Interim Directors' Report

as at 30 November 2019

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

INTERIM DIRECTORS' REPORT AS AT 30 NOVEMBER 2019

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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.

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

The company Monclick S.r.l. (hereinafter also known as "Monclick" or "MK") wholly-owned by Unieuro, is a company under Italian law with its registered office in Vimercate at Via Energy Park 22, which sells online I.T., electronic, telephone products and appliances in Italy through its website *www.monclick.it*, offering a catalogue with over 70,000 items and guaranteeing a comprehensive purchasing experience completed through the home delivery and installation of the chosen product. It also operates in the segment known as B2B2C, where the customers are operators which need to purchase electronic products to distribute to their regular customers or employees to accumulate points or participate in competitions or incentive plans.

The 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 took place on 1 March 2019, the date that 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, following an institutional placement of 35% of the share capital.

On 6 September 2017, the parent company Italian Electronics Holdings S.r.l. placed a further 17.5% stake in Unieuro through an accelerated bookbuilding operation.

On 13 November 2019, Italian Electronics Holdings S.r.l. placed third tranche of shares equal to 16.25% of Unieuro on the market through a new accelerated bookbuilding transaction.

Based on the information available, the major shareholders of Unieuro, through Monte Paschi Fiduciaria S.p.A., are Italian Electronics Holdings S.r.l. (controlled by private equity fund Rhone Capital) with a 17.6% stake and Alfa S.r.l. (Dixons Carphone plc) with 7.2%. The asset management company Amundi Asset Management owns 5.6% of the share capital of Unieuro,

some shareholders who are members of the Silvestrini family own 5.6% and lastly, some top managers of Unieuro own 2%[1] in total.

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

[1] Sources: Consob; reworking of the shareholders' register at 1 August 2019

2. Basis of preparation of the Interim Directors' Report

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

The publication of the Interim Directors' Report as at 30 November 2019 is regulated by the provisions of the Stock Exchange Regulations, specifically Article 2.2.3, paragraph 3 of the Stock Exchange Regulations.

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 in the Group consolidated financial statements as at 28 February 2019, which should be referred to, with the exception of the adoption of (i) the new accounting standard IFRS 16 (Leasing) adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated and (ii) IFRIC 23 Uncertainty over Income Tax Treatments which provides guidelines on how to reflect the uncertainties of the tax treatment of a given phenomenon in the income tax accounting. The effects of this new adoption are illustrated in paragraph 6 - "Changes to the accounting standards" 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 nine months ended 30 November 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) 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 6 - "Changes to the accounting standards".

The Interim Directors' Report as at 30 November 2019 was approved by the Board of Directors on 9 January 2020.

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

3. Main indicators in the period

To facilitate the understanding of the Group's economic and financial progress, some Alternative Performance Indicators ("APIs") are indicated. For a correct interpretation of the APIs, note the following: (i) these indicators were created exclusively on the basis of the Group's historical data and are not indicative of future performance, (ii) the APIs are not specified in IFRS and, while they are derived from the consolidated financial statements, they are not audited, (iii) the APIs should not be considered a substitute of the indicators required by established accounting standards (IFRS), (iv) these APIs must be read in conjunction with the Group's financial information taken from the Interim Directors' Report, (v) since the definitions and criteria used to determine the indicators used by the Group are not based on established accounting standards, they may not be standardised with those used by other companies or groups and, thus, they may not be comparable with those that may be presented by such entities and (vi) the APIs used by the Group continue to have the same definitions and descriptions for all years for which financial information is included in the Interim Directors' Report as at 30 November 2019.

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 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 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 financial years reported in the Interim Directors' Report as at 30 November 2019.

Main financial and operating indicators[2]

(amounts in millions of euros)	Period ended	
	30 November 2019	**30 November 2018**
Economic indicators for the period		
Consolidated revenues	1,759.5	1,527.3
Consolidated Adjusted EBITDA[3]	49.6	43.7
Consolidated Adjusted EBITDA margin[4]	2.8%	2.9%
Consolidated profit/(loss) for the period	13.2	7.9
Adjusted consolidated profit/Loss for the period[5]	23.9	21.0
Cash flows		
Consolidated Adjusted levered free cash flow[6]	57.3	55.1
Investments made in the period	(30.4)	(29.2)

(amounts in millions of euros)	Period ended	
	30 November 2019	**28 February 2019**
Indicators from the statement of financial position for the period		
Net working capital	(279.8)	(234.6)
(Net financial debt) / Net cash	31.5	20.5
Net financial debt/*Adjusted Consolidated LTM EBITDA*[7]	(0.40)	(0.28)

(amounts in millions of euros)	Period ended	
	30 November 2019	**28 February 2019**
Operating indicators for the period		
Like-for-like growth[8]	4.2%	4.9%
Direct sales outlets (number)	249	237

[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 nine months ended 30 November 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".
[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 4.2 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] *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 5.1 for additional details.
[7] In order to guarantee the comparability of the Net financial debt/*Adjusted Consolidated LTM EBITDA* indicator the *Adjusted Consolidated EBIDTA* figure for the last twelve months was taken into consideration.
[8] Like-for-like revenue growth: the methods for comparing sales for the nine-month period ended 30 November 2019 with those for the same period ended 30 November 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 the purpose of a better representation, the calculation method for the like-for-like KPIs was restated based on the methodology adopted by the main players in the reference market.

of which *Pick Up Points*[9]	237	227
Affiliated sales outlets (number)	262	275
of which Pick Up Points	173	158
Total area of direct sales outlets (in square metres)	about 366,000	about 345,000
Sales density[10] (euros per square metre)	4,911	4,703
Full-time-equivalent employees[11] (number)	4,452	4,148

4. Group financial results[12]

4.1 Consolidated revenues

For the third quarter ended 30 November 2019, consolidated revenues totalled Euro 1,759.5 million, a 15.2% increase over the corresponding period of the previous year, with an increase of Euro 232.2 million.

In the period in question the Group recorded an increase in sales in all sales channels and all categories; the increase in revenues, in addition to internal and external growth actions, is due to the ever increasing importance of the "Black Friday" promotional period which has become a mainstay in Italian consumer habits with growth in sales in the month of November, year on year.
Specifically, the promotional campaigns launched by Unieuro and its subsidiary Monclick called *"Addams Black Friday"* and "Fra-I-Dei", respectively on 11 November 2019 with Singles' Day which ended on 2 December on Cyber Monday recorded excellent performances with strong growth in revenues throughout the entire promotional period, a further improvement on the extraordinary performance in 2018 confirming the trend of a market that is unstoppable.
The dynamics of revenues also benefited from the contribution of acquisitions made during the period 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 ex-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, like the good performance of stores on a like-for-like basis.

The development of like-for-like revenues[13]- or the comparison of sales with those of the period ended 30 November 2018 based on a standard scope of operations - was positive standing at +4.2%. Excluding sales 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 5.2%.

4.1.1 Consolidated revenues by channel

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[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 points of sale to the total area devoted to sales in all direct points of sale.
[11] Average annual number of full-time-equivalent employees.
[12] To make it possible to compare the operating results, financial position and cash flows for the first nine months ended 30 November 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".
[13] The growth of like-for-like revenues is calculated including: (i) 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) and (ii) the entire online channel. The previous methodology for calculating like-for-like revenues did not totally include the online channel.

(in millions of euros and as a percentage of revenues)	**Period ended**				**Change**	
	30 November 2019	**%**	**30 November 2018**	**%**	**Δ**	**%**
Retail	1,231.2	70.0%	1,064.2	69.7%	167.0	15.7%
Indirect[14]	200.3	11.4%	170.5	11.2%	29.8	17.5%
Online	198.4	11.3%	170.0	11.1%	28.4	16.7%
B2B	100.3	5.7%	98.8	6.5%	1.5	1.5%
Travel	29.2	1.7%	23.8	1.6%	5.5	23.1%
Total revenues by channel consolidated	**1,759.5**	**100.0%**	**1,527.3**	**100.0%**	**232.2**	**15.2%**

The Retail channel recorded a 15.7% growth in sales, equal to Euro 167.0 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 like-for-like performance of stores was also positive.

The Indirect channel - previously known as Wholesale 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 262 sales outlets - recorded revenues of Euro 200.3 million, an increase of 17.5% compared with Euro 170.5 million in the third quarter of the previous year. Growth was driven by the large-scale retailing sector, with the opening of Unieuro *by* Iper shops-in-shops in the *Iper* and *La grande i* hypermarkets under the scope of the partnership made official on 10 January 2019, which greatly offset the lower contribution from the network of affiliated stores, subject to rationalisation over the last twelve months.

The consolidated revenues of the Online channel stand at Euro 198.4 million, a growth of 16.7% compared with Euro 170.0 million in the same period of the previous year. The positive performance is attributable to the success of commercial initiatives, including Black Friday which stands out and the positive results of 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 100.3 million, an increase of 1.5% compared with Euro 98.8 million in the same period of the previous year, a strong recovery in the third quarter in spite of the changes that were made in the 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 23.1% equal to Euro 29.2 million, thanks, above all, to the incremental contribution of the Milan San Babila sales outlet, which opened in October 2018 at the underground station of the same name, as well as

[14] 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.

the good performance of the Turin store at Porta Nuova station.

4.1.2 *Consolidated revenues by category*

(in millions of euros and as a percentage of revenues)	Period ended				Change	
	30 November 2019	%	30 November 2018	%	Δ	%
Grey	831.3	47.2%	728.8	47.7%	102.5	14.1%
White	500.9	28.5%	398.7	26.1%	102.1	25.6%
Brown	275.1	15.6%	267.0	17.5%	8.2	3.1%
Services	75.2	4.3%	62.3	4.1%	12.9	20.7%
Other products	77.0	4.4%	70.6	4.6%	6.5	9.2%
Total consolidated revenues	**1,759.5**	**100.0%**	**1,527.3**	**100.0%**	**232.2**	**15.2%**

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 831.3 million, an increase of 14.1% compared with Euro 728.8 million in the third quarter of the previous year thanks to the positive performance of the Telephone systems sector, especially smart phones, which benefited from the good performance of several new models as well as the positive performance of laptop sales as a result of a movement towards the top of the range. The positive performance of the two product clusters more than offset the fall recorded in the sale of tablets.

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, food processor, coffee machines as well as the climate control segment - recorded growth of 28.5% in total revenues generating sales of Euro 500.9, up 25.6%. In addition to the consolidation of the former Pistone stores, historically strong in the sale of appliances, the excellent performance is due to the success of the ventilation sector and the increase in the sale of air conditioners, helped by the hot weather in the summer.

The *Brown* category - including televisions and related accessories, audio devices, devices for smart TVs and car accessories, as well as a memory systems - recorded growth in revenues in the period of Euro 275.1 million (+3.1% compared with Euro 267.0 million recorded at 30 November 2018). The impact on total revenues went from 17.5% for the nine-month period ended 30 November 2018 to 15.6% for the nine-month period ended 30 November 2019; the fall is mainly due to sales of TVs as a result of the downturn in the market following a general fall in average prices compared with the excellent performance of the previous period helped by the FIFA World Cup.

The Services category recorded growth of 20.7% 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 impact on total revenues went from 4.1% for the nine-month period ended 30 November 2018 to 4.3% for the nine-month period ended 30 November 2019

The Other products category recorded an increase in consolidated revenues of 9.2%; 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 is positively affected by the good performance of sales of cooking accessories and tableware and the increasing success of the luggage sector.

4.2 Consolidated operating profit[15]

The consolidated income statement tables present in this Interim Directors' Report 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**	
	30 November 2019			**30 November 2018**				
(in millions and as a percentage of revenues)	**Adjusted amounts**	%	*Adjustments*	**Adjusted amounts**	%	*Adjustments*	**Δ**	**%**
Revenue	1,759.5			1,527.3			232.2	15.2%
Sales revenues	**1,759.5**			**1,527.3**			**232.2**	**15.2%**
Purchase of goods and Change in inventories	(1,379.8)	(78.4%)	*0.0*	(1,191.5)	(78.0%)	*0.0*	(188.3)	15.8%
Lease and rental expense	(58.0)	(3.3%)	*0.3*	(52.8)	(3.5%)	*0.9*	(5.2)	9.8%
Marketing costs	(40.1)	(2.3%)	*1.3*	(37.0)	(2.4%)	*1.1*	(3.1)	8.4%
Logistics costs	(49.2)	(2.8%)	*0.9*	(38.7)	(2.5%)	*1.5*	(10.5)	27.1%
Other costs	(48.3)	(2.7%)	*1.6*	(43.9)	(2.9%)	*3.5*	(4.4)	10.0%
Personnel costs	(137.9)	(7.8%)	*0.9*	(122.6)	(8.0%)	*2.4*	(15.3)	12.5%
Other operating income and costs	(3.4)	(0.2%)	*(0.1)*	(3.4)	(0.2%)	*(0.1)*	(0.0)	0.4%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	6.7	0.4%	*6.7*	6.2	0.4%	*6.2*	0.5	8.3%
***Consolidated Adjusted* EBITDA**	**49.6**	**2.8%**	***11.7***	**43.7**	**2.9%**	***15.5***	**6.0**	**13.7%**

Consolidated Adjusted EBITDA during the period increased by 13.7%, equal to €6.0 million, standing at €49.6 million. *Adjusted EBITDA Margin* is 2.8%. Profitability in the period was positively impacted by the exceptional performance of the Black Friday promotional campaign and the growth actions undertaken, which led to an expansion of the direct and indirect stores network and digital operations of Unieuro. Specifically, the good performance in terms of revenues and the greater operating leverage allowed a reduction in the impact of personnel expenses, rental costs and marketing, as well as Other costs (utilities, maintenance, general overheads), offsetting the

[15] To make it possible to compare the operating results, financial position and cash flows for the first nine months ended 30 November 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".

dynamics of the gross margin and 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.

Rental costs increased by Euro 5.2 million or around 9.8% 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, which stood at 3.3% at 30 November 2019 (3.5% in the period in the previous year), fell.

Marketing costs increased by 8.4% compared with the first nine months of the previous financial year ended 30 November 2018. The increase is mainly related to the increase in the store base for the printing of promotional flyers and the increase in the cost of paper. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel. The impact on consolidated revenues, which stood at 2.3% at 30 November 2019 (2.4% in the period in the previous year), fell.

Logistics costs increased by around Euro 10.5 million. The impact on consolidated revenues stood at 2.8% (2.5% in the period in the previous year). The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery as well as the temporary effect of the commissioning of the new Carini secondary logistics platform. The impact on consolidated revenues, which stood at 2.8% at 30 November 2019 (2.5% in the period in the previous year), rose.

The Other costs item rose by Euro 4.4 million compared with the third quarter of the previous year ended 30 November 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. The impact on consolidated revenues, which stood at 2.7% at 30 November 2019 (2.9% in the period in the previous year), fell.

Personnel costs show an increase of Euro 15.3 million, mainly attributable to an increase in the number of employees following the acquisition and opening of new stores. The impact on consolidated revenues, which stood at 7.8% at 30 November 2019 (8.0% in the period in the previous year), fell.

The Other income and expense item remained unchanged compared with the corresponding period of the previous year. The impact on consolidated revenues remained unchanged at 0.2%.

The reconciliation between the Consolidated Adjusted EBITDA and the consolidated Gross Operating Profit Reported in the consolidated financial statements is given below.

(in millions of euros and as a percentage of revenues)	**Period ended**				**Change**	
	30 November 2019	**%**	**30 November 2018**	**%**	**Δ**	**%**

Consolidated Adjusted EBITDA[16]	49.6	2.8%	43.7	2.9%	6.0	13.7%
Non-recurring expenses /(income)	(5.0)	(0.3%)	(9.3)	(0.6%)	4.3	(46.4%)
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services[17]	(6.7)	(0.4%)	(6.2)	(0.4%)	(0.5)	8.3%
Gross Operating Profit	**37.9**	**2.2%**	**28.2**	**1.8%**	**9.8**	**34.7%**

Non-recurring expense/(income) decreased by Euro 4.3 million compared with the nine-month period of the previous year ended 30 November 2018 and are explained, in detail, in paragraph 4.3.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 0.5 million compared with the corresponding period of the previous year ended 30 November 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.

4.3 Non-recurring income and expenses

(amounts in millions of euros)	**Period ended**		**Change**	
	30 November 2019	**30 November 2018**	**Δ**	**%**
Mergers&Acquisitions	2.9	5.1	(2.2)	(42.5%)
Costs for pre-opening, relocating and closing sales outlets[18]	1.4	3.4	(2.0)	(57.9%)
Other non-recurring expenses	0.6	0.8	(0.2)	(21.9%)
Total	**5.0**	**9.3**	**(4.3)**	**(46.4%)**

Non-recurring expense and income fell by Euro 4.3 million compared with the previous period ended 30 November 2018.

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

[16] See note in the section "Main financial and operating indicators".
[17] The adjustment was for the deferral of extended warranty service revenues already collected, net of the related estimated future costs to provide the assistance service. From the year ended 29 February 2012, for White products sold by Unieuro and from the year ended 28 February 2015 for all extended warranty services sold by Unieuro S.r.l. (hereinafter the "Former Unieuro") (excluding telephone systems and peripherals) from the year of acquisition for all extended warranty services sold by the business units the former Andreoli S.p.A., the former Cerioni S.p.A.,the former DPS S.r.l., the former Galimberti S.p.A. 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 periods ended 30 November 2019 and 30 November 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 with reference to both the former Unieuro and by Unieuro and the sales outlets purchased, namely for all product categories when the period that began on the first day of the two-year statutory warranty and ends on the last day of the extended service warranty is over.
[18] The costs for "pre-opening, relocating and closing points of sale" include lease, security and travel expenses for maintenance and marketing work incurred as a part of i) remodelling work for downsizing and relocating points of sale of the Former Unieuro, ii) opening points of sale (during the months immediately preceding and following the opening) and iii) closing points of sale.

2.9 million in the nine-month period ended 30 November 2019 (Euro 5.1 million in the nine-month period ended 30 November 2018). These costs mainly relate to the transaction of acquiring the former Pistone S.p.A. stores and mainly refer to the costs for 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 transaction.

Costs for the pre-opening, repositioning and closure of sales outlets stand at Euro 1.4 million for the nine-month period ended 30 November 2019 (Euro 3.4 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, at 30 November 2018, the item included the pre-opening costs of the new Piacenza logistics hub inaugurated on 12 October 2018.

Other non-recurring expenses and income stand at Euro 0.6 million, down Euro 0.2 million compared with the corresponding period of the previous year.

4.4 Net profit (loss)[19]

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

	Period ended						**Change**	
	30 November 2019			**30 November 2018**				
(in millions and as a percentage of revenues)	**Adjusted amounts**	%	***Adjustments***	**Adjusted amounts**	%	***Adjustments***	**Δ**	**%**
Consolidated Adjusted EBITDA	**49.6**	**2.8%**	**11.7**	**43.7**	**2.9%**	**15.5**	**6.0**	**13.7%**
Amortisation, depreciation and impairment losses	(21.8)	(1.2%)	*0.0*	(18.6)	(1.2%)	*0.3*	(3.2)	17.1%
Financial income and expenses	(2.8)	(0.2%)	*0.0*	(3.2)	(0.2%)	*(1.5)*	0.5	(14.4%)
Income taxes[20]	(1.2)	(0.1%)	*(1.0)*	(0.9)	(0.1%)	*(1.3)*	(0.3)	38.1%
Adjusted Consolidated Profit/Loss for the Period	**23.9**	**1.4%**	***10.7***	**21.0**	**1.4%**	***13.0***	**2.9**	**14.0%**

Amortisation, depreciation and write-downs of fixed assets in the nine-month period ended 30 November 2019 totalled Euro 21.8 million (Euro 18.6 million in the corresponding period of the previous year ended 30 November 2018). The increase relates the amortisation and depreciation of investments related to acquisitions, assets related to the new Piacenza warehouse and the new Carini logistics hub, as well as the progressive alignment of amortisation and depreciation to the planned level of investments. The adjustments referring to the nine-month period ended 30 November 2018 equal to Euro 0.3 million, refer to the impairment of several assets in the old warehouse, disposed of following the completion of the new logistics hub.

[19] To make it possible to compare the operating results, financial position and cash flows for the first nine months ended 30 November 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".

[20] The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 30 November 2019 and 30 November 2018, which incorporates IES 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%.

Net financial expenses in the period ended 30 November 2019 totalled Euro 2.8 million (Euro 3.2 million in the corresponding period of the previous year ended 30 November 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 nine-month period ended 30 November 2018 stood at Euro 1.5 million and 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 three-month period ended 30 November 2019, stood at a negative Euro 1.2 million (a negative Euro 0.9 million in the previous nine-month period ended 30 November 2018). The charge for income taxes with reference to the nine-month period ended 30 November 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 23.9 million (Euro 21.0 million in the previous nine-month period at 3o November 2018), the positive performance was due to the increase in Adjusted EBITDA and the savings in taxes and 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.

(in millions of euros and as a percentage of revenues)	Period ended				Change	
	30 November 2019	%	30 November 2018	%	Δ	%
Adjusted Consolidated Profit/Loss for the Period	23.9	1.4%	21.0	1.4%	2.9	14.0%
Non-recurring expenses/income	(5.0)	(0.3%)	(9.3)	(0.6%)	4.3	(46.4%)
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	(6.7)	(0.4%)	(6.2)	(0.4%)	(0.5)	8.3%
Non-recurring depreciation, amortisation and write-downs of fixed assets	-	0.0%	(0.3)	0.0%	0.3	100.0%
Non-recurring financial expenses /(income)	-	0.0%	1.5	0.1%	(1.5)	(100.0%)
Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs and the change in business model[21]	1.0	0.1%	1.3	0.1%	(0.3)	(21.9%)
Consolidated Profit/Loss for the Period	**13.2**	0.8%	**7.9**	0.5%	**5.3**	66.3%

5. Group operating and financial results

5.1 Consolidated Adjusted Levered Free Cash Flow [22]-[23]

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.

(amounts in millions of euros)	Period ended		Change	
	30 November 2019	30 November 2018	Δ	%
Consolidated Operating Profit	37.9	28.2	9.7	34.5%
Cash flow generated /(absorbed) by operating activities[24]	37.1	40.4	(3.2)	(8.0%)
Taxes paid	(2.2)	(0.7)	(1.5)	196.6%
Interest paid	(2.0)	(2.1)	0.2	(7.7%)
Other changes	0.9	0.8	0.1	6.1%
Consolidated Net cash flow from (used in) operating activities[25]	**71.8**	**66.5**	**5.3**	**7.9%**
Investments[26]	(19.3)	(23.3)	3.9	(16.9%)
Investments for business combinations and business units	(11.0)	(5.9)	(5.1)	86.7%
Net cash inflow from acquisition	0.0	0.0	0.0	100.0%
Adjustment for non-recurring investments	14.5	12.6	1.9	15.2%
Non-recurring expenses /(income)	5.0	9.3	(4.3)	(46.4%)

[21] The theoretical rate deemed appropriate by management is 8.7% at 30 November 2019 and 30 November 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 a rate of 3.9%.

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

[23] To make it possible to compare the operating results, financial position and cash flows for the first nine months ended 30 November 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".

[24] 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.

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

[26] For a better representation the item includes the share of net investments paid in the period.

Adjustment for non-cash components of non-recurring expenses/(income)	(0.6)	(2.6)	2.0	(75.6%)
Other non-recurring cash flows	(2.5)	(0.8)	(1.7)	215.1%
Theoretical tax impact of the above entries[27]	(0.4)	(0.6)	0.2	(37.0%)
Consolidated Adjusted levered free cash flow	**57.3**	**55.1**	**2.2**	**3.9%**

The Consolidated net cash flow generated/(used) by operating activities was positive by Euro 71.8 million (positive by Euro 66.5 million in the nine months of the previous year ended 30 November 2018). This improvement is mainly due to the increase in the Group's operating profit and the management of the Net Working Capital, both affected by the differential promotional calendar which saw Black Friday in 2019 fall a week later than Black Friday 2018 and led to a partial discrepancy between incoming cash flows (collections from customers) and outgoing cash flows (extended payments to suppliers for goods and processing orders), with the latter reported in the fourth quarter of the year. Additionally, as usual, the commercial success of Black Friday will have significant impacts on payments in the last quarter of the year.

Investments made and paid for in the period stood at Euro 19.3 million in the nine-month period ended 30 November 2019 (Euro 23.3 million in the third quarter of the previous year ended 30 November 2018), mainly attributable to: (i) operations for the development of internal and external lines of 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 applications with a view to the improvement of the infrastructure, 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 nine-month period ended 30 November 2019 (Euro 5.9 million in the nine-month period of the previous year ended 20 November 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 instalment of the payment due in the period with reference to the business unit of the former Cerioni S.p.A. and the purchase of a stake in Monclick. S.r.l.

Total investments in the period of Euro 14.5 million are considered non-recurring (Euro 12.6 million in the third quarter of the previous year ended 30 November 2018) and refer to the share of investments in the period for business combinations and business units and to investments made for kitting out sales outlets purchased and opened during the period.

The adjustment for non-monetary components of non-recurring expense/(income) of Euro 0.6 million, down 75.6% compared with the nine months of the previous year, is mainly composed of costs related to extraordinary operations at several sales outlets which have not yet been reported financially at 30 November 2019. This adjustment will be gradually reduced when those costs have been reported financially.

Other non-recurring cash flows of Euro 2.5 million refer mainly to the insurance payment received relating to the fire that took place on 25 February 2017 at the Oderzo (TV) sales outlet.

Below are listed the main changes recorded in the Group's net financial indebtedness during the period ended 30 November 2019 and in the period ended 30 November 2018:

[27] The theoretical rate deemed appropriate by management is 8.7% at 30 November 2019 and 30 November 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 a rate of 3.9%.

(amounts in millions of euros)	Period ended		Change	
	30 November 2019	30 November 2018	Δ	%
Operating profit	37.9	28.2	9.8	34.7%
Cash flow generated /(absorbed) by operating activities	37.1	40.4	(3.2)	(8.0%)
Taxes paid	(2.2)	(0.7)	(1.5)	(100.0%)
Interest paid	(2.0)	(2.1)	0.2	(7.7%)
Other changes	0.9	0.8	0.1	6.1%
Net cash flow generated/(absorbed) by operating activities	**71.8**	**66.5**	**5.3**	**8.0%**
Investments	(19.3)	(23.3)	3.9	(16.9%)
Investments for business combinations and business units	(11.0)	(5.9)	(5.1)	86.7%
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	(0.9)	0.3	(1.1)	(433.3%)
Change in net financial debt	**11.0**	**17.5**	**(6.5)**	**(37.3%)**

5.2 Statement of financial position[28]

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 30 November 2019 and as at 28 February 2019:

(amounts in millions of euros)	Period ended	
	30 November 2019	28 February 2019
Trade receivables	81.0	41.3
Inventories	518.1	362.3
Trade payables	(663.2)	(468.5)
Net operating working capital	**(64.2)**	**(64.8)**
Other working capital items	(215.6)	(169.8)
Net working capital	**(279.8)**	**(234.6)**
Non-current assets	158.3	150.9
Goodwill	195.3	178.0
Non-current liabilities	(22.3)	(23.9)
Net invested capital	**51.5**	**70.4**
Net financial debt	31.5	20.5
Shareholders' equity	(83.0)	(90.9)
Total shareholders' equity and financial liabilities	**(51.5)**	**(70.4)**

The Group's net operating working capital as at 30 November 2019 was negative by Euro 64.2 million and is essentially in line with the figure of 28 February 2019 negative by Euro 64.8 million. The increase in trade receivables is linked to the expansion of the Indirect channel emphasized by the success of Black Friday, the increase in inventories and trade payables is linked to the expansion of stores and the effects of preparations for the Christmas season.

[28] To make it possible to compare the operating results, financial position and cash flows for the first nine months ended 30 November 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 Net Invested Capital of the Group stood at Euro 51.5 million as at 30 November 2019, down Euro 18.9 million compared with 28 February 2019. The change recorded mainly attributable to: (i) increase in the Group's net working capital of Euro 45.2 million and (ii) investments excluding depreciation and amortisation of Euro 24.7 million due to good will and the capitalised costs incurred during the former Pistone S.p.A. transaction, 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 applications with a view to improving the technological infrastructure.

Shareholders' equity amounted to Euro 83.0 million as at 30 November 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, partly offset by the recording of a profit in the period and the accounting of the reserve for share-based payments referring to the Long Term Incentive Plan[29] reserved for some managers and employees.

Below is a detailed breakdown of the Group's net financial debt as at 30 November 2019 and 28 February 2019 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

(amounts in millions of euros)	**Period ended**		**Change**	
	30 November 2019	**28 February 2019**	**Δ**	**%**
(A) Cash	104.8	84.5	20.3	24.1%
(B) Other liquid assets	0.0	0.0	0.0	0.0%
(C) Securities held for trading	0.0	0.0	0.0	0.0%
(D) Liquidity (A)+(B)+(C)	**104.8**	**84.5**	**20.3**	**24.1%**
- 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	*(0.0)*	*(3.0)*	*2.9*	*(95.1%)*
(G) Current part of non-current debt	(9.5)	(9.5)	0.0	(0.5%)
(H) Other current financial payables	(12.5)	(7.6)	(4.9)	64.9%
(I) Current financial debt (F)+(G)+(H)	**(22.0)**	**(20.1)**	**(1.9)**	**9.3%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(22.0)*	*(20.1)*	*(1.9)*	*9.3%*
(J) Net current financial position (I)+(E)+(D)	**82.8**	**64.5**	**18.4**	**28.5%**
(K) Non-current bank payables	(36.5)	(31.1)	(5.4)	17.3%
(L) Issued bonds	0.0	0.0	0.0	
(M) Other non-current financial payables	(14.8)	(12.8)	(2.1)	16.2%
(N) Non-current financial debt (K)+(L)+(M)	**(51.3)**	**(43.9)**	**(7.5)**	**17.0%**
- of which is secured	*0.0*	*0.0*	*0.0*	*0.0%*
- of which is unsecured	*(51.3)*	*(43.9)*	*(7.5)*	*17.0%*
(O) Net financial debt (J)+(N)	**31.5**	**20.5**	**11.0**	**53.7%**

Net financial debt increased by Euro 11.0 million compared with 28 February 2019, creating a positive cash position by Euro 31.5 million as at 30 November 2019.

[29] On 6 February 2017, the Extraordinary Shareholders Meeting of Unieuro approved the adoption of a stock option plan ("*Long Term Incentive Plan*", "LTIP") reserved for Executive Directors, associates and employees, executives and others (the "Recipients"). The *Long Term Incentive Plan* calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code approved by the Shareholders' Meeting on the same date. On 29 June 2017, the Board of Directors approved the plan regulations for the plan ("Regulations") whereby the terms and conditions of implementation of *Long Term Incentive Plan* were determined. The conclusion and subsequent acceptance of the *Long Term Incentive Plan* by the Recipients took place in October 2017 and was effective from 29 June 2017.

Underlying the cash dynamics there is mainly the combined effect of (i) the distribution of dividends of Euro 21.4 million approved by the Shareholders' Meeting on 18 June 2019, (ii) payments made in the period that refer to the former Pistone S.p.A. transaction, the payment of the instalments relating to the purchase of the business unit for the former Cerioni S.p.A. and the equity investment in Monclick S.r.l. of Euro 11.0 million, (iii) the net increase in payables for investments in business combinations of Euro 8.2 million, which refer to the payable to Piston S.p.A., remaining at 30 November 2010, excluding the payment made regarding the above transactions, (iv) investments of Euro 19.3 million attributable in particular to the costs incurred for the development of the direct stores network and the refurbishment of existing stores and to the costs incurred for purchasing new hardware, software, licences and the development of applications with a view to improving the technological infrastructure. Gross financial debt totalled Euro 73.3 million, of which Euro 51.3 million was medium-/long-term and Euro 22.0 million was short-term.

6. Changes to the accounting standards

The Group adopted IFRS 16 from 1 March 2019 b applying the retroactive method amended with the comparative information not 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. This principle came into force 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 tenants according to which the tenant reports an asset which represents the right to use the underlying asset and a liability which reflects the obligation to pay rental 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 retrospective 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 30 November 2019

(amounts in millions of euros)	**30 November 2019 IAS 17 a**	**Impacts of IFRS 16 b**	**30 November 2019 IFRS 16 a+b**
Revenue	1,759.5	--	1,759.5
Other income	2.4	(1.2)	1.1
TOTAL REVENUE AND INCOME	**1,761.9**	**(1.2)**	**1,760.6**
Purchases of materials and external services	(1,735.1)	50.5	(1,684.6)
Personnel costs	(138.8)	--	(138.8)
Changes in inventory	155.7	--	155.7
Other operating costs and expenses	(5.7)	--	(5.7)
GROSS OPERATING PROFIT	**37.9**	**49.2**	**87.1**
Amortisation, depreciation and impairment losses	(21.8)	(44.9)	(66.7)
OPERATING PROFIT	**16.2**	**4.3**	**20.5**
Financial income	0.1	--	0.1
Financial expenses	(2.9)	(7.1)	(9.9)
PROFIT BEFORE TAX	**13.4**	**(2.8)**	**10.6**
Income taxes	(0.2)	(1.8)	(2.0)
PROFIT/(LOSS) FOR THE PERIOD	**13.2**	**(4.6)**	**8.7**
Profit/(loss) for the period of the Group	**13.2**	**(4.6)**	**8.7**
Profit/(loss) for the period of third parties	**-**	**-**	**-**

The different nature, qualification and classification of expenses, with the recording of "Depreciation and amortisation of the rights of use of an 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 49.2 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 30 November 2019 are given below.

(amounts in millions of euros)	**30 November 2019 IAS 17 a**	**Impacts of IFRS 16 b**	**30 November 2019 IFRS 16 a+b**
Plant, machinery, equipment and other assets	85.6	-	85.6
Goodwill	195.3	-	195.3
Intangible assets with a finite useful life	31.0	(7.8)	23.2
Assets for rights of use	-	447.3	447.3
Deferred tax assets	38.8	(1.8)	37.1
Other non-current assets	2.9	9.7	12.6
Total non-current assets	**353.6**	**447.4**	**801.1**
Inventories	518.1	-	518.1
Trade receivables	81.0	-	81.0
Current tax assets	0.9	-	0.9
Other current assets	17.4	1.2	18.6
Cash and cash equivalents	104.8	-	104.8
Total current assets	**722.2**	**1.2**	**723.3**
Total assets	**1,075.8**	**448.6**	**1,524.4**
Share capital	4.0	-	4.0
Reserves	37.6	-	37.6
Profit/(loss) carried forward	41.4	(4.6)	36.8
Profit/(loss) of third parties	-	-	-
Total shareholders' equity	**83.0**	**(4.6)**	**78.5**
Financial liabilities	36.5	-	36.5
Employee benefits	12.7	-	12.7
Other financial liabilities	14.8	397.7	412.6
Provisions	6.3	0.7	7.0
Deferred tax liabilities	3.2	-	3.2
Other non-current liabilities	0.0	-	0.0
Total non-current liabilities	**73.6**	**398.4**	**472.0**
Financial liabilities	9.5	-	9.5
Other financial liabilities	12.5	56.9	69.4
Trade payables	663.2	-	663.2
Current tax liabilities	2.8	-	2.8
Provisions	1.3	0.0	1.3
Other current liabilities	229.8	(2.2)	227.6
Total current liabilities	**919.2**	**54.7**	**973.9**
Total liabilities and shareholders' equity	**1,075.8**	**448.6**	**1,524.4**

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

(amounts in millions of euros)	**30 November 2019**
Net financial debt - IAS 17	**31.5**
Current financial receivables - IFRS 16	1.5
Non-current financial receivables - IFRS 16	9.7
Other current financial payables - IFRS 16	(56.8)
Other non-current financial payables - IFRS 16	(397.7)
Net financial debt - IFRS 16	**(411.9)**

IFRIC 23

The Interpretation defines the accounting treatment of income tax when the tax treatment involves uncertainties that have an effect on the application of IAS 12; it does not apply to levies or taxes that do not come under IAS 12, nor does it specifically include requirements relation to interests or sanctions attributable to uncertain tax treatments.
The Interpretation deals specifically with the following points:

- If an entity considers uncertain tax treatment separately;
- The assumptions of the entity on the examination of the tax treatments by the tax authorities;
- How an entity determines the taxable profit (or 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 the facts and circumstances.

An entity should define whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach that allows the best forecast of the uncertainty solution should be followed. The interpretation is in force for financial years starting 1 January 2019 onwards, but some transitional facilitations are available. The Group applied the interpretation at its effective date, the application of the new interpretation involved a restatement of the liabilities for uncertain tax treatments from the item "Provisions" to the item "Liabilities for current taxes".

7. 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
On 14 March 2019 5 new shops-in-shops were opened in 5 Iper, la Grande hypermarkets with the opening of the Rozzano sales outlet 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 it met with, from 11 October the service - rechristened "Helpy" - was upgraded and extended to all the main Italian urban areas.

The new Unieuro App "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 Euro1.07 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.

The liquidity agreement
On 29 October 2019, Unieuro appointed Intermonte SIM, one of the leading research and stock brokerage companies in Italy the liquidity provider for its ordinary shares. The agreement, for one

year and with immediate effect, requires Intermonte to promote the liquidity of Unieuro's stock, buying and selling it, through the methods and limits currently laid down by the applicable regulations, in their own right and taking the risks associated with trading activities.

The GoInStore project with HP
In November, Unieuro and HP launched the *GoInStore* project, the only one of its kind in Italy, in the light of their joint focus on the ominichannel approach and the central role of customer service.
The service allows anyone searching on the unieuro.it website for an HP product to ask for live support from a consultant, who will respond in a video call directly from a Unieuro store. Customers will thereby benefit from dedicated service from an expert ready to answer all their questions and suggest the most appropriate products at any given time, showing them to him/her through a webcam.

The accelerated bookbuilding operation by Italian Electronics Holdings S.à r.l.
On 13 November, the majority Unieuro shareholder, Italian Electronics Holdings S.à r.l., completed an accelerated bookbuilding operation with 3.25 million company ordinary shares, corresponding to 16.25% of the share capital. The operation involved the placement of the shares at institutional investors at a price Euro 12.95 per share, worth a total of around Euro 42 million.
After the conclusion of the offer, Italian Electronics Holdings S.à r.l. continued to own a 17.55% stake of the existing share capital, subject to a lock-up period of 60 days.

A record Singles' Day
During the commercial event that marks the start of the Black Friday season for Unieuro, Unieuro.it achieved an all-time record in terms of orders: one every 3 seconds, triple the figure on 11 November 2018 and 60% higher if compared with the actual day of Black Friday 2018. Traffic on the platform reached unprecedented levels of more than 600 thousand unique users, with it being their first visit for more than half of them.

"*Insegna dell'Anno 2019-2020*" *Award*
On 28 November, Unieuro received the prestigious "Insegna dell'Anno 2019-2020" award in the Household appliances & Electronics category, "*top of mind*" in its reference sector, ahead of the its main competitors.

Significant events following the closure of the period

The success beyond expectations of "Addams Black Friday"
During the important Black Friday promotional campaign, which was launched on 11 November and ended on 2 December, Unieuro recorded commercial results beyond expectations in all sales channels and for all product categories, also thanks to the exceptional length of the campaign and expansion of the stores network that took place in the previous twelve months.
Specifically, the direct sales outlets recorded revenues that increased by 15% with 6.7 million cumulative entries in the period, the sell-out of affiliated stores increased by 18% and orders on the Unieuro.it digital platform broke new records (+77%), accompanied by the success of the Monclick Fra-i-Dei campaign.

8. Accounting Statements[30]

8.1 Income Statement

(amounts in thousands of euros)	Period ended	
	30 November 2019 IFRS 16	30 November 2018
Revenue	1,759,459	1,527,263
Other income	1,150	1,881
TOTAL REVENUE AND INCOME	**1,760,609**	**1,529,144**
Purchases of materials and external services	(1,684,640)	(1,498,111)
Personnel costs	(138,828)	(125,062)
Changes in inventory	155,707	127,349
Other operating costs and expenses	(5,707)	(5,165)
GROSS OPERATING PROFIT	**87,141**	**28,155**
Amortisation, depreciation and impairment losses	(66,657)	(18,916)
OPERATING PROFIT	**20,484**	**9,239**
Financial income	74	1,564
Financial expenses	(9,948)	(3,309)
PROFIT BEFORE TAX	**10,610**	**7,494**
Income taxes	(1,953)	453
PROFIT/(LOSS) FOR THE PERIOD	**8,657**	**7,947**
Profit/(loss) for the period of the Group	**8,657**	**7,947**
Profit/(loss) for the period of third parties	**-**	**-**
Basic earnings per share (in euros)	0.43	0.40
Diluted earnings per share (in euros)	0.43	0.40

8.2 Statement of comprehensive income

(amounts in thousands of euros)	Period ended	
	30 November 2019 IFRS 16	30 November 2018 IAS 17
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**8,657**	**7,947**
Other items of comprehensive income that will or may be reclassified to the profit/loss for the consolidated period:		
Gains/(losses) on cash flow hedges	(46)	(139)
Income taxes	11	34
Total other components of comprehensive income that are or could be reclassified to profit/(loss) for the consolidated period	**(35)**	**(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	(878)	(687)
Income taxes	247	191
Total other components of comprehensive income that will not be reclassified to profit/(loss) for the consolidated period:	**(631)**	**(496)**
Total comprehensive income for the consolidated period	**7,991**	**7,346**

[30] IFRS 16 (Leasing) was adopted from 1 March 2019 b applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 6 - "Changes to the accounting standards" which should be referred to for further details.

8.3 Statement of Financial Position

(amounts in thousands of euros)	30 November 2019 IFRS 16	28 February 2019 IAS 17
Plant, machinery, equipment and other assets	85,578	84,942
Goodwill	195,336	177,965
Intangible assets with a finite useful life	23,195	28,312
Assets for rights of use	447,314	-
Deferred tax assets	37,051	35,179
Other non-current assets	12,596	2,493
Total non-current assets	**801,070**	**328,891**
Inventories	518,050	362,342
Trade receivables	80,980	41,288
Current tax assets	900	2,118
Other current assets	18,556	19,773
Cash and cash equivalents	104,827	84,488
Total current assets	**723,313**	**510,009**
Total assets	**1,524,383**	**838,900**
Share capital	4,000	4,000
Reserves	37,605	29,558
Profit/(loss) carried forward	36,847	57,319
Profit/(loss) of third parties	-	-
Total shareholders' equity	**78,452**	**90,877**
Financial liabilities	36,506	31,112
Employee benefits	12,718	10,994
Other financial liabilities	412,570	12,771
Provisions	6,981	7,718
Deferred tax liabilities	3,234	3,712
Other non-current liabilities	26	1,466
Total non-current liabilities	**472,035**	**67,773**
Financial liabilities	9,508	12,455
Other financial liabilities	69,394	7,683
Trade payables	663,231	468,458
Current tax liabilities	2,827	1,204
Provisions	1,317	1,348
Other current liabilities	227,619	189,102
Total current liabilities	**973,896**	**680,250**
Total liabilities and shareholders' equity	**1,524,383**	**838,900**

8.4 Statement of cash flows

(amounts in thousands of euros)	**Period ended**	
	30 November 2019 IFRS 16	**30 November 2018 IAS 17**
Cash flows from operations		
Consolidated profit/(loss) for the period	8,657	7,947
Adjustments for:		
Income taxes	1,953	(453)
Net financial expenses (income)	9,874	1,745
Depreciation, amortisation and write-downs	66,657	18,916
Other changes	876	826
	88,017	28,981
Changes in:		
- Inventories	(155,708)	(127,570)
- Trade receivables	(39,692)	(31,532)
- Trade payables	193,235	167,686
- Other changes in operating assets and liabilities	39,718	31,774
	-	
Cash flow generated /(absorbed) by operating activities	37,553	40,358

Taxes paid	(2,198)	(741)
Interest paid	(9,070)	(2,139)
Net cash flow generated/(absorbed) by operating activities	**114,302**	**66,459**
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(12,118)	(19,185)
Purchases of intangible assets	(7,211)	(4,085)
Assets for rights of use	(42,540)	-
Investments for business combinations and business units	(11,040)	(5,913)
Net cash inflow from acquisition	10	-
Cash flow generated/(absorbed) by investing activities	**(72,899)**	**(29,182)**
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	1,607	(4,119)
Increase/(Decrease) in other financial liabilities	(1,271)	3,746
Distribution of dividends	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	**(21,064)**	**(20,373)**
Net increase/(decrease) in cash and cash equivalents	**20,339**	**16,904**
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	**84,488**	**61,414**
Net increase/(decrease) in cash and cash equivalents	**20,339**	**16,904**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**104,827**	**78,318**

9. Right to waive the obligation to publish an information document in the event of insignificant transactions

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

10. Statement by the Financial Reporting Officer

I, the undersigned, Mr Italo Valenti, in my capacity as the Financial Reporting Officer of Unieuro S.p.A., in conformity with the provisions of Article 154-bis of the "Consolidated Act on Financial Intermediation",

HEREBY CERTIFY

that the Interim Directors' Report as at 30 November 2019 corresponds to the Company's documentary findings, books and accounting records.

Forlì, 9 January 2020.

Italo Valenti
(Financial Reporting Officer)

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