unieuro

Half-year Consolidated Financial Report

as at 31 August 2019

Summary

Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors	Bernd Erich Beetz
- Chief Executive Officer	Giancarlo Nicosanti Monterastelli
- Non-executive Director	Robert Frank Agostinelli
- Non-executive Director	Gianpiero Lenza
- Non-executive Director	Alessandra Stabilini
- Independent Director	Catia Cesari
- Independent Director	Pietro Caliceti
- Independent Director	Marino Marin
- Independent Director	Monica Luisa Micaela Montironi

CONTROL AND RISK COMMITTEE

- Independent Director – Chairman	Marino Marin
- Non-executive Director	Gianpiero Lenza
- Independent Director	Monica Luisa Micaela Montironi

NOMINATIONS AND REMUNERATION COMMITTEE

- Independent Director – Chairman	Marino Marin
- Non-executive Director	Gianpiero Lenza
- Independent Director	Catia Cesari

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director - Chairman	Marino Marin
- Independent Director	Pietro Caliceti
- Independent Director	Monica Luisa Micaela Montironi

BOARD OF STATUTORY AUDITORS

- Chairman	Giuseppina Manzo
- Statutory Auditor	Maurizio Voza
- Statutory Auditor	Federica Mantini
- Alternate Auditor	Valeria Francavilla
- Alternate Auditor	Davide Barbieri

SUPERVISORY BODY

- Chairman	Giorgio Rusticali
- Members:	Chiara Tebano
	Raffaella Folli

AUDIT COMPANY

KPMG S.p.A.

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

UNIEURO GROUP INTERIM DIRECTORS' REPORT

1. Introduction

The Unieuro Group (hereinafter also the “Group” or “Unieuro Group”) came into existence following the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017 and the share capital of Carini Retail S.r.l., consolidated from 1 March 2019.

The company Unieuro S.p.A. (hereinafter referred to as the "Company" or “Unieuro” or "UE") is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, founded at the end of the 1930s by Vittorio Silvestrini. Unieuro is now the leading company in the distribution of consumer electronics and appliances in Italy and it operates as an integrated omnichannel distributor in four major product segments: Grey (telephone systems, computers and photos), White (large and small appliances), Brown (consumer electronics and media storage), Other Products (consoles, video games, bicycles) offering 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 company Carini Retail S.r.l. (hereinafter referred to as “Carini” or “Carini Retail”) is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, the owner of 12 sales outlets in Sicily belonging to Pistone S.p.A., one of the main shareholders of the Expert purchasing group operating in Italy, with its headquarters in Carini (Palermo). The transaction to buy the entire share capital of Carini which took place on 1 March 2019, the date Unieuro gained control, marked the launch of Unieuro in Sicily, an area with five million inhabitants where there had been little penetration until then.

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.

Based on the information available at the date of the Group Interim Directors’ Report as at 31 August 2019, the major shareholders of Unieuro, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l. in liquidazione[1] (attributable to the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [1] (Dixons Carphone plc) with 7.2%. Some shareholders who are members of the Silvestrini family[1] own 5.6% of the share capital of Unieuro, the asset management company Amundi Asset Management[1] owns 5.6% and, lastly, some top managers[1] of Unieuro own 2.0% in total.

At the date of the Group Interim Directors' Report, in the light of the current shareholding structure, Italian Electronics Holdings S.à.r.l. is the majority shareholder.

[1] Source: Consob, significant shareholders of Unieuro S.p.A. and reworking of the shareholders' register at 1 August 2019.

2. Procedural notes

This Interim Directors' Report contains information relating to the consolidated revenues, consolidated profitability, balance sheet and cash flows of the Unieuro Group as at 31 August 2019 compared with the figures from the previous interim period ended 31 August 2018 for the part relating to the economic results and cash flows and with the data of the last approved financial statements as at 28 February 2019 for the equity and financial situation.

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.

As described in detail below, from 1 March 2019 the Group adopted IFRS 16 "Leases", which involved changes in accounting policies and related adjustments to the amounts recognised in the financial statements. IFRS 16 implies the recognition among fixed assets of the rights to use leased assets that fall within the scope of application of the standard and the recognition among the liabilities of the related financial liability.

As permitted by the standard itself, on first-time adoption, comparative data have not been restated, while data for the period in question are presented in this Report on Operations using the previous accounting standard IAS 17 Leasing, in order to facilitate comparability with the previous period of comparison. The following comparative analyses therefore refer, unless otherwise specified, to the data for the first half of 2019 without the application of IFRS 16. Reference should be made to paragraph "8 - Changes in accounting principles" for a summary of the impacts of the application of IFRS 16 as from 1 March 2019.

3. Accounting policies

This Interim Directors' Report as at 31 August 2019 was prepared in compliance with the provisions of Article 154-*ter*, paragraph 5 of Legislative Decree 58/98 of the T.U.F. as subsequently amended and supplemented and in compliance with Article 2.2.3 of the Stock Exchange Regulations and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Unieuro Financial Statements as at 28 February 2019. The Interim Directors' Report was prepared in compliance with International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and to the related interpretations (SIC/ FRIC) adopted by the European Union.

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

The accounting criteria and consolidation principles adopted are standardised with those used for the Group's Consolidated Financial Statements as at 28 February 2019, which should be referred to, with the exception of the adoption of IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated and (ii) IFRIC 23 Uncertainty over Income Tax Treatments which provides accounting guidance on how to reflect any income tax uncertainties regarding the taxation of a given phenomenon. The effects of this new adoption are illustrated in paragraph "8 - Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019" which should be referred to for further details. The application of the new principles was not completed and may be subject to changes until the publication of the consolidated financial statements of the Unieuro Group for the financial year ending 29 February 2020.

To make it possible to compare the operating results, financial position and cash flows for the first six months ended 31 August 2019 with the corresponding period of the previous financial year, this Group Interim Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing) and the related Interpretations (IFRIC 4, SIC 15 and SIC 27), for the purpose of distinguishing between operating leases and financial leases and the consequent accounting of lease agreements. For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards".

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

The APIs reported (adjusted EBITDA, adjusted EBITDA margin, adjusted profit (loss) for the period, net working capital, adjusted levered free cash flow, net financial debt and net financial debt/adjusted EBITDA) have not been identified as IFRS accounting measures and, thus, as noted above, they must not be considered as alternative measures to those provided in the Group's financial statements in the Group Interim Directors' Report to assess their operating performance and related financial position.

Certain indicators are referred to as "Adjusted", to represent the Group's management and financial performance, net of non-recurring events, non-characteristic events and events related to extraordinary transactions, as identified by the Group. The *Adjusted* indicators shown consist of: *Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Consolidated Adjusted* profit (loss) for the period*, Consolidated Adjusted Levered Free Cash Flow and* Net financial debt*/Consolidated Adjusted EBITDA*. These indicators reflect the main operating and financial measures adjusted for non-recurring income and expenses that are not strictly related to the core business and operations, and for the effect from the change in the business model for extended warranty services (as more fully described below in the API "*Consolidated Adjusted EBITDA*"), and thus, they make it possible to analyse the Group's performance in a more standardised manner in the periods reported in the Interim Directors' Report.

4. Main financial and operating indicators[2]

(in millions of Euros)	Period ended	
	31 August 2019	**31 August 2018**
Economic indicators for the period		
Consolidated revenues	1,059.5	908.5
Consolidated Adjusted EBITDA[3]	18.0	15.6
Consolidated Adjusted EBITDA margin[4]	1.7%	1.7%
Consolidated Profit/Loss for the period	(6.6)	(5.2)
Adjusted Consolidated Profit/Loss for the Period[5]	1.5	0.4
Cash flows		
Consolidated Adjusted Levered Free Cash Flow[6]	(22.7)	(22.4)
Investments paid in the period	(24.9)	(11.8)

(in millions of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Indicators from the statement of financial position for the period		
Net Working Capital	(215.2)	(234.6)
(Net financial debt) / Net cash	(49.5)	20.5

[2] 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. To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 31 August 2019 with the corresponding period of the previous financial year, this Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019".

[3] Consolidated Adjusted EBITDA is Consolidated EBITDA adjusted (i) for non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services. See paragraph 6.2 for additional details.

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

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

[6] The *Consolidated Adjusted Levered Free Cash Flow* is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and net of their non-cash component and the related tax impact. See paragraph 6.5 for additional details.

Net financial debt/Adjusted Consolidated LTM EBITDA[7]	0.65	(0.28)

(in millions of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Operating indicators for the period		
Like-for-like growth[8]	3.0%	4.9%
Direct sales outlets (number)	249	237
of which *Pick Up Points*[9]	239	227
Affiliated sales outlets (number)	267	275
of which Pick Up Points	180	158
Total area of direct sales outlets (in square metres)	about 367,000	about 345,000
Sales density[10] (Euros per square metre)	4,844	4,703
Full-time-equivalent employees[11] (number)	4,427	4,148

5. Market performance[12]

The first half-year ended with a fall of 0.8% in the consumer market[13]. Although the Online segment closed up by 15.9% (down, however, compared with the same period of the previous year), this growth did not offset the fall in the Offline segment (-3.5%). This failure in offsetting is related to the limited penetration rate of the online segment which stands at around 16% (+2 percentage points compared with the corresponding period of the previous financial year). The segment most affected by a fall in revenues is the specialist segment (-12.1%) which fell by about three percentage points in terms of weighting for the entire sector. On the other hand, there are the Tech Superstores which - tapping into the online growth of the Telecom segment - together with Mass Merchandisers -- made a positive contribution to market growth with growth rates of +2.9% and +3.7%, respectively[14].
As far as the trends relating to the individual categories of goods are concerned, note the excellent performance of White goods (+8.3% in total going against the trend compared with the figures for the previous year) driven by all sectors: Large Appliances (+2.0%), Home Comfort (+48.4%), Small Appliances (+6.7%).
Brown goods returned to negative territory (-7.3%) as a result, in particular, of the performance of Consumer Electronics (-6.1%), dragged down by TVs in spite of a particularly buoyant Online sector.
As far as the world of Grey goods is concerned (-3.3%), it is the Telecom segment that has been the main negative contributor to growth (-4.3%) driven by the results of the Smartphone segment.

In spite of the macro economic context and the expectations of consumers being reflected negatively in demand for Electronic products, the Unieuro Group is continuing with its strategy for

[7] In order to guarantee the comparability of the Net financial debt/Adjusted Consolidated LTM EBITDA indicator the Adjusted Consolidated EBIDTA figure for the last twelve months was taken into consideration.
[8] Like-for-like revenue growth: the methods for comparing sales for the period ended 31 August 2019 with those for the period ended 31 August 2018 based on a standard scope of operations, for retail and travel stores operating for at least an entire financial year from the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and major refurbishments), as well as the entire online channel. For a better representation, the method for calculating the like-for-like KPIs was restated based on the methodology adopted for the main reference market players.
[9] Physical pick-up points for customer orders using the online channel.
[10] This indicator is obtained from the ratio of annual sales generated by direct outlets to the total area devoted to sales in all direct outlets.
[11] Average annual number of full-time-equivalent employees.
[12] The data relating to the market were prepared by the Group management based on the data available as of 31 August 2019.
[13] The data refer to the consumer market only excluding B2B activities, services (extended warranties, loans, etc.), Entertainment as well as products not coming under the scope of Consumer Electronics (e.g. bicycles).
[14] The data relating to the market were prepared by the Group management based on analyses as of 31 August 2019.

growth in all product categories, on the one side strengthening its shares in all supply sectors and, on the other side, continuing with the consolidation which led the Group to achieve its leadership position in the retail market.
The focus of the Group in the first half-year remained unchanged and based on the strategic pillars of its strategic plan:

- Expansion of the sales network through organic growth (three new openings in the half-year: Porto Gruaro, Misterbianco, Gela) and through outside lines (the acquisition of 12 former Pistone Group sales outlets).
- Focusing on processes from an omnichannel perspective and on the centrality of customers (NPS equal to around 46, an improvement of about two points compared with the same period of the previous year);
- Focusing on transformation projects with a high strategic impact
- Consolidation of its presence in Italy (entry to the market in Sicily)

Thanks to the actions implemented in this first half of the year, the Group recorded an excellent performance in all sales channels (comparable market value, consolidated total: +18.8%, consolidated offline: +19.5%, consolidated online: +13.9%).
Growth of the Unieuro.it brand continued in the Online segment which was up 16.4% with an ever increasing contribution from the mobile sector, both Apps and Browsers.
The over-performance in both sales channels was driven by all product categories from White goods (Unieuro Group +27.8% compared with the market +8.3%) to Grey goods[15] (Unieuro Group +17.6% compared with the market -3.3%) to Brown goods4 (Unieuro Group +7.0% compared with the market -7.3%).

6. Group operating and financial results[16]

6.1 Consolidated revenues

Consolidated revenues for the six-month period ending 31 August 2019 totalled Euro 1,059.5 million, a 16.6% increase over the previous period, with an increase of Euro 151.0 million.

The dynamics of revenues benefited both external and internal growth, the contribution of acquisitions made during the half-year in question and in the previous financial year had a positive impact, thanks to the different scope of business as a result of the opening of 12 former Pistone stores in March 2019 and the inauguration of 14 new sales outlets from September 2018 following the purchase of the ex-DPS/Trony and former Galimberti/Euronics business units. Additionally, the partnership concluded with Finiper, which signalled Unieuro's launch into large scale retailing, further strengthened the positive dynamics of revenues, similar to the good performance of like for like stores.

The development of like-for-like revenues[17]- or the comparison of sales with those of the previous half-year based on a standard scope of operations - was positive standing at +3.0%. Excluding sales

[15] The growth figures by individual category and by individual channel for the Unieuro Group only involve the Consumer segment excluding Services, B2B, Entertainment, products outside of the scope of consumer electronics and also include Travel sales. This is to make them comparable with the market data which excludes these components.
[16] To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 31 August 2019 with the corresponding period of the previous financial year, this Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019".
[17] From the first half-year ended 31 August 2018, the calculation methods for like-for-like revenues were remodelled based on the methodology adopted by the main players in the reference market, with the objective of providing a better representation of the operating performance on a like-for-like basis. Growth of like-for-like revenues is calculated including: (i) the retail and travel stores operating for at least an entire financial year at the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and large-scale refurbishments) and (ii) the entire online channel. The previous methodology for calculating like-for-like revenues did not totally include the online channel.

outlets adjacent to the new stores opening in the meantime and therefore not coming under like-for-like from the scope of the analysis, like-for-like sales experienced even better growth of 4.0%.

6.1.1 *Consolidated revenues by channel*

(In millions of Euro and as a percentage of revenues)	Period ended				Change	
	31 August 2019	**%**	**31 August 2018[18]**	**%**	**Δ**	**%**
Retail	755.9	71.3%	640.6	70.5%	115.2	18.0%
Indirect[19]	119.1	11.2%	95.1	10.5%	23.9	25.1%
Online	112.2	10.6%	97.6	10.7%	14.6	15.0%
B2B	53.9	5.1%	62.4	6.9%	(8.6)	(13.7%)
Travel	18.6	1.8%	12.7	1.4%	5.8	45.8%
Total consolidated revenues	**1,059.5**	**100.0%**	**908.5**	**100.0%**	**151.0**	**16.6%**

The Retail channel recorded an 18.0% increase in sales, equal to Euro 115.2 million, mainly as a result of the growth in the network of direct stores, up compared with the corresponding period of the previous year thanks to the consolidation of the former Pistone stores and the incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve months. The performance of the stores was also positive on a like-for-like basis.

The Indirect channel - previously known as the Wholesale channel and which includes sales made through the network of affiliated stores and revenues produced in large scale retailing through partnerships with the leading industry operators at a total of 267 sales outlets - recorded revenues of Euro 119.1 million, an increase of 25.1% compared with Euro 95.1 million in the first half of the previous period. Growth was driven by the large-scale retailing sector, with the opening of Unieuro by Iper shops-in-shops in the Iper La grande i hypermarkets under the scope of the partnership made official on 10 January 2019.

The consolidated revenues of the Online channel stand at Euro 112.2 million, a growth of 15.0% compared with Euro 97.6 million in the same period of the previous year. The reasons for the positive performance, should be sought in the Group's omnichannel strategy, which gives the physical sales outlet the precious role of a pick-up point, to the benefit of online customers. The continuous innovation linked to the constant release of new functions and improvements of the platform, attention to contents and the effectiveness of digital communication campaigns have further strengthened the competitive advantage.

The B2B channel - 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 53.9 million, a fall of 13.7% compared with the first half of the previous year as a result of the changes that were implemented in sales channel strategies by suppliers.

[18] For a better representation, supplies of business type goods were reclassified from the Online channel to the B2B channel.

[19] The Indirect Channel, previously known as Wholesale, includes sales to the network of affiliated stores and revenues produced in large scale retailing through partnerships with leading industry operators.

Lastly, the Travel channel - composed of 12 direct sales outlets located at several major public transport hubs such as airports, railway and underground stations - recorded growth of 45.8% equal to Euro 18.6 million, thanks, above all, to the launch of the former DPS/Trony sales outlet located at the Milan San Babila underground station which opened in October 2018 and the good performance of the sales outlet located at Turin's Porta Nuova station.

6.1.2 Consolidated revenues by category

(In millions of Euro and as a percentage of consolidated revenues)	**Period ended**				**Change**	
	31 August 2019	**%**	**31 August 2018**	**%**	**Δ**	**%**
Grey	502.4	47.4%	437.7	48.2%	64.7	14.8%
White	306.3	28.9%	239.2	26.3%	67.1	28.0%
Brown	158.4	14.9%	154.3	17.0%	4.0	2.6%
Services	48.2	4.6%	38.9	4.3%	9.3	24.0%
Other products	44.2	4.2%	38.4	4.2%	5.9	15.3%
Total consolidated revenues	**1,059.5**	**100.0%**	**908.5**	**100.0%**	**151.0**	**16.6%**

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 on the basis of the classification of products adopted by the main sector experts. Note therefore that the classification of revenues by category is periodically revised in order to guarantee the comparability of Group data with market data.

The *Grey* category - namely telephone systems, tablets, information technology, accessories for telephone systems, cameras, as well as all wearable technological products - generated sales of Euro 502.4 million, an increase of 14.8% compared with the figure of Euro 437.7 million for the first half of the previous year thanks to the positive performance of the Telephone systems sector, which benefited from the mix movement towards the top of the range and the good performance of several new models, as well as the positive performance of laptop sales.

The *White* category, - composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA) such as vacuum cleaners, kettles, coffee machines as well as the climate control segment, recorded a 28.9% increase on total sales generating a turnover of Euro 306.3 million, up 28.0%. In addition to the consolidation of the ex-Piston stores, historically strong in the sale of household appliances, the excellent performance is attributable to the success of the suction sector and the increase in sales of air conditioners, facilitated by a favorable summer season.

The *Brown* category - which includes televisions and related accessories, audio devices, devices for smart TVs and car accessories, as well as memory systems - recorded growth in revenues in the period in question of Euro 158.4 million (+2.6% compared with the Euro 154.3 million recorded as at 31 August 2018). In the previous half-year consolidated financial report, the category result had benefited from the higher sales caused by the football world cup, while the half-year ended August 31, 2019 on the other hand was affected by lower sales through the B2B channel.

The Services category recorded growth of 24.0% 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, specifically extended warranties and fees from customers signing new consumer credit contracts.

The Other products category recorded an increase in consolidated revenues of 15.3%; 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 category was affected positively by the good performance of sales of cooking and tableware accessories and luggage compartment.

6.2 Consolidated operating profit[20]

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

	Period ended						**Change**	
	31 August 2019			**31 August 2018**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments*[21]**	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Revenue	1,059.5			908.5			151.0	16.6%
Sales revenues	**1,059.5**			**908.5**			**151.0**	**16.6%**
Purchase of goods and Change in inventories	(826.2)	(78.0%)	*0.0*	(704.0)	(77.5%)	*0.0*	(122.1)	17.3%
Lease and rental expense	(38.5)	(3.6%)	*0.3*	(35.1)	(3.9%)	*0.1*	(3.4)	9.6%
Marketing costs	(25.8)	(2.4%)	*1.3*	(23.6)	(2.6%)	*0.2*	(2.2)	9.4%
Logistics costs	(30.7)	(2.9%)	*0.9*	(23.3)	(2.6%)	*0.4*	(7.4)	31.5%
Other costs	(32.0)	(3.0%)	*1.7*	(28.6)	(3.1%)	*2.3*	(3.4)	11.9%
Personnel costs	(90.3)	(8.5%)	*0.8*	(79.7)	(8.8%)	*1.5*	(10.6)	13.3%
Other operating income and costs	(2.0)	(0.2%)	*(0.1)*	(1.5)	(0.2%)	*(0.1)*	(0.4)	29.1%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	3.9	0.4%	*3.9*	3.1	0.3%	*3.1*	0.8	27.0%
Consolidated Adjusted EBITDA	**18.0**	**1.7%**	***8.9***	**15.6**	**1.7%**	***7.4***	**2.4**	**15.6%**

Consolidated Adjusted EBITDA during the period increased by 15.6%, equal to Euro 2.4 million, standing at Euro 18.0 million. The Adjusted EBITDA Margin remained unchanged at 1.7%. The profitability of the half-year was positively impacted by the growth actions undertaken, which led to an expansion of the direct and indirect store networks and digital operations of Unieuro.

[20] To make it possible to compare the operating results, financial position and cash flows for the first six months ended as at 31 August 2019 with the corresponding period of the previous financial year, this Directors' Report on operations comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019".

[21] 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.

Specifically, a good performance in revenues and the greater operating leverage allowed a reduction in the impact of related costs on personnel, rental and marketing, as well as Other costs (utilities, maintenance, general sales expenses), offsetting the dynamics of the gross margin and the increase in logistics costs.

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

During the six-month period ended 31 August 2019, costs for the purchase of goods and changes in inventories increased by Euro 122.2 million. The impact on consolidated revenues stood at 78.0% (77.5% in the corresponding period of the previous year ended 31 August 2018).

Rental costs increased by Euro 3.4 million or around 9.6% as a result of the effect on the incremental costs arising from acquisitions, new openings brought to a conclusion in the last twelve months, the new Piacenza warehouse which opened in September 2018 and the new Carini logistics hub purchased on 1 March 2019. The impact on consolidated revenues fell to 3.6% (3.9% in the corresponding period of the previous year ended 31 August 2018).

Marketing costs rose by 9.4% compared with the first half of the previous year ended 31 August 2018. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. In line with the trend in the year ended 28 February 2019, there was a fall in the weighting of traditional marketing activities offset by the increase in the weighting of digital marketing activities.

Logistics costs increased by around Euro 7.4 million. The impact on consolidated revenues stood at 2.9% (2.6% in the corresponding period of the previous year ended 31 August 2018). The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

The item Other costs rose by Euro 3.4 million compared with the first half of the previous year ended 31 August 2018. The performance is mainly attributable to the increase in operating costs which essentially refer to utilities, maintenance and general sales expenses as a result of the increase in stores.

Personnel costs show an increase of Euro 10.6 million, mainly attributable to the increase in the number of employees following the acquisition and opening of new stores. The impact on consolidated revenues stood at 8.5% (8.8% in the corresponding period of the previous year ended 31 August 2018).

Other operating income and costs rose by Euro 0.4 million. The impact on consolidated revenues remained unchanged compared with the corresponding period of the previous year standing at 0.2%.

The reconciliation between the Consolidated Adjusted EBITDA and the consolidated EBIT reported in the consolidated financial statements is given below.

(In millions of Euro and as a percentage of revenues)	**Period ended**	**Change**

	31 August 2019	%	31 August 2018	%	Δ	%
Consolidated Adjusted EBITDA[22]	18.0	1.7%	15.6	1.7%	2.4	15.6%
Non-recurring expenses /(income)	(5.0)	(0.5%)	(4.3)	(0.5%)	(0.7)	15.5%
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[23]	(3.9)	(0.4%)	(3.1)	(0.3%)	(0.8)	27.0%
EBIT	**9.1**	**0.9%**	**8.3**	**0.9%**	**0.8**	**10.0%**

Non-recurring expense/(income) increased by Euro 0.7 million compared with the corresponding half-year of the previous year ended 31 August 2018 and are explained, in detail, in paragraph 6.3.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 0.8 million compared with the corresponding period of the previous year ended 31 August 2018 as a result of the extension of the business model relating to the management of extended warranty services at sales outlets subject to acquisition.

6.3 Non-recurring income and expenses

(in millions of Euros)	Period ended		Change	
	31 August 2019	31 August 2018	Δ	%
Mergers&Acquisitions	2.9	1.7	1.2	68.5%
Costs for pre-opening, relocating and closing sales outlets[24]	1.4	1.8	(0.4)	(19.6%)
Other non-recurring expenses	0.6	0.8	(0.2)	(19.6%)
Total	**5.0**	**4.3**	**0.7**	**15.2%**

Non-recurring expense and income increased by Euro 0.7 million compared with the previous period ended 31 August 2018.

The main item of non-recurring expense and income relates to Mergers&Acquisitions costs of Euro

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

[23] 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 sales outlets of the business units of the former Andreoli S.p.A., the former Cerioni S.p.A., the former DPS S.r.l., the former Galimberti S.p.A. and the former Pistone 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 outlets acquired by the business units the former Andreoli S.p.A., the former Cerioni S.p.A., the former DPS S.r.l., the former Galimberti S.p.A. and the former Pistone 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 31 August 2019 and 31 August 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 period concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the Change in Business Model as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in deferred income, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by Unieuro on the basis of historical information on the nature, frequency and cost of assistance work. The adjustment will 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.

[24] 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.

2.9 million in the six-month period ended 31 August 2019 (Euro 1.7 million in the half-year ended 31 August 2018). These costs mainly relate to the transaction of acquiring the former Pistone S.p.A. stores and mainly refer to the costs relating to the Carini logistics hub incurred during the initial start-up phase, increased costs for educating and training the employees of the sales outlets acquired and, lastly, consulting costs and other minor costs incurred for the completion of the acquisition transactions.

Costs for the pre-opening, repositioning and closure of sales outlets stand at Euro 1.4 million for the six-month period ended 31 August 2019 (Euro 1.8 million in the corresponding period of the previous year). This item includes: rental, personnel, security, travel and transfer costs, for maintenance and marketing operations incurred as part of: i) store openings (in the months immediately preceding and following the opening of the same) and (ii) store closures. Note that the item as at 31 August 2018 included the pre-opening costs of the new Piacenza logistics hub which opened on 12 October 2018.

Other Non-recurring expense and income stood at Euro 0.6 million, a fall of Euro 0.2 million compared with the corresponding period of the previous year.

6.4 Net income[25]

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

	Period ended						**Change**	
	31 August 2019			**31 August 2018**				
(In millions and as a percentage of revenues)	**Adjusted amounts**	%	*Adjustments*	**Adjusted amounts**	%	*Adjustments*	**Δ**	**%**
Consolidated Adjusted EBITDA	**18.0**	**1.7%**	**8.9**	**15.6**	**1.7%**	**7.4**	**2.4**	**15.6%**
Amortisation, depreciation and write-downs of non-current assets	(14.6)	(1.4%)	*0.0*	(12.3)	(1.4%)	*0.3*	(2.2)	18.1%
Financial income and expenses	(1.8)	(0.2%)	*0.0*	(2.2)	(0.2%)	*(1.5)*	0.4	(17.8%)
Income taxes[26]	(0.1)	0.0%	*(0.8)*	(0.7)	(0.1%)	*(0.6)*	0.6	(87.3%)
Adjusted Consolidated Profit/Loss for the Period	**1.5**	**0.1%**	***8.1***	**0.4**	**0.0%**	***5.6***	**1.1**	**277.7%**

Amortisation, depreciation and write-downs of fixed assets in the six-month period ended 31 August 2019 totalled Euro 14.6 million (Euro 12.3 million in the corresponding period of the previous year ended 31 August 2018). The increase relates to the depreciation and amortisation of investments related to acquisitions, assets relating to the new Piacenza warehouse and the new Carini logistics hub, as well as to the progressive alignment of depreciation and amortisation to the planned level of investments.

Net financial expenses in the period ended 31 August 2019 totalled Euro 1.8 million (Euro 2.2

[25] To make it possible to compare the operating results, financial position and cash flows for the first six months ended as at 31 August 2019 with the corresponding period of the previous financial year, this Directors' Report on operations comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019".

[26] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 31 August 2019 and 31 August 2018, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

million in the corresponding period of the previous year ended 31 August 2018). The decrease is mainly attributable to the savings in financial expenses achieved following the optimisation of the cash flow management. The adjustments for the six-month period ended 31 August 2018 of Euro 1.5 million refer to the income resulting from the removal of the acquisition debt for the subsidiary Monclick S.r.l. as a result of the settlement agreement signed in August 2018.

Income taxes excluding the theoretical tax impact from taxes on non-recurring expenses/(income) and the change in business model in the six-month period ended 31 August 2019, stood at a negative Euro 0.1 million (a negative Euro 0.7 million in the previous six-month period ended 31 August 2018). The charge for income taxes with reference to the six-month period ended 31 August 2019 is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the pre-tax result for the period of the individual entities.

The Adjusted Consolidated Profit/(Loss) for the Period was Euro 1.5 million (Euro 0.4 million in the six-month period ended 31 August 2018), the positive performance was due to the increase in Adjusted EBITDA and the tax savings in net financial expense partly offset by the increase in depreciation and amortisation.

Note that IRES tax losses, which were still available resulting from the tax estimate made during the closure of the financial statements as at 28 February 2019, 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 consolidated adjusted net profit (loss) for the year and the consolidated net profit (loss) for the period.

	Period ended				**Change**	
(In millions of Euro and as a percentage of revenues)	**31 August 2019**	**%**	**31 August 2018**	**%**	**Δ**	**%**
Adjusted Consolidated Profit/Loss for the Period	**1.5**	**0.1%**	**0.4**	**0.0%**	**1.1**	**277.7%**
Non-recurring expenses/income	(5.0)	(0.5%)	(4.3)	(0.5%)	(0.7)	15.5%
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	(3.9)	(0.4%)	(3.1)	(0.3%)	(0.8)	27.0%
Non-recurring financial expenses /(income)	-	0.0%	1.5	0.2%	(1.5)	(100.0%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income) and write-downs and the change in business model[27]	0.8	0.1%	0.6	0.1%	0.2	29.2%
Consolidated Profit/Loss for the Period	**(6.6)**	**(0.6%)**	**(5.2)**	**(0.6%)**	**(1.4)**	**27.0%**

6.5 Cash flows

6.5.1 Consolidated Adjusted Levered Free Cash Flow[28]-[29]

[27] The theoretical tax rate deemed appropriate by management is 8.7% at 31 August 2019 and 31 August 2018, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

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

[29] To make it possible to compare the operating results, financial position and cash flows for the first three months ended 31 May 2019 with the corresponding period of the previous financial year, this Interim Directors’ Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 6 "Changes to the accounting standards".

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

(in millions of Euros)	**Period ended**		**Change**	
	31 August 2019	**31 August 2018**	**Δ**	**%**
Consolidated Gross operating profit	9.1	8.3	0.8	9.5%
Cash flow generated /(used) by operating activities[30]	(22.7)	(26.0)	3.3	(12.5%)
Taxes paid	(0.0)	(0.7)	0.7	(100.0%)
Interest paid	(1.5)	(1.6)	0.1	(6.7%)
Other changes	0.3	0.3	(0.0)	(10.3%)
Adjustment for non-monetary item of non-recurring expenses/(income)[31]	**(14.9)**	**(19.8)**	**5.0**	**(25.0%)**
Investments[32]	(13.9)	(8.4)	(5.5)	64.9%
Investments for business combinations and business units	(11.0)	(3.4)	(7.6)	224.7%
Net cash inflow from acquisition	0.0	0.0	0.0	0.0%
Adjustment for non-recurring investments	14.5	7.4	7.0	94.8%
Non-recurring expenses /(income)	5.0	4.3	0.6	15.1%
Adjustment for non-cash components of non-recurring expenses/(income)	(0.4)	(1.5)	1.1	(71.8%)
Other non-recurring cash flows	(1.5)	(0.8)	(0.7)	90.1%
Theoretical tax impact of the above entries[33]	(0.4)	(0.2)	(0.1)	60.0%
Consolidated Adjusted Levered Free Cash Flow	**(22.7)**	**(22.4)**	**(0.3)**	**1.1%**

The Consolidated net cash flow generated/(used) by operating activities was negative by Euro 14.9 million (negative by Euro 19.8 million in the first half of the previous year ended 31 August 2018). This improvement is mainly due to: the increase in the Group's operating profit performance and the management of Net Working Capital, which is affected by the seasonality of the business and the different promotional calendar compared with the six-month period ended 31 August 2018. Specifically, there was an increase in the value of inventories more than offset by the positive impact in terms of cash from the increase in trade payables and the fall in trade receivables.

Investments made and paid for in the period stood at Euro 13.9 million in the six-month period ended 31 August 2019 (Euro 8.4 million in the six-month period ended 31 August 2018), mainly attributable to: (i) operations for the development of external and internal lines for the direct stores network and the refurbishment of the network of existing stores and (ii) costs incurred for the purchase of new hardware, software, licences and development of existing applications with a view to the digitalisation of stores and the launch of advanced functions for online platform with the goal of making each customer's omnichannel experience increasingly more practical and pleasant.

Investments for business combinations and business units of Euro 11.0 million in the six-month period ended 31 August 2019 (Euro 3.4 million in the first half of the previous year ended 31 August 2018) refer to the amount of the purchase price paid under the scope of the transaction for the acquisition of the former Pistone S.p.A. and the instalments of the payment due in the period with reference to the business unit of the former Cerioni S.p.A. and the acquisition of the equity investment in Monclick S.r.l.

[30] The item "Cash flow from/(used in) operating activities" refers to cash from/(used in) the change in working capital and other non-current balance sheet items such as other assets, other liabilities and risk provisions.
[31] The item "Net consolidated cash flow from/(used in) operating activities" refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item "Cash flow from/(used in) operating activities."
[32] For a better representation the item includes the share of net investments paid in the period.
[33] The theoretical rate deemed appropriate by management is 8.7% at 31 August 2019 and 31 August 2018, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.

Of the total investments made in the period, Euro 14.5 million should be considered as non-recurring (it was Euro 7.4 million in the first half of the previous year ended 31 August 2018) and refer to the share paid in the period for investments for business combinations and business units and investments made for refurbishment of sales outlet purchased and opened during the period.

The adjustment for non-monetary components of non-recurring expenses/(income) of Euro 0.4 million, down 71.8% compared with the first half of the previous year, mainly comprises costs relating to extraordinary operations at some sales outlets which have not yet been reported financially at 31 August 2019. This adjustment will be gradually reduced when those costs have been reported financially.

Below are listed the main changes recorded in the Group's net financial indebtedness during the period ended 31 August 2019 and in the period ended 31 August 2018:

	Period ended		**Change**	
(in millions of Euros)	**31 August 2019**	**31 August 2018**	**Δ**	**%**
Operating profit	9.1	8.3	0.8	10.1%
Cash flow generated /(absorbed) by operating activities	(22.7)	(26.0)	3.3	(12.5%)
Taxes paid	0.0	(0.7)	0.7	(100.0%)
Interest paid	(1.5)	(1.6)	0.1	(6.7%)
Other changes	0.3	0.3	(0.0)	(10.3%)
Net cash flow generated/(absorbed) by operating activities	**(14.9)**	**(19.8)**	**4.9**	**(24.8%)**
Investments	(13.9)	(8.4)	(5.5)	64.9%
Investments for business combinations and business units	(11.0)	(3.4)	(7.6)	224.7%
Cash contribution from merger	0.0	0.0	0.0	0.0%
Distribution of dividends	(21.4)	(20.0)	(1.4)	7.0%
Payables from the acquisition of business units	(8.2)	0.0	(8.2)	(100.0%)
Other changes	(0.6)	0.8	(1.4)	(177.1%)
Change in net financial debt	**(69.9)**	**(50.8)**	**(19.1)**	**37.7%**

7. Statement of Financial Position[34]

Below is a detailed breakdown of the Group's net working capital and net invested capital at 31 August 2019 and at 28 February 2019:

(in millions of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Trade receivables	52.2	41.3
Inventories	393.7	362.3
Trade payables	(476.8)	(468.5)
Net operating working capital	**(30.8)**	**(64.8)**
Other working capital items	(184.3)	(169.8)
Net working capital	**(215.2)**	**(234.6)**
Non-current assets	155.1	150.9
Goodwill	195.3	178.0
Non-current liabilities	(23.4)	(23.9)
Net invested capital	**111.9**	**70.4**

[34] To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 31 August 2019 with the corresponding period of the previous financial year, this Directors' Report comments on the economic data and main balance sheets, using the previous accounting standard IAS 17 (Leasing). For the analysis of the impacts of the new accounting standard IFRS 16, refer to paragraph 8 - "Changes to the accounting standards of the Condensed Half-Year Consolidated Financial Statements as at 31 August 2019".

Net financial debt	(49.5)	20.5
Shareholders' equity	(62.4)	(90.9)
Total shareholders’ equity and financial liabilities	**(111.9)**	**(70.4)**

The Group's Net Working Capital as at 31 August 2019 was negative by Euro 30.8 million (negative by Euro 64.8 million as at 28 February 2019). The performance for the period of the Group's Net Working Capital is affected by the seasonality of the business and the different promotional calendar compared with the six-month period ended 31 August 2018. Specifically, there was an increase in the value of inventories more than offset by the positive impact in terms of cash from the increase in trade payables and the fall in trade receivables.

The Net Invested Capital of the Group stood at Euro 111.9 million as at 31 August 2019, up Euro 41.5 million compared with 28 February 2019. The increase is mainly attributable to: (i) increase in the Group's net working capital of Euro 19.0 million and (ii) investments excluding depreciation and amortisation of Euro 21.5 million due to goodwill and the capitalised costs incurred during the transaction of acquiring the former Pistone S.p.A, operations for the development of the network of direct stores and the refurbishment of the network of existing stores and the costs incurred for the acquisition of new hardware, software, licences and developments of existing applications.

Shareholders' equity amounted to Euro 62.4 million as at 31 August 2019 (Euro 90.9 million at 28 February 2019), with the decrease mainly caused by the distribution of the dividend of Euro 21.4 million approved on 18 June 2019 by the Shareholders' Meeting, the negative result recorded for the period partly offset by the accounting of the reserve for share-based payments relating to the Long Term Incentive Plan[35] reserved for some managers and employees.

Below is a detailed breakdown of the Group’s net financial debt at 31 August 2019 and 28 February 2018 in accordance with Consob Communication No. 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(in millions of Euros)	**Period ended**		**Change**	
	31 August 2019	**28 February 2019**	**Δ**	**%**
(A) Cash	44.2	84.5	(40.3)	(47.7%)
(B) Other cash and cash equivalents	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)	**44.2**	**84.5**	**(40.3)**	**(47.7%)**
- 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	(29.5)	(3.0)	(26.5)	869.8%
(G) Current part of non-current debt	(9.4)	(9.5)	0.1	(1.2%)
(H) Other current financial payables	(12.8)	(7.6)	(5.2)	68.6%
(I) Current financial debt (F)+(G)+(H)	**(51.6)**	**(20.1)**	**(31.5)**	**156.4%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(51.6)*	*(20.1)*	*(31.5)*	*156.4%*
(J) Net current financial position (I)+(E)+(D)	**(7.5)**	**64.5**	**(71.9)**	**(111.6%)**
(K) Non-current bank payables	(26.4)	(31.1)	4.7	(15.0%)

[35] 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 Long Term Incentive Plan were determined. The signing and consequent acceptance of the Long Term Incentive Plan by recipients took place in October 2017 with effect from 29 June 2017.

(L) Bonds issued	0.0	0.0	0.0	0.0%
(M) Other non-current financial payables	(15.6)	(12.8)	(2.8)	21.8%
(N) Non-current financial debt (K)+(L)+(M)	**(42.0)**	**(43.9)**	**1.9**	**(4.3%)**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(42.0)*	*(43.9)*	*1.9*	*(4.3%)*
(O) Net financial debt (J)+(N)	**(49.5)**	**20.5**	**(69.9)**	**(341.6%)**

Net financial debt increased by Euro 69.9 million compared with 28 February 2019, creating a negative cash position by Euro 49.5 million as at 31 August 2019.

The combined effect of the following is mainly underlying cash dynamics: (i) the distribution of dividends of Euro 21.4 million approved by the Shareholders' Meeting of 18 June 2019; (ii) considerations paid in the period with regard to the former Pistone S.p.A. transaction, the payment of the instalments for the acquisition of the business unit of the former Cerioni S.p.A. and the equity investment in Monclick S.r.l. for Euro 11.0 million; (iii) net increase in payables for investments in business combinations for Euro 8.2 million which refer to the residual payable to Pistone S.p.A. as at 31 August 2019 excluding the payment made in the period in relation to the transactions in previous years attributable to the former Cerioni S.p.A. business unit and the acquisition of the equity investment in Monclick S.r.l., (iv) investments of Euro 13.9 million attributable specifically to the costs incurred for operations for the development of the direct stores network and the refurbishment of the existing stores network and to the costs incurred for the acquisition of new hardware, software, licences and developments of existing applications. Gross financial debt totalled Euro 93.6 million, of which Euro 42.0 million was medium-/long-term and Euro 51.6 million was short-term.

8. Changes to the accounting standards

The Group adopted IFRS 16 (Leasing) from 1 March 2019 with the modified

application method whereby comparative information has not been restated. The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Unieuro Group for the financial year ending 29 February 2020. The Group also adopted 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. The standard came into effect on 1 January 2019.

IFRS 16

Below are the main items of information as well as the summary of the impacts resulting from the application, from 1 March 2019, of IFRS 16 (Leasing).

On 31 October 2017, EU Regulation 2017/1986 was issued which transposed IFRS 16 (Leasing) at community level. With the publication of the new accounting principle the IASB replaced the accounting standards set out in IAS 17 as well as the IFRIC 4 interpretations “*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 unique accounting model for leases in the financial statements of lessee according to which the lessee reports an asset which represents the right to use the underlying asset and a liability which reflects the obligation to pay lease fees. The transition to IFRS 16 introduced several elements of professional judgement which involve the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

There are exemptions to the application of IFRS 16 for short-term leases and for leases for low-value assets.

The Group reassessed the classification of the sub-leases in which it acts as the landlord, on the basis of the available information and it reclassified a sub-lease as a financial lease

Contracts which come under the scope of the application of the principle for the Group mainly involve the rental of stores, headquarters, warehouses and vehicles.

Leases payable, already classified previously in accordance with IAS 17 as financial leases, did not undergo any changes compared with the accounting reporting required by IAS 17 fully consistent with the past.

At the transition date (1 March 2019), for leases previously classified in accordance with IAS 17 as operating leases, the Group applied the modified retrospective application method with the recording of financial liabilities for lease agreements and the corresponding rights of use measured on the remaining contractual fees at the transition date.

The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Group at 29 February 2020.

Impacts on the consolidated statement of financial position at 1 March 2019 (transition date)

The value of net (Liabilities) Assets and Assets for rights of use recorded for Leases at 1 March 2019 breaks down as follows:

(Amounts in millions of Euros)	**1 March 2019**
Financial (liabilities) for lease agreement payables, non-current and current	455.3
Financial assets for lease agreement income, non-current and current	(12.3)
Net (Liabilities) Assets for leases at 1 March 2019	**443.0**
Assets for rights of use	447.7
Assets for rights of use at 1 March 2019	**447.7**

Impact on the main items of the consolidated income statement and the consolidated statement of financial position for the first half-year ended 31 August 2019

(Amounts in millions of Euros)	**31 August 2019** **a**	**Impacts of IFRS 16** **b**	**31 August 2019 IFRS 16** **a+b**
Revenue	1.059.5	--	1.059.5
Other income	1.7	(0.8)	0.8
TOTAL REVENUE AND INCOME	**1.061.2**	**(0.8)**	**1.060.4**
Purchases of materials and external services	(988.8)	33.9	(954.9)
Personnel costs	(91.1)	--	(91.1)
Changes in inventory	31.4	--	31.4
Other operating costs and expenses	(3.6)	--	(3.6)
GROSS OPERATING PROFIT	**9.1**	**33.1**	**42.2**
Amortisation, depreciation and impairment losses	(14.6)	(30.2)	(44.7)
NET OPERATING PROFIT	**(5.5)**	**2.9**	**(2.6)**
Financial income	0.1	--	0.1
Financial expenses	(1.9)	(4.8)	(6.6)

PROFIT BEFORE TAX	**(7.3)**	**(1.9)**	**(9.1)**
Income taxes	0.7	(0.7)	0.0
PROFIT/(LOSS) FOR THE PERIOD	**(6.6)**	**(2.5)**	**(9.1)**

The different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of the rights of use of assets" and "Financial expenses for interest connected with the rights of use", in place of rental fees for operating leases, as per IAS 17, has led to a positive impact on the Gross Operating Profit of Euro 33.1 million.

Specifically, the application of IFRS 16 to lease agreements resulted in:

(1) the reduction of other income through the different accounting treatment of rental fees relating to the sub-lease agreements of stores;

(2) the reduction of operating costs for the different accounting treatment of rental fees relating to lease agreements for the rental of stores, headquarters, warehouses and vehicles;

(3) the increase in depreciation and amortisation of the rights of use following the recording of greater non-current assets ("Assets for rights of use");

(4) the increase in Financial expense for interest connected with rights of use following the recording of greater financial liabilities;

(5) the change in Income taxes which represents the fiscal effect of the previously illustrated changes.

Details of the impact of IFRS 16 on the main consolidated statement of financial position data as at 31 August 2019 are given below.

(Amounts in thousands of Euros)	**31 August 2019 a**	**Impacts of IFRS 16 b**	**31 August 2019 IFRS 16 a+b**
Plant, machinery, equipment and other assets	86.0	-	86.0
Goodwill	195.3	-	195.3
Intangible assets with a finite useful life	30.0	(8.1)	21.9
Assets for rights of use	-	458.6	458.6
Deferred tax assets	36.3	(0.7)	35.6
Other non-current assets	2.8	10.1	12.9
Total non-current assets	**350.4**	**459.9**	**810.3**
Inventories	393.7	-	393.7
Trade receivables	52.2	-	52.2
Current tax assets	2.1	-	2.1
Other current assets	19.3	1.4	20.7
Cash and cash equivalents	44.2	-	44.2
Total current assets	**511.5**	**1.4**	**512.9**
Total assets	**861.9**	**461.3**	**1.323.2**
Share capital	4.0	-	4.0
Reserves	36.8	-	36.8
Profit/(loss) carried forward	21.6	(2.5)	19.1
Profit/(Loss) of third parties	-	-	-
Total shareholders’ equity	**62.4**	**(2.5)**	**59.9**
Financial liabilities	26.4	-	26.4
Employee benefits	12.8	-	12.8
Other financial liabilities	15.6	408.9	424.5
Provisions	7.0	0.7	7.7
Deferred tax liabilities	3.6	-	3.6
Other non-current liabilities	-	-	-
Total non-current liabilities	**65.4**	**409.7**	**475.0**

Financial liabilities	38.9	-	38.9
Other financial liabilities	12.8	57.2	70.0
Trade payables	476.8	-	476.8
Current tax liabilities	2.4	-	2.4
Provisions	1.0	(0.1)	0.9
Other current liabilities	202.4	(3.0)	199.4
Total current liabilities	**734.2**	**54.1**	**788.3**
Total liabilities and shareholders' equity	**861.9**	**461.3**	**1.323.2**

IFRS 16 introduces a unique accounting model whereby the lessee recognises an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The asset for direct use in accordance with IFRS 16 includes the amount of the debt initially recognised as a liability under the lease, any initial direct costs incurred by the lessee (e.g. key money) and an estimate of the costs to be incurred by the lessee for the dismantling or removal of the asset.

The breakdown of the impact of IFRS 16 on consolidated net financial debt is given below.

(in millions of Euros)	**31 August 2019**
Net financial debt - IAS 17	**(49.5)**
Current financial receivables - IFRS 16	1.5
Non-current financial receivables - IFRS 16	10.1
Other current financial payables - IFRS 16	(57.2)
Other non-current financial payables - IFRS 16	(408.9)
Net financial debt - IFRS 16	**(504.0)**

IFRIC 23

The interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties which have an effect on the application of IAS 12; it is not applied to duties or taxes which do not come under IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to doubtful tax treatments.
The interpretation deals specifically with the following points:

- If an entity considers doubtful tax treatments separately;
- The entity's assumptions on the examination of the tax treatments by the tax authorities;
- How an entity determines the taxable profit (or the tax loss), the tax base, the tax losses not used, the tax credits not used and the tax rates;
- How an entity treats changes in facts and circumstances.

An entity should define whether to consider each doubtful tax treatment separately or together with other (one or more) doubtful tax treatments. The approach which allows the best forecast of the doubtful solution should be followed. The interpretation is in force for the years starting 1 January 2019 or later, but some temporary incentives are available. The Group has applied the interpretation from the date it came into force; the application of the new interpretation involved the reclassification of liabilities relating to doubtful tax treatments from the item "Provisions" to the item "Liabilities for current taxes".

9. 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 31 August 2019 and as at 28 February 2019:

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 31 August 2019							
Type	**Pallacanestro Forlì 2015 s.a r.l.**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Italian Elettronics Holding**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2019								
Other current liabilities	-	(43)	(115)	(1,892)	-	**(2,050)**	**(202,391)**	**1.0%**
Total	**-**	**(43)**	**(115)**	**(1,892)**	**-**	**(2,050)**		

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2015 s.a r.l.**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As 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)**		

The following table summarises the economic relations of the Group to related parties as at 31 August 2019 and as at 31 August 2018:

(Amounts in thousands of Euros)	Economic relations with related-parties as at 31 August 2019							
Type	**Italian Electronics Holdings**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Pallacanestro Forlì 2015 s.a r.l.**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2019								
Purchases of materials and external services	-	(49)	(283)	-	(193)	**(525)**	**(988,813)**	**0.1%**
Personnel costs	-	-	-	(2,499)	-	**(2,499)**	**(91,079)**	**2.7%**
Total	**-**	**(49)**	**(283)**	**(2,499)**	**(193)**	**(3,024)**		

(Amounts in thousands of Euros)	Economic relations with related-parties as at 31 August 2018							
Type	**Italian Electronics Holdings**	**Statutory Auditors**	**Rhône Capital II L.P.**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2018								
Purchases of materials and external services	-	(48)	-	(320)	-	(368)	**(824,655)**	**0.0%**
Personnel costs	-	-	-	-	(2,527)	(2,527)	**(81,266)**	**3.1%**
Total	**-**	**(48)**	**-**	**(320)**	**(2,527)**	**(2,895)**		

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

- Stock option plan known as the Long-Term Incentive Plan reserved to Executive directors, contractors and employees of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code;

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

Main managers	
Year ended 31 August 2019	**Year ended 28 February 2019**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	*Chief Executive Officer* - Giancarlo Nicosanti Monterastelli
Chief Financial Officer - Italo Valenti	*Chief Financial Officer* - Italo Valenti
Chief Corporate Development Officer - Andrea Scozzoli	*Chief Corporate Development Officer* - Andrea Scozzoli
*Chief Omnichannel Office*r - Bruna Olivieri	*Chief Omnichannel Office*r - Bruna Olivieri
*Chief Operations Office*r - Luigi Fusco	*Chief Operations Office*r - Luigi Fusco

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

The table below summarises the Group's cash flows with related-parties as at 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)

Type	Italian Electronics Holdings	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Pallacanestro Forlì 2.015 s.a r.l.	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2019 to 31 August 2019									
Net cash flow generated/(absorbed) by operating activities	-	(102)	-	(401)	(885)	(193)	(1,581)	**(14,856)**	**10.6%**
Cash flow generated/(absorbed) by financing activities	(7,233)	-	-	-	-	-	(7,233)	**(561)**	**1289.9%**
Total	**(7,233)**	**(102)**	-	**(401)**	**(885)**	**(193)**			
Period from 1 March 2018 to 31 August 2018									
Net cash flow generated/(absorbed) by operating activities	-	(75)	-	(353)	(2,144)	-	(2,572)	**(19,763)**	**13.0%**
Cash flow generated/(absorbed) by financing activities	(6,760)	-	-	-	-	-	(6,760)	**(6,716)**	**100.7%**
Total	**(6,760)**	**(75)**	-	**(353)**	**(2,144)**	-			

10. Atypical and/or unusual transactions

It is noted that in the Group, in the first half-year ended 31 August 2019, there are no investments or transactions arising from atypical and/or unusual transactions.

11. 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 (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 get beneficiaries to focus on factors of a strategic interest to Unieuro, (ii) to obtain the loyalty of plan beneficiaries and give them an incentive to remain with Unieuro, (iii) to increase Unieuro's competitiveness by identifying medium-term goals and fostering the creation of value for both Unieuro and its shareholders, and (iv) to ensure that the overall remuneration of Plan beneficiaries is competitive in the market.

The implementation and definition of specific features of the Plan were referred to the same Shareholders' Meeting for specific definition by the Unieuro Board of Directors. On 29 June 2017, the Board of Directors approved the plan regulations ("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 the Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

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

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

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

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

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

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

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

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

- *Exercise price*: the exercise price of the Options will be equal to the issue price on the day of the IPO amounting to 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 31 August 2019 was Euro 1.3 million.

12. Treasury shares and holding company shares

During the year ended 31 August 2019, Unieuro S.p.A. did not purchase or sell any treasury shares directly or through an intermediary.

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

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

14. Significant events during and after the period-end

Significant events during the period

The completion of the Pistone transaction

On 1 March 2019 Unieuro completed the acquisition of the entire share capital of Carini Retail S.r.l., a company already owned by Pistone S.p.A. which owns a business unit comprising 12 sales outlets in Sicily.
The integration started immediately and involved the gradual adoption of the Unieuro brand by the new sales outlets with the conclusion celebrated by a striking local communication campaign.

The opening of an additional 5 Unieuro by Iper stores
Five new shops-in-shops were opened on 14 March 2019 in 5 Iper, la Grande i hypermarkets, to which the opening of the Rozzano store was added on 11 April 2019.

Renewed focus on services
On 4 April 2019 the “Casa Sicura Multiplan” service was launched. An innovative additional assistance service offered exclusively by Unieuro. By activating cards purchases in-store, customers can protect and safeguard large domestic appliances for more than 24 months, when they are no longer covered by the statutory and manufacturer's warranty, wherever they were purchased.

At the beginning of July, Unieuro also launched "Digital assistance", the service which includes the installation and configuration of technological devices in the home, with special reference to home automation and the Internet of things. Thanks to the success achieved, starting from 11 October the service - renamed "Helpy" - has been strengthened and extended to all the main Italian urban areas.

The Unieuro App is enhanced by the " augmented reality function"
With the objective of developing an increasingly personalised customer journey, at the end of April Unieuro announced a new and innovative App functionality: augmented reality, which makes it possible to simulate the presence of large appliances and TVs in a specific environment, so that one can easily choose the best solutions to suit such environment.

The agreement with Enel X on Demand Response services
Unieuro signed a partnership agreement with Enel X for the provision of Demand Response services at nine sales outlets. The service guarantees greater flexibility and stability of the power grid, as well as a more efficient use of the energy infrastructure, enabling Unieuro to cut energy costs and focus on more sustainable consumption.

The 2019 Shareholders’ Meeting
On 18 June 2019, the Unieuro shareholders' meeting, which was convened in a single call in Forlì in ordinary session, approved the Financial Statements at 28 February 2019; it resolved the destination of the operating profit, including the distribution of a dividend of Euro 1.07 per share totalling Euro 21.4 million; it voted in favour of the first section of the Remuneration Report; lastly, it appointed the Board of Directors and the Board of Statutory Auditors.

Confirmation of the CEO
The new Board of Directors of Unieuro, which met on 26 June 2019, appointed Giancarlo Nicosanti Monterastelli as the CEO of the Company, consistent with the previous office and it appointed the members of the Control and Risks Committee, the Remuneration and Appointments Committee and the Related-Party Transactions Committee.

New openings
On 28 June three new direct sales outlets were opened in Portogruaro (Venice), Gela (Caltanissetta) and Misterbianco (Catania), the latter under the scope of the brand development project in Sicily, promoted after the acquisition of the former Pistone stores. Excluding the same number of closures (Latina, Ascoli and Pescara), the number of direct Unieuro stores remained unchanged.

Significant events following the closure of the period

No significant events occurred after 31 August 2019.

15. Foreseeable operating evolution

The second part of the year will represent again the most important period for the entire consumer electronics and appliances distribution sector, notoriously characterized by a greater turnover in conjunction with the so-called "peak season" which includes Black Friday and subsequent Christmas holidays.

Predictably, Black Friday will once again catalyze the attention of Italian consumers, increasingly attracted by the advantages in terms of the price of a commercial event that is gradually extending its influence over the entire month of November and sees in the e-commerce the privileged access channel. As already observed in recent years, the exceptional promotion and channel mix will lead to further pressure on the profitability of sales in the sector.

In response to market trends, Unieuro has planned a Black Friday even stronger and better performing in commercial terms, while aiming to defend margins by strengthening existing partnerships with suppliers. The competitive capacity and profitability of Unieuro will also benefit from the expansion of the network in the meantime pursued, with the contribution of the 14 new Sicilian stores (12 of which acquired with the Pistone operation) and the full entry of the 20 shops in-shop result of the partnership with Finiper. Also, on the Online channel, the brand aims to grow once again at rates higher than those of the reference market.

At the same time, Unieuro will continue to carefully monitor the competitive scenario - rapidly changing due to the unsustainability of the business model of some operators, called to address strategic choices that can no longer be deferred - with the aim of seizing any new growth opportunities.

22 October 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

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 AUGUST 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[36]

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2019	 28 February 2019
Plant, machinery, equipment and other assets	5.1	85,966	84,942
Goodwill	5.2	195,336	177,965
Intangible assets with a finite useful life	5.3	21,875	28,312
Assets for rights of use	5.4	458,597	-
Deferred tax assets	5.5	35,646	35,179
Other non-current assets	5.6	12,867	2,493
Total non-current assets		**810,287**	**328,891**
Inventories	5.7	393,704	362,342
Trade receivables	5.8	52,205	41,288
Current tax assets	5.9	2,092	2,118
Other current assets	5.6	20,742	19,773
Cash and cash equivalents	5.10	44,175	84,488
Total current assets		**512,918**	**510,009**
Total assets		**1,323,205**	**838,900**
Share capital	5.11	4,000	4,000
Reserves	5.11	36,784	29,558
Profit/(loss) carried forward	5.11	19,108	57,319
Profit/(Loss) of third parties	5.11	-	-
Total shareholders' equity		**59,892**	**90,877**
Financial liabilities	5.12	26,434	31,112
Shareholder funding		-	-
Employee benefits	5.13	12,797	10,994
Other financial liabilities	5.14	424,470	12,771
Provisions	5.15	7,702	7,718
Deferred tax liabilities	5.5	3,587	3,712
Other non-current liabilities	5.16	26	1,466
Total non-current liabilities		**475,016**	**67,773**
Financial liabilities	5.12	38,856	12,455
Other financial liabilities	5.14	69,977	7,683
Trade payables	5.17	476,758	468,458
Current tax liabilities	5.9	2,410	1,204
Provisions	5.15	897	1,348
Other current liabilities	5.16	199,399	189,102
Total current liabilities		**788,297**	**680,250**
Total liabilities and shareholders' equity		**1,323,205**	**838,900**

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

[36] IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The effects of this new accounting standard are illustrated in paragraph "2.5.1 - Changes in accounting standards", to which reference should be made for further details.

CONSOLIDATED INCOME STATEMENT[37]

		Period ended	
(Amounts in thousands of Euros)	**Notes**	**31 August 2019**	**31 August 2018**
Revenue	5.18	1,059,536	908,540
Other income	5.19	840	1,265
TOTAL REVENUE AND INCOME		**1,060,376**	**909,805**
Purchases of materials and external services	5.20	(954,899)	(824,655)
Personnel costs	5.21	(91,079)	(81,266)
Changes in inventory	5.7	31,362	7,051
Other operating costs and expenses	5.22	(3,601)	(2,675)
GROSS OPERATING PROFIT		**42,159**	**8,260**
Amortisation, depreciation and impairment losses	5.23	(44,724)	(12,645)
NET OPERATING PROFIT		**(2,565)**	**(4,385)**
Financial income	5.24	53	1,571
Financial expenses	5.24	(6,635)	(2,271)
PROFIT BEFORE TAX		**(9,147)**	**(5,085)**
Income taxes	5.25	32	(119)
PROFIT/(LOSS) FOR THE PERIOD		**(9,115)**	**(5,204)**
Group profit/(loss) for the period	5.11	**(9,115)**	**(5,204)**
Third-party profit/(loss) for the period	5.11	**-**	**-**
Basic earnings per share (in Euros)	5.26	(0.46)	(0.26)
Diluted earnings per share	5.26	(0.46)	(0.26)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME[38]

		Period ended	
(Amounts in thousands of Euros)	**Notes**	**31 August 2019**	**31 August 2018**
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**(9,115)**	**(5,204)**
Other items of comprehensive income that will or may be reclassified to the profit/loss for the consolidated period:			
Gain (losses) on cash flow hedges	5.14	(316)	(139)
Income taxes		76	34
Total other components of comprehensive income that are or could be restated under profit/(loss) for the consolidated period	5.11	**(240)**	**(105)**
Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the consolidated period:			
Actuarial gains (losses) on defined benefit plans	5.13	(868)	(418)
Income taxes		243	115
Total other components of comprehensive income that will not be reclassified to profit/(loss) for the consolidated period:	5.11	**(625)**	**(303)**
Total statement of comprehensive income for the consolidated period		**(9,980)**	**(5,612)**

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

[37] IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The effects of this new accounting standard are illustrated in paragraph "2.5.1 - Changes in accounting standards", to which reference should be made for further details.
[38] IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The effects of this new accounting standard are illustrated in paragraph "2.5.1 - Changes in accounting standards", to which reference should be made for further details.

CONSOLIDATED STATEMENT OF CASH FLOW[39]

(Amounts in thousands of Euros)	Notes	Period ended 31 August 2019	31 August 2018
Cash flow from operations			
Profit (loss) for the consolidated period	5.11	(9,115)	(5,204)
Adjustments for:			
Income taxes	5.25	(32)	119
Net financial expenses (income)	5.24	6,582	700
Depreciation, amortisation and write-downs	5.23	44,724	12,645
(Profits)/losses from the sale of property, plant and machinery	5.1	-	-
Other changes		287	320
		42,446	8,580
Changes in:			
- Inventories	5.7	(31,362)	(7,271)
- Trade receivables	5.8	(10,917)	(17,577)
- Trade payables	5.17	9,097	(4,992)
- Other changes in operating assets and liabilities	5.6-5.15-5.16	10,033	3,855
Cash flow generated/(absorbed) by operating activities		(23,149)	(25,985)
Taxes paid	5.25	-	(741)
Interest paid	5.24	(6,280)	(1,617)
Net cash flow generated/(absorbed) by operating activities	**5.26**	**13,017**	**(19,763)**
Cash flow from investment activities			
Purchases of plant, equipment and other assets	5.1	(8,027)	(6,611)
Purchases of intangible assets	5.3	(5,839)	(1,799)
Assets for rights of use	5.4	(27,873)	
Goodwill acquired against payment	5.2	-	-
Collections from the sale of plant, equipment and other assets	5.1	-	-
Investments in equity investments		-	-
Investments for business combinations and business units	5.6	(11,040)	(3,400)
Net cash inflow from acquisition	5.10	10	-
Cash flow generated/(absorbed) by investing activities	**5.26**	**(52,769)**	**(11,810)**
Cash flow from investment activities			
Increase/(Decrease) in financial liabilities	5.12	21,311	14,021
Taking out of financial liabilities	5.12	-	-
Repayment of payables for acquisition		-	-
Increase/(Decrease) in other financial liabilities	5.14	(472)	(737)
Repayment of loan from parent companies	5.14	-	-
Increase/(Decrease) in shareholder loans		-	-
Distribution of dividends	5.11	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	**5.26**	**(561)**	**(6,716)**
Net increase/(decrease) in cash and cash equivalents		**(40,313)**	**(38,289)**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD		**84,488**	**61,414**
Net increase/(decrease) in cash and cash equivalents		**(40,313)**	**(38,289)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**44,175**	**23,125**

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY[40]

[39] IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The effects of this new accounting standard are illustrated in paragraph "2.5.1 - Changes in accounting standards", to which reference should be made for further details.

(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 interests**	**Total shareholders' equity**
Balance as at 28 February 2019	**5.11**	**4,000**	**800**	**0**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**0**	**90,877**
Adjustment at the date of the first-time adoption of IRFS 16 (net of taxes)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted balance at 1 March 2019		**4,000**	**800**	**-**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**-**	**90,877**
Profit (loss) for the period		-	-	-	-	-	-	-	(9,115)	(9,115)	-	(9,115)
Other components of comprehensive income		-	-	-	(240)	(625)	-		-	(865)	-	(865)
Total statement of comprehensive income for the period		**-**	**-**	**-**	**(240)**	**(625)**	**-**	**-**	**(9,115)**	**(9,980)**	**-**	**(9,980)**
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-	-	-
Covering retained losses and negative reserves		-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	1,322	-	(927)	395	-	395
Total transactions with shareholders		**-**	**-**	**6,769**	**-**	**-**	**1,322**	**-**	**(29,096)**	**(21,005)**	**-**	**(21,005)**
Balance as at 31 August 2019	**5.11**	**4,000**	**800**	**6,769**	**(555)**	**(1,872)**	**4,698**	**26,944**	**19,108**	**59,892**	**0**	**59,892**

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

40 IFRS 16 (Leasing) adopted from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The effects of this new accounting standard are illustrated in paragraph "2.5.1 - Changes in accounting standards", to which reference should be made for further details.

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, founded at the end of the 1930s by Vittorio Silvestrini. Unieuro is now the largest Italian chain of consumer electronics and appliances by number of 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 1 March 2019 Unieuro concluded a contract for the acquisition of 100% of the share capital of Carini Retail S.r.l. (hereinafter also “Carini Retail” or “Carini”). The price agreed by the parties was Euro 17,400 thousand. Through this acquisition Unieuro announced its launch in Sicily, a region with five million inhabitants until then having a limited presence; 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 major shareholders of the Expert purchasing group operating in Italy, with its headquarters in Carini (Palermo).

Based on the information available at the date of the Half-Year Consolidated Financial Report, the major shareholders of Unieuro, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.à.r.l. in liquidazione[41] (attributable to the funds managed by Rhone Capital) with 33.8% and Alfa S.r.l. [39] (Dixons Carphone plc) with 7.2%. Some shareholders who are members of the Silvestrini family[39] own 5.6% of the share capital of Unieuro, the asset management company Amundi Asset Management[39] owns 5.6% and, lastly, some top managers of Unieuro[39] own 2.0% in total.

[41]Source: Consob, significant shareholders of Unieuro S.p.A. and reworking of the shareholders' register at 1 August 2019.

Note that on 28 November 2018 the Shareholders' Agreement regarding Unieuro S.p.A., originally concluded on 10 December 2016, as later amended, and 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., regarding the shares held in the company's share capital, expired. On 9 January 2019, the third parties to the agreement confirmed some of the provisions of the above-mentioned shareholders' agreement, through the conclusion of a new shareholders' agreement, which expired on 31 January 2019.

At the date of the Half-Year Consolidated Financial Report, in the light of the current shareholding structure, Italian Electronics Holdings S.à.r.l. is the majority shareholder.

2. CRITERIA ADOPTED FOR PREPARING THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING STANDARDS

The following are the preparation criteria, the main accounting principles and evaluation criteria adopted in the preparation and drafting of the Condensed Half-Year Consolidated Financial Statements for the six months ended 31 August 2019 (the "Condensed Half-Year Consolidated Financial Statements"). These principles and criteria were applied consistently to all the years presented within this document, taking into account note 2.5.1 "Changes in accounting principles".

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

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2019 were prepared in compliance with the provisions of Article 154-ter of Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act - TUF) and subsequent amendments and supplements and in the application of IAS 34. It does not include all the information required by the IFRS for the preparation of the annual financial statements and should therefore be read in conjunction with the Unieuro consolidated financial statements dated 28 February 2019. The Condensed Half-Year Consolidated Financial Statements were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union.

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2019 is composed of the statement of consolidated financial position, the consolidated income statement, the statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity relating to the interim period of six months ended 31 August 2019 and its explanatory notes. The presentation of these statements provides the comparative data envisaged by IAS 34 (28 February 2019 for the statement of financial position and the statement of changes in shareholders' equity and 31 August 2018, for the income statement, statement of comprehensive income and statement of cash flows).

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

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

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

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

The major shareholders of the Unieuro parent company as at 31 August 2019 are given in the introduction.

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

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2019, approved by the Board of Directors of the Company on 22 October 2019 and have been limited audited.

In addition to these notes, the Condensed Half-Year Consolidated Financial Statements consist of the following schedules:

A) **Statement of consolidated financial position**: the presentation of the consolidated statement of financial position is shown by distinctly presenting current and non-current assets and current and non-current liabilities. This includes a description in the notes for each asset and liability item of the amounts that are expected to be settled or recovered within or later than 12 months from the reference date of the 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) **Statement of changes in consolidated shareholders' equity:** this statement includes, in addition to the results of the comprehensive consolidated income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

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

2.3 Consolidation principles and scope of consolidation

The Condensed Half-Year Consolidated Financial Statements as at 31 August 2019 include the financial statements of the parent company, Unieuro S.p.A. and its subsidiaries Monclick S.r.l. and Carini Retail S.r.l, the latter was consolidated for the first time on 31 August 2019.

The Group at 31 August 2019 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.
Carini Retail S.r.l.	10.00	100.00%	Unieuro S.p.A.

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.

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

Preparation of the Condensed Half-Year Consolidated Financial Statements under the IFRS requires management to make estimates and assumptions that affect the values of assets and liabilities in the condensed half-year consolidated financial statements and the disclosures about contingent assets and liabilities at the reporting date. These estimates and assumptions are based on information available at the preparation date of the Condensed Half-Year Consolidated Financial Statements, management's experience and other relevant information. The actual figures may differ from the estimates. The estimates are used to recognise the provision for bad debts, inventory obsolescence, activities relating to the capitalisation of the costs for procuring the contract, contract liabilities relating to the sale of extended warranty services, the unearned income relative to the sale of warranty extension services, measure amortization and depreciation, conduct assessments of the assets, test impairment of goodwill, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.
The estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit and loss.

In the context of the preparation of the Condensed Half-Year Consolidated Financial Statements, the relevant subjective assessments by management in its application of accounting standards and the key sources of estimation uncertainty were the same as those applied in preparing the consolidated financial statements for the year ended 28 February 2019 of the Unieuro Group which should be referred to.

2.5 Key accounting policies

The accounting criteria and standards adopted for the preparation of these Condensed Half-year Consolidated Financial Statements were the same as those applied in preparing the Unieuro consolidated financial statements for the year ended 28 February 2019 apart from the new standards and/or supplements adopted described in Note 2.5.1. Changes to the accounting standards listed below.

2.5.1 Changes to the accounting standards

The Group adopted IFRS 16 (Leasing) from 1 March 2019 with the modified retrospective application method whereby comparative information has not been restated. The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Unieuro Group for the financial year ending 29 February 2020. The Group also adopted 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. The standard came into effect on 1 January 2019.

IFRS 16

Below are the main items of information as well as the summary of the impacts resulting from the application, from 1 March 2019, of IFRS 16 (Leasing).

On 31 October 2017, EU Regulation 2017/1986 was issued which transposed IFRS 16 (Leasing) at community level. With the publication of the new accounting principle the IASB replaced the accounting standards set out in IAS 17 as well as the IFRIC 4 interpretations "*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 unique accounting model for leases in the financial statements of lessee according to which the lessee reports an asset which represents the right to use the underlying asset and a liability which reflects the obligation to pay lease fees. The transition to IFRS 16 introduced several elements of professional judgement which involve the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate.

There are exemptions to the application of IFRS 16 for short-term leases and for leases for low-value assets.

The Group reassessed the classification of the sub-leases in which it acts as the landlord, on the basis of the available information and it reclassified a sub-lease as a financial lease

Contracts which come under the scope of the application of the principle for the Group mainly involve the rental of stores, headquarters, warehouses and vehicles.

Leases payable, already classified previously in accordance with IAS 17 as financial leases, did not undergo any changes compared with the accounting reporting required by IAS 17 fully consistent with the past.

At the transition date (1 March 2019), for leases previously classified in accordance with IAS 17 as operating leases, the Group applied the modified retrospective application method with the recording of financial liabilities for lease agreements and the corresponding rights of use measured on the remaining contractual fees at the transition date.

The application of the new principle was not completed and may be subject to changes until the publication of the consolidated financial statements of the Group at 29 February 2020.

<u>Impacts on the consolidated statement of financial position at 1 March 2019 (transition date)</u>

The value of net (Liabilities) Assets and Assets for rights of use recorded for Leases at 1 March 2019 breaks down as follows:

(Amounts in thousands of Euros)	**1 March 2019**
Financial (liabilities) for lease agreement payables, non-current and current	455,273
Financial assets for lease agreement income, non-current and current	(12,235)
Net (Liabilities) Assets for leases at 1 March 2019	**443,038**
Assets for rights of use	447,718
Assets for rights of use at 1 March 2019	**447,718**

<u>Impact on the main items of the consolidated income statement and the consolidated statement of financial position for the first half-year ended 31 August 2019</u>

(Amounts in thousands of Euros)	**31 August 2019** **a**	**Impacts of IFRS 16** **b**	**31 August 2019 IFRS 16** **a+b**
Revenue	1,059,536	--	1,059,536
Other income	1,687	(847)	840
TOTAL REVENUE AND INCOME	**1,061,223**	**(847)**	**1,060,376**
Purchases of materials and external services	(988,813)	33,914	(954,899)
Personnel costs	(91,079)	--	(91,079)
Changes in inventory	31,362	--	31,362
Other operating costs and expenses	(3,601)	--	(3,601)
GROSS OPERATING PROFIT	**9,092**	**33,068**	**42,159**
Amortisation, depreciation and impairment losses	(14,557)	(30,167)	(44,724)
NET OPERATING PROFIT	**(5,465)**	**2,901**	**(2,565)**
Financial income	53	--	53
Financial expenses	(1,862)	(4,772)	(6,635)
PROFIT BEFORE TAX	**(7,274)**	**(1,871)**	**(9,147)**
Income taxes	683	(651)	32
PROFIT/(LOSS) FOR THE PERIOD	**(6,591)**	**(2,522)**	**(9,115)**

The different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of the rights of use of assets" and "Financial expenses for interest connected with the rights of use", in place of rental fees for operating leases, as per IAS 17, has led to a positive impact on the Gross Operating Profit of Euro 33,068 thousand.

Specifically, the application of IFRS 16 to lease agreements resulted in:

(1) the reduction of other income through the different accounting treatment of rental fees relating to the sub-lease agreements of stores;

(2) the reduction of operating costs for the different accounting treatment of rental fees relating to lease agreements for the rental of stores, headquarters, warehouses and vehicles;

(3) the increase in depreciation and amortisation of the rights of use following the recording of greater non-current assets ("Assets for rights of use");

(4) the increase in Financial expense for interest connected with rights of use following the recording of greater financial liabilities;

(5) the change in Income taxes which represents the fiscal effect of the previously illustrated changes.

Details of the impact of IFRS 16 on the main consolidated statement of financial position data as at 31 August 2019 are given below.

(Amounts in thousands of Euros)	**31 August 2019** **a**	**Impacts of IFRS 16** **b**	**31 August 2019 IFRS 16** **a+b**
Plant, machinery, equipment and other assets	85,966		85,966
Goodwill	195,336		195,336
Intangible assets with a finite useful life	30,005	(8,130)	21,875
Assets for rights of use	-	458,597	458,597
Deferred tax assets	36,297	(651)	35,646
Other non-current assets	2,809	10,058	12,867
Total non-current assets	**350,413**	**459,874**	**810,287**
Inventories	393,704		393,704
Trade receivables	52,205		52,205
Current tax assets	2,092		2,092
Other current assets	19,331	1,411	20,742
Cash and cash equivalents	44,175		44,175
Total current assets	**511,507**	**1,411**	**512,918**
Total assets	**861,920**	**461,285**	**1,323,205**
Share capital	4,000		4,000
Reserves	36,784		36,784

Profit/(loss) carried forward	21,630	(2,522)	19,108
Profit/(Loss) of third parties	-		-
Total shareholders' equity	**62,414**	**(2,522)**	**59,892**
Financial liabilities	26,434		26,434
Employee benefits	12,797		12,797
Other financial liabilities	15,552	408,918	424,470
Provisions	6,956	746	7,702
Deferred tax liabilities	3,587		3,587
Other non-current liabilities	26		26
Total non-current liabilities	**65,352**	**409,664**	**475,016**
Financial liabilities	38,856		38,856
Other financial liabilities	12,787	57,190	69,977
Trade payables	476,758		476,758
Current tax liabilities	2,410		2,410
Provisions	952	(55)	897
Other current liabilities	202,391	(2,992)	199,399
Total current liabilities	**734,154**	**54,143**	**788,297**
Total liabilities and shareholders' equity	**861,920**	**461,285**	**1,323,205**

IFRS 16 introduces a unique accounting model whereby the lessee recognises an asset that represents the right to use the underlying asset and a liability that reflects the obligation to pay the lease payments. The asset for direct use in accordance with IFRS 16 includes the amount of the debt initially recognised as a liability under the lease, any initial direct costs incurred by the lessee (e.g. key money) and an estimate of the costs to be incurred by the lessee for the dismantling or removal of the asset.

The breakdown of the impact of IFRS 16 on consolidated net financial debt is given below.

(in in thousands of Euros)	**31 August 2019**
Net financial debt - IAS 17	**(49,454)**
Current financial receivables - IFRS 16	1,459
Non-current financial receivables - IFRS 16	10,057
Other current financial payables - IFRS 16	(57,189)
Other non-current financial payables - IFRS 16	(408,919)
Net financial debt - IFRS 16	**(504,046)**

The reconciliation of leasing liabilities calculated in accordance with IFRS 16 and commitments for operating leases which cannot be cancelled indicated in the consolidated financial statements of the previous year in accordance with IAS17 are listed below.

Reconciliation of lease liabilities	**€/000**
Commitments for IAS 17 operating leases not discounted at 28/02/2019	**98,525**
Other changes	296,520
Effect of discounting on payables for operating leases	47,993
Total IFRS 16 lease liabilities at 01/03/2019	**443,038**

The commitments for operating leases pursuant to IAS 17 reported in the last consolidated financial statements of the Group as at 28 February 2019 referred only to the liability for leases due in the enforsable period, understood as the non-cancellable period of the contract itself. The other changes include the estimate of the lease term revised on the basis of the new provisions expressed in IFRS 16.

IFRIC 23

The interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties which have an effect on the application of IAS 12; it is not applied to duties or taxes

which do not come under IAS 12, nor does it specifically include requirements relating to interest or penalties attributable to doubtful tax treatments.
The interpretation deals specifically with the following points:

- If an entity considers doubtful tax treatments separately;
- The entity's assumptions on the examination of the tax treatments by the tax authorities;
- How an entity determines the taxable profit (or the tax loss), the tax base, the tax losses not used, the tax credits not used and the tax rates;
- How an entity treats changes in facts and circumstances.

An entity should define whether to consider each doubtful tax treatment separately or together with other (one or more) doubtful tax treatments. The approach which allows the best forecast of the doubtful solution should be followed. The interpretation is in force for the years starting 1 January 2019 or later, but some temporary incentives are available. The Group has applied the interpretation from the date it came into force without recalculation of the comparative data. The application of the new interpretation involved the reclassification of liabilities relating to doubtful tax treatments with regard to income taxes from the item "Provisions" to the item "Liabilities for current taxes".

2.6 New accounting standards

New standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Group as at 28 February 2020

There are no new accounting standards or amendments to standards endorsed and applicable for the years beginning after 1 January 2020.

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

- On 18 May 2017, the IASB issued *IFRS 17 Insurance Contracts*. The standard aims to improve understanding by investors, but not only them, of the risk exposure, the profitability and the financial position of the insurers. IFRS 17 replaces IFRS 4 issued in 2004 as interim Standard. The amendments go into effect on 1 January 2021.
- 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 amendments to *IFRS 3 - Business Combinations*. The amendments are designed to help with determining whether a transaction is the acquisition of a business or a group of activities which does not satisfy the definition of business in IFRS 3. The amendments apply to acquisitions after 1 January 2020.
- On 31 October 2018 the IASB published amendments IAS 1 and IAS 8 - *Definition of Material*. The aim of the amendment is to clarify the definition of material in order to help a company assess whether information should be included in the financial statements. The amendments go into effect on 1 January 2020.

- On 26 September 2019, the IASB published in consultation proposals for amendments to the financial instruments standard – version IFRS 9 and IAS 39 – based on the reform of inter-bank interest rates such as the IBOR.

2.7 Seasonality

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

3. INFORMATION ON FINANCIAL RISKS

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

- credit risk (both in relation to normal trading transactions with customers as well as financing activities);
- liquidity risk (with respect to the availability of financial resources and access to the credit market and financial instruments in general);
- market risk (including currency and interest rate risks).

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

- medium-long term loans, to cover investments in fixed assets;
- short-term loans, current account credit lines to finance working capital.

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

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[42]) and wholesale customers (B2B channel), which represent a total of approximately 16.3% of the Group's revenues as at 31 August 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*);
- 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

[42] The Indirect channel, previously known as Wholesale, includes sales to the network of affiliated stores and revenues produced in large scale retailing through partnerships with leading industry operators.

generated or absorbed by investments and financing, the latter referring to repayment schedules or accessing short and long-term financial loans and the availability of funds in the financial market.

The financial structure in its entirety is constantly monitored by the Group to ensure coverage of its liquidity needs. The financial structure of the Group, broken by deadline for the six-month period ending 31 August 2019 and for the financial year ending 28 February 2019 is given below:

(Amounts in thousands of Euros)	Balance as at 31 August 2019	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	65,290	38,856	26,434	-	65,290
Other financial liabilities	494,447	69,977	221,378	203,092	494,447
Total	**559,737**	**108,833**	**247,812**	**203,092**	**559,737**

(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**

The trend in the period was influenced by the seasonality of the business, for further details see notes 5.12 Financial liabilities and 5.14 Other financial liabilities.

3.3 Market risk

3.3.1 Interest rate risk

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

To address these risks, the Company has stipulated with a pool of banks derivative contracts consisting of Interest Rate Swaps (IRS) in order to mitigate the potential effect of changes in the interest rates on the economic result, with economically acceptable terms and conditions.

The interest rate swaps in existence as at 31 August 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**	**31/08/2019**	**28/02/2019**	**31/08/2019**	**28/02/2019**
Interest Rate Swaps (IRS)	12/02/2018	09/01/2023	37,500	42,500	(729)	(413)

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 555 thousand (negative) as at 31 August 2019 and Euro 315 thousand (negative) as at 28 February 2019.

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. There were no forward instruments at 31 August 2019. 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. The company did not have any forward contracts in US dollars at 31 August 2019.

3.4 Fair value estimates

The fair value of the financial instruments listed on an active market is based on market prices as at the balance sheet date. The fair value of the instruments which are not listed on an active market is determined by using valuation techniques which are based on a series of methods and assumptions which are connected to market conditions as at the balance sheet date.

The classification of the fair value of financial instruments based on the following hierarchical levels is set out below:

- Level 1: fair value determined based on listed prices (not adjusted) on active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques that refer to variables that are observable on active markets;
- Level 3: fair value determined using valuation techniques that refer to variables that are not observable on active markets.

Financial instruments measured at fair value are classified at level 2 and the general criterion used to calculate them is the current value of future cash flows provided for the instrument constituting the object of the measurement.

The liabilities relative to the bank indebtedness are measured using the amortized cost criterion. Trade payables and receivables are measured at their book value, net of any provision for bad debts, as this is considered to be close to the current value.

The table below separates financial assets and liabilities by category as at 31 August 2019 and 28 February 2019:

(Amounts in thousands of Euros)	**Period ended 31 August 2019**			
	Loans and receivables	**Fair value of hedging instruments**	**Other liabilities**	**Total**
Financial assets not designated at fair value				

Cash and cash equivalents	44,175	-	-	**44,175**
Trade receivables	52,205	-	-	**52,205**
Other assets	33,609	-	-	**33,609**
Financial assets designated at fair value				
Other assets		0		**0**
Financial liabilities not designated at fair value				
Financial liabilities	-	-	65,290	**65,290**
Trade payables	-	-	476,758	**476,758**
Other liabilities	-	-	199,425	**199,425**
Other financial liabilities	-	-	493,718	**493,718**
Financial liabilities designated at fair value				
Other financial liabilities	-	729	-	**729**

(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**

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.

(Amounts in thousands of Euros and as a percentage of revenues)	**Period ended**	
	31 August 2019	**31 August 2018**
Revenue	1,059,536	908,540
EBITDA	**42,159**	**8,260**
% of revenues	*4,0%,*	*0.9%*

Depreciation, amortisation and write-downs	(44,724)	(12,645)
NET OPERATING PROFIT	**(2,565)**	**(4,385)**
Financial income	53	1,571
Financial expenses	(6,635)	(2,271)
PROFIT BEFORE TAX	**(9,147)**	**(5,085)**
Income taxes	32	(119)
PROFIT/(LOSS) FOR THE YEAR	**(9,115)**	**(5,204)**

The impact of EBITDA on revenues increased to 4.0% compared with the first half of the previous period.

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

(In thousands of Euro and as a percentage of consolidated revenues)	**Period ended**			
	31 August 2019	**%**	**31 August 2018**[43]	**%**
Grey	502,440	47.4%	437,723	48.2%
White	306,256	28.9%	239,198	26.3%
Brown	158,359	14.9%	154,342	17.0%
Services	48,240	4.6%	38,901	4.3%
Other products	44,241	4.2%	38,376	4.2%
Total consolidated revenues	**1,059,536**	**100.0%**	**908,540**	**100.0%**

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

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Abroad	2,237	2,027
Italy	1,057,299	906,513
Total	**1,059,536**	**908,540**

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

5. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENT CAPTIONS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 31 August 2019 and 28 February 2019:

(Amounts in thousands of Euros)	**Amounts as at 31 August 2019**	**Amounts as at 28 February 2019**

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

	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Plant and machinery	140,233	(101,354)	38,879	136,242	(96,699)	39,543
Equipment	23,893	(15,604)	8,289	22,502	(15,122)	7,380
Other assets	180,278	(144,551)	35,727	175,294	(139,126)	36,168
Tangible assets under construction	3,071		3,071	1,851	-	1,851
Total plant, machinery, equipment and other assets	**347,475**	**(261,509)**	**85,966**	**335,889**	**(250,947)**	**84,942**

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2019 to 31 August 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 2019	**39,543**	**7,380**	**36,168**	**1,851**	**84,942**
Increases	3,126	1,386	3,978	2,069	10,559
First Carini Retail consolidation	940	26	1,013	--	1,979
Decreases	(75)	(21)	(7)	(849)	(952)
Amortisation, depreciation and write downs/(write backs)	(4,700)	(503)	(5,432)		(10,635)
Decreases in Amortisation, Depreciation Provision	45	21	7		73
Balance as at 31 August 2019	**38,879**	**8,289**	**35,727**	**3,071**	**85,966**

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

(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 2018	**33,232**	**4,176**	**35,191**	**2,232**	**74,831**
Increases	2,827	168	2,625	10,074	15,694
Acquisition of business units	--	--	--	213	213
Decreases	(847)	(50)	(791)	(982)	(2,670)
Amortisation, depreciation and write downs/(write backs)	(4,071)	(375)	(4,997)	(3)	(9,446)
Decreases in Amortisation, Depreciation Provision	847	50	792	-	1,689
Balance as at 31 August 2018	**31,988**	**3,969**	**32,820**	**11,534**	**80,311**

With reference to the six-month period ended 31 August 2019, the Group made investments, net of the category of "Tangible assets under construction and payments on account", and inclusive acquisition of Carini Retail S.r.l of Euro 10,347 thousand.

In particular, the net investments were mainly: (i) investments relating to the opening of new sales outlets in new customer bases deemed strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona, Bunalbergo) or bases not sufficiently covered by the current portfolio of stores and the refurbishment of the sales outlets acquired from the former Pistone S.p.A. business units for Euro 5,868 thousand; (ii) additional investments connected with the Piacenza logistics hub for Euro 976 thousand; (iii) interventions involving the restructuring of selected sales outlets through the restyling of the layouts and the reduction or expansion of the sales areas and investments in the relocation of existing sales outlets to customer bases deemed more strategic for Euro 823 thousand; (iv) minor extraordinary maintenance operations and the renewal of anti-theft and electrical systems at various sales outlets for Euro 445 thousand; (v) investments in the creation of dedicated electric displays for specific supplier brands within the sales outlets for Euro 346 thousand;

Note that the acquisition of the 12 sales outlets belonging to the former Pistone S.p.A. business unit are configured as business combinations and therefore come under the application scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

The Company relied on the information resulting from the sworn expert report prepared pursuant to Article 2465 et seq. of the cc. for the assessment of this fair value, through which the value of the assets acquired was estimated at Euro 1,979 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category.
The values and useful life are reported in the financial statements from the date that Unieuro acquired control. For more details, please refer to Note 5.29 "Business unit combinations".

Net assets under construction amounting to Euro 3,071 thousand mainly refer to (i) investments relating to restructuring/relocation for Euro 1,037 thousand; (ii) minor extraordinary maintenance operations at various sales outlets for Euro 483 thousand and (iii) the opening of new sales outlets and projects for Euro 489 thousand. Investments in question as at 31 August 2019 are not completed and therefore the item is not subject to depreciation.

The item "Amortization and write-downs (write backs)" of Euro 10,633 thousand includes Euro 10,564 thousand in depreciation and Euro 69 thousand of write-downs and write backs.

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.”

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

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

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

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

Note that the acquisition of the 8 outlets belonging to the business unit DPS are configured as a business combination and therefore come under the application scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.
The Company relied on internal techniques for the assessment of this fair value through which the value of the assets acquired was estimated at Euro 213 thousand.
The values and useful life were reflected in the consolidated financial statements from the date of the acquisition of control by Unieuro namely from 23 August 2018, the opening of the sales outlets related to the business unit DPS took place from September 2018.

The item "Amortization and write-downs/(write backs)", within the movement 28 February 2018 - 31 August 2018, of Euro 9,446 thousand includes Euro 8,681 thousand in depreciation and Euro 765 thousand of write-downs and write backs. The write-downs mainly refer to stores for which onerous leases were identified while the write backs refer to stores with a significant improvement in their economic results, so that the lease was no longer considered onerous, and therefore previously written down assets were written back.

The net assets under construction amounting to Euro 11,534 thousand mainly relate to investments in opening the new Piacenza logistics hub and the new stores in new consumer areas deemed to be strategic for the Group. Investments in question as at 31 August 2018 are not completed and therefore the item is not subject to depreciation.

5.2 Goodwill

The breakdown of the item “Goodwill” as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Goodwill	195,336	177,965
Total Goodwill	**195,336**	**177,965**

The change in the “Goodwill” item for the period from 28 February 2018 to 31 August 2019 is shown below:

(Amounts in thousands of Euros)	**Goodwill**
Balance as at 28 February 2018	**174,843**
Acquisitions	3,122
Increases	-
Write-downs	-
Balance as at 28 February 2019	**177,965**
Acquisitions	17,371
Increases	-
Write-downs	-
Balance as at 31 August 2019	**195,336**

The value of goodwill at 31 August 2019, equalling Euro 195,336 thousand, increased over the year ended 28 February 2019 by Euro 17,371 thousand. The increase refers to the transaction for the acquisition of a 100% stake in Carini Retail S.r.l..

It should be noted that, at the time of recording of the acquisition transaction of the 100% stake in Carini Retail S.r.l. in the accounts, Unieuro availed itself of the right provided under IFRS 3 to carry out a provisional allocation of the cost of business combinations at fair value of the acquired assets, liabilities and contingent liabilities assumed. If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised. There are not expected to be any significant variations compared with what has already been accounted for. For more details about transactions, please refer to Note 5.28 "Business unit combinations".

Goodwill as at 31 August 2019 and 28 February 2019 can be broken down as follows:

(Amounts in thousands of Euros)	**Goodwill as at 31 August 2019**	**Goodwill as at 28 February 2019**
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
Carini Retail S.r.l.	17,371	-
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	1,882
DPS Group S.r.l.	1,240	1,240
Dixons Travel	194	194
Total Goodwill	**195,336**	**177,965**

5.2.1 Impairment test

The business dynamics recorded in the period and updates on forecasts on future trends are consistent with the assumptions made to verify the recoverability of goodwill occurring when preparing the Group consolidated financial statements at 28 February 2019. The Unieuro market capitalisation at 31 August 2019 was greater than the Group’s shareholders’ equity. Therefore, no indicators were identified of possible impairment losses and therefore no specific impairment tests were done on goodwill following the one approved by the Unieuro Board of Directors on 8 May 2019.

5.3 Assets for rights of use

The balance of the item “Assets for rights of use” is given below, broken down by category as at 31 August 2019 and as at 28 February 2019:

(Amounts in thousands of Euros)	Amounts as at 31 August 2019			Amounts as at 28 February 2019		
	Historical cost	**Accumulated Amortisation and Depreciation**	**Net book value**	**Historical cost**	**Accumulated Amortisation and Depreciation**	**Net book value**
Buildings	487,504	(30,430)	457,074			
Vehicles	1,957	(434)	1,523			
Total intangible assets with a finite useful life	**489,461**	**(30,864)**	**458,597**	**-**	**-**	**-**

The change in the item "Assets for rights of use" for the period from 28 February 2019 to 31 August 2019 is broken down below:

(Amounts in thousands of Euros)	**Buildings**	**Vehicles**	**Total**
Balance as at 28 February 2019	-	-	-
Adjustment - application of IFRS 16	446,130	1,588	447,718
Increases	8,233	369	8,602
First Carini Retail consolidation	33,952		33,952
Decreases	(811)		(811)
Amortisation, depreciation and write downs/(write backs)	(30,430)	(434)	(30,864)
Decreases in Amortisation, Depreciation Provision			-
Balance as at 31 August 2019	**10,944**	**(65)**	**458,597**

The item contains the value for assets for rights of use resulting from the application of accounting standard IFRS 16. The application of the new accounting principle had a material impact on the Group's consolidated financial statements by virtue of the operations linked to the retail network which is a significant part of the business. For the Group, the analysis of the contracts coming under the scope of application of the principle specifically involved those relating to stores, warehouses, offices and vehicles. The effects of this new accounting principle are illustrated in paragraph 2.5.1 - "Changes to the accounting standards" which should be referred to for further details.

5.4 Intangible assets with a finite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 31 August 2019 and as at 28 February 2019:

(Amounts in thousands of Euros)	Amounts as at 31 August 2019			Amounts as at 28 February 2019		
	Historical cost	**Accumulated Amortisation and Depreciation**	**Net book value**	**Historical cost**	**Accumulated Amortisation and Depreciation**	**Net book value**
Software	56,847	(43,195)	13,652	53,269	(40,450)	12,819
Concessions, licences and brands	13,361	(8,106)	5,255	13,361	(7,626)	5,735
Key Money	1,572	(1,572)	-	8,130	(1,572)	6,558
Intangible fixed assets under construction	2,968	-	2,968	3,200	-	3,200
Total intangible assets with a finite useful life	**74,748**	**(52,873)**	**21,875**	**77,960**	**(49,648)**	**28,312**

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2019 to 31 August 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 2019	**12,819**	**5,735**	**6,558**	**3,200**	**28,312**
Increases	3,578	-	-	2,327	5,905
Adjustment - application of IFRS 16	-	-	(6,558)		(6,558)
Decreases				(2,559)	(2,559)
Amortisation, depreciation and write downs/(write backs)	(2,745)	(480)	-	-	(3,225)
Decreases in Amortisation, Depreciation Provision					-
Balance as at 31 August 2019	**13,652**	**5,255**	**-**	**2,968**	**21,875**

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

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

Regarding the six months ended 31 August 2019, the total increases of Euro 5,905 thousand relate mainly to the “Software” category for Euro 3,578 thousand.

The Group, as required by new accounting standard IFRS 16, reclassified Key Money reporting it under assets for rights of use because it represents the initial direct costs of the tenant inherent in the lease agreement.

The increases relating to the “Software” category for Euro 3,578 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 for assets under construction of Euro 2,327 thousand were due to the implementation of new software (ERP) and existing software.

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

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

The item Acquisitions, for Euro 1,947 is derived from the acquisition of control of the business unit DPS which is configured as a business combination and comes under the application scope of IRFS 3. The item comprises Key money relating to the sales outlets of the business unit DPS, control of which was acquired on 23 August 2018 and the opening to the public took place from September 2018 therefore the key money was recorded in assets under construction on 31 August 2018. As required by the standard, the intangible assets were recorded separately from goodwill and recorded at their fair value on the acquisition date, which meets the requirements under IAS 38.
Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. For 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.

5.5 Deferred tax assets and deferred tax liabilities

The change in the item "Deferred tax assets" and the item "Deferred tax liabilities" for the period from 28 February 2018 to 31 August 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 2019	**678**	**2,337**	**907**	**4,281**	**272**	**1,456**	**2,280**	**12,211**	**22,968**	**35,179**
Provision/Releases to the Income Statement	(26)	181	-	(171)	-	7	(697)	(706)	854	148
First Carini Retail consolidation - Comprehensive Income Statement	-	-	-	-	38	-	-	38	-	38
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	281	-	-	281	-	281
Balance as at 31 August 2019	**652**	**2,518**	**907**	**4,110**	**591**	**1,463**	**1,583**	**11,824**	**23,822**	**35,646**

(Amounts in thousands of Euros)	Bad debt provision - amount due from suppliers	Obsolescence Provision	Tangible assets	Intangible assets	Capital Reserves	Provision for risks and charges	Other current liabilities	Net deferred tax assets	Deferred tax assets relating to tax losses	Total net deferred tax assets
Balance as at 28 February 2018	**824**	**2,488**	**907**	**4,290**	**884**	**1,363**	**3,622**	**14,378**	**15,727**	**30,105**
Provision/Releases to the Income Statement	(67)	(164)	-	(2,287)	(828)	312	(773)	(3,807)	2,082	(1,725)
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	149	-	-	149	-	149
Balance as at 31 August 2018	**757**	**2,324**	**907**	**2,003**	**205**	**1,675**	**2,849**	**10,720**	**17,809**	**28,529**

The balance as at 31 August 2019 of Euro 35,646 thousand is mainly composed of the deferred tax assets recorded on tax losses for Euro 23,822 thousand, deferred tax assets recorded on goodwill for Euro 4,110 thousand and Euro 1,583 thousand from the deferred tax assets recorded on other current liabilities, composed of contract liabilities relating to extended warranty services. The change in the item deferred tax assets recorded in the period is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;

- the provision of Euro 854 thousand in deferred tax assets relating to tax losses.

The balance as at 31 August 2018 was Euro 28,529 thousand and was mainly composed of: (i) Euro 7,176 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 17,809 thousand from deferred tax assets recorded on tax losses. The change in the item deferred tax assets recorded in the period year is mainly related to:

- the release to the income statement of the deferred tax assets relating to Intangible assets and other current liabilities;

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

Note that tax losses still available at 31 August 2019 were, with reference to Unieuro, equal to Euro 377,943 thousand, while with reference to Monclick they were 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;

- the forecast of the Company's earnings in the medium and long-term.

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

Deferred tax liabilities

(Amounts in thousands of Euros)	**Intangible assets**	**Other current assets**	**Total net deferred taxes**
Balance as at 28 February 2019	**2,587**	**1,125**	**3,712**
Provision/Releases to the Income Statement	69	(194)	(125)
Provision/Releases to the Comprehensive Income Statement			0
Balance as at 31 August 2019	**2,656**	**931**	**3,587**

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

The decrease in the item “Deferred tax liabilities” is mainly attributable to the release of the deferrals previously recorded in other current assets.

Deferred tax liabilities relating to Intangible Assets mainly 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.

5.6 Other current assets and other non-current assets

Below is a breakdown of the items “Other current assets” and “Other non-current assets” as at 31 August 2019 and 28 February 2019:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Deferred charges	11,304	8,997
Contract assets	4,841	5,337
Tax credits	2,550	3,544
Financial receivables for leasing - current portion	1,459	-
Other current assets	505	166
Accrued income	48	1,643
Advances to suppliers	35	86
Other current assets	**20,742**	**19,773**
Financial receivables for leasing - non-current portion	10,057	-
Deposit assets	2,279	2,220
Deposits to suppliers	524	266
Other non-current assets	7	7
Other non-current assets	**12,867**	**2,493**
Total Other current assets and Other non-current assets	**33,609**	**22,266**

The item “Financial receivables for leasing” equal to Euro 11,516 thousand (the current portion of which is Euro 1,459 thousand) was recorded during the first time adoption of accounting principle IFRS 16 and includes the current portion and the non-current portion relating to sub-leasing agreements in which the group acts as the landlord. For more details refer to note 2.5.1 Changes in accounting principles.

The item “Other current assets” mainly includes deferred charges with regard to insurance, rental and common charges and the hire of road signs; accrued income refers to adjustments on common charges at sales points.

The increase in the item “Deferred charges” is mainly attributable to the insurance premium and non-income taxes and duties payed prior to August 31, 2019 but relative occurrence coinciding with the calendar year.

The item “Contract assets” includes the costs for procuring the contract which can be qualified as contract costs, represented by the bonuses paid to employees for each additional sale of extended warranty services.

Tax credits as at 31 August 2019 and 28 February 2019 refer, in the main, for Euro 1,610 thousand to the IRES credit for IRAP not deducted.

The item “Other non-current assets” includes equity investments, deposit assets and deposits to suppliers. The increase is mainly due to the acquisition of new stores and the expansion of existing ones.

5.7 Inventories

Warehouse inventories break down as follows:

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Merchandise	405,605	371,462
Consumables	576	659
Gross stock	**406,181**	**372,121**
Warehouse obsolescence fund	(12,477)	(9,779)
Total Inventories	**393,704**	**362,342**

The value of gross inventories went from Euro 372,121 thousand as at 28 February 2019 to Euro 406,181 thousand as at 31 August 2019, an increase of 9.2% in total gross inventories. The increase is attributable to: (i) the different business scope resulting from the acquisition of 12 Carini Retail S.r.l. sales outlets and the Pistone S.p.A. logistics platform, located in Carini, and (ii) the buoyancy of the online business, (iii) the partnership concluded with Finiper, which marked Unieuro's launch into large scale retailing and (iv) the increase in volumes managed.

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

The change in the warehouse bad debt provision for the period from 28 February 2019 to 31 August 2019 and from 28 February 2018 to 31 August 2018 is shown below:

(Amounts in thousands of Euros)	**Warehouse obsolescence fund**
Balance as at 28 February 2019	**(9,779)**
Provisions	(2,698)
Releases to the Income Statement	-
Utilisation	-
Balance as at 31 August 2019	**(12,477)**

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

The increase in the warehouse obsolescences fund equal to Euro 2,698 thousand is attributable to the adaptation of the warehouse bad debt provision which includes the prudential write down of the value of goods at 31 August 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.

5.8 Trade receivables

A breakdown of the item “Trade receivables” as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Trade receivables from third-parties	54,612	43,779
Trade receivables from related-parties	-	-
Gross trade receivables	**54,612**	**43,779**
Bad debt provision	(2,407)	(2,491)
Total Trade receivables	**52,205**	**41,288**

The value of receivables, which refer to the *Indirect and B2B* channels was up by Euro 10,917 thousand compared with the previous year, with the increase mainly due to the partnership concluded with Finiper, which marked Unieuro's launch into large scale retailing.

The change in the bad debt provision for the period from 28 February 2019 to 31 August 2019 and from 28 February 2018 to 31 August 2018 is shown below:

(Amounts in thousands of Euros)	**Bad debt provision**
Balance as at 28 February 2019	**(2,491)**
Provisions	(31)
Releases to the Income Statement	96
Utilisation	19
Balance as at 31 August 2019	**(2,407)**

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

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. Drawdowns follow credit situations for which the elements of certainty and accuracy, or the presence of existing insolvency proceedings, determine the deletion of the actual position. As

shown in the tables above, the bad debt provision stood at Euro 2,407 thousand as at 31 August 2019 and Euro 2,491 thousand as at 28 February 2019.
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.

5.9 Current tax assets and liabilities

Below is a breakdown of the item "Current tax assets" and "Current tax liabilities" as at 31 August 2019 and as at 28 February 2019:

Current tax assets

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
IRES credits	2,092	2,116
IRAP credits	-	2
Total Current tax assets	**2,092**	**2,118**

As at 31 August 2019, the item "IRES credits" included credits of Euro 2,092 thousand (Euro 2,116 thousand as at 28 February 2019) which incorporated the IRES credit from the previous financial year and the credit generated during the period for withholding tax and for IRES note that the expense for income taxes for the six-month period ended 31 August 2019 was reported based on the best estimate of management of the weighted average annual tax rate for the entire year, applying it to the pre-tax result for the period of the individual entities.

Current tax liabilities

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Payables for IRAP	1,392	1,204
Payables for tax liabilities	1,018	-
Total Current tax liabilities	**2,410**	**1,204**

As at 31 August 2019 the item "IRAP payables" included payables of Euro 1,392 thousand resulting from the estimate of Unieuro taxes for the year ended 28 February 2020, and "Payables for tax liabilities" of Euro 1,018 thousand relating to the reclassification of liabilities relating to doubtful tax treatments from the item "Provisions" to the item "Liabilities for current taxes", in line with the provisions of IFRIC 23. For more details, please refer to Note 2.5.1 Changes to the accounting standards.

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Bank accounts	31,415	77,007
Petty cash	12,760	7,481
Total cash and cash equivalents	**44,175**	**84,488**

Cash and cash equivalents stood at Euro 44,175 thousand as at 31 August 2019 and Euro 84,488 thousand as at 28 February 2019.

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 5.12.

5.11 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 interests**	**Total shareholders' equity**
Balance as at 28 February 2019	**4,000**	**800**	**0**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**0**	**90,877**
Adjustment at the date of the first-time adoption of IRFS 16 (net of taxes)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted balance at 1 March 2019	**4,000**	**800**	**-**	**(315)**	**(1,247)**	**3,376**	**26,944**	**57,319**	**90,877**	**-**	**90,877**
Profit (loss) for the period	-	-	-	-	-	-	-	(9,115)	(9,115)	-	(9,115)
Other components of comprehensive income	-	-	-	(240)	(625)	-		-	(865)	-	(865)
Total statement of comprehensive income for the period	**-**	**-**	**-**	**(240)**	**(625)**	**-**	**-**	**(9,115)**	**(9,980)**	**-**	**(9,980)**
Allocation of prior year result	-	-	6,769	-	-	-	-	(6,769)	-	-	-
Covering retained losses and negative reserves	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments	-	-	-	-	-	1,322	-	(927)	395	-	395
Total transactions with shareholders	**-**	**-**	**6,769**	**-**	**-**	**1,322**	**-**	**(29,096)**	**(21,005)**	**-**	**(21,005)**
Balance as at 31 August 2019	**4,000**	**800**	**6,769**	**(555)**	**(1,872)**	**4,698**	**26,944**	**19,108**	**59,892**	**0**	**59,892**

Shareholders' equity, equal to Euro 59,892 thousand as at 31 August 2019 (Euro 90,877 thousand as at 28 February 2019) fell during the year through the combined effect of: (i) the distribution of a dividend of Euro 21,400 thousand as approved on 18 June 2019 by the Shareholders' Meeting; (ii) the recording of the loss for the consolidated period of Euro 9,115 thousand and the other components of the comprehensive income statement negative for Euro 865 thousand; (iii) the recording in the reserve of share-based payments of Euro 1,322 thousand which refer to the Long Term Incentive Plan for certain managers and employees.

The Share capital as at 31 August 2019 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 31 August 2019 (Euro 800 thousand as at 28 February 2019), 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 31 August 2019;

- the extraordinary reserve of Euro 6,769 thousand as at 31 August 2019 (Euro 0 thousand as at 28 February 2019); this reserve increased during the period as a result of the allocation of the profit for the year approved on 18 June 2019 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 555 thousand as at 31 August 2019 (negative by Euro 315 thousand as at 28 February 2019); 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 5.12).

- the reserve for actuarial gains and losses on defined-benefit plans of a negative Euro 1,872 thousand as at 31 August 2019 (negative Euro 1,247 thousand as at 28 February 2019); it fell by Euro 625 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 4,698 thousand at 31 August 2019 (Euro 3,376 thousand at 28 February 2019); the reserve has changed due to recording of Euro 1,322 thousand offsetting the recording of personnel costs for the share-based payment plan. For more details, please see Note 5.28.

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

Shareholders' equity, equal to Euro 55,963 thousand as at 31 August 2018 (Euro 77,216 thousand as at 28 February 2018) fell during the year as a result of: (i) the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting; (ii) the recording of the loss for the period of Euro 5,204 thousand and the other components of the comprehensive income statement for Euro 408 thousand; (iii) the recognition under retained earnings of the effects arising from the application of the new accounting standard IFRS 15 for Euro 4,038 thousand and (iv) the recognition of the Long Term Incentive Plan reserved for certain managers and employees for Euro 321 thousand.

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

The Reserves are illustrated below:

the legal reserve of Euro 800 thousand as at 31 August 2018 (Euro 800 thousand as at 28 February 2018), includes the financial provisions at a rate of 5% for each year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it as at 31 August 2018;

- the extraordinary reserve of Euro 0 thousand as at 31 August 2018 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the period as a result of the coverage of retained losses and negative reserves approved on 5 June 2018 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 296 thousand as at 31 August 2018 (Euro 191 thousand negative 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 5.12).

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

- the reserve for share-based payments of Euro 2,372 thousand as at 31 August 2018 (Euro 1,352 thousand as at 28 February 2018 changed as a result of (i) the recording of Euro 1,020 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 from the item profits and losses carried forward to the item other non/current liabilities. For more details, please see Note 5.28.

During the period ended 31 August 2019 there were no assets allocated to specific businesses.

5.12 Financial liabilities

A breakdown of the item current and non-current "Financial liabilities" as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Current financial liabilities	38,856	12,455
Non-current financial liabilities	26,434	31,112
Total financial liabilities	**65,290**	**43,567**

On 22 December 2017 a Loan Agreement was signed, "**Loan Agreement**", with Banca IMI S.p.A., as the agent bank, Banca Popolare di Milano S.p.A., Crédit Agricole Cariparma S.p.A. and Crédit Agricole Corporate and Investment Bank – Milan Branch. The Loan Agreement was finalised on 9 January 2018 following the ending of relations and the repayment of the previous lines of credit and the provision of new funding.

The transaction consisted of taking out three different lines of credit aimed, among other things, at providing Unieuro with additional resources to support future growth, through acquisitions and opening new sales outlets. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.
The new lines, including Euro 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 demand compliance with a consolidated index on a twelve-month basis, for Unieuro S.p.A. which is summarised below:

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

At 31 August 2019 the covenant was calculated and complied with. The summary table is given below:

	31 August 2019		**28 February 2019**	
Description of covenants	Contractual value	Covenant result	Contractual value	Covenant result
LEVERAGE RATIO	< 1.80	0.65	< 1.30	0.29
Consolidated net financial debt/Consolidated Adjusted LTM EBITDA				

The Loan Agreement includes the Company's right of early repayment, in full or in part (in such a case of minimum amounts equal to Euro 1,000,000.00) and prior notification of the Agent Bank, of both the *Term Loan* and the Capex Facility. In addition, when certain circumstances and/or events are verified, Unieuro is obliged to repay the Loan early. As at 31 August 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 31 August 2019 and at 28 February 2019 are illustrated below:

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**As at 31 August 2019**		
				Total	**of which current portion**	**of which non-current portion**
Short-term lines of credit (1)	n.a.	68,650	0.35% - 6.5%	29,469	29,469	-
Revolving Credit Facility	Jan-23	90,000	Euribor 1m+spread	-		-
Current bank payables				**29,469**	**29,469**	**-**
Term Loan	Jan-23	50,000	Euribor 3m+spread	37,500	10,000	27,500
Capex Facility	Jan-23	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(1,679)	(613)	(1,066)
Non-current bank payables and current part of non-current debt				**35,821**	**9,387**	**26,434**
Total				**65,290**	**38,856**	**26,434**

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

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

(Amounts in thousands of Euros)	**Maturity**	**Original amount**	**Interest rate**	**As at 28 February 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	Jan-23	90,000	Euribor 1m+spread	-		-
Current bank payables				**3,049**	**3,049**	**-**
Term Loan	Jan-23	50,000	Euribor 3m+spread	42,500	10,000	32,500
Capex Facility	Jan-23	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.

The financial liabilities at 31 August 2019 total Euro 65,290 thousand with an increase of Euro 21,723 thousand compared to 28 February 2019. This change is due mainly to the use of the hot money line for Euro 26,420 thousand and to the normal repayment of principal shares of the Loan for Euro 5,000 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 1,679 thousand as at 31 August 2019 (Euro 1,982 thousand as at 28 February 2019).

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

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	28 February 2019
Within 1 year	38,856	12,455
From 1 to 5 years	26,434	31,112
More than 5 years	-	-
Total	**65,290**	**43,567**

A breakdown of the net financial debt as at 31 August 2019 and as at 28 February 2019 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 31 August 2019**		**as at 28 February 2019**	
		of which with Related-Parties		*of which with Related-Parties*
(A) Cash	44,175	-	84,488	-
(B) Other cash and cash equivalents	-	-	-	-
(C) Securities held for trading	-	-	-	-
(D) Liquidity (A)+(B)+(C)	**44,175**	**-**	**84,488**	**-**
- of which is subject to a pledge	-		-	-
(E) Current financial receivables	-		-	-
(F) Current bank payables	(29,469)	-	(3,049)	-
(G) Current part of non-current debt	(9,387)	-	(9,406)	-
(H) Other current financial payables	(12,788)	-	(7,683)	-
(I) Current financial debt (F)+(G)+(H)	**(51,644)**	**-**	**(20,138)**	**-**
- of which is secured	-	-	-	-
- of which is unsecured	*(51,644)*	-	*(20,138)*	-
(J) Net current financial position (I)+(E)+(D)	**(7,469)**	**-**	**64,350**	**-**
(K) Non-current bank payables	(26,434)	-	(31,112)	-
(L) Bonds issued	-	-	-	-
(M) Other non-current financial payables	(15,551)	-	(12,771)	-
(N) Non-current financial debt (K)+(L)+(M)	**(41,985)**	**-**	**(43,883)**	**-**
- of which is secured	-	-	-	-
- of which is unsecured	*(41,985)*	-	*(43,883)*	-
(O) Net financial debt - IAS 17 (J)+(N)	**(49,454)**	**-**	**20,467**	**-**
(P) Current financial receivables - IFRS 16	1,459	-	-	-
(Q) Non-current financial receivables - IFRS 16	10,057	-	-	-
(R) Other current financial payables - IFRS 16	(57,189)	-	-	-
(S) Other non-current financial payables - IFRS 16	(408,919)	-	-	-
(T) Net financial debt - IFRS 16 (O)+(P)+(Q)+(R)+(S)	**(504,046)**	**-**	**20,467**	**-**

The increase in net financial indebtedness is due to the first-time adoption of IFRS 16, which resulted in the recognition of net financial liabilities under leases, and the combined effect of: (i) distribution of dividends for Euro 21.4 million approved by the Shareholders' Meeting on 18 June 2019, (ii) consideration paid in the period relating to the Ex-Pistone S.p.A. transaction, the payment of instalments due on the purchase of the Ex-Cerioni S.p.A. business unit and the Monclick S.r.l. equity investment for € 11.0 million, (iii) net increase in payables for investments in business combinations for € 8.2 million, relating to the payable to Pistone S.p.A., remaining at 31 August 2019 net of the payable paid in the period relating to transactions carried out in previous years relating to the Ex Cerioni S.p.A. equity investment unit and the purchase of the Monclick S.r.l. equity investment., (iii) investments of € 13.9 million relating in particular to costs incurred for the development of the network of direct stores and the refurbishment of the network of existing stores and costs incurred for the purchase of new hardware, software, licenses and developments on existing applications.

There is also a lack of comparability with 28 February 2019 due to the significant seasonal effects of the business in which the Group operates.

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 31 August 2019 and 28 February 2019. See note 5.14 “Other financial liabilities” for more details.

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Other financial liabilities	69,977	7,683
Shareholder funding	-	-
Other current loans and borrowings	**69,977**	**7,683**
Other financial liabilities	424,470	12,771
Shareholder funding	-	-
Other non-current loans and borrowings	**424,470**	**12,771**
Total financial payables	**494,447**	**20,454**

5.13 Employee benefits

The change in the item “Employee benefits” for the period from 28 February 2019 to 31 August 2019 and from 28 February 2018 to 31 August 2018 is shown below:

(Amounts in thousands of Euros)	
Balance as at 28 February 2019	**10,994**
First Carini Retail consolidation	1,082
Service cost	40
Curtailment	0
Interest cost	48
Settlements/advances	(235)
Actuarial (profits)/losses	867
Balance as at 31 August 2019	**12,797**

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

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 "First Carini Retail consolidation" refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the stake in Carini Retail S.r.l.: for more details, refer to Note 5.29 - "Business unit combinations".

Settlements recorded in the period ended 31 August 2019 relate to both severance pay advances paid to employees during the period, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

Below is a breakdown of the economic and demographic recruitment used for the purpose of the actuarial evaluations:

	Period ended	
Economic recruitment	**31 August 2019**	**28 February 2019**
Inflation rate	1.50%	1.50%
Actualisation rate	0.30%	0.80%
Severance pay increase rate	2.625%	2.625%

	Period ended	
Demographic recruitment	**31 August 2019**	**28 February 2019**
Fatality rate	Demographic tables RG48	Demographic tables RG48
Disability probability	INPS tables differentiated by age and gender	INPS tables differentiated by age and gender
Retirement age	Reaching of minimum requirements under the compulsory general insurance	Reaching of minimum requirements under the compulsory general insurance
Probability of leaving	5%	5%
Probability of anticipation	3.50%	3.50%

With regard to the actualisation rate, the *iBoxx Eurozone Corporates AA* index with a duration of 7-10 years at the evaluation date was taken as a reference for the evaluation of this parameter.

Below is the sensitivity analysis, as at 31 August 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 early request rate, the average inflation and actualisation rate, respectively of 1%, -1%, 0.25% and -0.25%. The results are summarised in the table below:

(Amounts in thousands of Euros)			**Impact on DBO at 31 August 2019**
Change to the parameter	**UNIEURO**	**CARINI**	**MONCLICK**
1% increase in turnover rate	11,181	1,112	341
1% decrease in turnover rate	11,475	1,151	356
0.25% increase in inflation rate	11,848	1,149	356
0.25% decrease in inflation rate	11,158	1,112	340
0.25% increase in actualisation rate	11,058	1,101	338
0.25% decrease in actualisation rate	11,591	1,161	357

5.14 Other financial liabilities

A breakdown of the item current and non-current “Other financial liabilities” as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**28 February 2019**
Leasing liabilities	60,378	3,262
Payables for investments in equity investments and business units	9,296	4,176
Fair value of derivative instruments	303	245
Other current financial liabilities	**69,977**	**7,683**
Leasing liabilities	415,526	6,917
Payables for investments in equity investments and business units	8,518	5,686
Fair value of derivative instruments	426	168
Other non-current financial liabilities	**424,470**	**12,771**
Total financial liabilities	**494,447**	**20,454**

Payables for investments in equity investments and business units
Payables owed to leasing companies amount to a total of Euro 17,814 thousand at 31 August 2019 and Euro 9,862 thousand at 28 February 2019. The increase is mainly due to the combined effect of investments of Euro 17,400 thousand which refer to the consideration for the acquisition of 100% of the share capital of Carini Retail S.r.l., the considerations paid in the period with regard to the investment in Carini Retail S.r.l., the former Cerioni S.p.A. business unit and the acquisition of the investment in Monclick S.r.l. for Euro 9,140 thousand. The existing debt cash flows as at 31 August 2019 were discounted.

Leasing liabilities
Leasing liabilities totalled Euro 475,904 thousand as at 31 August 2019 and Euro 10,179 thousand as at 28 February 2019. The assets that are the subject of the finance lease agreement are buildings, vehicles, furnishings, LEDs, climate control systems, servers, computers and printers. The above payables to the leasing company are secured to the lessor via rights on the leased assets. The item includes: (i) the liabilities for leases relating to agreements previously classified as operating leases for which the group, following the application of the new accounting principle IFRS 16, recorded a liability which reflects the obligation for the payment of rent of Euro 466,108 thousand and (ii) the liabilities for leases relating to agreements previously recorded in the accounts according to the provisions of IAS 17 which have not been subject to changes following the application of the new accounting principle IFRS 16 for Euro 9,796 thousand. There are no hedging instruments for the interest rates. For more details, please refer to Note 2.5.1 Changes to the accounting standards.

The cash flows relating to the item leasing liabilities are reported below.

(Amounts in thousands of Euros)	Balance as at 31 August 2019	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	475,904	60,378	212,434	203,092	475,904
Total	**475,904**	**60,378**	**212,434**	**203,092**	**475,904**

Fair value of derivative instruments

Financial instruments for hedging, as at 31 August 2019, refer to 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 stood at Euro 729 thousand at 31 August 2019 (Euro 413 thousand at 28 February 2019). These derivative financial transactions on the interest rates are designated as hedge accounting in accordance with the requirements of IFRS 9 and are therefore dealt with under hedge accounting.

5.15 Provisions

The change in the item “Provisions” for the period from 28 February 2019 to 31 August 2019 and from 28 February 2018 to 31 August 2018 is shown below:

(Amounts in thousands of Euros)	**Tax dispute provision**	**Other disputes provision**	**Onerous contracts provision**	**Restructuring provision**	**Other risk provision**	**Total**
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*
Adjustment - application of IFRS 16	-	-	*(124)*		815	**691**
Adjustment - application of IFRIC 23	(1,018)	-			-	**(1.018)**
Provisions	-	338	-	281	210	**829**
Draw-downs/releases	(183)	(443)		(309)	(34)	**(969)**
Balance as at 31 August 2019	**2,208**	**3,037**	**-**	**331**	**3,023**	**8,599**
- of which current portion	-	276		331	290	897
- of which non-current portion	2,208	2,761		-	2,733	7,702

(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**
- 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*
Adjustment at the date of the first-time adoption of IRFS 15	-	-	-	-	(42)	**(42)**
Acquisitions	-	56	-	-	-	**56**
Provisions	33	881	-	828	283	**2,025**
Draw-downs/releases	(358)	(117)	(185)	(542)	(55)	**(1,257)**
Balance as at 31 August 2018	**3,376**	**3,288**	**696**	**461**	**1,585**	**9,406**
- of which current portion	*703*	419	*630*	*461*	383	*2,596*
- of which non-current portion	*2,673*	*2,869*	*66*	-	1,202	*6,810*

The "Tax dispute provision", equal to Euro 2,208 thousand as at 31 August 2019 and Euro 3,409 thousand as at 28 February 2019, was set aside mainly to hedge the liabilities that could arise following disputes of a tax nature. The adjustment at the initial application date of IFRIC 23 refers to the accounting treatment of liabilities relating to doubtful tax treatments from the item "Provisions" to the item "Liabilities for current taxes". For more details, please refer to Note 2.5.1 Changes to the accounting standards.

The "Provision for other disputes", equal to Euro 3,037 thousand as at 31 August 2019 and Euro 3,142 thousand as at 28 February 2019, refers to disputes with former employees, customers and suppliers.

The "Onerous contracts provision", equal to Euro 0 thousand as at 31 August 2019 and Euro 124 thousand as at 28 February 2019, refers to the allocation of non-discretionary costs necessary to comply with the obligations undertaken in certain rental agreements, the adjustment for the initial application of IFRS 16, the adjustment of the assets for the rights of use for the amount of the allocation for onerous leases recorded in the statement of financial position at the initial application date. For more details, please refer to Note 2.5.1 Changes to the accounting standards.

The “Restructuring provision”, equal to Euro 331 thousand as at 31 August 2019 and Euro 359 thousand as at 28 February 2019, refer mainly to the personnel restructuring process of the closing outlets.

“Other provision for risks”, stood at Euro 3,023 thousand as at 31 August 2019 and Euro 2,032 thousand as at 28 February 2019. The adjustment at the initial application date of IFRS 16 refers to the provision for expenses for the restoration of stores to their original conditions set aside to cover the costs for restoring the property when it is handed back to the landlord in cases where the contractual obligation is the responsibility of the tenant. For more details, please refer to Note 2.5.1 Changes to the accounting standards.

5.16 Other current liabilities and other non-current liabilities

A breakdown of the items “Other current liabilities” and “Other non-current liabilities” as at 31 August 2019 and 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Contract liabilities	132,842	127,956
Payables to personnel	35,631	35,383
Payables for VAT	18,463	14,667
Deferred income and accrued liabilities	5,076	4,331
Payables to welfare institutions	3,785	3,638
Monetary bonus Long Term Incentive Plan	2,409	-
Payables for IRPEF (income tax)	1,099	3,037
Other tax payables	70	85
Other current liabilities	24	5
Payments on account from customers	-	-
Total other current liabilities	**199,399**	**189,102**
Monetary bonus Long Term Incentive Plan	-	1,440
Deposit liabilities	26	26
Non-current payables to personnel	-	-
Total other non-current liabilities	**26**	**1,466**
Total other current and non-current liabilities	**199,425**	**190,568**

The item "Other current liabilities" increased by Euro 10,297 thousand in the year ended 31 August 2019 compared with the year ended 28 February 2019. The increase in the item recorded in the period in question is mainly attributable to the short-term reclassification of the monetary bonus in the share-based payment plan known as the *Long-Term Incentive Plan* and to the greater contract liabilities relating to the extended warranty service. The change recorded in the payable relating to the monetary bonus is mainly attributable to the resolution of the Shareholders' Meeting of 18 June 2019 to distribute the dividend which involved the recording of the share of the payable relating to the component which refers to the monetary bonus accrued to managers and employees under the plan. For more details, please see Note 5.28.

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

- contract liabilities of Euro 132,842 thousand as at 31 August 2019 (Euro 127,956 thousand as at 28 February 2019) mainly due to (i) deferred revenues for warranty extension services. Revenues from sales are recorded depending on the duration of the contract, or the period for which a performance obligation exists making a distinction from sales pertaining to future periods, (ii) payments on account received from customers, (iii) liabilities relating to purchase vouchers and (iv) liabilities relating to sales with right of return.

- deferred income and accrued liabilities of Euro 5,076 thousand as at 31 August 2019 (Euro 4,331 thousand as at 28 February 2019) mainly relating to deferred income recorded on revenues collected in the six-month period ended on 31 August 2019 but relative recognition is over the fiscal year.

- payables to employees for Euro 35,631 thousand as at 31 August 2019 (Euro 35,383 thousand as at 28 February 2019) consisting of debts for outstanding wages, holidays, leave and thirteenth and fourteenth month pay. These payables refer to items accrued but not yet settled.

- VAT payables of Euro 18,463 thousand as at 31 August 2019 (Euro 14,667 thousand as at 28 February 2019) composed of payables resulting from the VAT settlement with regard to August 2019.

The item "Other non-current liabilities" decreased by Euro 1,440 thousand in the year ended 31 August 2019 compared with the year ended 28 February 2019.

The balance for the item "Other non-current liabilities" is composed of deposit liabilities for Euro 26 thousand while the monetary bonus in the share-based payment plan known as the *Long-Term Incentive Plan* for Euro 1,440 thousand was reclassified in the item "Other current liabilities". For more details, please see Note 5.28.

5.17 Trade payables

A breakdown of the item “Trade payables” as at 31 August 2019 and as at 28 February 2019 is shown below:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**28 February 2019**
Trade payables to third-parties	474,942	466,533
Trade payables to related-parties	-	-
Gross trade payables	**474,942**	**466,533**
Bad debt provision - amount due from suppliers	1,816	1,925
Total Trade payables	**476,758**	**468,458**

The balance includes payables relating to carrying out normal trade activities involving the supply of goods and services.
Gross trade payables increased by Euro 8,409 thousand as at 31 August 2019 compared with 28 February 2019. The increase is due to the different business scope resulting from the acquisition of 12 Carini Retail S.r.l. sales outlets and the Pistone S.p.A. logistics platform located in Carini, which became the chain's secondary hub and to the increase in volumes managed.

The change in the “Bad debt provision - amount due from suppliers” for the period from 28 February 2019 to 31 August 2019 and from 28 February 2018 to 31 August 2018 is shown below:

(Amounts in thousands of Euros)	**Bad debt provision - amount due from suppliers**
Balance as at 28 February 2019	**1,925**
Provisions	-
Releases to the Income Statement	(109)
Utilisation	-
Balance as at 31 August 2019	**1,816**

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

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

5.18 Revenue

In the tables below the revenues are broken down by channel, category and geographic market. The Group has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. The Group's view of itself as a single omnichannel business means that the company has identified a single Strategic Business Unit ("SBU"). For more details, please refer to note 4 Information on operating segments. The Group's revenues are affected by seasonal factors typical of the consumer electronics market, which records higher revenues in the final part of every financial year.

Below is a breakdown of revenues by channel:

(in thousands of Euros and as a percentage of revenues)	**Period ended**				**Change**	
	31 August 2019	**%**	**31 August 2018**[44]	**%**	**Δ**	**%**
Retail	755,850	71.3%	640,603	70.5%	115,247	18.0%
Online	112,235	10.6%	97,635	10.7%	14,600	15.0%
Indirect	119,051	11.2%	95,147	10.5%	23,904	25.1%
B2B	53,850	5.1%	62,434	6.9%	(8,584)	(13.7%)
Travel	18,550	1.8%	12,721	1.4%	5,829	45.8%
Total revenues by channel	**1,059,536**	**100.00%**	**908,540**	**100.00%**	**150,996**	**16,6%**

The Retail channel recorded an 18.0% increase in sales, equal to Euro 115,247 thousand, mainly as a result of the growth in the network of direct stores, up compared with the corresponding period of the previous year thanks to the consolidation of the former Pistone stores and the incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve

[44] 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.

months. The performance of the stores was also positive on a like-for-like basis.

The Indirect channel - previously known as the Wholesale channel and which includes sales made through the network of affiliated stores and revenues produced in large scale retailing through partnerships with the leading industry operators at a total of 267 sales outlets - recorded revenues of Euro 119,051 thousand, an increase of 25.1% compared with Euro 95,147 thousand in the first half of the previous period. Growth was driven by the large-scale retailing sector, with the opening of Unieuro by Iper shops-in-shops in the Iper La grande i hypermarkets under the scope of the partnership made official on 10 January 2019.

The consolidated revenues of the Online channel stand at Euro 112,235 thousand, growth of 15.0% compared with Euro 97,635 thousand in the same period of the previous year. The reasons for the positive performance, should be sought in the Group's omnichannel strategy, which gives the physical sales outlet the precious role of a pick-up point, to the benefit of online customers. The continuous innovation linked to the constant release of new functions and improvements of the platform, attention to contents and the effectiveness of digital communication campaigns have further strengthened the competitive advantage.

The B2B channel - 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 53,850 thousand, a fall of 13.7% compared with the first half of the previous year as a result of the changes that were implemented in sales channel strategies by suppliers.

Lastly, the Travel channel - composed of 12 direct sales outlets located at several major public transport hubs such as airports, railway and underground stations - recorded growth of 45.8% equal to Euro 18,550 thousand, thanks to the launch of the former DPS/Trony sales outlet located at the Milan San Babila underground station which opened in October 2018 and the good performance of the sales outlet located at Turin's Porta Nuova station.

Below is a breakdown of revenues by category:

(in thousands of Euros and as a percentage of revenues)	**Period ended**				**Change**	
	31 August 2019	**%**	**31 August 2018**[45]	**%**	**Δ**	**%**
Grey	502.440	47,4%	437.723	48,2%	64.717	14,8%
White	306.256	28,9%	239.198	26,3%	67.058	28,0%
Brown	158.359	14,9%	154.342	17,0%	4.017	2,6%
Services	48.240	4,6%	38.901	4,3%	9.339	24,0%
Other products	44.241	4,2%	38.376	4,2%	5.865	15,3%
Total revenues by category	**1.059.536**	**100,0%**	**908.540**	**100,0%**	**150.996**	**16,6%**

The *Grey* category - namely cameras, video cameras, smartphones, tablets, computers and laptops, monitors, printers, accessories for telephone systems, as well as all wearable technological products,

[45] 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.

fell to 47.4% of total revenues, generating sales of Euro 502,440 thousand, an increase of 14.8% compared with the figure of Euro 437,723 thousand for the first half of the previous year thanks to the positive performance of the Telephone systems sector, which benefited from the mix movement towards the top of the range and the good performance of several new models, as well as the positive performance of laptop sales.

The *White* category, composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA), such as vacuum cleaners, kettles, coffee machines as well as the climate control segment - recorded sales of Euro 306,256 thousand, growth of 28.0%. In addition to the consolidation of the ex-Piston stores, historically strong in the sale of household appliances, the excellent performance is attributable to the success of the suction sector and the increase in sales of air conditioners, facilitated by a favorable summer season.

The *Brown* category - which includes televisions and related accessories, audio devices, devices for smart TVs and car accessories, as well as memory systems - recorded growth in revenues in the period in question of Euro 158,359 thousand (+2.6% compared with the Euro 154,342 thousand recorded as at 31 August 2018). In the previous half-year consolidated financial report, the category result had benefited from the higher sales caused by the football world cup, while the half-year ended August 31, 2019 on the other hand was affected by lower sales through the B2B channel.

The Services category recorded growth of 24.0% 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, specifically extended warranties and fees from customers signing new consumer credit contracts.

The Other products category recorded an increase in consolidated revenues of 15.3%; 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 category was affected positively by the good performance of sales of cooking and tableware accessories and luggage compartment.

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

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**[72]
Abroad	2,237	2,027
Italy	1,057,299	906,513
Total	**1,059,536**	**908,540**

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Rental and lease income	74	852
Other income	717	380

Insurance reimbursements	49	33
Total Other Income	**840**	**1,265**

The item mainly includes income from the leasing of IT equipment to affiliates and insurance pay outs relating to theft or damage caused to stores. The decrease recorded in the period is due to the application of the new accounting principle IFRS 16 in particular, the Group reassessed the classification of the sub-leases in which it is the landlord and on the basis of the information available it reclassified the sub-leases as finance leases. For more details, please refer to paragraph 2.5.1 Changes to the accounting standards.

5.20 Purchases of materials and external services

Below is a breakdown of the item "Purchases of materials and external services" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Purchase of goods	857,545	711,099
Logistics	31,640	23,723
Marketing	27,120	23,752
Utilities	7,974	6,898
Maintenance and rental charges	7,137	6,057
Building rental and expenses	5,315	35,195
General sales expenses	4,722	4,307
Other costs	4,332	5,150
Consulting	4,141	4,321
Purchase of consumables	3,098	2,435
Travel expenses	1,525	1,303
Payments to administrative and supervisory bodies	350	415
Total Purchases of materials and external services	**954,899**	**824,655**
Changes in inventory	(31,362)	(7,051)
Total, including the change in inventories	**923,537**	**817,604**

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 817,604 thousand in the six-month period ended 31 August 2018 to Euro 923,537 thousand in the six-month period ended 31 August 2019, an increase of Euro 105,933 thousand or 13.0%.

The main increase is attributable to the item "Purchase of goods" for Euro 146,446 thousand with the increase due to the different business scope resulting from the acquisition of 12 Carini Retail S.r.l. sales outlets and the Pistone S.p.A. logistics platform located in Carini, which became the chain's secondary hub and to the increase in volumes managed.

The item "Building rental and expenses" fell by Euro 29,880 thousand compared with 31 August 2019 or 84.9%. The fall recorded in the period is due to the application of the new accounting principle IFRS 16 which changed the accounting treatment of rent relating to lease agreements. In detail, the different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of the rights of use of assets" and "Financial expenses for interest connected with the rights of use", in place of rental fees for operating leases, as per IAS 17, has led to a positive impact on the item "Building rental and expenses" and on Gross Operating Profit for the Group. For more details, please refer to Note 2.5.1 Changes to the accounting standards.

The item “Logistics” increased by Euro 23,723 thousand at 31 August 2018 to Euro 31,640 thousand at 31 August 2019. The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

The item “Marketing” increased by Euro 23,752 thousand as at 31 August 2018 to Euro 27,120 thousand as at 31 August 2019. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. In line with the trend in the year ended 28 February 2019, there was a fall in the weighting of traditional marketing activities offset by the increase in the weighting of digital marketing activities.

The item "Utilities" increased by Euro 1,076 thousand compared with 31 August 2018 or 15.6% with the increases mainly due to the different business scope following the acquisition of 12 Carini Retail S.r.l. sales outlets and the Pistone S.p.A. logistics platform located in Carini, which became the chain's secondary hub.

The item “General sales expenses” increased from Euro 4,307 thousand at 31 August 2018 to Euro 4,722 thousand at 31 August 2019. The item mainly includes costs for commission 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 fell by Euro 818 thousand compared with 31 August 2018 or 15.9% with the decrease mainly relating to the fall in insurance costs.

The item "Consultancy" fell from Euro 4,321 thousand as at 31 August 2018 to Euro 4,141 thousand as at 31 August 2019, essentially in line with the previous year.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Salaries and wages	65,624	58,483
Welfare expenses	20,126	17,397
Severance pay	4,035	4,005
Other personnel costs	1,294	1,381
Total personnel costs	**91,079**	**81,266**

Personnel costs went from Euro 81,266 thousand in the year ended 31 August 2018 to Euro 91,079 thousand in the year ended 31 August 2019, an increase of Euro 9,813 thousand or 12.1%.

The item "Salaries and wages" increased by Euro 7,141 thousand, or around 12.2%, with the increase mainly attributable to an increase in the number of employees following the acquisition and opening of new stores.

The item “Other personnel costs”, was equal to Euro 1,294 thousand at 31 August 2019 (Euro 1,381 thousand at 31 August 2018); this item mainly includes the reporting of the cost for the share-based payment plan known as the *Long-Term Incentive Plan*. Refer to Note 5.28 for more details about the share-based payment agreements.

5.22 Other operating costs and expenses

Below is a breakdown of the item "Other operating costs and expenses" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Non-income-based taxes	3,048	2,850
Provision for supplier bad debts	(109)	(254)
Bad debt provision	(66)	-
Other operating expenses	728	79
Total other operating costs and expenses	**3,601**	**2,675**

"Other operating costs and expenses" went from Euro 2,675 thousand in the year ended 31 August 2018 to Euro 3,601 thousand in the year ended 31 August 2019, an increase of Euro 926 thousand or 34.6%.

This increase is due to the combined effect of: (i) an increase in levies and taxes not on income and other management expenses and (ii) a fall in the write-down of receivables deemed of doubtful recoverability.

The item “Other operating costs” includes costs for charities, customs and capital losses.

5.23 Depreciation, amortisation and impairments

Below is a breakdown of the item "Depreciation, amortisation and impairments" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Depreciation of tangible fixed assets	10,518	8,687
Amortisation of assets for rights of use	30,864	-
Amortisation of intangible fixed assets	3,225	3,196
Write-downs/(write backs) of tangible and intangible fixed assets	117	762
Total depreciation, amortisation and write-downs	**44,724**	**12,645**

The item "Depreciation, amortisation and write-downs" went from Euro 12,645 thousand in the year ended 31 August 2018 to Euro 44,724 thousand in the year ended 31 August 2019, a rise of Euro 32,079 thousand. The increase is attributable to: (i) the application of the new accounting principle IFRS 16 which changed the accounting treatment of rent relating to lease agreements. In detail, there was a different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of assets for rights of use" and "Financial expenses for interest connected with rights of use", in place of rental fees for operating leases, as per the previous accounting principle IAS 17. For more details, please refer to paragraph 2.5.1 Changes to the accounting principles and to the progressive growth of investments made in recent years also linked to new acquisitions.

The item “Write-downs/(write-backs) of tangible and intangible fixed assets" decreased in the year ended 31 August 2019 compared with the year ended 31 August 2018 mainly as a result of smaller losses on assets recorded in the period. 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.

5.24 Financial income and Financial expenses

Below is a breakdown of the item "Financial income" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Interest income	1	12
Other financial income	52	1,559
Total financial income	**53**	**1,571**

"Financial income" went from Euro 1,571 thousand in the year ended 31 August 2018 to Euro 53 thousand in the year ended 31 August 2019, a decrease of Euro 1,518 thousand. The change is mainly due to the fact that in the previous year there was income from the removal of the acquisition debt for Monclick S.r.l. of Euro 1,500 thousand recorded following the signing which took place on 1 August 2018 of the settlement agreement with Project Shop Land S.p.A..

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

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Interest expense on bank loans	1,304	1,501
Other financial expense	5,331	770
Total Financial Expenses	**6,635**	**2,271**

"Financial expense" went from Euro 2,271 thousand in the year ended 31 August 2018 to Euro 6,635 thousand in the year ended 31 August 2019, an increase of Euro 4,364 thousand or 192.2%.

The item "Interest expense on bank loans" fell at 31 August 2019 by Euro 197 thousand compared with the same period of the previous year, as a result of the improved conditions with regard to interest rates and the greater operational flexibility related to the reduction in the number of financial institutions, covenants and contractual constraints, as well as the removal of collateral in favour of the lending banks.

The item "Other financial expenses" stood at Euro 5,331 thousand as at 31 August 2019 (Euro 770 thousand as at 31 August 2018). The change is due to the adoption by the company of the new accounting principle IFRS 16. For more details, please refer to paragraph 2.5.1 of this Report.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)	**Period ended**	
	31 August 2019	**31 August 2018**
Current taxes	(241)	1,505
Deferred taxes	273	(1,591)
Tax provision allocation	-	(33)
Total	**32**	**(119)**

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)	**Period ended**			
	31 August 2019	**%**	**31 August 2018**	**%**
Profit of period before taxes	(9,115)		(5,085)	
Theoretical income tax (IRES)	2,195	24.0%	1,220	24.0%
IRAP	(188)	2.1%	954	(18.8%)
Tax effect of permanent differences and other differences	(1,975)	21.6%	(2,260)	44.4%
Tax for the period	**32**		**(86)**	
Accrual to/(release from) tax provision	0		(33)	
Total taxes	**32**		**(119)**	
Actual tax rate		**(0.3%)**		**2.3%**

The charge for income taxes is measured based on the best estimate of the Company Management for the annual weighted average tax rate expected for the full year, applying it to the profit before tax for the period applied to the individual entities.
For details of the tax impacts resulting from the application of the new accounting principle IFRS 16, please refer to note 2.5.1 Changes to the accounting principles.

Note that from the year ended 28 February 2019, Unieuro S.p.A. exercised the option for the Domestic Tax Consolidation regime in its capacity as a "Consolidating Company" (pursuant to article 117 of Presidential Decree 917 of 22/12/1986) together with the "Consolidated Company" Monclick S.r.l. The option makes it possible to determine the 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 “Allocation to tax provision” went from a provision of Euro 33 thousand in the six-month period ended 31 August 2018 to a provision of Euro 0 thousand in the six-month period ended 31 August 2019.

5.26 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)	Period ended	
	31 August 2019	**31 August 2018**
Result for the period/financial year [A]	(9,115)	(5,204)
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic and diluted earnings per share [B] (1)	20,000	20,000
Basic and diluted earnings per share (*in Euro*) [A/B]	**(0.46)**	**(0.26)**

(1) The average number of shares (in thousands) considered for the purpose of calculating the basic earnings per share was defined using the number of Unieuro S.p.A. shares issued on 12 December 2016.

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

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**31 August 2018**
Result for the period/financial year [A]	(9,115)	(5,204)
Average number of shares (in thousands) [B]	20,000	20,000
Effect of share options on the issue [C]	0	0
Diluted earnings per share (*in Euro*) [A/(B+C)]	**(0.46)**	**(0.26)**

(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.

5.27 Statement of cash flows

The key factors that affected cash flows in the three years are summarised below:

Net cash flow generated/(absorbed) by operating activities

(Amounts in thousands of Euros)	Period ended	
	31 August 2019	**31 August 2018**
Cash flow from operations		
Profit (loss) for the consolidated period	(9,115)	(5,204)
Adjustments for:		
Income taxes	(32)	119
Net financial expenses (income)	6,582	700
Depreciation, amortisation and write-downs	44,724	12,645
Other changes	287	320
	42,446	8,580
Changes in:		
- Inventories	(31,362)	(7,271)
- Trade receivables	(10,917)	(17,577)
- Trade payables	9,097	(4,992)
- Other changes in operating assets and liabilities	10,033	3,855
Cash flow generated/(absorbed) by operating activities	(23,149)	(25,985)
Taxes paid	-	(741)
Interest paid	(6,280)	(1,617)
Net cash flow generated/(absorbed) by operating activities	**13,017**	**(19,763)**

The Consolidated net cash flow generated/(used) by operating activities was positive by Euro 13,017 thousand (negative by Euro 19,763 thousand in the first half of the previous year ended 31 August 2018). This improvement is mainly due to: (i) the application of the new accounting principle IFRS 16 which involved a different classification of the cash flow for operating lease agreements from the item "Net cash flow generated/(used) by operating activities" to the item "Net cash flow generated/(used) by investing activities" and (ii) the increase in the Group's operating profit performance and the management of net working capital, which is affected by the seasonality of the business and the different promotional calendar compared with the six-month period ended 31 August 2018. Specifically, there was an increase in the value of inventories more than offset by the positive impact in terms of cash from the increase in trade payables and the fall in trade receivables.

Cash flow generated (absorbed) by investment activities

	Period ended	
(Amounts in thousands of Euros)	**31 August 2019**	**31 August 2018**
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(8,027)	(6,611)
Purchases of intangible assets	(5,839)	(1,799)
Assets for rights of use	(27,873)	-
Investments for business combinations and business units	(11,040)	(3,400)
Net cash inflow from acquisition	10	-
Cash flow generated/(absorbed) by investing activities	**(52,769)**	**(11,810)**

Investment activities absorbed liquidity of Euro 52,769 thousand and Euro 11,810 thousand, respectively, in the six-month periods ended 31 August 2019 and 31 August 2018.

With reference to the six-month period ended 31 August 2019, the Company's main requirements involved:

- Assets for rights use of Euro 27,873 thousand, specifically the application of the new accounting principle IFRS 16 which involved a different classification of the cash flow for operating lease agreements from the item "Net cash flow generated/(absorbed) by operating activities" to the item "Net cash flow generated/(absorbed) by investing activities".

- Investments in companies and business units of Euro 11,040 thousand; the investments in question refer to the amount of the purchase price paid under the scope of the transaction for the acquisition of the former Pistone S.p.A. and the instalments of the payment due in the period with reference to the business unit of the former Cerioni S.p.A. and the acquisition of the equity investment in Monclick S.r.l.

- investments in plant, machinery and equipment of Euro 8,027 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the half-year;

- investments in intangible fixed assets of Euro 5,839 thousand relate to costs incurred for purchasing new hardware, software and licences as well as the development of existing applications with a view to the digitalisation of stores and the launch of advanced functionalities for the online platforms with the objective of making each customer's omnichannel experience increasingly more practical and pleasant.

Cash flow generated/(absorbed) by financing activities

	Period ended	
(Amounts in thousands of Euros)	**31 August 2019**	**31 August 2018**
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	21,311	14,021
Increase/(Decrease) in other financial liabilities	(472)	(737)
Distribution of dividends	(21,400)	(20,000)

Cash flow generated/(absorbed) by financing activities	**(561)**	**(6,716)**

Financing absorbed liquidity of Euro 561 thousand in the six months ended 31 August 2019 and Euro 6,716 thousand for the six-month period ended 31 August 2018.

The cash flow from financing at 31 August 2019 mainly reflects (i) an increase in financial liabilities of Euro 21,311 thousand mainly due to the use of the hot money line for Euro 26,420 thousand and the normal repayment of principal of the loan for Euro 5,000 thousand and (ii) the distribution of a dividend of Euro 21,400 thousand as approved by the Shareholders' Meeting of 18 June 2019.

5.28 Share-based payment agreements

Long Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan known as the Long-Term Incentive Plan (hereinafter the "**Plan**" or “**LTIP**”) reserved for Executive Directors, associates and employees (executives and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by Unieuro's Shareholders’ Meeting on the same date.
The Plan specifies the following objectives: *(i)* focusing the attention of the recipients on the strategic factors of Unieuro and the Group, *(ii)* retaining the recipients of the plan and encouraging their remaining with Unieuro and/or other companies of the Group, *(iii)* increasing the competitiveness of Unieuro and the Group in their medium-term objectives and identifying and facilitating the creation of value both for Unieuro and the Group and for its shareholders, and *(iv)* ensuring that the total remuneration of recipients of the Plan remains competitive in the market.
The implementation and definition of specific features of the Plan were referred to the same Shareholders’ Meeting for specific definition by the Unieuro Board of Directors. On 29 June 2017, the Board of Directors approved the plan regulations for the plan (hereinafter the “Regulations”) whereby the terms and conditions of the implementation of the Plan were determined.
The Plan was signed by the Recipients in October 2017. The parties expressly agreed that the effects of 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 the Plan, the strategies of Unieuro and the Group and the objectives to be achieved, took into account, among other things, the strategic importance of the role and impact of the role on the pursuit of the objective;

- *Object:* the object of the Plan is to grant the Recipients option rights that are not transferable by act inter vivos for the purchase or subscription against payment of ordinary shares in Unieuro for a maximum of 860,215 options, each of which entitling the bearer to subscribe one newly issued ordinary share (“Options”). If the target is exceeded with a performance of

120%, the number of Options will be increased up to 1,032,258. A share capital increase was approved for this purpose for a nominal maximum of Euro 206,452, in addition to the share premium, for a total value (capital plus premium) equal to the price at which Unieuro's shares will be placed on the MTA through the issuing of a maximum of 1,032,258 ordinary shares;

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

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

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

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

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

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

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

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

- *Monetary bonus*: the recipient who wholly or partly exercises their subscription rights shall be entitled to receive an extraordinary bonus in cash of an amount equal to the dividends that would have been received at the date of approval of this Plan until completion of the vesting period (29 February 2020) with the exercise of company rights pertaining to the Shares obtained during that year with the exercise of Subscription Rights

- *Duration:* the Plan covers a time horizon of five years, from 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) the risk rate (equal to the return of Eurozone zero-coupon government bond securities maturing close to the date on which the exercising of the options is scheduled), (iii) the exercise deadline equal to the period between the grant date and the exercise date of the option and (iv) the amount of dividends anticipated. Lastly, consistent with the requirements of IFRS 2, the probability of Recipients leaving was taken into account and the probability of achieving performance targets is 100%.

In determining the fair value at the allocation date of the share-based payment, the following data was used:

Fair value at grant date	€7.126
Price of options at grant date	€16.29
Exercise price	€11.00
Anticipated volatility	32%
Option maturity	5.5 years
Expected dividends	Projected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	Number of options 31 August 2019
Existing at the start of the period	831,255
Exercised during the period	-
Granted during the period	25,633
Contribution from merger	-
Withdrawn during the period (bad leaver)	(8,602)
Existing at the end of the period	**848,286**
Not allocated at the beginning of period	28,960
Exercisable at the end of the period	-
Not granted at the end of the period	**11,929**

5.29 Business unit combinations

Acquisition of the Carini Retail S.r.l. business unit

On 1 March 2019 Unieuro concluded a contract for the acquisition of 100% of the share capital of Carini Retail S.r.l. (hereinafter also “Carini Retail”). The price agreed by the parties was Euro 17,400 thousand. Through this acquisition, Unieuro announced its launch in Sicily, a region of five million inhabitants where it had a limited presence until them.

The closing of the acquisition was formalised with the acquisition by Unieuro of a newly established company (Carini Retail S.r.l.) to which Pistone S.p.A. conferred the business unit with 12 stores including the rental agreements, equipment and sales personnel, as well as the payables to personnel at the closing date.

Unlike the transactions completed until then, Unieuro also acquired the stocks of merchandise of Pistone S.p.A. separately. This made it possible to accelerate the reopening of the stores under the Unieuro banner, thereby guaranteeing customers' continuity of service and minimizing the extraordinary costs related to the days of enforced closure (M&A costs).

Alongside the integration of the former Expert shops, Unieuro began using the Pistone S.p.A. logistics platform, also located in Carini, which became the chain's secondary hub directly servicing the central Piacenza platform.

Unieuro will therefore successfully manage to considerably improve service to Sicilian customers and to develop cost synergies for direct and indirect sales outlets in Sicily and in Calabria, as well as home deliveries to online customers.

The values relating to the assets acquired and the liabilities assumed were reflected in the financial statements from the date of acquisition of control by Unieuro namely 1 March 2019.

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)		IFRS Transition		Recognised Assets (Liabilities)
	Business unit	Acquisition of stocks	Personnel	Financial leasing	Employee benefits	Total
Plant, machinery, equipment and other assets and intangible assets with finite useful life	1.935			44		1.979
Assets for rights of use				33.952		33.952
Deferred tax assets					38	38
Other current assets			88			88
Inventories		(1.889)				(1.889)
Cash and cash equivalents	10					10
Other current liabilities	(1.330)		(10)			(1.340)
Employee benefits	(869)		(78)		(136)	(1.082)
Other financial liabilities				(33.996)		(33.996)
Total net identifiable assets	(254)	(1.889)	0	0	(98)	(2.241)

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

(Amounts in thousands of Euros)	1 March 2019
Transaction consideration (A)	(17,400)
% Acquired	100%
Shareholders' Equity of NewCo (B)	(254)
Identifiable assets (liabilities) (C)	(1,889)
Other current assets	88
Other current liabilities	(10)
Employee benefits	(78)
Inventories	(1,889)
IFRS Transition (D)	(98)
Plant, machinery, equipment and other assets and intangible assets with finite useful life and Assets for rights of use	33,996
Deferred tax assets	38
Employee benefits	(136)
Other financial liabilities	(33,996)
Excess Price to be Allocated (A+B+C+D)	(19,641)
Key Money	2,270
Residual goodwill	17,371
Retail	17,371

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 pay-out 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 Group 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 2,270 thousand.
The residual goodwill measured during the business combination of Euro 17,371 thousand was allocated to the Retail CGU, relating to cash flows from the Retail, Online and Travel distribution channels.

Note that Unieuro availed itself of the right provided under IFRS 3 to carry out a provisional allocation of the cost of the business combination at the fair value of the assets, liabilities and contingent liabilities (of the acquired business). If new information obtained during one year from the acquisition date, relating to facts and circumstances existing at the acquisition date, leads to adjusting the amounts indicated or any other fund existing at the acquisition date, accounting for the acquisition will be revised. There are not expected to be any significant variations compared with what has already been accounted for.

6. RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 31 August 2019 and as at 28 February 2019:

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 31 August 2019							
Type	**Italian Electronics Holdings**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Pallacanestro Forlì 2015 s.a r.l.**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2019								
Other current liabilities	-	(43)	(115)	(1,892)	-	**(2,050)**	**(199,399)**	**1.0%**
Total	**-**	**(43)**	**(115)**	**(1,892)**	**-**	**(2,050)**		

(Amounts in thousands of Euros)	Credit and debt relations with related-parties as at 28 February 2019						
Type	**Pallacanestro Forlì 2015 s.a r.l.**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As 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)**		

The following table summarises the economic relations of the Group to related parties as at 31 August 2019 and as at 31 August 2018:

(Amounts in thousands of Euros)	Economic relations with related-parties as at 31 August 2019							
Type	**Italian Electronics Holdings**	**Statutory Auditors**	**Board of Directors**	**Main managers**	**Pallacanestro Forlì 2015 s.a r.l.**	**Total**	**Total balance sheet item**	**Impact on balance sheet item**
As at 31 August 2019								
Purchases of materials and external services	-	(49)	(283)	-	(193)	**(525)**	**(954,899)**	**0.1%**
Personnel costs	-	-	-	(2,499)	-	**(2,499)**	**(91,079)**	**2.7%**
Total	**-**	**(49)**	**(283)**	**(2,499)**	**(193)**	**(3,024)**		

(Amounts in thousands of Euros)	**Economic relations with related-parties as at 31 August 2018**

Type	Italian Electronics Holdings	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
As at 31 August 2018								
Purchases of materials and external services	-	(48)	-	(320)	-	(368)	**(824,655)**	**0.0%**
Personnel costs	-	-	-	-	(2,527)	(2,527)	**(81,266)**	**3.1%**
Total	**-**	**(48)**	**-**	**(320)**	**(2,527)**	**(2,895)**		

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

- Stock option plan known as the Long-Term Incentive Plan reserved to Executive directors, contractors and employees of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code;

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

Main managers	
Period ended 31 August 2019	**Period ended 28 February 2019**
Chief Executive Officer - Giancarlo Nicosanti Monterastelli	*Chief Executive Officer* - Giancarlo Nicosanti Monterastelli
Chief Financial Officer - Italo Valenti	*Chief Financial Officer* - Italo Valenti
Chief Corporate Development Officer - Andrea Scozzoli	*Chief Corporate Development Officer* - Andrea Scozzoli
*Chief Omnichannel Office*r - Bruna Olivieri	*Chief Omnichannel Office*r - Bruna Olivieri
*Chief Operations Office*r - Luigi Fusco	*Chief Operations Office*r - Luigi Fusco

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

The table below summarises the Group's cash flows with related-parties as at 31 August 2019 and 31 August 2018:

(Amounts in thousands of Euros)

Type	Italian Electronics Holdings	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Pallacanestro Forlì 2.015 s.a r.l.	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2019 to 31 August 2019									
Net cash flow generated/(absorbed) by operating activities	-	(102)	-	(401)	(885)	(193)	(1,581)	**(13,016)**	**12.1%**
Cash flow generated/(absorbed) by financing activities	(7,233)	-	-	-	-	-	(7,233)	**(561)**	**1289.3%**
Total	**(7,233)**	**(102)**	**-**	**(401)**	**(885)**	**(193)**			
Period from 1 March 2018 to 31 August 2018									

Net cash flow generated/(absorbed) by operating activities	-	(75)	-	(353)	(2,144)	-	(2,572)	**(19,763)**	**13.0%**
Cash flow generated/(absorbed) by financing activities	(6,760)	-	-	-	-	-	(6,760)	**(6,716)**	**100.7%**
Total	**(6,760)**	**(75)**	**-**	**(353)**	**(2,144)**	**-**			

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)	**Period ended**	
	31 August 2019	**28 February 2019**
Guarantees and sureties in favour of:		
Parties and third-party companies	47,907	47,283
Total	**47,907**	**47,283**

Information on the obligations of transparency in the system of public funds (Law no. 124/2017 Article 1, paragraphs 125-129)

As required by the laws on transparency and public funds introduced by article 1, paragraphs 125-129 of Law no. 124/2017 later supplemented by "safety" Decree Law no. 113/2018 and by "simplification" Decree Law no. 135/2018, refer to the national register of state aid. Note that the Group benefited from general measures that can be used by all businesses and which come under the general structure of the reference system defined by the State such as, by way of example and not exhaustively, concessions relating to super and hyper depreciation. In the six-month period ended 31 August 2019, the Group did not receive further subsidies, contributions and economic advantages of any kind from the public administration or similar parties, from subsidiaries of public administrations and from government-owned companies.

Subsequent events

No significant events occurred after 31 August 2019.

22 October 2019

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

CERTIFICATION OF THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 AUGUST 2019 PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

The undersigned, Giancarlo Nicosanti Monterastelli, in his capacity as the Chief Executive Officer of Unieuro S.p.A. and Italo Valenti, as Chief Financial Officer and executive responsible for the preparation of the Company's financial statements, pursuant to Article 154-bis, paragraphs 3 and 4, of the Italian Legislative Decree 58 of 24 February 1998, hereby certify:

• the adequacy in relation to the company's characteristics; and

• the effective implementation of the administrative and accounting procedures for the preparation of the condensed half-year consolidated financial statements of the Unieuro Group at 31 August 2019.

It is also hereby certified that the condensed half-year consolidated financial statements at 31 August 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 a true and accurate representation of the balance sheet, income statement and financial position of the issuer.

The Unieuro Group Interim Director's Report as at 31 August 2019 includes an analysis of the performance and results of the management and on the issuer's situation, along with a description of the main risks and uncertainties to which it is exposed.

22 October 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

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Unieuro S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Unieuro Group (the "group"), comprising the statement of financial position, the income statement, the statements of comprehensive income, cash flows and changes in equity and notes thereto, as at and for the six months ended 31 August 2019. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Unieuro Group as at and for the six months ended 31 August 2019 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Bologna, 22 October 2019

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

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