT	15,946	17,102
Deferred income and accrued liabilities	4,331	101,280
Payables to welfare institutions	3,558	2,711
Payables for IRPEF (income tax)	2,999	2,454
Amounts due to subsidiaries for tax consolidation system	676	-
Other tax payables	81	105
Other current liabilities	-	1,164
Payments on account from customers	-	3,200
Total other current liabilities	**189,775**	**162,472**
Long-Term Incentive Plan cash bonus	1,440	692
Deposit liabilities	26	26
Non-current payables to personnel	-	-
Total other non-current liabilities	**1,466**	**718**
Total other current and non-current liabilities	**191,241**	**163,190**

The item "Other current liabilities" increased by Euro 27,303 thousand in the year ended 28 February 2019 compared with the year ended 28 February 2018. The increase in the item recorded in the period in question is mainly due to greater liabilities from the contract relating to the servicing of the extended warranty. Please note that following the clarifications introduced by the new accounting standard IFRS 15, the liabilities relative to the extended warranty service have been reclassified from Deferred income and accrued liabilities to Liabilities from contract.

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

- liabilities from contract for Euro 127,155 thousand at 28 February 2019, mainly relating to deferred revenues for extended warranty services. Revenue from sales is reported according to the term of the contract, or the period for which there is a performance obligation, thereby re-discounting sales pertaining to future periods. Note that following the application of the new accounting standard IFRS 15, the Group amended the accounting of commercial incentives recognised to customers accompanying extended warranty services sold, the adoption of the standard had a particular impact on the timing of the recognition of these revenues and has reclassified these liabilities from Deferred income and accrued liabilities to Liabilities from contract. The item also includes: (i) deposits received from customers; (ii) liabilities relative to vouchers; and (iii) liabilities relative to sales with the right of return. For more details, please refer to Note 2.6.1 Changes to the accounting standards.

- payables to employees for Euro 35,029 thousand per 28 February 2019 (28 February 2018 Euro 34,416 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 15,946 thousand at 28 February 2019 (Euro 17,102 thousand at 28 February 2018) composed of payables resulting from the VAT settlement with regard to February 2019;

- deferred income and accrued liabilities for Euro 4,331 thousand at 28 February 2019 (Euro 101,280 thousand at 28 February 2018), mainly relating to the recording of amortisation using the straight line method, of operating lease contracts. Last year, the item included the liabilities relating to the extended warranty service, which after clarifications introduced by the new accounting standard IFRS 15, have been reclassified under Liabilities from contract;

- payables to subsidiaries for tax consolidation for Euro 676 thousand at 28 February 2019; it is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company” which is Monclick S.r.l. The option makes it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item "Other non-current liabilities" increased to Euro 748 thousand in the year ended 28 February 2019 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 1,440 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 28 February 2019 and as at 28 February 2016 is shown below:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Trade payables to third-parties	461,744	405,892
Trade payables to related-parties	318	1,812
Gross trade payables	**462,062**	**407,704**
Bad debt provision - amount due from suppliers	1,922	2,382
Total Trade payables	**463,984**	**410,086**

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

Gross trade payables increased by Euro 54,358 thousand as at 28 February 2019 compared with 28 February 2018. The increase is related to the increase in volumes handled as a result of: (i) promotions run in February which involved product categories with improved payment conditions compared with those of the previous year and (ii) an increase in the number of stores as a result of the acquisitions and the new openings during the year which involved an increase in the value of trade payables which was higher than that of inventories.

The change in the "Bad debt provision and suppliers account debit balance", related to debt balances considered not yet recoverables, for the period from 29 February 2016 to 28 February 2019 is given below:

(Amounts in thousands of Euros)	**Bad debt provision - amount due from suppliers**
Balance as at 28 February 2017	**2,027**
Provisions	488
Releases to the Income Statement	-
Utilisation	(133)
Balance as at 28 February 2018	**2,382**
Provisions	-
Releases to the Income Statement	(170)
Utilisation	(290)
Balance as at 28 February 2019	**1,922**

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, Unieuro 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 2.6.1 Changes in the accounting standards.

In the tables below the revenues are broken down by channel, category and geographic market. Unieuro has identified just one operating segment, which is the Company and covers all the services and products provided to customers. Unieuro'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. Unieuro'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.

Below is a breakdown of revenues by channel:

(in thousands of Euros and as a percentage of revenues)	**Year ended**				**Changes**	
	28 February 2019	**%**	**28 February 2018**[86]	**%**	**2019 vs 2018**	**%**
Retail	1,477,798	71.08%	1,327,866	72.34%	149,932	11.3%
Online	198,690	9.56%	151,927	8.28%	46,763	30.8%
Indirect	231,027	11.11%	209,003	11.39%	22,024	10.5%
B2B	103,963	5.00%	114,344	6.23%	(10,381)	(9.1%)
Travel	33,596	1.62%	23,562	1.28%	10,034	42.6%
Intercompany	34,074	1.64%	8,816	0.48%	25,258	286.5%
total	**2,079,148**	**100.00%**	**1,835,518**	**100.00%**	**243,630**	**13.3%**

The Retail channel books a rise in sales of 11.3% to Euro 1,477,798 thousand, mainly as a result of the increase in the number of stores (+11 sales outlets on 28 February 2018) and the good performance of the sales network on equal scope, driven in particular by smartphones, TV and the vacuum segment.

The consolidated revenues of the Online channel stand at Euro 198,690 thousand, growth of 30.8% compared with Euro 151,927 thousand in the same period of the previous year. For the first time, the second contributor to total revenues of the Unieuro Group, booking growth of Euro 46,763 thousand on last year. The reasons behind the success, both in absolute value and market share, lie in the Group's omnichannel strategy, which assigns the physical sales outlet the valuable role of pick-up point, to the benefit of web customers. The continuous innovation, linked to the continuous release of new platform functions and improvements, the attention paid to contents and the effectiveness of the digital communication campaigns have further strengthened the competitive advantage.

The Indirect channel[87] (previously referred to as the Wholesale channel), which includes turnover

[86] 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 indirect channel to the B2B channel.
[87] 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 indirect channel to the B2B channel.

made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators, for a total of 275 sales outlets - recorded sales of Euro 231,027 thousand, up 10.5% on the Euro 209,003 thousand booked the same period of the previous financial year. Growth was driven by the Large Retail segment, with the opening of the first 14 Unieuro shops-in-shops by Iper in *Iper, La grande i* hypermarkets, under the scope of the partnership that was made official last 10 January 2019.

The B2B channel[86] - which 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) - recorded sales of Euro 103,963 thousand, down 9.1% on last year, due to the change in competition starting the last quarter.

Finally, the Travel channel - comprising 12 direct sales outlets located at some of the main public transport hubs, such as airports and railway and underground railway stations - recorded growth of 42.6% for a value of Euro 10,034 thousand, also thanks to the October 2018 opening of the ex-DPS/Trony sales outlet at the underground railway station of Milan San Babila.

Intercompany revenues were equal to Euro 34,074 thousand in the year ended 28 February 2018 (Euro 8,816 thousand in the year ended 28 February 2018) and were composed of the sale of products to the subsidiary company Monclick.

Below is a breakdown of revenues by category:

(In millions of Euro and as a percentage of revenues)	Year ended				Changes	
	28 February 2019	**%**	**28 February 2018[88]**	**%**	**2019 vs 2018**	**%**
Grey	981,590	47.2%	872,337	47.5%	109,253	12.5%
White	545,468	26.2%	485,183	26.4%	60,285	12.4%
Brown	358,559	17.2%	309,823	16.9%	48,736	15.7%
Other products	109,528	5.3%	102,116	5.6%	7,412	7.3%
Services	84,003	4.0%	66,059	3.6%	17,944	27.2%
Total revenues by category	**2,079,148**	**100.0%**	**1,835,518**	**100.0%**	243,630	13.3%

The Grey category, namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, telephone system accessories, as well as all wearable technological products, kept its incidence on total revenues unchanged at 47.2%, generating turnover of Euro 981,590 thousand, up 12.5% on the Euro 872,337 thousand of last year, thanks to the good performance of the telephone systems segment, which benefited from a mix movement towards the top of the range and the good performance of several new models, as well as a positive trend in sales of wearables and accessories, in particular earpieces.

The White category, composed of major domestic appliances (MDA) such as washing machines, tumble driers, refrigerators or freezers and ovens, small domestic appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, generated turnover of

[88] 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.

Euro 545,468 thousand, up 12.4% on the Euro 485,183 thousand of last year, thanks to the success of the vacuum segment and the increased penetration of tumble driers and dishwashers.

The Brown category, comprising televisions and their accessories, audio devices, smart-TV devices and car accessories, as well as memory storage systems, such as CDs/DVDs or USB pen drives, booked period growth in revenues up to Euro 358,559 thousand (+15.7% on the Euro 309,823 thousand of last year), benefiting from the growing success of top-of-the-range televisions, in particular ultraHD and OLED, the good performance of the audio segment and the driving effect of the 2018 football world cup.

The Other products category recorded an increase in consolidated revenues of 7.3%; this group includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as e-mobility. The performance was driven by the good performance of gaming consoles, which offset the decline in sales of products linked to electric mobility.

The Services category recorded growth of 27.2% in consolidated revenues thanks to the expansion of the sales network and the Unieuro Group's continued focus on the provision of services to its customers. Excellent performance for extended warranties and consumer credit.

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

(Amounts in thousands of Euros)	**Period ended**	
	28 February 2019	**28 February 2018**[89]
Abroad	3,954	7,540
Italy	2,075,194	1,827,978
Total	**2,079,148**	**1,835,518**

5.18 Other income

Below is a breakdown of the item "Other income" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Rental and lease income	1,851	1,588
Insurance reimbursements	1,670	1,825
Other income	737	1,878
Intercompany service	335	86
Total Other Income	**4,593**	**5,377**

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. Please note that during the year, the following took place: (i) booking of the insurance reimbursement for Euro 1,520 thousand, obtained in connection with the 25 February 2017 fire at the Oderzo (TV) sales outlet; and (ii) the reclassification to the item Revenues which took place following the clarifications introduced by the new accounting standard IFRS 15 of the charging back of costs relating to the Unieuro Club loyalty scheme, for more details, please refer to Note 2.6.1 Changes to the accounting standards.

[89] Unieuro 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 Intercompany service includes income deriving from the service agreement stipulated by Unieuro and Monclick, which envisages the supply of specialised services through the Unieuro functions and departments.

5.19 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Purchase of goods	1,664,660	1,466,103
Building rental and expenses	71,173	63,760
Transport	51,373	40,670
Marketing	47,451	48,673
Utilities	13,980	12,692
Maintenance and rental charges	12,124	10,165
General sales expenses	9,689	8,560
Other costs	9,289	7,971
Consulting	7,754	8,759
Purchase of consumables	5,908	4,628
Travel expenses	2,631	2,969
Purchases of materials and intercompany services	1,641	1,494
Payments to administrative and supervisory bodies	736	773
Total Purchases of materials and external services	**1,898,409**	**1,677,217**
Changes in inventory	(48,724)	(43,637)
Total, including the change in inventories	**1,849,685**	**1,633,580**

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 1,633,580 thousand as at 28 February 2018 to Euro 1,849,685 thousand in the year ended 28 February 2019, an increase of Euro 216,105 thousand or 13.2%.

The main increase is attributable to the item "Purchase of goods" for Euro 198,557 thousand mainly resulting from the increase in turnover due to (i) external and internal growth actions, (ii) the favourable performance of the second half of the year, marked by the truly excellent Black Friday and (iii) the significantly positive Christmas season.

The item “Building rental and expenses” rises by Euro 7,413 thousand on 28 February 2018, or 11.6%; this increase is due to the (i) run rate of acquisitions made during the second part of the previous year; (ii) acquisitions made during the year ended on 28 February 2019 and (iii) the new openings made during the reference period.

The item “Transport” rose from Euro 40,670 thousand as at 28 February 2018 to Euro 51,373 thousand as at 28 February 2019, mainly as a result of the increased volume of business and due to the increasing weight of home deliveries relating to online orders.

The item “Marketing” fell from Euro 48,673 thousand at 28 February 2018 to Euro 47,451 thousand at 28 February 2019. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. There was a fall in traditional marketing activities in the year ended 28 February 2019, partly offset by the increase in digital marketing activities.

The item “Utilities” increased by Euro 1,288 thousand compared with 28 February 2018 or 10.1%, with the increase mainly due to the increase in the number of sales outlets recorded in the year.

The item “General sales expenses” increased from Euro 8,560 thousand at 28 February 2018 to Euro 9,689 thousand at 28 February 2019. The item mainly includes the cost of fees on sales transactions with the increase due to the increase in turnover.

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item rose by Euro 1,318 thousand compared with 28 February 2018 or 16.5% 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 point of sale which took place on 25 February 2017 and the theft at the Piacenza warehouse which took place in August 2017 with a new insurance contract concluded 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 0.5% at 28 February 2019 (0.4% at 28 February 2018).

The item “Consultancy” fell from Euro 8,759 thousand at 28 February 2018 to Euro 7,754 thousand at 28 February 2019. 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.

5.20 Personnel expenses

Below is a breakdown of the item "Personnel expenses" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Wages and salaries	120,727	112,273
Welfare expenses	36,383	32,040
Severance pay	8,047	7,486
Other personnel costs	2,628	2,665
Total personnel costs	**167,785**	**154,464**

Personnel costs went from 154,464 thousand in the year ended 28 February 2018 to Euro 167,785 thousand in the year ended 28 February 2019, an increase of Euro 13,321 thousand or 8.6%.

The item “Wages and salaries” increased by Euro 8,454 or around 7.5% with the increase due mainly to (i) an increase in the number of employees following acquisitions and the opening of new stores and (ii) the strengthening of certain strategic functions at the head office.

The item “Other personnel costs”, was equal to Euro 2,628 thousand at 28 February 2019 (Euro 2,665 thousand at 28 February 2018); this item mainly includes the reporting of Euro 2,024 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

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2019	**28 February 2018**
Non-income based taxes	6,198	7,380
Provision for supplier bad debts	(170)	488
Provision for the write-down of other assets	-	178
Bad debt provision	22	146
Other operating expenses	275	310
Total other operating costs and expenses	**6,325**	**8,502**

"Other operating costs and expenses" went from Euro 8,502 thousand in the year ended 28 February 2018 to Euro 6,325 thousand in the year ended 28 February 2019, a decrease of Euro 2,177 thousand or 25.6%.

The decrease is due to the combined effect of: (i) reduction of non-income tax and duties and (ii) decline in the impairment of doubtful debt.

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

5.22 Depreciation, amortisation and write-downs

Below is a breakdown of the item "Amortization, depreciation and impairment losses" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Year ended	
	28 February 2018	**28 February 2018**
Depreciation and amortisation of tangible fixed assets	18,053	15,498
Depreciation and amortisation of intangible fixed assets	6,276	4,583
Write-downs/(write backs) of tangible and intangible fixed assets	2,374	989
Write-downs/(write-backs) of equity investments	3,173	6,276
Total depreciation, amortisation and write-downs	**29,876**	**27,346**

The item "Depreciation, amortisation and write-downs" went from Euro 27,346 thousand in the year ended 28 February 2018 to Euro 29,876 thousand in the year ended 28 February 2019, a rise of Euro 2,530 thousand or 9.3%. The increase relates to the progressive increase in investments made in recent years also related to new acquisitions.

The item “Write-downs/(write backs) of tangible and intangible fixed assets” increased in the year ended 28 February 2019 compared with the year ended 28 February 2018 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.
Write-downs/(write-backs) of equity investments includes the results of the impairment testing carried out on the investment in Monclick. The test revealed that as at 28 February 2019, its carrying amount exceeded the recoverable value by Euro 3,173 thousand. For more details, refer to note 5.5.1.

5.23 Financial income and Financial expenses

Below is a breakdown of the item "Financial income" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Interest income	4	25
Other financial income	1,583	274
Total financial income	**1,587**	**299**

"Financial income" went from Euro 299 thousand in the year ended 28 February 2018 to Euro 1,587 thousand in the year ended 28 February 2019, an increase of Euro 1,288 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 expense" is given below:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Interest expense on bank loans	2,643	6,640
Other financial expense	1,595	1,280
Financial expenses from parent company	311	-
Total Financial Expenses	**4,549**	**7,920**

"Financial expenses" went from Euro 7,920 thousand in the year ended 28 February 2018 to Euro 4,549 thousand in the year ended 28 February 2019, a decrease of Euro 3,371 thousand or 42.6%.

The item “Interest expense on bank loans” fell at 28 February 2018 by Euro 3,997 thousand compared with the same period of the previous year; 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 Euro 1,595 thousand as at 28 February 2019 (Euro 1,280 thousand as at 28 February 2018) mainly includes the interest relating to other financial liabilities and the expenses related to the cash discounts given to customers.

“Financial expenses from parent company” of Euro 311 thousand at 28 February 2019, includes expenses relating to cash discounts paid to the subsidiaries against payments of commercial supplies made advance of contract due dates.

5.24 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Current taxes	(3,724)	(1,676)
Deferred taxes liabilities	4,851	318
Tax provision allocation	(66)	497
Total	**1,061**	**(861)**

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

(In thousands of Euros and as a percentage of the profit before tax)	**Year ended**			
	28 February 2019	**%**	**28 February 2018**	**%**
Profit of period before taxes	27,108		9,382	
Theoretical income tax (IRES)	(6,506)	24.0%	(2,252)	24.0%
IRAP	(2,456)	(9.1%)	(1,255)	(13.4%)
Tax effect of permanent differences and other differences	10,089	37.2%	2,149	22.9%
Tax for the period	**1,127**		**(1,358)**	
(Accrual to)/(release from) tax provision	(66)		497	
Total taxes	**1,061**		**(861)**	
Actual tax rate		**3.9%**		**(9.2%)**

The impact of taxes on income is calculated considering (accrual to)/release from tax provision for tax disputes. In the financial years ended 28 February 2019 and 28 February 2018 the impact of taxes on the pre-tax result was 3.9% positive and 9.2% negative, respectively; the fall was due to the recording of deferred tax income on tax losses of Euro 7,241 thousand. For more details, please see Note 5.4.

It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree no. 917 of 22/12/1986), together with the “Consolidated Company” Monclick S.r.l. The option makes it possible to determine IRES debt (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item “Allocation to tax provision” went from a release of Euro 497 thousand in the financial year ended 28 February 2018 to a provision of Euro 66 thousand in the financial year ended 28 February 2019.

5.25 Basic and diluted earnings per share

The basic earnings per share are calculated with reference to the Group result showed in the note 5.25 of the Consolidated Financial Statement.

5.26 Statement of cash flows

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

Net cash flow generated/(absorbed) by operations

(Amounts in thousands of Euros)	**Year ended**	
	28 February 2019	**28 February 2018**
Cash flow from operations		
Profit (Loss) for the Year	28,169	8,521
Adjustments for:		
Income taxes	(1,061)	861
Net financial expenses (income)	2,962	7,621
Depreciation, amortisation and write-downs	29,876	27,346
Other changes	1,325	1,386
	61,271	45,735
Changes in:		
- Inventories	(48,945)	(43,637)
- Trade receivables	(1,277)	(5,163)
- Trade payables	47,854	81,033
- Other changes in operating assets and liabilities	23,029	20,860
Cash flow generated /(used) by operating activities	20,661	53,093
Taxes paid	(741)	-
Interest paid	(3,538)	(8,816)
Net cash flow from (used in) operating activities	**77,653**	**90,012**

The net cash flow from (used in) operating activities went from Euro 90,012 thousand in the year ended 28 February 2018 to Euro 77,653 thousand in the year ended 28 February 2019. The positive cash generation is connected with the positive trend of revenues and benefited from both external and internal growth actions and the favourable performance of the second half of the year, marked by a truly excellent Black Friday and a very positive Christmas season. This performance is partially offset by a rise in trade receivables generated by the Indirect channel, as a result of the partnership stipulated with Finiper during the year.

Cash flow generated (absorbed) by investment activities

	Year ended

(Amounts in thousands of Euros)	28 February 2019	28 February 2018
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(29,382)	(33,615)
Purchases of intangible assets	(2,760)	(9,270)
Collections from the sale of plant, equipment and other assets	-	1
Investments in equity investments	-	(9,283)
Investments for business combinations and business units	(5,587)	(10,985)
Cash flow generated/(absorbed) by investing activities	**(37,729)**	**(63,152)**

Investment activities absorbed liquidity of Euro 37,729 thousand and Euro 63,152 thousand, respectively, in the years ended 28 February 2019 and 28 February 2018.

With reference to the year ended 28 February 2019, the Company's main requirements involved:

- Investments in companies and business units of Euro 5,587 thousand relate to the share of the purchase price paid for the business unit of DPS Group S.r.l. for Euro 3,400 thousand and the business unit of Galimberti S.p.A. for Euro 2,187 thousand.

- investments in plant, machinery and equipment of Euro 29,382 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;

- investments in intangible assets for Euro 2,760 thousand relative to the costs incurred for the purchase of new hardware, software, licences, also in view of the necessary regulatory adjustments in respect of privacy, telematic fees and electronic invoicing, and start-up of existing applications with a view to the digitalisation of stores and the development of advanced functions for online platforms with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

Cash flow generated/(absorbed) by financing activities

	Year ended	
(Amounts in thousands of Euros)	28 February 2019	28 February 2018
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	(4,700)	16,529
Increase/(Decrease) in other financial liabilities	1,979	154
Distribution of dividends	(20,000)	(20,000)
Net cash and cash equivalents generated by financing activities	**(22,721)**	**(3,317)**

Financing absorbed liquidity of Euro 22,721 thousand in the year ended 28 February 2019 and Euro 3,317 thousand for the year ended 28 February 2018.

The cash flow from financing activities as at 28 February 2019 mainly reflects:

- a decrease in financial liabilities of Euro 4,700 thousand mainly due to the use of the hot money line for Euro 3,000 thousand and to the normal repayment of principal shares of the Loan for Euro 7,500 thousand.

- an increase in other financial liabilities of Euro 1,979 thousand mainly due to the increase in 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 Long Term Incentive Plan were referred to the same Shareholders’ Meeting for specific definition by the Unieuro Board of Directors. On 29 June 2017, the Board of Directors approved the plan regulations for the plan (following the “Regulations”) whereby the terms and conditions of implementation of Long Term Incentive Plan were determined.
The Recipients subscribed to the Plan in October 2017. The parties expressly agreed that the effects of granting rights should be retroactive to 29 June 2017, the date of approval of the regulations by the Board of Directors.
The Regulations also provide for the terms and conditions described below:

- *Condition:* the Plan and the grant of the options associated with it will be subject to the conclusion of the listing of 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 Long Term Incentive Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

- *Object:* the object of the Plan is to grant the Recipients option rights that are not transferable by act inter vivos for the purchase or subscription against payment of ordinary shares in Unieuro for a maximum of 860,215 options, each of which entitling the bearer to subscribe one newly issued ordinary share (“Options”). If the target is exceeded with a performance of 120%, the number of Options will be increased up to 1,032,258. A share capital increase was approved for this purpose for a nominal maximum of €206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro’s shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

Remuneration Committee;

- *Exercise of rights* : the subscription of the shares can only be carried out after 31 July 2020 and within the final deadline of 31 July 2025;
- *Vesting*: the extent and existence of the right of every person to exercise options will happen on 31 July 2020 provided that: (i) the working relationship with the Recipient persists until that date, and (ii) the objectives are complied with, in terms of distributable profits, as indicated in the business plan on the basis of the following criteria:
    - 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, 2018- 2025.

In the financial statements the evaluation of the probable market price of the options is recorded using the binomial method. The theories underlying the calculation were (i) volatility, (ii) risk rate (equal to the return on Eurozone zero-coupon bond securities maturing close to the date the options will be exercised), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of expected dividends. Lastly, in line with the provisions of IFRS 2, the probability of the Recipients leaving the plan, which ranges from 5% to 15% and the probability of achieving the performance targets 100%, were taken into account.
In determining the fair value at the allocation date of the share-based payment, the following data was used:

Fair value at grant date	€7.126
Price of options at grant date	€16.29
Exercise price	€11.00
Anticipated volatility	32%
Duration of the option	5.5 years
Expected dividends	Expected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	Number of options 28 February 2019
Existing at the start of the financial year	831,255
Exercised during the financial year	-
Granted during the financial year	-
Contribution from merger	-
Withdrawn during the financial year (bad leaver)	-
Existing at the end of the financial year	**831,255**
Not allocated at the beginning of the financial year	28,960
Exercisable at the end of the financial year	-
Not granted at the end of the financial year	**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 assets acquired and liabilities assumed are reflected in the financial statements from the date Unieuro acquired control, namely from 23 August 2018.

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

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

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

(Amounts in thousands of Euros)	28 February 2019
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. Significant variations to what already accounted are not expected.

Acquisition of the Galimberti S.p.A. business unit

Following participation in the competitive procedure launched by the Court of Milan, on 10 October 2018, Unieuro was awarded the contract for a business unit of Galimberti S.p.A., in an arrangement with creditors. The business unit is 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).

The acquisition, concluded on 30 October 2018, guarantees Unieuro efficient, capillary cover of north-east Italy.

The price for the sale of the company is Euro 2,489 thousand of which Euro 500 thousand paid by way of deposit.

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

(Amounts in thousands of Euros)	**Acquired assets (liabilities)**	**Identifiable assets (liabilities)**	**Recognised assets (liabilities)**
Plant, machinery, equipment and other assets and intangible assets with finite useful life	134	0	134
Other current assets/liabilities	(223)	0	(223)
Employee benefits	(79)	0	(79)
Total net identifiable assets	**(168)**	**0**	**(168)**

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

(Amounts in thousands of Euros)	**28 February 2019**
Transaction consideration	(2,489)

Assumption of debt of personnel	302
Transaction consideration excluding assumption of personnel debt	**(2,187)**
% Acquired	100%
Acquired Assets (liabilities)	(168)
Fair Value adjustment of acquired assets (liabilities)	**0**
Excess Price to be Allocated	**(2,355)**
Key Money	**473**
Retail	*473*
Residual goodwill	**1,882**
Retail	*1,882*

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. For the measurement of this fair value the Company enlisted external consultants with proven experience which, using assessment methods in line with the best professional practices, estimated the value of the Key money at Euro 473 thousand.

The residual goodwill measured during the business combination of Euro 1,882 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. Significant variations to what already accounted are not expected.

6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Company's credit and debt relations with related-parties as at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Credit and debt relations with related parties (as at 28 February 2019)								
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of directors**	**Main managers**	**Monclick**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
At 28 February 2019									
Trade receivables	-	-	-	-	-	1,807	**1,807**	**41,643**	**4.3%**
Trade payables	-	-	-	-	-	(318)	**(318)**	**463,984**	**(0.1%)**
Other current liabilities	-	(63)	-	(233)	(278)	(676)	**(1,250)**	**189,775**	**(0.7%)**
Other non-current liabilities	-		-		(1,440)	-	**(1,440)**	**1,466**	**(98.2%)**
Total	**-**	**(63)**	**-**	**(233)**	**(1,718)**	**813**	**(1,201)**		

(Amounts in thousands of Euros)	Credit and debt relations with related parties (as at 28 February 2018)							
Type	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of directors**	**Main managers**	**Monclick**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
At 28 February 2018								
Trade receivables	-	-	-	-	2,802	**2,802**	**40,366**	**6.9%**
Trade payables	-	-	-	-	(1,812)	**(1,812)**	**(410,086)**	**0.4%**
Other financial liabilities	-	-	-	-	(1,217)	**(1,217)**	**(12,195)**	**10.0%**
Other current liabilities	(67)	-	(190)	(365)	-	**(622)**	**(162,432)**	**0.4%**
Other non-current liabilities	-	-	-	(487)	-	**(487)**	**(718)**	**67.8%**
Total	**(67)**	**-**	**(190)**	**(852)**	**(227)**	**(1,336)**		

The following table summarises the Company's related-part income statement positions as at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Economic relations with related parties (as at 28 February 2019)								
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of directors**	**Main managers**	**Monclick**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
At February 2019									
Revenue	-	-	-	-	-	34,074	**34,074**	**2,079,148**	**1.6%**
Other income	-	-	-	-	-	335	**335**	**4,593**	**7.3%**
Purchases of materials and external services	(262)	(64)		(690)	-	1,641	**626**	**(1,898,409)**	**0.0%**
Personnel costs	-	-	-	-	(5,105)	-	**(5,105)**	**(167,785)**	**3.0%**
Financial expenses	-	-	-	-	-	(311)	**(311)**	**(4,549)**	**6.8%**
Income taxes	-	-	-	-	-	(676)	**(676)**	**1,061**	**-63.7%**
Total	(262)	**(64)**	**-**	**(690)**	**(5,105)**	**35,063**			

(Amounts in thousands of Euros)	Economic relations with related parties (as at 28 February 2018)							
Type	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of directors**	**Main managers**	**Monclick**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
At February 2018								
Revenue	-	-	-	-	8,817	**8,817**	**1,835,518**	**0.5%**
Other income	-	-	-	-	86	**86**	**5,377**	**1.6%**
Purchases of materials and external services	(63)	(151)	(571)	-	(1,093)	**(1,878)**	**(1,677,218)**	**0.1%**
Personnel costs	-	-	-	(4,608)	-	**(4,608)**	**(154,464)**	**3.0%**
Total	**(63)**	**(151)**	**(571)**	**(4,608)**	**7,810**			

For the periods concerned, related-party receivable/payable and income statement positions were mainly for:

- 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;

- commercial relations for the provision of goods and services with the subsidiary company Monclick S.r.l. and cash flows relating to payments to cover losses and capital contribution payments during the year of Euro 5,000 thousand. Note that on 14 November 2018, the Unieuro Board of Directors approved payments to the provision to cover losses of Euro 1,269 thousand, and capital contribution payments of Euro 3,731 thousand, respectively. It is hereby specified that beginning from 28 February 2019, Unieuro S.p.A. had exercised an option for the Domestic Tax Consolidation regime, in the capacity of "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company” which is Monclick S.r.l. The option makes it possible to determine

IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

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

Main managers	
Year ended 28 February 2019	**Year 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 Company's cash flows with related-parties as at 28 February 2019 and 28 February 2018:

(Amounts in thousands of Euros)	Related parties										
Type	**Pallacanestro Forlì 2.015 s.a r.l.**	**Italian Electronics Holdings**	**Ni.Ma S.r.l.**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of directors**	**Main managers**	**Monclick S.r.l.**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
Period from 1 March 2017 to 28 February 2018											
Net cash flow from (used in) operating activities	-	4,221	50	(25)	(231)	(798)	(3,428)	6,820	**(227)**	**85,203**	**-0.3%**
Cash flow generated/(absorbed) by investing activities	-		-	-	-	-	-	(5,783)	**(5,783)**	**(57,525)**	**10.1%**
Cash flow generated/(absorbed) by financing activities	-	(9,598)	-	-	-	-	-		**(9,598)**	**(3,317)**	**289.4%**
total	**-**	**(5,377)**	**50**	**(25)**	**(231)**	**(798)**	**(3,428)**	**1,037**			
Period from 1 March 2018 to 28 February 2019											
Net cash flow from (used in) operating activities	(262)	-	-	(68)	-	(647)	(2,815)	34,023	**30,231**	**77,653**	**39.9%**
Cash flow generated/(absorbed) by financing activities	-	(6,760)	-	-	-	-	-	-	**(6,760)**	**(21,504)**	**31.4%**
Total	**(262)**	**(6,760)**	**-**	**(68)**	**-**	**(647)**	**(2,815)**	**34,023**			

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

(Amounts in thousands of Euros)	Year ended	
	28/02/2019	**28/02/2018**
Guarantees and sureties in favour of:		
Parties and third-party companies	47,283	32,072
Total	**47,283**	**32,072**

Operating lease assets

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

As at 28 February 2019, the amount of rental fees due for operating lease agreements is given below:

(Amounts in thousands of Euros)	Period ended 28 February 2019			
	Within the financial year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Rental fees due for operating lease agreements	37,747	54,279	6,499	98,525

As at 28 February 2018, the amount of rental fees due for operating lease agreements is given below:

(Amounts in thousands of Euros)	Period ended 28 February 2018			
	Within the financial year	**Between 1 and 5 years**	**More than 5 years**	**Total**
Rental fees due for operating lease agreements	52,219	35,919	289	88,427

The rent still due to operating lease agreements reported an increase of Euro 10,098 thousand in the year ended 28 February 2019 compared with the year ended 28 February 2018, mainly due to the combined effect of: (i) taking over the rental agreements of the sales outlets acquired, (ii) new openings of sales outlets during the year and (iii) renegotiation with some landlords of the main contractual conditions.

Disclosure on transparency obligations in the system of public grants (Italian Law no. 124/2017, Art. 1 paragraphs 125-129)

As required by legislation regulating transparency in public grants introduced by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 as subsequently supplemented by the "Security" Decree Law (no. 113/2018) and the "Simplification" Decree Law (no. 135/2018), reference is made to the National Register of State Aid. Please note that Unieuro benefited from general measures open to all businesses coming under the general structure of the definitive reference system by the State, such as, merely by way of example, benefits relative to super and hyper amortisation. In the year ended on 28 February 2019, Unieuro did not receive additional grants, contributions and economic advantages of any type from the public administrations and equivalents, from companies controlled by public administrations and from jointly publicly held companies.

Payments to the independent auditors

Payments to the independent auditors and its network for legally-required audits and other services as at 28 February 2019 are highlighted below:

Type of service	Entity providing the service	Prices (in thousands of euros)
Audit	KPMG S.p.A.	538
Certification services	KPMG S.p.A.	8
Other services	KPMG S.p.A.	230
Other services	KPMG Advisory S.p.A.	47
	Total	**823**

Subsequent events

No events occurred after the reference date of the separate financial statements that require adjustments to the values reported in the financial statements.

No events occurred after the reference date of the separate financial statements that require adjustments to the values reported in the financial statements.

Completion of the Pistone transaction

On 1 March 2019, Unieuro completed purchase of 100% of the share capital of Carini Retail S.r.l., the company formerly owned by Pistone S.p.A. and holder of a business unit comprising 12 sales outlets in Sicily.

The integration began immediately and entailed the progressive adoption of the Unieuro brand by the new sales outlets, completion of which was celebrated by a high-impact local communication campaign.

The price agreed for the purchase of the investment in the newco is Euro 17.4 million and is regulated in three tranches: Euro 6 million at closing, Euro 6 million 12 months later and Euro 5.4 million after a further 12 months.

Differently to the transactions carried out to date, Unieuro also separately acquired the goods inventories of Pistone S.p.A. This made it possible to speed up the reopening of the stores under the Unieuro brands, thereby guaranteeing continuity of service to customers and minimising the extraordinary costs linked with the days of forced closure.

Parallel to the integration of the former Expert stores, Unieuro also started using the logistics platform offered by Pistone S.p.A., again in Carini, which has become the secondary hub of the chain directly servicing the central platform of Piacenza.

Unieuro will thus significantly improve the service offered to Sicilian customers and develop cost synergies in restocking direct and indirect sales outlets in Sicily and Calabria, as well as making home deliveries to web customers.

Opening of 5 Additional Unieuro by Iper

On 14 March 2019, 5 new shop-in-shops were opened in as many hypermarkets of Iper, la Grande i. The number of sales outlets under the Unieuro by Iper brand thus reached 19 units.

Unieuro's app enhanced thanks to "augmented reality"
With the goal of developing a more and more personalized customer journey, Unieuro announced at the end of April a new and innovative feature in its App: augmented reality, that will give the possibility to simulate the real presence of large household appliances and TV in a specific environment, in order to easily chose the best solutions for the environment itself.

Market leadership
On 15 March, the Board of Directors examined some of the preliminary results of the year ended on 28 February 2019. In light of the revenues standing at 2.1 billion euros, for the first time ever, Unieuro is a market leader, no longer just in terms of number of sales outlets and profitability, but also business volumes. And this leadership position is set to increase even further in the current year, with the consolidation of the former Pistone stores, the start-up of the Unieuro shops-in-shops by Iper and the incremental contribution of purchases and new openings completed in the last twelve months.

Draft resolution of the Board of Directors submitted to the Shareholders' Meeting

Dear Shareholders,

We propose to allocate the result for the year ended 28 February 2019, equal to Euro 28,169,482, as follows:

(i) for an amount of Euro 6,769,482, to the extraordinary reserve available and distributable; and

(ii) for the residual part of the net distributable profit, the distribution to the shareholders of a dividend equal to Euro 21,400,000, in the amount of Euro 1.07 per ordinary share entitled to the dividend.

8 May 2019

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

Appendix 1

Statement of Financial Position as at 28/02/2019 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(Amounts in thousands of Euros)	28 February 2019	Of which with Related-Parties	Weight %	28 February 2018	Of which with Related-Parties	Weight %
Plant, machinery, equipment and other assets	84,851			74,714		
Goodwill	170,767			167,645		
Intangible assets with a definite useful life	22,534			18,421		
Deferred tax assets	35,179			30,105		
Other non-current assets	15,045			13,095		
Total non-current assets	**328,376**	**-**	**0.0%**	**303,980**	**-**	**0.0%**
Inventories	362,133			313,188		
Trade receivables	41,643	1,807	4.3%	40,366	2,802	
Current tax assets	2,093			2,887		
Other current assets	18,315			14,421		
Cash and cash equivalents	77,412			60,209		
Assets held for sale	-			-		
Total current assets	**501,596**	**1,807**	**0.4%**	**431,071**	**2,802**	**0.7%**
Total Assets	**829,972**	**1,807**	**0.2%**	**735,051**	**2,802**	**0.4%**
Share capital	4,000			4,000		
Reserves	29,535			105,957		
Profit/(loss) carried forward	54,156	29,230	54.0%	(35,217)	2,417	(6.9%)
Total shareholders' equity	**87,691**	**29,230**	**33.3%**	**74,740**	**2,417**	**3.2%**
Financial liabilities	31,112			40,518		
Employee benefits	10,660			10,586		
Other financial liabilities	12,771			12,195		
Provisions	7,718			5,696		
Deferred tax liabilities	2,112			630		
Other non-current liabilities	1,466	1,440	98.2%	718	487	67.8%
Total non-current liabilities	**65,839**	**1,440**	**2.2%**	**70,343**	**487**	**0.7%**
Financial liabilities	12,455			6,961		
Other financial liabilities	7,683			7,473	1,217	
Trade payables	463,984	318	0.1%	410,086	1,812	
Current tax liabilities	1,204			-		
Provisions	1,341			2,976		
Other current liabilities	189,775	1,250	0.7%	162,472	622	0.4%
Total current liabilities	**676,442**	**1,568**	**0.2%**	**589,968**	**3,651**	**0.6%**
Total liabilities and shareholders' equity	**829,972**	**32,238**	**3.9%**	**735,051**	**6,555**	**0.9%**

Appendix 2

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

(Amounts in thousands of Euros)	Year ended					
	28 February 2019	**Of which with Related-Parties**	**Weight %**	**28 February 2018**	**Of which with Related-Parties**	**Weight %**
Revenue	2,079,148	34,074	1.6%	1,835,518	8,817	0.5%
Other income	4,593	335	7.3%	5,377	86	1.6%
TOTAL REVENUE AND INCOME	**2,083,741**	**34,409**	**1.7%**	**1,840,895**	**8,903**	**0.5%**
Purchases of materials and external services	(1,898,409)	625	(0.0%)	(1,677,217)	(1,878)	0.1%
Personnel costs	(167,785)	(5,105)	3.0%	(154,464)	(4,608)	3.0%
Changes in inventory	48,724			43,637		
Other operating costs and expenses	(6,325)			(8,502)		
GROSS OPERATING PROFIT	**59,946**	**29,929**	**49.9%**	**44,349**	**2,417**	**5.4%**
Amortization, depreciation and impairment losses	(29,876)			(27,346)		
OPERATING PROFIT	**30,070**	**29,929**	**99.5%**	**17,003**	**2,417**	**14.2%**
Financial income	1,587			299		
Financial expenses	(4,549)	(311)	6.8%	(7,920)		0.0%
PROFIT BEFORE TAX	**27,108**	**29,618**	**109.3%**	**9,382**	**2,417**	**25.8%**
Income taxes	1,061	(676)	(63.7%)	(861)		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,169**	**28.942**	**102.7%**	**8,521**	**2,417**	**28.4%**

Appendix 3

Cash Flow Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(Amounts in thousands of Euros)	**28 February 2019**	**Of which with Related-Parties**	**Weight %**	**28 February 2018**	**Of which with Related-Parties**	**Weight %**
Cash flow from operations						
Profit (Loss) for the Year	28,169	28,942	102.7%	8,521	2,417	28.4%
Adjustments for:	-			-		
Income taxes	(1,061)			861		
Net financial expenses (income)	2,962	311	0.0%	7,621		
Depreciation, amortisation and write-downs	29,876			27,346		
Other changes	1,325	1,424	107.5%	1,386	952	68.7%
	61,271	30,677	50.1%	45,735	3,369	7.4%
Changes in:						
- Inventories	(48,945)			(43,637)		
- Trade receivables	(1,277)	995	(77.9%)	(5,163)	(2,558)	49.5%
- Trade payables	47,854	(1,494)	(3.1%)	81,033	1,797	2.2%
- Other changes in operating assets and liabilities	23,029	1,581	6.0%	20,860	4,001	19.2%
Cash flow generated /(used) by operating activities	20,661	31,749	153.7%	53,093	6,609	12.4%
Taxes paid	(741)			-		
Interest paid	(3,538)	(311)		(8,816)		
Net cash flow from (used in) operating activities	**77,653**	**31,438**	**49.5%**	**90,012**	**6,609**	**7.3%**
Cash flow from investment activities						
Purchases of plant, equipment and other assets	(29,382)			(33,615)		
Purchases of intangible assets	(2,760)			(9,270)		
Collections from the sale of plant, equipment and other assets	-			1		
Investments in equity investments	-			(9,283)		
Investments for business combinations and business units	(5,587)			(10,985)	(5,783)	
Cash flow generated/(absorbed) by investing activities	**(37,729)**	**-**	**0.0%**	**(63,152)**	**(5,783)**	**9.2%**
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	(4,700)			16,529		
Increase/(Decrease) in other financial liabilities	1,979	(1,217)		154		
Distribution of dividends	(20,000)	(6,760)	34%	(20,000)	(9,598)	48%
Cash flow generated/(absorbed) by financing activities	**(22,721)**	**(7,977)**	**35.1%**	**(3,317)**	**(9,598)**	**289.4%**
Net increase/(decrease) in cash and cash equivalents	**17,203**	**23,461**	**136.4%**	**23,543**	**(8,772)**	**(37.3%)**
OPENING CASH AND CASH EQUIVALENTS	60,209			**36,666**		
Net increase/(decrease) in cash and cash equivalents	17,203			**23,543**		
CLOSING CASH AND CASH EQUIVALENTS	77,412			**60,209**		

Appendix 4

Income Statement as at 28/02/2018 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

	Year ended					
(Amounts in thousands of Euros)	**28 February 2019**	**Of which non-recurring**	**Weight %**	**28 February 2018**	**Of which non-recurring**	**Weight %**
Revenue	2,079,148			1,835,518		
Other income	4,593	1,756	38.2%	5,377	929	17.3%
TOTAL REVENUE AND INCOME	**2,083,741**	**1,756**	0.1%	**1,840,895**	**929**	0.1%
Purchases of materials and external services	(1,898,409)	(6,524)	0.3%	(1,677,217)	(14,074)	0.8%
Personnel costs	(167,785)	(2,756)	1.6%	(154,464)	(5,828)	3.8%
Changes in inventory	48,724			43,637		
Other operating costs and expenses	(6,325)	(188)	3.0%	(9,662)	(614)	7.2%
GROSS OPERATING PROFIT	**59,946**	**(7,712)**	**(12.9%)**	**44,349**	**(19,587)**	**(44.2%)**
Amortization, depreciation and impairment losses	(29,876)	(3,493)	11.7%	(27,346)	(6,276)	23%
OPERATING PROFIT	**30,070**	**(11,205)**	**(37.3%)**	**17,003**	**(25,863)**	**(152.1%)**
Financial income	1,587			299		
Financial expenses	(4,549)	1,500	-33.0%	(7,920)	(3,128)	39.5%
PROFIT BEFORE TAX	**27,108**	**(9,705)**	**(35.8%)**	**9,382**	**(28,991)**	**(309.0%)**
Income taxes	1,061			(861)		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**28,169**	**(9,705)**	**(34.5%)**	**8,521**	**(28,991)**	**(340.2%)**

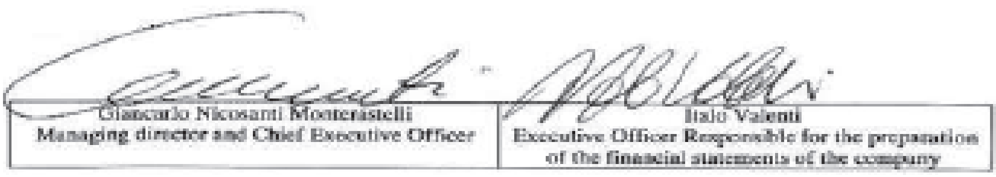
ATTESTATION OF THE ANNUAL FINANCIAL STATEMENTS AS AT 28 FEBRUARY 2019, IN ACCORDANCE WITH ART. 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

The undersigned, Giancarlo Nicosanti Monterastelli, in his capacity as the Chief Executive Officer of Unieuro S.p.A. and Italo Valenti, as Chief Financial Officer and executive responsible for the preparation of the financial statements of Unieuro S.p.A., pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:
• the adequacy in relation to the company's characteristics; and
• the effective implementation of the administrative and accounting procedures for the preparation of the full-year financial statements of the Company, in financial year 2019.

It is also hereby certified that the financial statements for 2019:
• 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 an accurate and fair view of the assets and liabilities, profits and losses and financial position of the issuer.

The Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

8 May 2019



KPMG

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Unieuro S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Unieuro S.p.A. (the "company"), which comprise the statement of financial position as at 28 February 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Unieuro S.p.A. as at 28 February 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the financial statements; note 2.6.2 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 28 February 2019 include goodwill of €170.8 million. The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 29 February 2020 to 29 February 2024 business plan, which was originally approved by the company's board of directors on 12 December 2018 and subsequently updated by it on 17 April 2018 and 8 May 2019 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures, which also involved our own specialists, included: — understanding and analysing the process adopted to prepare the impairment tests approved by the company's board of directors on 8 May 2019; — understanding and analysing the process used to draft the plan; — analysing the reasonableness of the main assumptions used by the directors to determine the recoverable amount of goodwill, including the plan's operating cash flows. Our analyses included comparing the main assumptions used to the company's historical data and external information, where available; — analysing the valuation models adopted by the company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit; — assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.

Recoverability of the investment in Monclick S.r.l.

Notes to the separate financial statements: note 2.5 - Use of estimates and judgements in the preparation of the financial statements; note 2.6.2 - Significant accounting policies; note 5.5 - Other current assets and other non-current assets

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 28 February 2019 include the investment in Monclick S.r.l. ("Monclick") of €12.6 million, net of the impairment loss of €3.2 million recognised during the year.	Our audit procedures, which also involved our own specialists, included: — understanding and analysing the process adopted to prepare the impairment tests approved by the

The directors have determined the recoverable amount of the investment in Monclick by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows. On 10 April 2019, the Monclick's sole director forecast the operating cash flows used for the impairment test, which was approved by the company's board of directors on 8 May 2019, on the basis of the 29 February 2020 to 29 February 2024 business plan (the "plan") and of the revenue's and related profitability's estimated long-term growth rates. For the above reasons, we believe that the recoverability of the investment in Monclick is a key audit matter.	parent's board of directors on 8 May 2019; — understanding and analysing the process used to draft the plan; — analysing the reasonableness of the main assumptions used by the directors to determine the recoverable amount of the investment in Monclick, including the plan's operating cash flows. Our analyses included comparing the main assumptions used to Monclick's historical data and external information, where available; — analysing the valuation models adopted by the company for reasonableness and consistency with professional practice; — checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit; — assessing the appropriateness of the disclosures provided in the notes about the investment in Monclick, the related impairment test and the impairment loss recognised during the year.

Premiums and contributions from suppliers

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the financial statements; note 2.6.2 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
The company has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold	Our audit procedures included: — understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the company's management; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — obtaining audit evidence supporting the check of the existence and accuracy of premiums and contributions from

volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers. For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.	suppliers, including through external confirmations; — checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation; — checking the mathematical accuracy of premiums and contributions from suppliers; — analysing the reasonableness of the assumptions in the estimate through discussions with the relevant internal departments, comparison with historical figures and our knowledge of the company and its operating environment; — assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.

Measurement of inventories

Notes to the separate financial statements: note 2.5 - Use of estimates and judgements in the preparation of the financial statements; note 2.6.2 - Significant accounting policies; note 5.6 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 28 February 2019 include inventories of €362.1 million, net of the allowance for inventory write-down of €9.7 million. Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the company's business sector; — the sales' seasonality, with peaks in November and December; — the decreasing price curve due to technological obsolescence of products; — the high number of product codes handled. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — checking the accuracy of the inventory calculation algorithm; — checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments; — checking the mathematical accuracy of the allowance for inventory write-down; — analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments and analysis of age bands and write-down rates applied; comparing the assumptions with

	historical figures and our knowledge of the company and its operating environment; — comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 28 February 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 28 February 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 28 February 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 21 May 2019

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

Report of the Board of Statutory Auditors to the Shareholders' Meeting of "Unieuro S.p.A." pursuant to Article 153 of Legislative Decree No 58/1998 ("Consolidated Finance Act") and Article 2429, paragraph 3 of the Civil Code

Dear Shareholders,

In compliance with current regulations for corporations with shares listed on regulated markets, and in accordance with the provisions of the Articles of Association, during the financial year ended as at 28 February 2019, we carried out the supervisory activities under our responsibility as per the Rules of Conduct for Boards of Statutory Auditors of listed companies, issued by the National Board of Chartered Accountants and Accounting Experts, the CONSOB recommendations on corporate auditing and activities of the Board of Statutory Auditors and the indications set out in the Self-Governance Code.

The structure and content of this Report are compliant the recommendations of the standard Q.7.1 of the National Board of Chartered Accountants and Accounting Experts.

Supervision of compliance with the law and the Articles of Association

The Board of Statutory Auditors supervised the Company's activities through specific audits and by participating in the Shareholders' Meetings and those of the Board of Directors. Moreover, at least the Chairman participated in the meetings of the Remuneration and Appointments Committee, the Control and Risks Committee, the Related Parties Committee and the Supervisory Body pursuant to Legislative Decree No 231/2001.

In exercising its functions, during the financial year under review, the Board of Statutory Auditors met nine times, in some cases jointly with the Control and Risks Committee, the Supervisory Body and the Independent Auditors.

The Board of Statutory Auditors acknowledges that it obtained information from the Directors relating to the general operating performance and its foreseeable outlook, as well as the most important economic, financial and equity information concerning the Company, deeming such information compliant with the law and the Articles of Association. In particular, the Board reports the following operations and events of particular interest that took place during the financial year and up to today's date:

- On 15 May 2018, the Board of Directors (i) granted the powers for participating in the competitive tender for the awarding of several sales outlets pertaining to DPS Group S.r.l. undergoing bankruptcy, finalised on 24 July 2018; and (ii) granted a mandate to the Managing Director to draw up a proposal for the acquisition of the business unit of Galimberti S.p.A., finalised on 12 October 2018;
- On 12 July 2018, the Board of Directors decided to approve a partial revision of the Internal Dealing Regulations, the Regulation for Managing Inside Information and Confidential Information, and the Regulation for Keeping the Insider List, to implement the content suggested in the guidelines on managing inside information adopted by CONSOB on 13 October;
- On 14 November 2018, the Board of Directors acknowledged that on 12 October, the new logistics hub in Piacenza was inaugurated, which is the subject of a long-term lease;
- On 14 November 2018, the Board of Directors (i) resolved to grant the Managing Director all the powers necessary to adopt all the measures needed to cover the losses of Monclick S.r.l., including the power to order the necessary payments for loss coverage and/or capital payments, quantified as a maximum amount of Euro 5 million; (ii) ratified the work of the Managing Director with regard to the signing of a letter of intent that outlines the operation with the counterparty Pistone S.p.A. and defines the timing for due diligence activities; the operation was then finalised on 1 March 2019; and (ii) resolved to update the targets of the Long-Term Incentive Plan to align them with the new market context;
- On 10 January 2019, the Board of Directors resolved (i) to adopt a centralised treasury management system, governing the relations between the companies participating in the service,

Unieuro S.p.A. and Banca Intesa Sanpaolo; and (ii) to amend the dividend policy limited to providing for payment of the dividend in a lump-sum, indicatively in June of the year following the reference year;

- On 15 March 2019, the Board of Directors resolved on the updating and the approval of the Organisation, Management and Control Model pursuant to Legislative Decree No 231/2001, the Anti-Corruption Policy, the whistle-blowing policy and the Code of Ethics.

The Board of Statutory Auditors acknowledges that it supervised both the decision-making process that led the Board of Directors to pass said resolutions as well as to conclude said transactions, and their finalisation, without noting any critical issues in this respect.

Supervision of compliance with the principles of correct administration

The Board of Statutory Auditors supervised compliance with the principles of correct administration, ensuring that the actions resolved and implemented by the Directors were inspired by the principles of economic rationality, were not clearly imprudent, hazardous, atypical or unusual, in potential conflict of interests or in conflict with the resolutions passed by the Shareholders' meeting or such as to risk the integrity of the Company's assets.

Supervision of the appropriateness of the organisational structure

The Board of Statutory Auditors supervised the Company's organisational structure and believes, in the light of the supervisory activities carried out and to the extent of its responsibilities, that this structure, as a whole, is appropriate and reliable in representing operating events.

Supervision of the appropriateness of the internal control system

The Board of Statutory Auditors supervised the Company's internal control system and acknowledges that the internal control system seemed appropriate overall to the Company's size and operational characteristics, as also verified during the meetings of the Control and Risks Committee, which were attended by at least one member of the Board of Statutory Auditors.

Under the scope of the verification of the internal control system, the Board of Statutory Auditors notes that the Company's Organisational Model complies with the provisions of Legislative Decree No 231/2001 and is constantly updated. That model, which concerns the Company's overall business in terms of procedures, organisation and control, appears to be adequate and incisive. Compliance with the model is supervised by a specifically appointed and duly functional body, composed of an internal member (the Internal Audit Manager) and two independent external experts. The Model is constantly monitored and updated with all changes and developments in the organisation.

The Board of Statutory Auditors met regularly and maintained a constant flow of information with the Supervisory Body, and examined the interim reports of the Supervisory Body for 2018-2019. It has no comments to make in this regard.

The Company also adopted a Code of Ethics under the scope of the Organisational Model and continued to raise awareness of this during 2018-2019.

In order to supervise the appropriateness of the internal control system, the Board of Statutory Auditors liaised not only with the Control and Risks Committee and the Supervisory Body, but also with the Director in charge of the internal control system and risk management and the Internal Audit Department Manager.

The Board of Statutory Auditors examined the annual report of the Internal Audit Department as at 28 February 2019, approved during the meeting of the Board of Directors of 8 May 2019, when the *2020 Annual Audit Plan* was also approved.

At least one member of the Board of Statutory Auditors participated in the meetings of the Remuneration and Appointments Committee, and the meetings of the Related Parties Committee, acquiring information useful to ensuring the supervisory duties under its responsibility.

The Board of Statutory Auditors acknowledges that the roles and responsibilities of the parties involved in the internal control system and the risk management system are different, in order to avoid any operational overlaps of the respective areas of action and responsibility, as well as duplication of controls.

Supervision of the appropriateness of the administrative-accounting system and the statutory audit of the accounts

To the extent of its responsibility, the Board of Statutory Auditors supervised the Company's administrative-accounting system and its reliability in terms of providing a correct representation of the operational events by collecting information from the department managers, examining the corporate documentation and analysing the results of the work carried out by the Independent Auditors. The Board of Statutory Auditors believes that that system is substantively appropriate and reliable in terms of correctly representing the operational events, and acknowledges that each body of the Company fulfilled its disclosure obligations set out by applicable regulations.

In particular, the Board of Statutory Auditors acknowledges that the Executive Officer responsible for the preparation of the financial statements of the Company issued the certification that the financial statement documents provide a true and correct representation of the equity, economic and financial position of the Company.

The Board of Statutory Auditors supervised the appropriateness of the instructions imparted by the Company to its subsidiary, pursuant to Article 114, paragraph 2 of the Consolidated Finance Act and on the correct flow of information between such parties, and deems that the Company is capable of fulfilling the disclosure obligations set out by law.

The Board of Statutory Auditors also met with the Board of Statutory Auditors of the subsidiary for the usual exchange of data and information. In those meetings, no events or anomalies arose of significant relevance as to be worthy of note in this report.

The Board of Statutory Auditors also met with the managers of the Independent Auditors in order to exchange relevant data and information with them, and acknowledges that it did not receive any notification of any events or anomalies of significant relevance as to be worthy of note in this report.

The Board of Statutory Auditors acknowledges that the report on the separate and consolidated financial statements, issued by the Independent Auditors on 21 May 2019, do not contain any findings and/or references to disclosure and certify that the separate and consolidated financial statements have been prepared clearly and provide a true and fair view of the Company's statement of financial position, income statement and cash flows.

Moreover, said reports are compliant with the provisions of Article 123-*bis* of the Consolidated Finance Act and contain the specific information referred to in paragraph 4 of that provision. The Independent Auditors judged the financial statements to be consistent pursuant to Article 14, paragraph 1, letter e) of Legislative Decree No 39/2010.

The Board of Statutory Auditors acknowledges that, during the financial year ended as at 28 February 2019, the Company appointed the Independent Auditors KPMG S.p.A. and members of its network to provide auditing and other non-audit services, for a total of Euro 934 thousand (of which Euro 639 thousand for auditing services and Euro 295 thousand for other services). As a result of the issue of Regulation (EU) No 537/2014, starting in 2017, the Board of Statutory Auditors has been asked to express its opinion on the conferral of appointments for non-audit services to the Independent Auditors and the other entities belonging to the network.

Moreover, on 21 May 2019, the Independent Auditors presented to the Board of Statutory Auditors the Additional Report required by Article 11 of Regulation (EU) No 537/2014, which revealed no significant deficiencies in the internal control system in relation to the disclosure process worthy of being brought to the attention of those responsible for governance matters.

Considering the foregoing, and having acknowledged the declaration that there are no causes for incompatibility which is attached to the Additional Report, the Board of Statutory Auditors deems that there are no critical issues with respect to its independence.

Supervision of non-financial information

With regard to the Consolidated Non-Financial report (hereinafter, the "NFR") governed by Legislative Decree No 254/2016, the Board of Statutory Auditors supervised compliance with the provisions of law on the matter and the appropriateness of the organisational, administrative, reporting and control system set up by the Company to ensure the correct complete representation, in the NFR, of business operations, their results and impacts with regard to non-financial matters.

The Board of Statutory Auditors received regular updates on the progress made on the preparatory activities for the NFR and supervised compliance with the provisions set out in Legislative Decree No 254/2016, under the scope of the duties assigned to it by the legal system.
The NFR was also subject to a compliance opinion from the Independent Auditors, which issued a specific report certifying the compliance of the information provided pursuant to Article 3, paragraph 10 of Legislative Decree No 254/2016.
Note that the NFR was published together with the documents relating to the annual report for 2019, specifically in the Directors' Report on Operations.

Method of correct implementation of corporate governance rules and initiatives taken
The corporate governance structure of the Company is characterised by a set of rules, conduct and processes aimed at guaranteeing an efficient, transparent corporate governance system and efficient functioning of its corporate bodies and control systems.
In particular, the corporate governance structure adopted by the Company is based on a "traditional" organisational model, comprising the following bodies: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. In application of current regulatory provisions on the matter, statutory auditing has been assigned to the above independent auditors, which are registered on the official list kept by CONSOB. The Company's corporate governance is completed by the Organisational Model pursuant to Legislative Decree No 231/2001, the Remuneration and Appointments Committee, the Control and Risks Committee, the Related Parties Committee and the structure of powers and delegations. The Company adheres to the Self-Governance Code for Italian listed companies, adapting it to suit the Company's characteristics.
The Board of Directors' meeting of 8 May 2019 verified that each member of the Board of Statutory Auditors met the requirements of professionalism and independence pursuant to Article 148, paragraph 4 of the Consolidated Finance Act and the Self-Governance Code. The Board of Statutory Auditors carried out its self-assessment of its composition and independence on 18 April 2019. Moreover, the Board of Directors' meeting held on 8 May 2019 approved the report on remuneration pursuant to Article 123-*ter* of the Consolidated Finance Act.
Please refer to the Report on Corporate Governance and Ownership Structures for additional information on the Company's corporate governance, in regard to which the Board of Statutory Auditors has nothing to report to the Shareholders' Meeting.

Supervision of transactions with Group companies and related parties
During the financial year ended as at 28 February 2019, the Board of Statutory Auditors did not note the existence of any atypical and/or unusual transactions carried out with related parties. The ordinary transactions carried out with related parties, as described by the Directors in the Report on Operations and providing evidence of their effects on the income statement, to which reference is made as applicable, are consistent and in the Company's interests.
The Board of Statutory Auditors met with and maintained a constant exchange of information with the Related Parties Committee, and acknowledges that it did not receive any notification of any events or anomalies of significant relevance as to be worthy of note in this report.

Opinions issued to the Board, omissions and reportable evens noted
During the financial year ended as at 28 February 2019 and up to today's date, the Board of Statutory Auditors did not issue opinions as per current regulations and no reports were received pursuant to Article 2408 of the Civil Code.
The Board of Statutory Auditors is not aware of any other reports to be referred to in this Report.

Proposals as regards the separate financial statements
On the basis of the above, upon completion of its supervisory activities, the Board of Statutory Auditors has no observations to make pursuant to Article 153 of Legislative Decree No 58/1998, on the matters under its responsibility regarding the Separate Financial Statements for the year ended as at 28 February 2019, accompanied by the Report on Operations, and sees no reason not to approve them, as per the draft

prepared and approved by the Board of Directors' meeting of 8 May 2019, deeming the proposed allocation of profit for the year to the extraordinary available and distributable reserve and of distribution of dividends to be in line with that set out in the "Issuer Registration Document" and the related information notes approved by CONSOB during the listing process.

Milan, 21 May 2019

THE BOARD OF STATUTORY AUDITORS

Chairman Maurizio Voza

Standing Auditor Luigi Capitani

Standing Auditor Giorgio Gavelli

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