



Annual Financial Report

as at 29 February 2020

INDEX

REPORT ON THE MANAGEMENT PERFORMANCE OF THE UNIEURO GROUP

CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIEURO GROUP

UNIEURO S.p.A. COMPANY'S FINANCIAL STATEMENT BALANCE SHEET

Letter from the Chairman of the Board of Directors to shareholders

Dear Shareholders,

Following the significant changes in Unieuro's shareholding structure and after having already served as its director between 2016 and 2019, in February 2020 the Board of Directors entrusted me once again with the honour and - particularly at this time - the burden of chairing it: I have consciously and enthusiastically accepted the post.

The exit of the former majority shareholder, completed in January 2020, was indeed a momentous step: established as a family business more than eighty years ago and controlled by a private equity fund for fifteen years, today Unieuro is a truly public company whose corporate governance cannot do without the financial market as its key reference point.

Being one of the rare Italian public companies does not only mean having a high free float on the stock market - more than 85% in our case - but it also translates into greater responsibilities, as we are fully aware that it is precisely the market and its expectations that we must be accountable to.

By embracing this change as an opportunity, Unieuro has therefore embarked on a path aimed at strengthening its governance, inspired by the highest standards. Today our Board is made up of high-standing independent professionals, equally distributed by gender and with valuable managerial, financial, legal and digital transformation skills; they serve both in the Board's internal committees as well as in the management committees they have made themselves available for.

Unity of purpose and cohesion between the Board and the management are more important than ever in light of the current health emergency and the subsequent economic crisis, which call for strong and timely action.

The Board was extremely proud to see how Unieuro's management reacted responsibly and decisively at an early stage of the epidemic to protect the health of customers and employees alike, while at the same time taking measures to preserve corporate sustainability in a spirit of great solidarity.

Pending the improvement of the scenario and the return to a new normality, we also seek your contribution, dear shareholders, in strengthening the company's equity and financial position by allocating to reserves the entire profit for the year just ended, namely the result of the company's excellent performance in 2019, with a turnover and profitability that turned out to be unprecedented in its history.

Thanks to your and our contribution, as well as the support of our employees and our partners, Unieuro will stand out once again by strengthening its competitive advantage and leadership in a market that, even more than yesterday, will reward prowess and determination: your company does not lack any of the above and will use it to once again fill you with satisfaction.

6 May 2020

Stefano Meloni
Chairman of the Board of Directors

Letter from the Chief Executive Officer to shareholders

Dear Shareholders,

Unieuro is the leading distributor of consumer electronics and household appliances in Italy as well as the only consolidator in the market; it boasts a centralized and efficient business model and an omnichannel offer that effectively integrates the country's most widespread network of stores with a cutting-edge digital platform.

Along the staggering growth path that Unieuro has covered over the past fifteen years, we have made several brave choices, from the acquisition of former UniEuro to our listing on the Stock Exchange: these decisions were sometimes difficult to meet and never a foregone conclusion, but they always proved to be successful. In doing so, we have placed customers and their needs at the centre of our strategy, adopting an approach that is mindful of our people and responsible towards the community, the aim being the value increase for you as shareholders.

At this unprecedentedly dramatic time, we feel an even more compelling responsibility towards all of our stakeholders and we are determined to take every possible measure to ensure corporate sustainability and to come back as winners when the health emergency is behind us.

Having focused on our strategic pillars with determination and an omnichannel approach - customer proximity, shopping experience and retail mix - we are now equipped with a solid competitive advantage that will prove even more key in the near future. This crisis will permanently change customer behaviour, new consumer trends will emerge and only those who, like Unieuro, have been so capable as to take up the challenge of digitalisation in good time will stay competitive. We will start again and we will do so from a privileged position, exploiting the strength of a business model and an omnichannel approach that will make us stand out even more.

Therefore, it is with determination and optimism towards the future that I am once again presenting you with record numbers for the fiscal year just ended: sales increased by 16.2% to Euro 2.44 billion, with adjusted Ebitda and adjusted net profit up to Euro 82.1 million and Euro 45.7 million respectively, and a net cash position of Euro 29.6 million at the end of the year.

These results testify to the great work carried out with dedication and self-sacrifice by all our people - mainly the over 4500 store employees and logistics staff based in Piacenza and Carini - in compliance with the strategy set out by the Management and aimed at a strong and healthy expansion of the business.

These results deserve the unwavering trust that you, dear Shareholders, have placed in our work and for which I thank you from the bottom of my heart.

6 May 2020

Giancarlo Nicosanti Monterastelli
Chief Executive Officer

Corporate Bodies

BOARD OF DIRECTORS

- Chairman of the Board of Directors
- Chief Executive Officer
- Independent Director
- Independent Director
- Independent Director
- Independent Director
- Independent Director
- Independent Director
- Non-executive Director

Stefano Meloni
Giancarlo Nicosanti Monterastelli
Michele Bugliesi
Paola Elisabetta Galbiati
Catia Cesari
Pietro Caliceti
Marino Marin
Monica Luisa Micaela Montironi
Alessandra Stabilini

CONTROL AND RISK COMMITTEE

- Independent Director – Chairman
- Independent Director
- Independent Director

Marino Marin
Paola Elisabetta Galbiati
Monica Luisa Micaela Montironi

NOMINATIONS AND REMUNERATION COMMITTEE

- Independent Director – Chairman
- Independent Director
- Independent Director

Marino Marin
Pietro Caliceti
Catia Cesari

RELATED PARTY TRANSACTIONS COMMITTEE

- Independent Director - Chairman
- Independent Director
- Independent Director

Marino Marin
Pietro Caliceti
Monica Luisa Micaela Montironi

BOARD OF STATUTORY AUDITORS

- Chairman
- Statutory Auditor
- Statutory Auditor
- Alternate Auditor
- Alternate Auditor

Giuseppina Manzo
Maurizio Voza
Federica Mantini
Valeria Francavilla
Davide Barbieri

SUPERVISORY BODY

- Chairman
- Members:

Giorgio Rusticali
Chiara Tebano
Raffaella Folli

INDEPENDENT AUDITORS

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 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) 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 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 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.

Under the scope of a wider technological transformation and organisational restructuring of the Unieuro Group vital in supporting the corporate strategic decisions and operational processes, on 18 March 2020 the Board of Directors of Unieuro approved the merger by incorporation of the wholly-owned companies Carini Retail S.r.l. and Monclick S.r.l. The completion of the mergers is subject to the condition precedent of the outcome of the request submitted by Unieuro pursuant to Article 11, paragraph 2 of Law 212 of 27 July 2000, for the disapplication of Article 172, paragraph 7 of Presidential Decree 917 of 22 December 1986 (TUIR).

Unieuro shares have been listed since April 2017 of the STAR segment of the Milan Stock Exchange and since January 2020 Unieuro has to all intents and purposes been a public company. This new status came about following the gradual withdrawal from the share capital of the private equity operator Rhône, which thanks to the IPO on the Italian Stock Exchange (April 2017) and three subsequent placements, reduced its equity investment to zero when it had originally been 70.5% of the share capital.

Based on the information currently available, the major shareholders of Unieuro are Alfa S.r.l. (Dixons Carphone plc) with 7.2%, the asset management company Amundi Asset Management with

5.6%, several shareholders from the Silvestrini Family who, in total, own 5.6% and, lastly, several Unieuro top managers who own 2%¹.

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

2. Procedural note

This Directors' Report on Operations contains information relating to the consolidated revenues, consolidated profitability, cash flows and balance sheet of the Unieuro Group as at 29 February 2020 compared with the figures from the last financial statements approved as at 28 February 2019.

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 better explained later on, from 1 March 2019 the Group adopted IFRS 16 “Leases” which involved changes to the accounting policies and adjustments to the amounts reported in the financial statements. IFRS 16 recognises rights of use of assets held under financial leases that come under the scope of application of the principle under fixed assets and the recording of the financial liability under liabilities.

As permitted by the principle, during the first-time application the comparative data were not restated, while the data for the year in question were presented in this Report on Operations using the previous accounting principle IAS 17 Leasing, to facilitate the comparison with the previous period. The comparative analyses that follow therefore refer, unless stated otherwise, to the data for 2019, without the application of IFRS 16. See paragraph “12 – Changes to the accounting principles” for the summary of the impacts resulting from the application of IFRS 16 from 1 March 2019.

3. Accounting policies

This Annual Financial Report as at 29 February 2020 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.

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

From 1 March 2019 the Group adopted (i) the new accounting principle IFRS 16 (Leasing) with the retroactive application method modified by virtue of the comparative information that was not restated and (ii) *IFRIC 23 Uncertainty over Income Tax Treatments* which provides guidelines as to how to reflect uncertainty over the tax treatment of a given phenomenon in the accounting of income taxes. The effects of this new accounting principle are illustrated in paragraph 12 - "Changes to the accounting standards" which should be referred to for further details.

To make it possible to compare the operating results, financial position and cash flows for the year ended 29 February 2020 with the previous financial year, this 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 12 "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 EBIT, adjusted EBIT margin, adjusted profit (loss) for the period, net working capital, adjusted levered free cash flow, net financial debt and net financial debt/adjusted EBITDA) have not been identified as IFRS accounting measures, and thus, as noted above, they must not be considered as alternative measures to those provided in the Group's Consolidated Financial Statements to assess their operating performance and related financial position.

Certain indicators are referred to as “*Adjusted*”, to represent the Group’s management and financial performance, net of non-recurring events, non-characteristic events and events related to extraordinary transactions, as identified by Group. The *Adjusted* indicators shown consist of: Consolidated *Adjusted EBITDA*, Consolidated *Adjusted EBITDA Margin*, Consolidated *Adjusted*

EBIT, Consolidated Adjusted EBIT Margin, Consolidated Adjusted Profit/(loss) for the year, Consolidated Adjusted Levered Free Cash Flow and Net financial debt/Consolidated Adjusted EBITDA. These indicators reflect the main operating and financial measures adjusted for non-recurring income and expenses that are not strictly related to the core business and operations, and for the effect from the change in the business model for extended warranty services (as more fully described below in the API “*Consolidated Adjusted EBITDA*”), and thus, they make it possible to analyse the Group’s performance in a more standardised manner in the periods reported in the Interim Directors' Report.

Main financial and operating indicators²

<i>(Amounts in millions of euros)</i>	Year ended	
	29 February 2020	28 February 2019
Operating indicators		
Consolidated revenues	2,444.9	2,104.5
<i>Consolidated Adjusted EBITDA</i> ³	82.1	73.6
<i>Consolidated Adjusted EBITDA margin</i> ⁴	3.4%	3.5%
<i>Consolidated Adjusted EBIT</i> ⁵	53.1	46.3
<i>Consolidated Adjusted EBIT margin</i> ⁶	2.2%	2.2%
Consolidated Profit/(loss) for the year	29.1	28.9
Adjusted Consolidated Profit/(loss) for the year ⁷	45.7	42.7
Cash flows		
<i>Consolidated Adjusted Levered Free Cash Flow</i> ⁸	56.5	68.7
Investments for the period	(39.8)	(37.7)

<i>(Amounts in millions of euros)</i>	Year ended	
	29 February 2020	28 February 2019
Indicators from statement of financial position		
Net working capital	(261.7)	(234.6)
(Net financial debt) / Net cash	29.6	20.5
[(Net financial debt) / Net cash /Consolidated Adjusted EBITDA LTM] ⁹	(0.36)	(0.28)

<i>(Amounts in millions of euros)</i>	Year ended
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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 year ended 29 February 2020 with 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 12 “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 7.2 for additional details.

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

⁵ Consolidated Adjusted EBIT is Consolidated EBIT adjusted for (i) non-recurring expenses/(income), (ii) non-recurring depreciation, amortisation and write-downs and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services. See paragraph 7.2 for additional details.

⁶ The Consolidated Adjusted EBIT Margin is the ratio of Consolidated Adjusted EBIT to revenues.

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

⁸ Consolidated adjusted levered free cash flow is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and net of their non-cash component and the related tax impact. See paragraph 7.5 for additional details.

⁹ In order to guarantee the comparability of the [(Net financial debt)/Net cash]/Adjusted Consolidated LTM EBITDA indicator the Adjusted Consolidated EBITDA figure for the last twelve months was taken into consideration.

	29 February 2020	28 February 2019
Operating indicators for the year		
Like-for-like growth ¹⁰	6.5%	4.9%
Direct sales outlets (number)	249	237
of which <i>Pick Up Points</i> ¹¹	236	227
Affiliated sales outlets (number)	261	275
of which <i>Pick Up Points</i>	174	158
Total area of direct sales outlets (in square metres)	about 369,000	about 345,000
Sales density ¹² (euros per square metre)	5,031	4,703
Full-time-equivalent employees ¹³ (number)	4,414	4,148

¹⁰Like-for-like revenue growth: the methods for comparing sales for the year ended 29 February 2020 with those for the year ended 28 February 2019 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.

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

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

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

4. Profile of the Unieuro Group

The Unieuro Group (hereinafter also "the Group" or "Unieuro" or "UE") is the leader in the distribution of consumer electronics and electric appliances in Italy, with revenues of Euro 2.45 billion in the year ended 29 February 2020. It was established through the acquisition by Unieuro S.p.A. of the entire share capital of Monclick S.r.l., consolidated from 1 June 2017, while the consolidation of the wholly-owned subsidiary Carini Retail S.r.l. took place on 1 March 2019.

Unieuro S.p.A. (hereinafter also "the Company"), with its registered office in Forlì, was founded at the end of the 1930s by Vittorio Silvestrini and operates as an integrated omnichannel distributor in four main product categories: Grey (telephone systems, computers, photography and wearables), White (large and small appliances and climate control), Brown (televisions, audio devices and devices for smart TVs), Other Products (video games and e-mobility) and Services offering parallel ancillary services such as delivery and installation, extended warranties and consumer financing.

Monclick S.r.l. (hereinafter also "Monclick"), with its registered office in Vimercate (MB) sells I.T., electronic and telephone system products and appliances online in Italy through its website monclick.it, offering a catalogue with over 70,000 items and guaranteeing a comprehensive purchasing experience, completed through the home delivery and installation of the chosen product. Through the Business-to-Business-to-Consumer division (B2B2C), Monclick also operates in the segment dedicated to operators which need to purchase electronic products to distribute to their regular customers or employees to accumulate points or participate in competitions or incentive plans.

Carini Retail S.r.l. (hereinafter also "Carini Retail"), with its registered office in Forlì, is the company formerly owned by Pistone S.p.A. and owns a business unit composed of 12 sales outlets in Sicily acquired by Unieuro in March 2019. Thanks to the transaction, Unieuro increased its total sales area by 25,000 m², also supplementing its central logistics hub located in Piacenza with Carini's secondary one.

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

Unieuro adopts an omnichannel approach for this, placing a variety of integrated purchasing methods at the disposal of customers in order to accommodate increasingly destructured and personal purchasing processes. In addition to the extensive network which, as at 29 February 2020, numbered 510 sales outlets including 249 direct and 261 branches, Unieuro has an online channel operating through the digital platform unieuro.it - which allows customers to order products and opt for home delivery or collection at a direct sales outlet or branch – and the e-tailer Monclick. The range is completed by the B2B channel, targeting professional domestic and foreign customers that operate in industries other than those where Unieuro operates, such as banks and hotel chains, including the B2B2C segment.

Unieuro S.p.A. operates using the same name brand, which was adopted in 2014 and relaunched with a new graphic identity and new positioning and which reached a 99% brand awareness level also thanks to the unique and memorable pay-off, "Batte. Forte. Sempre".

Buoyed by a distinctly centralised business model which is a distinctive element in the Italian consumer electronics scenario, Unieuro S.p.A. has sole headquarters in Forlì and a 104,000 m² central logistics centre in Piacenza, inaugurated in 2018 and at the service of all the sales channels, as well as the subsidiary Monclick. In 2019, following the acquisition of the 12 former Pistone Sicilian stores,

Unieuro supplemented the Piacenza logistics hub with Carini's secondary hub, at the service of Sicilian customers.

As at 29 February 2020 the Group's staff numbered around 5,000 employees.

Since April 2017, Unieuro shares have been listed on the STAR segment of the Milan Stock Exchange and from January 2020, following the sale by the former majority shareholder Italian Electronics Holdings S.à r.l. of the remaining share of the Unieuro share capital, the Company, to all intents and purposes, became a public company with a free-float of more than 85%.

5. Strategy and business model

The financial year ended 29 February 2020 saw the strengthening of the Group's Omnichannel strategy. In this year, the focus was also on the profitable growth of the business, increasing the market share in product categories supporting market trends and developing the key importance of customers thanks to the opportunities offered by the Omnichannel approach.

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

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

5.1. Local presence

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

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

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

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

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

5.2. Maximising the customer experience

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

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

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

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

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

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

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

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

5.3. Retail mix

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

- continue to optimise product assortment, pricing policies and promotions to enhance synergies between channels in order to encourage the further strengthening of the brand including through exclusive agreements with suppliers;
- focus growth on product lines in merchandise categories supporting market trends allowing for an increase in its share;
- expand the availability of additional services currently offered to customers (e.g. installation and set-up services, extended warranty services, consumer credit services and the signing of phone contracts) to increasingly augment customer satisfaction.

The diversification of the distribution structure and the business model as a function of the customer base (direct or indirect point of sale, local stores or megastores) is also emphasized by diversifying assortment. The product range is specialised on the basis of the store structure; for example, travel

points of sale have a greater focus on telephone systems and accessories. Over the years, Unieuro has been able to select a mix of points of sale suited to its various customer bases, and it will continue to carefully select distribution structures, and from time to time will assess the distribution structure most suitable for specific locations.

6. Market performance¹⁴

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

Changes which have, in particular, involved the durable goods sector, specifically the consumer electronics segment. An increasingly knowledgeable, thrifty, selective, informed and involved consumer. In 2019, the online audience comprised 41.6 million monthly average unique users, reaching a share of around 70% of the Italian population from age 2 upwards¹⁵. On an average day 66% of Italians (aged 18-74) browsed on smart phones, 17% (+2 years) on PCs and 10% on tablets (18-74 years)².

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

It is the complexity and diversity of customer journeys that induce a radical change in the structure of supply as well. E-commerce which is increasingly directed at physical products rather than services, touches all commodity categories from publishing to clothing, from furniture to food and grocery through to consumer electronics. Mobile commerce has grown the most (+33%¹⁶) while regular web shoppers generate turnover equal to 94%³ of overall internet traffic. Supply and Distribution channels of goods and services therefore evolve directed towards substance, transparency and integration between physical and online channels to be able to offer an omnichannel, customer centric experience. The ideal journey of a customer towards a product or a service is made up of contamination and addresses multiple suggestions in which the contact channels are integrated and react to a customer who these days is always on.

It is fragmented in nature which is reflected in the structure of operators in both supply sectors (online and offline). If online sales are concentrated on the top 20 merchants (retailers and pure online players) which handle 72% of online sales, in the offline sector likewise small operators (electrical specialists) and purchasing groups are penalised since their members suffer from their reduced size and location and cannot withstand the competitiveness of the sector and take full advantage of the opportunities of the multichannel system. Therefore, it is the big businesses that dominate the field of consumer electronics through the integration of processes and the development of new customer services, from an omnichannel perspective.

For the sake of completeness, below is a summary table below listing the main market players broken down into like-for-like categories:

¹⁴ The data relating to the market were prepared by the Group management based on the data available as of 29 February 2020.

¹⁵ Source: Audiweb Data December 2019.

¹⁶ Source: Politecnico Osservatorio E-Commerce B2C

Mass Merchandiser	Grandi superfici, Retailers Multi- categoria ; l'elettronica di consumo non è necessariamente il core Business Ipermercati; Supermercati; negozi multi-categoria; Internet Pure Player
Tech Superstores	L'elettronica di consumo è il core Business Negozi di grandi formato (sopra gli 800mq e con un fatturato minimo di 2,5 mio€) Prevalentemente Catene Specializzate e Gruppi d'acquisto
Electrical Specialist	L'elettronica di consumo è il core Business Negozi di piccolo formato (sotto gli 800mq e con un fatturato minore di 2,5 mio€) Prevalentemente Affiliati a Catene Specializzate o Gruppi d'acquisto e soprattutto Imprenditori indipendenti
Telecom Retailers	L'elettronica di consumo non è il core Business ma sono specializzati nella categoria Telecom Offrono prodotti di telefonia abbinati ad altri servizi.
Altri Specialisti	L'elettronica di consumo è il core Business , si tratta di soggetti specializzati nel segmento: IT; Fotografia; Entertainment Negozi di piccolo formato spesso presenti nei centri cittadini

The year ended with slight growth in the consumer¹⁷ market of 0.3%. Driven by the online segment, which closed with growth of 16.1% (slightly down compared with the same period of the previous year), which offset the fall in the offline segment (-2.5%). The penetration rate of the online segment increased to stand at around 17% (+2% compared with the corresponding period of the previous year). The segment most affected by the fall in revenues is the Specialist segment (-8.3%), a drop of around two percentage points in terms of weighting on the entire sector. The Tech Superstores, on the other hand, which, intercepting the online growth of the Telecom segment, together with the mass merchandisers, made a positive contribution to the growth of the market with rates, respectively of +2.9% and +3.9%¹⁸

As regards the trends relating to the individual product categories, note the excellent performance of the White sector (+5.5%) directed by all sectors: Large Appliances (+2.6%), Home Comfort (+28.3%), Small Appliances (+5.4%).

The Brown category closed in negative territory (-4.8%) specifically as a result of the performance of Consumer Electronics (-3.9%) driven by the performance of TVs, despite the double-digit growth of the Online sector (+14.5%).

As regards the Grey category, despite an improvement compared with the trend in the first part of the year, a fall of 0.8% was recorded with the Telecom segment as the main negative contributor to growth (-0.8%) driven by the results of Smart phones.

Despite the market scenario remaining virtually unchanged compared with the levels recorded in the previous period, the Unieuro Group is continuing on its route to strategic growth in all product categories on the one side strengthening its shares in all segments and on the other side continuing the consolidation which led the Group to its leadership position in the retail market.

The focus of the Group in the reference period has remained unchanged on the strategic pillars of its strategic plan:

- Expansion of the sales network through organic growth (five new openings in the period: Porto Gruaro, Misterbianco, Gela, Curno, Bari S. Caterina), through external lines

¹⁷ The data relating to the sole consumer market exclude the B2B activities, services (extended warranty, loans, etc.), Entertainment and products outside of the scope of consumer electronics (bicycles).

¹⁸ The data relating to the market were prepared by the Group management based on analysis as of 29 February 2020.

(acquisition of 12 former Piston group sales outlets) and through the new large-scale retailing sector (Savignano sul Rubicone, Verona le Corti);

- Focus on processes from an omnichannel perspective and on the centrality of customers (Net Promote Score of around 46 an improvement of around four points compared with the same period of the previous year);
- Focus on high strategic impact transformation projects;
- Consolidation of its presence in Italy (entry into Sicily);

Thanks to the actions implemented in this period the group recorded an excellent performance in all sales channels (market comparable value, consolidated total: +17.1%, offline consolidated: +16.1%, online consolidated: +23.6%).

In the Online segment the growth of the brand Unieuro.it continued, up 26.1% with an ever-increasing contribution from the mobile component, both Apps and Browsing.

Driving the over-performance in both sales channels is all product categories from White¹⁹ (Unieuro Group +24.1% vs Market +5.5%) to Grey⁶ (Unieuro Group +17.0% vs Market -0.8%) to Brown⁶ (Unieuro Group +6.2% vs Market -4.8%).

¹⁹The 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 in order to make them comparable with market data which excludes these components.

7. Group operating and financial results²⁰

7.1. Consolidated revenues

In the year ended 29 February 2020, the Unieuro Group recorded revenues of Euro 2,444.9 million, up 16.2% compared with the figure of Euro 2,104.5 million of the previous year, a significant increase of Euro 340.4 million.

The excellent dynamics of revenues involved all sales channels and all categories, benefiting from the internal and external growth measures, as well as from the success of the “*Addams’ Black Friday*” promotional campaign and the strong commercial results of the Christmas season, which gave a substantial boost to the 18.7% growth in revenues in the fourth quarter.

The contribution of acquisitions made in the period in question and in the previous one stood at Euro 187.5 million thanks to the different scope of business as a result of the opening of 14 new former DPS and former Galimberti sales outlets opened in the second half of the year ended 28 February 2019 and the 12 former Pistone stores opened in March 2019.

The strong buoyancy of the online business, which reached close to Euro 300 million in sales, and the partnership concluded last year with Finiper, which signalled Unieuro's launch into large-scale retailing, further strengthened the positive dynamics of revenues.

The development of like-for-like revenues²¹ - or the comparison of sales with those of the previous year based on a standard scope of operations - was positive standing at +6.5%. 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 7.6%.

7.1.1. Consolidated revenues by channel

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019	%	2020 vs. 2019	%
<i>Retail</i>	1,708.6	69.9%	1,477.8	70.2%	230.8	15.6%
<i>Online</i>	297.1	12.2%	240.5	11.4%	56.6	23.5%
<i>Indirect</i>	263.2	10.8%	231.0	11.0%	32.1	13.9%
<i>B2B</i>	136.5	5.6%	121.7	5.8%	14.8	12.2%
<i>Travel</i>	39.6	1.6%	33.6	1.6%	6.0	17.9%
Total consolidated revenues by channel	2,444.9	100.0%	2,104.5	100.0%	340.4	16.2%

The Retail channel (69.9% of total revenues) - which at 29 February 2020 was composed of 237 direct sales outlets located in areas deemed commercially strategic and featuring different sizes in terms of area - recorded growth of 15.6%, Euro 1,708.6 million compared with Euro 1,477.8 million in the previous year, mainly thanks to the consolidation of the former Pistone stores and the

²⁰ To make it possible to compare the operating results, financial position and cash flows for the year ended 29 February 2020 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 12 "Changes to the accounting standards".

²¹ 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.

incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve months, as well as the very positive like-for-like performance of the stores.

The *Online*²¹ channel (12.2% of total revenues) was once again the channel with the greatest rate of growth thanks to the strong acceleration recorded in the fourth quarter (+40.0% compared with the corresponding period of the previous year), which pushed revenues to Euro 297.1 million, up 23.5% compared with the figure of Euro 240.5 million for the year ended 28 February 2019. The performance benefited in particular from the success of the commercial initiatives of the second half-year, in which the Black Friday campaign stands out and the acceleration of e-commerce recorded at the end of the year in response to the Covid-19 emergency.

The Indirect channel (10.8% of total revenues) - 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 261 sales outlets - recorded revenues of Euro 263.2 million, an increase of 13.9% compared with Euro 231.0 million in 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 La Grande i hypermarkets, which greatly offset the lower contribution from the network of affiliated stores, subject to rationalisation over the last twelve months.

The B2B channel²² (5.6% of total revenues) - 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 136.5 million, a rise of 12.2% compared with the figure of Euro 121.7 million of the previous year, with a strong recovery in the second half-year after the channel recorded a considerable fall in the first half-year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (1.6% of total revenues) - composed of 12 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations - recorded growth of 17.9% or Euro 39.6 million. The performance, although in the process of standardisation as a result of the disappearance of the scope effect, benefited from the incremental contribution of the Milan San Babila sales outlet, which opened in October 2018, and the good performance of the Turin store at the Porta Nuova station.

7.1.2. Consolidated revenues by category

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019	%	Δ	%
<i>Grey</i>	1,160.2	47.5%	992.9	47.2%	167.3	16.9%
<i>White</i>	684.0	28.0%	548.5	26.1%	135.4	24.7%
<i>Brown</i>	384.5	15.7%	367.9	17.5%	16.6	4.5%
Other products	113.9	4.7%	110.6	5.3%	3.3	2.9%
Services	102.3	4.2%	84.5	4.0%	17.8	21.1%
Total consolidated revenues by category	2,444.9	100.0%	2,104.5	100.0%	340.4	16.2%

Through its distribution channels the Group offers its customers a wide range of products -

²² For a better representation, supplies of business type goods were reclassified from the Online channel to the B2B channel.

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 (47.5% of total revenues) - or telephony, tablets, information technology, telephone accessories, photographic machinery, as well as all wearable technological products - generated sales of Euro 1,160.2 million, a 16.9% increase compared with Euro 992.9 million in the previous year thanks to the positive performance of the Telephony segment, supported in particular by several new smart phone models, as well as laptops as a result of a shift to 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 (28.0% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA), such as vacuum cleaners, kitchen robots, coffee machines as well as the climate control segment - recorded sales of Euro 684.0 million, growth of 24.7% compared with Euro 548.5 million in the previous year, impacted by a significant increase of 28.0% of revenues (+1.9%). 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 dryers, the ventilation sector and air conditioners, with sales helped by the hot weather in the summer

The *Brown* category (15.7% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories and memory systems - recorded total revenues of Euro 384.5 million, +4.5% compared with the figure of Euro 367.9 million in the previous year. The lower impact on total revenues, down compared with the previous figure of 17.5%, is mainly due to the sale of televisions, affected by the general fall in average market prices and the difficult comparison with 2018, which benefited from the boost given by the Football World Cup. The performance of the fourth quarter (+8.3%) showed an improvement compared with the first nine months of the year.

The *Other products* category (4.7% of total revenues) - which includes both the sales of the Entertainment sector and other products not included in the consumer electronics market such as hoverboards or bicycles - recorded consolidated revenues of Euro 113.9 million (+2.9%) driven by cooking accessories and tableware and the increasing success of the luggage sector.

The *Services* category (4.2% of total revenues) recorded growth of 21.1% of Euro 102.3 million, thanks to the expansion of the sales network and Unieuro's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

7.2. Consolidated operating profit²³

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

<i>(in millions and as a percentage of revenues)</i>	Year ended						Changes	
	29 February 2020			28 February 2019			Δ	%
	Adjusted amounts	%	Adjustments	Adjusted amounts	%	Adjustments		
Revenue	2,444.9			2,104.5			340.4	16.2%
Sales revenues	2,444.9			2,104.5			340.4	16.2%
Purchase of goods and Change in inventories	(1,924.6)	(78.7%)	3.2	(1,635.7)	(77.7%)	0.0	(288.9)	17.7%
Lease and rental expense	(77.4)	(3.2%)	0.2	(71.0)	(3.4%)	0.5	(6.4)	9.0%
Marketing costs	(50.6)	(2.1%)	2.4	(48.8)	(2.3%)	1.2	(1.8)	3.6%
Logistics costs	(68.1)	(2.8%)	1.0	(52.5)	(2.5%)	1.5	(15.6)	29.7%
Other costs	(64.3)	(2.6%)	3.2	(60.3)	(2.9%)	3.8	(4.0)	6.6%
Personnel costs	(184.1)	(7.5%)	1.3	(166.7)	(7.9%)	3.2	(17.4)	10.4%
Other operating income and costs	(2.5)	(0.1%)	(2.0)	(3.7)	(0.2%)	(1.6)	1.2	(33.5%)
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	8.8	0.4%	8.8	7.9	0.4%	7.9	0.9	11.4%
Consolidated Adjusted EBITDA	82.1	3.4%	18.1	73.6	3.5%	16.4	8.6	11.6%
Amortisation, depreciation and impairment losses	(29.1)	(1.2%)	0.0	(27.2)	(1.3%)	0.3	(1.8)	6.7%
Consolidated Adjusted EBIT	53.1	2.2%	18.1	46.3	2.2%	16.7	6.7	14.5%

The Consolidated Adjusted EBITDA for the year increased by 11.6%, or Euro 8.6 million, standing at Euro 82.1 million (Euro 73.6 million in the previous year ended 28 February 2019). The Adjusted EBITDA margin fell by 0.1% standing at 3.4%. 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 dynamics of the gross margin and increase in logistics costs. The latter recorded a structural increase related to the increase in volumes sold, in particular large appliances, and the increasing weight of home deliveries, as well as the temporary effect of the commissioning of the new Carini secondary logistics platform.

Consolidated Adjusted EBIT was Euro 53.1 million (Euro 46.3 million in the previous year ended 28 February 2019), an increase of Euro 6.7 million (+14.5%). The Adjusted EBIT margin was 2.2%,

²³ To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 29 February 2020 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 12 "Changes to the accounting standards".

unchanged compared with the previous year.

During the year costs for the purchase of goods and changes in inventories increased by Euro 288.9 million. The impact on consolidated revenues was 78.7% (77.7% in the previous year ended 28 February 2019), the gross margin was affected by the highly competitive consumer electronics market partly offset by an attentive commercial policy implemented by the Group.

Rental costs increased by Euro 6.4 million or around 9.0% 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 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 3.2% (3.4% in the previous year ended 28 February 2019).

Marketing costs increased by 3.6% compared with the previous year ended 28 February 2019. 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 fell to 2.1% at 29 February 2020 (2.3% in the period in the previous year).

Logistics costs increased by around Euro 15.6 million. The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery. The impact on consolidated revenues stood at 2.8% as at 29 February 2020 (2.5% in the corresponding period in the previous year).

The Other costs item rose by Euro 4.0 million compared with the previous year ended 28 February 2019. The performance is mainly due to the increase in operating costs that essentially refer to consumers, maintenance fees as a result of the expansion of the stores and the increase in the cost of collections through electronic methods of payment (cards, ATM, PayPal, etc.) as a result in the increase in sales volumes. The impact on consolidated revenues fell to 2.6% at 29 February 2020 (2.9% in the previous year).

Personnel costs show an increase of Euro 17.4 million, mainly attributable to an increase in the number of employees following the acquisition and opening of new stores. The impact on consolidated revenues fell to 7.5% at 29 February 2020 (7.9% in the previous year).

Other operating income and costs fell by Euro 1.2 million. The impact on consolidated revenues fell to 0.1% at 29 February 2020 (0.2% in the previous year). This item mainly includes costs associated with the running of the business such as waste disposal tax and taxes for advertising and promotional activities.

Amortisation, depreciation and write-downs of fixed assets in the year ended 29 February 2020 totalled Euro 29.1 million (Euro 27.2 million in the year ended 28 February 2019). 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 of Euro 0.3 million relate to the write-down of several assets in the old warehouse disposed of following the completion of the new logistics hub.

The reconciliation between Consolidated Adjusted EBITDA and consolidated EBITDA and between Consolidated Adjusted EBIT and the consolidated Net Operating Profit are reported in the

Consolidated Financial Statements.

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020		28 February 2019		Δ	%
		%		%		
Consolidated Adjusted EBITDA ²⁴	82.1	3.4%	73.6	3.5%	8.6	11.6%
Non-recurring expenses /(income)	(9.3)	(0.4%)	(8.4)	(0.4%)	(0.9)	10.3%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services ²⁵	(8.8)	(0.4%)	(7.9)	(0.4%)	(0.9)	11.4%
Gross Operating Profit	64.0	2.6%	57.2	2.7%	6.8	11.9%

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020		28 February 2019		Δ	%
		%		%		
Consolidated Adjusted EBIT	53.1	2.2%	46.3	2.2%	6.7	14.5%
Non-recurring expenses /(income)	(9.3)	(0.4%)	(8.4)	(0.4%)	(0.9)	10.3%
Revenues from extended warranty services net of related estimated future costs to provide the assistance service - change in the business model for directly managed assistance services	(8.8)	(0.4%)	(7.9)	(0.4%)	(0.9)	11.4%
Non-recurring depreciation, amortisation and write-downs of fixed assets	0.0	0.0%	(0.3)	(0.0%)	0.3	(100.0%)
Net Operating Income	34.9	1.4%	29.6	1.4%	5.3	17.8%

Non-recurring expense/(income) increased by Euro 0.9 million compared with the previous year ended 28 February 2019 and are explained, in detail, in paragraph 7.3.

The adjustment related to the change in business model for directly managed assistance services increased by Euro 0.9 million compared with the previous year ended 28 February 2019 as a result of the extension of the business model relating to the management of extended warranty services at sales outlets subject to acquisition.

²⁴ See note in the section “Main financial and operating indicators”.

²⁵ 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 years ended 29 February 2020 and 28 February 2019 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.

7.3. Non-recurring income and expenses

<i>(Amounts in millions of euros)</i>	Year ended		Changes	
	29 February 2020	28 February 2019	Δ	%
<i>Mergers & Acquisitions</i>	3.0	5.1	(2.1)	(40.3%)
Costs for pre-opening, relocating and closing sales outlets ²⁶	1.6	3.7	(2.0)	(55.2%)
Other non-recurring expenses	3.3	1.1	2.2	191.6%
Exceptional Accidental Events	1.3	(1.5)	2.8	(183.6%)
Total	9.3	8.4	0.9	10.3%

Non-recurring income and expense increased by Euro 0.9 million compared with the previous year ended 28 February 2019, excluding the impacts resulting from the Coronavirus pandemic equal to Euro 3.9 million, non-recurring income and expense fell by Euro 3.0 million.

The item relating to Merger & Acquisition costs was Euro 3.0 million in the year ended 29 February 2020 (Euro 5.1 million in the year ended 28 February 2019). 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 stood at Euro 1.6 million for the year ended 29 February 2020 (Euro 3.7 million in 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 28 February 2019 the item included the pre-opening costs of the new Piacenza logistics hub inaugurated on 12 October 2018.

Other non-recurring income and expense totalled Euro 3.3 million in the year ended 29 February 2020 (Euro 1.1 million in the previous year). These costs mainly relate to extraordinary provisions with reference to disputes relating to a failing supplier with requests received from third-parties which hold Unieuro jointly and severally liable for the costs incurred under the scope of the brand purpose generation project for the implementation of Unieuro's first social activism campaign against cyberbullying

Expenses for exceptional accidental events stands at Euro 1.3 million in the year ended 29 February 2020 (Euro -1.5 million in the year ended 28 February 2019). This item includes the impacts on the estimates resulting from the Coronavirus pandemic reflected in the figures in the financial statements for the year ended 29 February 2020 and due to the possibility of recovering receivables and valuation of inventories for Euro 3.9 million and the income relating to the insurance payment received relating to the theft in August 2017 at the Piacenza warehouse for Euro 2.6 million, last year the item included the compensation received relating to the fire that took place on 25 February 2017 at the Oderzo (TV) sales outlet.

²⁶ 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.

7.4. Net profit (loss)²⁷

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

<i>(in millions and as a percentage of revenues)</i>	Year ended						Changes	
	29 February 2020			28 February 2019			Δ	%
	Adjusted amounts	%	Adjustments	Adjusted amounts	%	Adjustments		
Consolidated Adjusted EBIT	53.1	2.2%	18.1	46.3	2.2%	16.7	6.7	14.5%
Financial income and expenses	(3.8)	(0.2%)	0.0	(4.2)	(0.2%)	(1.5)	0.4	(8.4%)
Income taxes ²⁸	(3.6)	(0.1%)	(1.6)	0.5	0.0%	(1.4)	(4.1)	(755.0%)
Adjusted Consolidated Profit/(loss) for the year	45.7	1.9%	16.6	42.7	2.0%	13.8	3.0	7.0%

Net financial expenses in the year ended 29 February 2020 totalled Euro 3.8 million (Euro 4.2 million in the previous year ended 28 February 2019). The decrease is mainly attributable to the savings in financial expenses achieved following the optimisation of the cash flow management. The adjustments in the year ended 28 February 2019 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 year ended 29 February 2020, stood at a negative Euro 3.6 million (a positive Euro 0.5 million in the previous year ended 28 February 2019). Note that IRES tax losses, which were still available resulting from the tax estimate made during the closure of the financial statements as at 29 February 2020, totalled Euro 345.8 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.

The Adjusted Consolidated Profit/(Loss) for the year was Euro 45.7 million (Euro 42.7 million in the previous year ended 28 February 2019), the positive performance was due to the increase in Adjusted EBIT and the savings in net financial expense partly offset by the increase in depreciation and amortisation.

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

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019	%	Δ	%
Adjusted Consolidated Profit/(loss) for the year	45.7	1.9%	42.7	2.0%	3.0	7.0%
Non-recurring expenses/income	(9.3)	(0.4%)	(8.4)	(0.4%)	(0.9)	10.3%

²⁷ To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 29 February 2020 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 12 "Changes to the accounting standards".

²⁸ The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7% as at 29 February 2020 and 28 February 2019, 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%.

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	(8.8)	(0.4%)	(7.9)	(0.4%)	(0.9)	11.4%
Non-recurring depreciation, amortisation and write-downs of fixed assets	-	0.0%	(0.3)	0.0%	0.3	100.0%
Non-recurring financial expense /(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	1.6	0.1%	1.4	0.1%	0.2	14.3%
Consolidated Profit/(loss) for the year	29.1	1.2%	28.9	1.4%	0.2	0.7%

7.5. Cash flows

7.5.1. Consolidated Adjusted Levered Free Cash Flow²⁹⁻³⁰

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)	Year ended		Changes	
	29 February 2020	28 February 2019	Δ	%
Consolidated Operating Profit	64.0	57.2	6.8	11.9%
Cash flow generated /(used) by operating activities ³¹	19.7	27.8	(8.1)	(29.2%)
Taxes paid	(3.7)	(0.7)	(2.9)	396.2%
Interest paid	(3.1)	(3.2)	0.1	(3.7%)
Other changes	1.4	1.3	0.1	9.1%
Consolidated Net cash flow generated /(used) by operating activities³²	78.3	82.3	(4.0)	(4.9%)
Investments ³³	(27.8)	(32.1)	4.3	(13.4%)
Investments for business combinations and business units	(12.0)	(5.6)	(6.4)	114.1%
Adjustment for non-recurring investments	15.5	17.0	(1.5)	(8.7%)
Non-recurring expenses /(income)	9.3	8.4	0.9	10.7%
Adjustment for non-cash components of non-recurring (expenses)/income	(4.9)	0.3	(5.2)	(1,663.6%)
Other non-recurring cash flows	(1.5)	(0.8)	(0.7)	90.1%
Theoretical tax impact of the above entries ³⁴	(0.4)	(0.8)	0.4	(50.7%)
Consolidated Adjusted levered free cash flow	56.5	68.7	(12.2)	(17.7%)

The Consolidated net cash flow generated/(absorbed) by operating activities was a positive figure of Euro 78.3 million (a positive figure of Euro 82.3 million in the year ended 28 February 2019). Cash generation is related to the good operating performance of the Group, offset by the net working capital which recorded an increase in trade receivables and higher taxes paid in the year of Euro 3.7 million (Euro 0.7 million in the previous year ended 28 February 2019).

Investments made and paid for in the period stood at Euro 27.8 million in the year ended 29 February 2020 (Euro 32.1 million in the previous year ended 28 February 2019), mainly attributable to: (i) operations for the development of the internal and external 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 applications with a view to the improvement of the infrastructure, digitalisation of stores and the launch of advanced functions for online platform with

²⁹ See note in the section “Main financial and operating indicators”.

³⁰ To make it possible to compare the operating results, financial position and cash flows for the year ended 29 February 2020 with the corresponding 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 12 “Changes to the accounting standards”.

³¹ 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.

³² The item “Consolidated net cash flow generated/(used) by operating activities” refers to cash generated by operating activities in a broad sense net of outlays for interest and taxes and adjusted for non-cash effects of balance sheet changes included in the item “Cash flow generated/(used) by operating activities.”

³³ For a better representation the item includes the share of net investments paid in the period.

³⁴ The theoretical rate deemed appropriate by management is 8.7% at 29 February 2020 and 28 February 2019, 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%.

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

Investments for business combinations and business units of Euro 12.0 million in the year ended 29 February 2020 (Euro 5.6 million in the previous year ended 28 February 2019) 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 15.5 million are considered non-recurring (Euro 17.0 million in the previous year ended 28 February 2019) 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 year.

The adjustment for non-monetary components of non-recurring expense/(income) of Euro 4.9 million, is mainly composed of the impacts on the estimates resulting from the Coronavirus pandemic reflected in the figures for the financial statements for the year ended 29 February 2020 mainly due to the possibility of recovering receivables and the valuation of inventories and the insurance payment relating to the theft that took place in August 2017 at the Piacenza warehouse; these components have not yet been reflected financially at the year-end.

Other non-recurring operating cash flows of Euro 1.5 million refer to the collection of the insurance payment for direct damage in relation to the fire at the Oderzo store that took place on 25 February 2017.

Below are the main changes recorded in the Group's net financial debt during the years ending 29 February 2020 and 28 February 2019:

<i>(Amounts in millions of euros)</i>	Year ended		Changes	
	29 February 2020	28 February 2019	Δ	%
Operating profit	64.0	57.2	6.8	11.9%
Cash flow generated /(used) by operating activities	19.7	27.8	(8.3)	(29.2%)
Taxes paid	(3.7)	(0.7)	(2.9)	(396.2%)
Interest paid	(3.1)	(3.2)	0.1	(3.7%)
Other changes	1.4	1.3	0.1	9.1%
Net cash flow generated/(absorbed) by operating activities	78.3	82.3	(4.0)	(4.9%)
Investments	(27.8)	(32.1)	4.3	(13.4%)
Investments for business combinations and business units	(12.0)	(5.6)	(6.4)	114.1%
Distribution of dividends	(21.4)	(20.0)	(1.4)	7.0%
Payables from the acquisition of business units	(7.2)	0.0	(7.2)	100.0%
Other changes	(0.7)	0.4	(1.1)	(283.5%)
Change in net financial debt	9.1	25.0	(15.9)	(63.5%)

8. Statement of Financial Position³⁵

Below is a detailed breakdown of the Group's net working capital and net invested capital as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in millions of euros)</i>	Year ended	
	29 February 2020	28 February 2019
Trade receivables	51.3	41.3
Inventories	369.8	362.3
Trade payables	(479.6)	(468.5)
Net operating working capital	(58.5)	(64.8)
Other working capital items	(203.2)	(169.8)
Net working capital	(261.7)	(234.6)
Non-current assets	159.8	150.9
Goodwill	195.2	178.0
Non-current liabilities	(23.2)	(23.9)
Net invested capital	70.1	70.4
Net financial debt	29.6	20.5
Shareholders' equity	(99.7)	(90.9)
Total shareholders' equity and financial liabilities	(70.1)	(70.4)

The Group's Net Working Capital as at 29 February 2020 was negative by Euro 58.5 million (negative by Euro 64.8 million as at 28 February 2019). The increase in trade receivables is related to the different collection timetables compared with the previous financial year. The growth of inventories and trade payables is related to the expansion of stores as a result of the acquisitions and openings that took place in the last twelve months.

The Net Invested Capital of the Group stood at Euro 70.1 million as at 29 February 2020, decrease Euro 0.3 million compared with 28 February 2019. The change is mainly attributable to: (i) the decrease in the Group's net working capital of Euro 27.2 million and (ii) investments excluding depreciation and amortisation of Euro 26.1 million due to goodwill 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 stood at Euro 99.7 million at 29 February 2020 (Euro 90.9 million at 28 February 2019), with the increase mainly caused by the recording of the positive result for the year and the accounting of the reserve for share-based payments relating to the Long Term Incentive Plan³⁶ reserved for some managers and employees partly offset by the distribution of the dividend of Euro

³⁵ To make it possible to compare the operating results, financial position and cash flows for the year ended 29 February 2020 with the corresponding 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 12 "Changes to the accounting standards".

³⁶ 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.

21.4 million approved on 18 June 2019 by the Shareholders' Meeting.

Below is a detailed breakdown of the Group's net financial debt at 29 February 2020 and 28 February 2019 in accordance with Consob Communication 6064293 of 28 July 2006 and in compliance with ESMA Recommendations 2013/319:

<i>(Amounts in millions of euros)</i>	Year ended		Changes	
	29 February 2020	28 February 2019	Δ	%
(A) Cash	96.7	84.5	12.2	14.5%
(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)	96.7	84.5	12.2	14.5%
- of which is subject to a pledge	0.0	0.0	0.0	0.0%
(E) Current financial receivables	0.0	0.0	0.0	0.0%
(F) Current bank payables	(0.1)	(3.0)	2.9	(95.0%)
(G) Current part of non-current debt	(9.5)	(9.5)	0.0	(0.4%)
(H) Other current financial payables	(12.3)	(7.6)	(4.8)	62.7%
(I) Current financial debt (F)+(G)+(H)	(21.9)	(20.1)	(1.7)	8.5%
- of which is secured	0.0	0.0	0.0	0.0%
- of which is unsecured	(21.9)	(20.1)	(1.7)	8.5%
(J) Net current financial position (I)+(E)+(D)	74.9	64.5	10.4	16.1%
(K) Non-current bank payables	(31.6)	(31.1)	(0.5)	1.7%
(L) Issued bonds	0.0	0.0	0.0	
(M) Other non-current financial payables	(13.6)	(12.8)	(0.8)	6.6%
(N) Non-current financial debt (K)+(L)+(M)	(45.3)	(43.9)	(1.4)	3.1%
- of which is secured	0.0	0.0	0.0	0.0%
- of which is unsecured	(45.3)	(43.9)	(1.4)	3.1%
(O) (Net financial debt) / Net cash (J)+(N)	29.6	20.5	9.1	44.6%

Net cash increased by Euro 9.1 million compared with 28 February 2019, creating a positive cash position by Euro 29.6 million as at 29 February 2020.

The combined effect of the following is mainly underlying cash dynamics: (i) the generation of cash from operating activities of Euro 78.3 million, (ii) investments of Euro 27.8 million due in particular to the costs incurred for operations for the development of the direct stores network and the refurbishment of existing stores 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, (iii) the distribution of dividends of Euro 21.4 million approved by the Shareholders' Meeting on 18 June 2019, (iv) 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 12.0 million and (v) the net increase in payables for investments in business combinations of Euro 7.2 million, which refer to the payable to Pistone S.p.A., remaining at 29 February 2020, excluding the payment made in the period regarding the above transactions.

Gross financial debt totalled Euro 67.1 million, of which Euro 45.3 million was medium-/long-term and Euro 21.9 million was short-term.

9. Performance of the parent company Unieuro³⁷

The Unieuro S.P.A. reclassified Income Statement as at 29 February 2020 is illustrated below:

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019	%	Δ	%
Revenue	2,425.9		2,079.1		346.7	16.7%
Gross Operating Profit	72.9	3.0%	59.9	2.9%	12.9	21.6%
<i>Non-recurring expenses/(income)</i>	6.7	0.3%	7.7	0.4%	(1.0)	(13.0)%
<i>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</i>	6.2	0.3%	7.9	0.4%	(1.8)	(22.1)%
Adjusted EBITDA	85.8	3.5%	75.6	3.6%	10.2	13.5%
Depreciation, amortisation and write-downs	(27.1)	(1.1)%	(29.9)	(1.4)%	2.7	(9.2)%
Non recurring depreciation, amortisation and write-downs	0.0	0.0%	3.5	0.2%	(3.5)	(100.0)%
Adjusted EBIT	58.6	2.4%	49.2	2.4%	9.4	19.2%
Net financial income/(expense)	(3.8)	(0.2)%	(3.0)	(0.1)%	(0.8)	28.0%
Non-recurring financial expense/(income)	0,0	0,0%	(1,5)	(0,1)%	1,5	(100,0)%
Income taxes	(2,7)	(0,1)%	1,1	0,1%	(3,8)	(355,8)%
<i>Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income) and the change in the business model</i>	(1,1)	(0,0)%	(1,6)	(0,1)%	0,5	(29,6)%
Adjusted Net Income	51,0	2,1%	44,2	2,1%	6,8	15,4%
<i>Non-recurring expenses/(income), non-recurring financial expenses/(income), non-recurring depreciation, amortisation and write-downs</i>	(6,7)	(0,3)%	(9,7)	(0,5)%	3,0	(30,9)%
<i>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</i>	(6,2)	(0,3)%	(7,9)	(0,4)%	1,8	(22,1)%
<i>Theoretical tax impact from taxes on non-recurring expenses/(income), non-recurring financial expenses/(income) and the change in business model,</i>	1,1	0,0%	1,6	0,1%	(0,5)	(29,6)%
Profit/(loss) for the year	39.2	1.6%	28.2	1.4%	11.1	39.3%

Unieuro revenues for the financial year ended 29 February 2020 stood at Euro 2,425.9 million, an increase of 16.7% compared with Euro 2,079.1 million recorded in the financial year ended 28 February 2019; the excellent dynamics of revenues involved all sales channels and all categories, also benefiting from internal and external growth actions, as well as the success of the “Addams’ Black Friday” promotional campaign and the strong commercial results of the Christmas season.

The higher revenues, together with the continuous attention to the cost structure, allowed the achievement of an Adjusted EBITDA of Euro 85.8 million in the year ended 29 February 2020, up 13.5% compared with Euro 75.6 million in the year ended 28 February 2019. Adjusted EBIT rose by 19.2% or Euro 58.6 million in the year ended 29 February 2020 compared with Euro 49.2 million in the year ended 28 February 2019.

³⁷ To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 29 February 2020 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 12 “Changes to the accounting standards”.

Adjusted Profit/(loss) for the year amounted to Euro 51.0 million in the year ended 29 February 2020 (Euro 44.2 million in the year ended 28 February 2019), representing 2.1% of revenues; the increase in Adjusted Profit/(loss) for the year was due to the positive performance of operations, the lower depreciation and amortisation for the year and the improvement in financial management compared with the same period of the previous year.

As at 29 February 2020, the (Net Financial Debt)/Net Cash before IFRS 16 amounted to Euro 13.1 million (Euro 13.4 million as at 28 February 2019). The change recorded in the year, of Euro 0.3 million, is mainly due to the combined effect of the cash generation created by operating activities partly offset by the distribution of dividends of Euro 21.4 million approved by the Shareholders' Meeting on 18 June 2019 and the payments relating to the former Pistone S.p.A. transaction, the payment of the instalments due relating to the purchase of the former Cerioni S.p.A. business unit and the equity investment in Monclick S.r.l. of Euro 12.0 million.

10. Reconciliation statement of shareholders' equity and net result of the parent company with shareholders' equity and net result pertaining to the group³⁸

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 29 February 2020 is illustrated below:

<i>(Amounts in millions of euros)</i>	Shareholders' equity at 29 February 2020	Net profit (loss) at 29 February 2020
Balances from the Parent Company's Financial Statements	106.7	39.2
Difference between the carrying amount of equity investments and the profit/(loss) for the year	(21.3)	(13.1)
Allocation of goodwill, brand, software and customer list, excluding the tax effect	10.8	(0.6)
Shareholders' equity and profit/(loss) for the year from the Consolidated Financial Statements	96.2	25.6

³⁸ To make it possible to compare the operating results, financial position and cash flows for the first three months ended as at 29 February 2020 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 12 "Changes to the accounting standards".

11. Investments³⁹

Investments made and paid for in the period stood at Euro 27.8 million in the year ended 29 February 2020 (Euro 32.1 million in the previous year ended 28 February 2019), mainly attributable to: (i) operations for the development of the internal and external 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 applications with a view to the improvement of the infrastructure, 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.

For more details, refer to notes 5.1 "Plant, machinery, equipment and other assets" and 5.3 "Intangible assets with a finite useful life" in the Consolidated Financial Statements.

³⁹ To make it possible to compare the operating results, financial position and cash flows for the year ended 29 February 2020 with the corresponding 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 12 "Changes to the accounting standards".

12. Changes to the accounting standards

The Group adopted IFRS 16 from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. 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*”.

The application of IFRS 16 had a material impact on the Group's Consolidated Financial Statements by virtue of the operating activities related to the network of retail stores which is a prominent part of the business.

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.

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

The weighted average of the tax applied is equal to 2.1%.

For contracts that involve a renewal option at the end of the period that cannot be cancelled, the Group has chosen, based on historical evidence and on the business development plans, to consider, not only the period that cannot be cancelled, but also the period subject to the renewal option, unless there are any business plans to dispose of the leased assets, as well as clear valuations that lead them to reasonably believe the renewal option should not be exercised.

For contracts with renewal options that are exercised automatically at the end of the period that cannot be cancelled, the duration considered is the maximum one, usually beyond the time horizon covered by the Group business plan.

Impact on the main items of the consolidated income statement and the consolidated statement of financial position for the year ended 29 February 2020

<i>(Amounts in millions of euros)</i>	29 February 2020	Impact	29 February 2020
	a	IFRS 16	IFRS 16
		b	a+b
Revenue	2,444.9	--	2,444.9
Other income	6.8	(1.7)	5.1
TOTAL REVENUE AND INCOME	2,451.7	(1.7)	2,450.0
Purchases of materials and external services	(2,202.5)	67.1	(2,135.4)
Personnel costs	(185.4)	--	(185.4)
Changes in inventory	7.4	--	7.4
Other operating costs and expenses	(7.3)	--	(7.3)
GROSS OPERATING PROFIT	64.0	65.4	129.4
Amortisation, depreciation and impairment losses	(29.1)	(59.7)	(88.8)
NET OPERATING PROFIT	34.9	5.7	40.6
Financial income	0.1	--	0.1
Financial expenses	(3.9)	(10.4)	(14.3)
PROFIT BEFORE TAX	31.1	(4.7)	26.4
Income taxes	(2.0)	1.2	(0.8)
PROFIT/(LOSS) FOR THE PERIOD	29.1	(3.5)	25.6

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 65.4 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 29 February 2020 are given below.

<i>(Amounts in millions of euros)</i>	29 February 2020	Impact	29 February 2020
	a	IFRS 16	IFRS 16
		b	a+b
Plant, machinery, equipment and other assets	84.7	-	84.7
Goodwill	195.2	-	195.2
Intangible assets with a finite useful life	34.7	(7.4)	27.2
Assets for rights of use	-	478.3	478.3
Deferred tax assets	37.4	1.2	38.6
Other non-current assets	3.0	8.9	11.9
Total non-current assets	355.0	481.0	836.0
Inventories	369.8	-	369.8
Trade receivables	51.3	-	51.3
Current tax assets	-	-	-
Other current assets	24.3	1.1	25.4
Cash and cash equivalents	96.7	-	96.7
Total current assets	542.1	1.1	543.1
Total assets	897.1	482.0	1,379.24
Share capital	4.0	-	4.0
Reserves	38.3	-	38.3
Profit/(loss) carried forward	57.4	(3.5)	34.8
Profit/(Loss) of third parties	-	-	-
Total shareholders' equity	99.7	(3.5)	96.
Financial liabilities	31.6	-	31.6
Employee benefits	12.0	-	12.0
Other financial liabilities	13.6	430.9	444.5
Provisions	7.7	1.0	8.7
Deferred tax liabilities	3.5	-	3.5
Other non-current liabilities	0.0	-	0.0
Total non-current liabilities	68.5	431.9	500.3
Financial liabilities	9.5	-	9.5
Other financial liabilities	12.3	57.1	69.4
Trade payables	479.6	-	479.6
Current tax liabilities	1.4	-	1.4
Provisions	1.2	-	1.2
Other current liabilities	224.8	(3.4)	221.4
Total current liabilities	728.0	53.7	782.7
Total liabilities and shareholders' equity	897.1	482.0	1,379.2

IFRS 16 introduces a unique accounting model for leases 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. Assets for rights of use according to the provisions of IFRS 16 includes the amount of the payable initially recorded as the leasing liability, any initial direct costs incurred by the tenant (e.g. key money) and an estimate of the costs that should be incurred by the tenant for the dismantling or removal of the asset.

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

<i>(Amounts in millions of euros)</i>	29 February
	2020
Net financial debt - IAS 17	29.6
Current financial receivables - IFRS 16	1.4
Non-current financial receivables - IFRS 16	8.9
Other current financial payables - IFRS 16	(57.1)

Other non-current financial payables - IFRS 16	(430.9)
Net financial debt - IFRS 16	(448.0)

The weighted average of the tax applied at the first-time application date is 2.1%.

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".

13. Coronavirus epidemic

The Coronavirus (or "Covid-19") epidemic had its first epicenter in Wuhan, China, and was first reported by Chinese national authorities to the World Health Organization ("WHO") on 30 December 2019. On 30 January 2020, the WHO declared the Covid-19 outbreak a global health emergency and the measures taken by many national governments followed this announcement.

In the second half of February, the first sporadic full-blown cases of Covid-19 in Italy marked the start of a second phase of the epidemic, with a rapid escalation as it spread in Europe.

The WHO later announced, on 11 March 2020, that the Coronavirus health emergency has assumed the proportions of a pandemic given the increasing spread of the virus in Europe, its rapid emergence in the United States, as well as the first outbreaks in Latin America and Africa.

In order to curb the effects of the contagion the Italian authorities adopted increasingly stringent containment measures, first locally and then nationally. For the Group, the succession of regional ordinances and national decrees led to the need, from the outset of the emergency, to adapt to the measures gradually being prescribed.

From the end of February, the Group provided office staff with the IT equipment for working remotely and later recommended that all office staff should adopt this way of working.

On 14 March 2020, Unieuro, in accordance with the need to protect the health of its customers and collaborators, announced the closure of the entire network of direct stores.

From 30 March 2020, the Company launched the reopening of a significant number of direct sales outlets for customers to be able to make urgent, necessary purchases according to the Prime Ministerial Decree of 11 March 2020, subsequently amended.

The operating management of the Group is ensured, primarily, thanks to: (i) the implementation of measures to protect the health and safety of employees at the logistics centres and in the stores; in particular their temperatures are taken at the start of their shift and they are given the necessary Personal Protective Equipment to safely carry out their duties, specifically masks, disposable gloves and sanitizer gel. Furthermore, Unieuro has taken out health insurance that protects all 5,000 employees in the event of a Covid-19 infection; (ii) the adoption of procedures designed to prevent and/or mitigate the effects of the contagion for customers, specifically the entrances of the sales outlets are rigorously monitored and the number of customers inside the stores cannot exceed the number of staff; cast-iron health measures have also been adopted, including daily deep-cleaning of premises and compliance with social distancing and (iii) the introduction of smart working for office staff which, thanks to the investments in digitalisation, makes remote working efficient and effective.

The situation of the sales channels at the date of this report is as follows:

- Retail Channel: direct stores are serving end users for the most urgent, necessary purchases according to the provisions in force, supporting sales to branches, B2B customers and web customer home deliveries. Revenues from the Retail channel in March and April 2020 were particularly affected by the closure and subsequent reopening of stores.
- Online Channel: the unieuro.it platform and the monclick.it website are fully operational and are recording a greatly increasing number of orders, also thanks to the refocusing of marketing activities, both mainstream and digital, on the Company's e-commerce activities.

- Indirect Channel: the majority of affiliated sales outlets, specifically in central and southern Italy, are open and operating, in compliance with the measures currently in force.
- B2B Channel: activities are continuing as normal.

The Group has adopted measures to mitigate the actual and potential impacts of the Covid-19 on its financial situation and economic performance that essentially relate to the dimensional analysis reported below:

Revenue

The interventions have mainly involved the upgrading of the Online channel while awaiting the return of the physical channels to full operation. In-store traffic has dropped drastically due to restrictions on the movement of people and social distancing regulations, which are particularly penalising shops located outside city centres, large shopping centres and shopping parks.

Unieuro's strategy, which has always been oriented towards customer proximity and not focused on specific store formats, has made it possible to limit the impact of these macrotrends and is contributing to the slow but steady improvement in revenues in the Retail Channel. On the other hand, e-commerce has benefited greatly from the current situation, allowing operators who had positioned themselves on the digital channel in good time to at least partially offset the drop in sales in physical stores.

Cost structure

Personnel costs: In the short-term actions have been launched aimed at processing previous holidays and leave; following the activation of the measures implemented by the government the exceptional wage guarantee fund was launched. The entire corporate management waived part of their remuneration as a gesture of solidarity to the corporate population.

Rental fees: discussions are ongoing, both directly and at the level of trade associations, to mitigate the economic and financial impact in order to renegotiate both payment deadlines and to obtain fee reductions, in the light of the current emergency measures.

Operating costs: initiatives have been launched aimed at keeping the purchases of goods and services not deemed strictly necessary to a minimum, both at the level of sales outlets and at corporate level.

Investments and acquisitions

Investment activities that can be deferred, with special reference to those related to the network of stores, have temporarily been suspended and will be rescheduled once the state of emergency is over.

Financial situation

Measures have been implemented designed to preserve and strengthen the solidity of the business: Unieuro can, in any event, count on committed lines of credit to support operations, as well as bilateral lines taken out with leading credit institutions. Negotiations are also in progress with the major commercial partners in order to optimise cash flows from the Group's operating working capital. The Group has more than 125 million lines available, mainly "committed" lines, which it has partially rolled out in advance. At the date of this Report, the liquidity corresponding to the draw-downs made is still available.

The limited operation of physical stores, compulsory or voluntary, together with the social distancing measures adopted in response to the pandemic will have a significant adverse effect on network traffic

and revenues, with special reference to the first quarter of the financial year that will end at 28 February 2021. Alongside this, e-commerce will gain an advantage from the situation that has been created, accelerating the development of the channel mix already in progress. The cost-cutting actions in place, recourse to social safety nets, together with lower costs for services and rental will be the main elements supporting profitability.

Specifically, the Group expects an impact related to the Covid-19 pandemic especially in relation to the first part of FY21 and a gradual recovery of business in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors.

The WHO's declaration of global health emergency on 30 January 2020 also determined the need for the Group to consider the estimated effects of Covid-19 for the purposes of the assessments for the preparation of the financial statements at 29 February 2020, as commented below.

In order to measure any effects of the pandemic in terms of the recoverability of its assets, including goodwill, and on the Group's financial position, corporate management has prepared: (i) an economic and financial projection for the financial year 2020/2021 based on the most recent information available; (ii) an impairment test of the Cash Generating Units ("CGUs") to which goodwill has been allocated, prepared on the basis of the cash flows deriving from the updated business plan as a result of the new 2020/2021 projection, and a sensitivity analysis on the EBIT of the individual CGUCGUs (Retail, Indirect and B2B), assuming a 20% reduction in EBIT for all the years of the business plan, not identifying indicators of impairment and therefore of recoverability of the goodwill recognised (for more details see paragraph 5. 2.1 Impairment test of the Consolidated Financial Statements); (iii) a short-term cash flow projection with which it verified the adequacy of the available resources and the actions taken to meet the scenarios currently foreseeable. The results of these analyses were obtained without reflecting in the projection the possible recourse to the guaranteed financial instruments granted by the recent legislation introduced by the Italian Government (so-called Liquidity Decree). The above analysis for the year 2020/2021 does not show any criticality for the repayment of contractually agreed financial liabilities (equal to Euro 21.8 million); and (iv) an analysis of the impact on financial statement estimates resulting from the Covid-19 epidemic and attributable mainly to the recoverability of receivables and the valuation of inventories, for which specific writedowns of 3.9 million euros were recognized.

Taking into account the positive results of the above mentioned analyses and assessments, it should be noted that, despite the uncertainty of the current context due to the spread of the Covid-19 pandemic and aware of the risks involved and the difficulties in predicting with a sufficient degree of reliability the duration and extent of the current crisis, the Group has not identified any critical issues in relation to the going concern assumption.

Based on the information currently available, in an ever-changing scenario, the macro economic and business variables are also constantly being monitored to have the best estimate of the potential impacts on the Group available in real time and to enable them to be mitigated with response/contingency plans.

14. Corporate governance and ownership structures

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

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

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

Based on the information currently available, the major shareholders of Unieuro are Alfa S.r.l. (Dixons Carphone plc) with 7.2%, the asset management company Amundi Asset Management with 5.6%, several shareholders from the Silvestrini Family who, in total, own 5.6% and, lastly, several Unieuro top managers who own 2%⁴⁰.

⁴⁰ Sources: Consob; reworking of the shareholders' register at 1 August 2019

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

The tables below summarise the Group's credit and debt relations with related parties as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>							
Credit and debt relations with related-parties (as at 29 February 2020)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>							
Other current liabilities	-	(65)	(139)	(2,145)	(2,349)	221,428	(1.1%)
Total	-	(65)	(139)	(2,145)	(2,349)		

<i>(Amounts in thousands of Euros)</i>							
Credit and debt relations with related-parties (as at 28 February 2019)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 28 February 2019</i>							
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 with related parties as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>							
Economic relations with related parties (as at 29 February 2020)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>							
Purchases of materials and external services	(278)	(96)	(524)	-	(898)	(2,135,414)	0.0%
Personnel costs	-	-	-	(5,323)	(5,323)	(185,407)	2.9%
Total	(278)	(96)	(524)	(5,323)	(6,221)		

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

With regard to the periods under consideration, creditor/debtor 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 29 February 2020	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 Officer - Bruna Olivieri	Chief Omnichannel Officer - Bruna Olivieri
Chief Operations Officer - Luigi Fusco	Chief Operations Officer - 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 29 February 2020 and as at 28 February 2019:

Type	Related parties					Total	Total balance sheet item	Impact on balance sheet item
	Pallacanestro Forlì 2.015 s.a r.l.	Italian Electronics Holdings	Statutory Auditors	Board of Directors	Main managers			
Period from 1 March 2018 to 28 February 2019								
Net cash flow generated/(absorbed) by operating activities	(262)		(76)	(647)	(2,815)	(3,800)	82,312	-4.6%
Cash flow generated/(absorbed) by financing activities		(6,760)				(6,760)	(21,504)	31.4%
Total	(262)	(6,760)	(76)	(647)	(2,815)			
Period from 1 March 2019 to 29 February 2020								
Net cash flow generated/(absorbed) by operating activities	278		(127)	(618)	(3,428)	(4,451)	132,743	(3.4)%
Total	278	0	(127)	(618)	(3,428)			

16. Information on corporate bodies

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

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

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

16.1 Stock option plans

Long-Term Incentive Plan

On 6 February 2017, the Extraordinary Shareholders' Meeting of Unieuro approved the adoption of a stock option plan (the "Plan" or "Long-Term Incentive Plan" or "LTIP") reserved for Executive Directors, associates and employees (executives and others) of Unieuro. The Plan calls for assigning ordinary shares derived from a capital increase with no option rights pursuant to Art. 2441, paragraphs 5 and 8 of the Italian Civil Code approved by Unieuro's Shareholders' Meeting on the same date.

The Plan specifies the following objectives: (i) to focus the attention of people covered by the plan on matters of strategic importance to Unieuro, (ii) to increase loyalty among people covered by the plan and incentivise them to remain with Unieuro, (iii) to increase the competitiveness of the company by identifying medium-term objectives and promoting the creation of value both for Unieuro and its shareholders and (iv) to ensure that the overall remuneration of the people covered by the plan remains competitive on the market.

The implementation and definition of specific features of the 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 judgement 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:
 - o in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;
 - o if 85% of the expected results are achieved, only half the options will be eligible for exercise;
 - o 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%;
 - o 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 Long Term Incentive Plan until completion of the vesting period (29 February 2020) with the exercise of company rights pertaining to the Shares obtained during that year with the exercise of Subscription Rights
- *Duration*: the Plan covers a time horizon of five years, from 31 July 2020 to 31 July 2025.

The cost for the Long-Term Incentive Plan included in the financial statements as at 28 February 2019 was Euro 2.4 million.

16.2 Treasury shares and holding Unieuro shares

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

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

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

18. Staff-related information

Composition of workforce

Below is a breakdown of employees by classification.

29 February 2020

28 February 2019

	Unieuro S.p.A.	Monclick S.r.l.	Carini Retail S.r.l.	Unieuro S.p.A.	Monclick S.r.l.
Executives	24	1	-	23	1
Middle managers	54	-	-	52	-
Office workers	4,535	36	226	4,546	34
Manual workers	1	-	90	1	-
Apprentices	66	-	1	51	-
Total	4,680	37	317	4,673	35

Gender equality and work environment

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

Search and selection

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

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

Training, organisation and compensation policies

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

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

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

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

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

Protection of health and safety

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

19. Management and coordination activities

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

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

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

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

20.1 Strategic and operational risks

The main strategic and operational risks to which the Group is exposed are:

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

Risks associated with the Covid-19 health emergency

From 21 February 2020, the outbreak of the Covid-19 pandemic started to be felt in northern Italy, spreading in a matter of a few weeks and prompting the authorities to adopt increasingly more stringent containment measures. For Unieuro, the succession of regional ordinances and national decrees required it to adapt to the progressive measures recommended to protect the safety of all co-workers and customers and mitigate the negative effects on the business.

The Unieuro Group is exposed to the risks associated with a reduction in turnover and a worsening of the channel mix resulting from the current ongoing health emergency which could have negative effects on the Group's income statement, cash flows and balance sheet. For more details see paragraph 13 Coronavirus Epidemia.

Risks connected with the economic situation and dependence on the Italian market: The Unieuro Group is exposed to the risk of a potential reduction in future revenues resulting from the limited purchasing power of the average consumer due to any continuing phenomena of an economic recession.

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

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

Risks associated with the management of directly managed sales outlets: The Unieuro Group is exposed to the risk of having to compete with the pricing offered by other competing companies when

renewing agreements for directly operated sales outlets. In addition, there is also a draft law for the Sunday closing of stores which could have repercussions on the number of visitors and therefore the turnover of the Unieuro Group.

Risks associated with sales outlets that are not directly operated and relations with affiliates:

The Unieuro Group is exposed to the risk of losing commercial relationships with its affiliates and/or the deterioration of their pricing that could result in a reduction in related revenues.

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

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

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

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

Risks associated with supplier relations: The Unieuro Group is exposed to the risk of potential problems in the management of trade relations with its suppliers. Most suppliers the Group relies on establish a maximum limit of credit available to individual customers who turn to them to supply merchandise on the basis of credit facilities granted to such companies by insurance companies operating in this specific area. In general, these facilities are provided on the basis of numerous factors such as the domestic economic environment, country risk and each customer's financial position and creditworthiness. If these factors were to worsen, the credit levels available for the Group could be reduced with possible significant negative effects on the Group's income statement, cash flows and balance sheet.

Other operational risks: this category includes risks typical of the consumer electronics sector connected with: opening new points of sale, seasonality, failure to implement or the delayed implementation of its business strategy, the technological development of electronic products and the perception of new trends, the availability of products and inventory obsolescence, the operations of the logistics centre and procurement of products marketed, possible restrictions on imports, product liability, the operation of IT systems, management of post-sale customer assistance services, e-commerce fraud and services provided by third parties. The Group manages and measures these risks

and they are reflected in the financial statements in items related to inventories, with respect to provisions for obsolescence and in provisions for risks and charges. For additional information on provisions and write-downs made during the year ended 29 February 2020, see the related notes to the consolidated financial statements.

20.2 Financial risks

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

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

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

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

The Group believes that existing lines of credit and loans as at 29 February 2020 are sufficient to cover requirements from its operating and investment activities and to repay maturing debt. For more details on the impacts of the Coronavirus, please refer to paragraph 13 Coronavirus Epidemic.

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

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

Credit risk: this is related to the Group's exposure to potential losses resulting from the failure of financial or commercial counterparties to fulfil their obligations. The Group has receivable monitoring processes that call for analysing the customers' reliability, assigning a credit line and controlling exposure using reports that break down maturities and average collection periods. There are no significant concentrations of risk as at 29 February 2020.

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

20.3 Legal and non-compliance risks

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

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

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

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

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

21. Significant events during and after the year

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 i hypermarkets with the opening of the Rozzano sales outlet on 11 April 2019. The new openings are part of the important strategic partnership announced on 9 January 2019 by Unieuro and the Finiper Group and involve the distribution of consumer electronics and appliances in the electronic departments of the Iper, La Grande i sales outlets.

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 card 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, irrespective of where 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

On 18 April 2019, 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 omnichannel 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.

Promotional campaign for Black Friday

During the important Black Friday promotional campaign, which was launched on 11 November with Singles' Day 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. Only on Singles' Day did Unieuro achieve 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.

“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.

Deposit of Carini Retail and Monclick merger projects

On 10 January 2020, Unieuro deposited the merger by incorporation into Unieuro S.p.A. of Carini Retail S.r.l. with a sole shareholder and Monclick S.r.l. with a sole shareholder projects, entirely

owned. On 18 March, the Board of Directors of Unieuro and the Shareholders' Meetings of Carini Retail S.r.l. and Monclick S.r.l. approved the merger transactions.

Omnichannel media management task

On 13 January, Unieuro announced it had appointed the Publicis Groupe as a strategic partner for omnichannel media planning, social media management and the development of online and social channels creativity. Specifically, the company appointed Zenith, the media centre of the Publicis Groupe, to handle the media strategy and planning for Unieuro and Monclick, and Bcube, the Group's agency for online and social creativity.

Appointment of Gabriele Gennai as the new Chief Commercial Officer

On 15 January, Unieuro announced it had strengthened the top management by appointing Gabriele Gennai as the company's new Chief Commercial Officer. Officially, from 1 March 2020, Gennai has reported directly to the CEO Giancarlo Nicosanti Monterastelli and is presently responsible for the management of relations with suppliers, the category management process and the commercial policy of Unieuro, in line with the strategy and positioning of the company.

Unieuro public company following the accelerated bookbuilding operation by Italian Electronics Holdings S.à r.l.

On 22 January, Italian Electronics Holdings S.à r.l. successfully concluded the accelerated bookbuilding operation, selling institutional investors around 3.5 million ordinary shares held in Unieuro, corresponding to around 17.6% of the share capital, at a price of Euro 13.25 per share. The transactions, which involved the entire remaining investment held by IEH in Unieuro, marked an historical shift, transforming the company, to all intents and purposes, into a public company with a free-float of more than 85%.

New composition of the Board of Directors and appointment of Stefano Meloni as the new Chairman

Following the sale of the entire remaining share of Unieuro's share capital by Italian Electronics Holdings S.à r.l., on 23 January directors Bernd Erich Beetz, Robert Frank Agostinelli and Gianpiero Lenza resigned from the Company's Board of Directors.

The Board met on 6 February 2020 and approved to integrate the composition of the Appointments and Remuneration Committee with Pietro Caliceti, while on 20 February it co-opted Michele Bugliesi, Paola Galbiati and Stefano Meloni as new non-executive members of the administrative body, further strengthening the governance of Unieuro thanks to the inclusion of high-profile professionals.

On 24 February, the new director Stefano Meloni was appointed the new Chairman of the Board of Directors.

Lastly, on 4 March the Board approved the integration of the composition of the Control and Risk Committee by appointing Paola Galbiati.

The #Cuoriconnessi initiative

On 6 February, duration the national day against bullying and cyberbullying, Unieuro, together with the State Police, presented the book “#Cuoriconnessi. Online stories of life and cyberbullying”. The book - distributed free of charge at all brand sales outlets, at over 7,500 schools and available in a digital version at the website www.cuoriconnessi.it - includes the stories collected during meetings with secondary school students since the start of the #Cuoriconnessi project, the Unieuro and State Police awareness-raising initiative against cyberbullying launched four years ago.

The agreement with CIA-Conad

On 27 February, Unieuro announced a collaborative agreement with CIA-Conad for the opening of five new Unieuro direct sales outlets in 5 former Auchan hypermarkets, in the process of becoming

“Spazio Conad” sales outlets. The agreement specifically involves the opening of four stores in Lombardy – Curno (Bergamo), Vimodrone (Milan), Merate (Lecco) and Rescaldina (Milan) – and one in Padua. One year after the agreement with Finiper for the opening of 20 shops-in-shops in 20 Iper, La Grande i hypermarkets, Unieuro is strengthening the large-scale retailing penetration project.

The Covid-19 health emergency

From 21 February 2020, the outbreak of the Covid-19 pandemic started to be felt in northern Italy, spreading in a matter of a few weeks and prompting the authorities to adopt increasingly more stringent containment measures. For Unieuro, the succession of regional ordinances and national decrees required it to adapt to the progressive measures recommended to protect the safety of all co-workers and customers and mitigate the negative effects on the business.

Significant events following the closure of the period

Actions to contain the emergency

On 13 March, following the exacerbation of the health situation and the extension of restrictive measures throughout Italy, Unieuro announced the closure of its direct stores with effect from 14 March, reserving the right to review the situation on a daily basis. A decision taken to protect the health of customers and co-workers despite the company being included under commercial activities exempt from having to suspend operations, as it offers essential goods.

On 20 March Unieuro took out insurance cover against contagion by Coronavirus for all 5,000 group employees, which includes compensation in case of hospitalisation caused by Covid-19 infection, compensation for convalescence and a post-hospitalisation package to manage recovery.

On 30 March, Unieuro announced a new package of containment measures for the effects of the health emergency, supplementing and evolving from the actions announced previously, which involved the reopening of a variable, but significant number of direct sales outlets in order to ensure that customers can make urgent or necessary purchases.

Still on 30 arch, in the light of the limited corporate operation and in order to curb the economic and financial impact of the crisis, Unieuro announced the application of the Cassa Integrazione Guadagni in Deroga (CIGD) (layoff fund), under the terms indicated in the “*Cura Italia*” Decree, for almost all employees, for a maximum of nine weeks, not necessarily consecutive. As a gesture of solidarity with the corporate population, the CEO announced the voluntary renunciation in full of his remuneration for the months of April and May. Similarly, the entire management of the company decided to reduce their salary by 20% for the Chiefs and 10% for other directors.

The donation of smart phones to hospitals and nursing homes

On 2 April, Unieuro announced its intention of donating more than 2,000 smart phones to patients and people suffering from Covid-19, unable to keep in touch with their loved ones. The first 1,000 smart phones were donated to hospitals in Emilia-Romagna, while the other are intended for hospitals and care homes for the elderly in other regions most affected by the health emergency. The initiative is evidence of Unieuro's tangible commitment to support the community at a time of a serious national emergency.

22. Foreseeable operating evolution

The financial year 2020/21 will inevitably be marked by the crisis related to the spread of Covid-19, which emerged in Italy at the end of February 2020 - close to the start of the financial year - and is still ongoing.

In the light of the great deal of uncertainty relating to the extent of the economic and social effects of Covid-19, it is not currently possible to predict the duration and extent of the current crisis with a sufficient degree of reliability and to be able to evaluate its future impacts on the performance and financial position of Unieuro.

It is, however, likely that the emergency will have a strong impact on Italian GDP and, although to a lesser extent in the lights of the lower volatility historically recorded, on the consumer electronics and appliances market.

The limited operation of physical stores, compulsory or voluntary, together with the social distancing measures adopted in response to the pandemic will have a significant adverse effect on network traffic and revenues, with special reference to the first months of the financial year. Alongside this, e-commerce will gain an advantage from the situation that has been created, accelerating the development of the channel mix already in progress.

Unieuro's management immediately identified and adopted containment measures aimed at not only protecting the health of people, but also the economic, financial and asset balance of the Group. The interventions involved revenues, specifically upgrading the Online channel while awaiting the return to full operation of the physical channels; the costs, deferred or renegotiated, where possible, with the objective of adapting them to the contingent situation; liquidity, deferring investments and outlays. Everything involves closely evaluating possible recourse to the public support measures for businesses that the authorities are gradually adopting.

In the light of what has been described above, the Company's opinion that its role as the leading company in the industry, the resilience of its multichannel nature, its efficient business model and the financial solidity always demonstrated, will allow Unieuro not only to react forcefully to the crisis, but to strengthen its competitive advantage and leadership position in a scenario of a market destined to change rapidly.

23 Consolidated non-financial statement of the Unieuro Group

How to read the Consolidated Non-Financial Statement of the Unieuro Group

The Consolidated Non-Financial Statement (hereinafter also the “**Statement**”) of the Unieuro S.p.A. Group (hereinafter also referred to as the “**Group**”), prepared pursuant to Legislative Decree 254/2016 implementing Directive 2014/95/EU, presents information and data on the policies practised and the management of environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption, useful to ensure the understanding of the activities carried out by the Group in these areas, its performance, the results achieved and the impacts deriving from them. The Statement also illustrates the main risks associated with non-financial issues and the related management methods.

The drafting of the Statement is based on specific principles and methodologies foreseen by the most recent standards published in 2016 by the Global Reporting Initiative (**GRI Standards – core option**), an authoritative Independent Body⁴¹ dedicated to defining models for non-financial reporting. In particular, the Statement refers to the 2016 GRI Standards indicated in the GRI Content Index table presented below.

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

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

Reporting scope

The qualitative and quantitative information contained in the Statement refers to the performance of the Unieuro Group (hereinafter also the “**Group**”) for the year ended 29 February 2020. Below, the terms “Unieuro” or “**Group**” refer to the companies established by the parent company Unieuro S.p.A. and the wholly-owned subsidiaries, Monclick S.r.l.⁴² and Carini Retail S.r.l.⁴³, whilst the terms “Unieuro S.p.A.” or “**Company**” refer exclusively to the parent company Unieuro S.p.A.

In order to facilitate the understanding of the development of the *sustainability performance*, the quantitative information is presented over a time frame of three years.

Finally, it should be noted that some issues and indicators may have a different reporting scope from that relating to the Group, if these have been assessed by management as not relevant for a company in consideration of the activities carried out. In this case, the reference scope of the topic/indicator is clearly explained in the text.

⁴¹ The Global Reporting Initiative is a non-profit organisation founded in Boston in 1997 with the aim of creating a useful support to the reporting of the sustainable performance of organisations of any size, belonging to any sector and country in the world. In 2001 it was recognised as an Independent Body by the United Nations and in 2002 the UNEP (United Nations Environment Program) formally recognised and shared its principles by inviting all UN Member States to identify an official headquarters as a body recognised by the United Nations.

⁴² Company acquired by Unieuro S.p.A. in the year ended 28 February 2018 and joined the scope of consolidation on 9 June 2017 with retroactive accounting effect at 1 June 2017. This company mainly deals in consumer electronics and manages the e-commerce sales on behalf of the parent company.

⁴³ Company acquired by Unieuro S.p.A. on 28 February 2019 that entered the scope of consolidation on 1 March 2019. This company manages twelve direct stores in Sicily that belong to Pistone S.p.A.

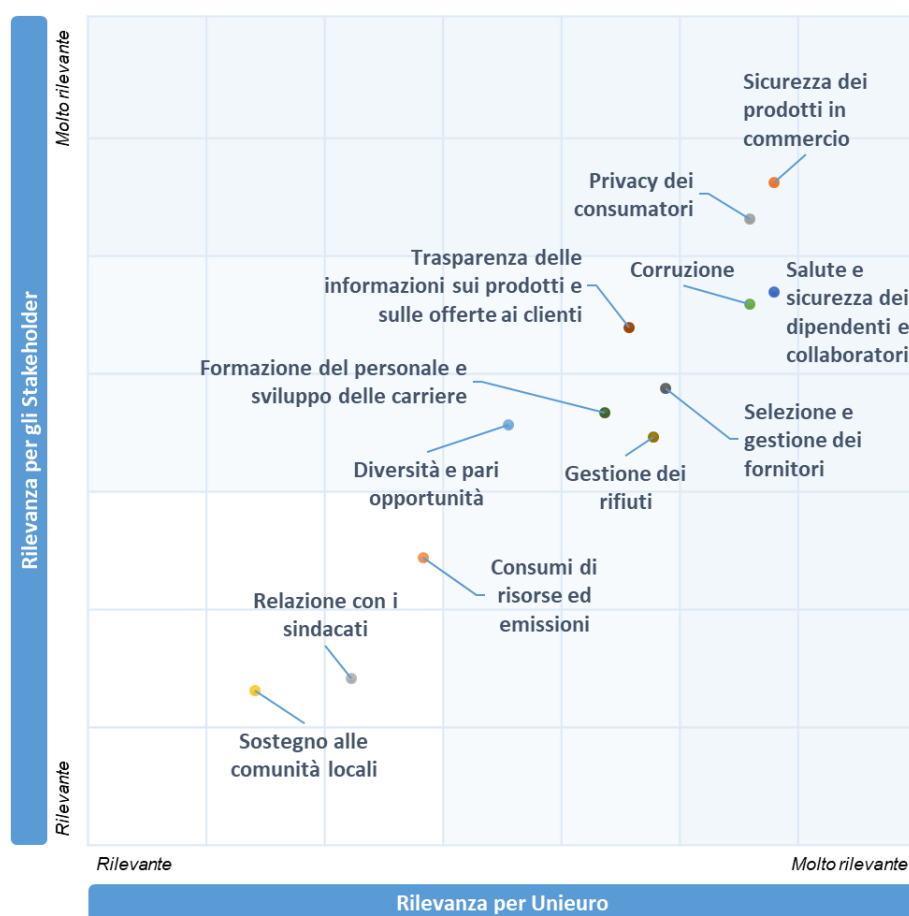
Material issues for Unieuro

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

The materiality analysis process, updated for this report, consists of three main phases: *1) preliminary identification, 2) assessment and 3) definition* of the material issues.

1. Taking the guidelines in Legislative Decree 254/2016 as a starting point, the potentially material issues were first identified on the basis of an analysis of the activities carried out by Unieuro, the characteristics of the sector, the approaches adopted by comparable companies at national and international level and the themes suggested by the GRI for each economic sector.
2. the issues that emerged were discussed and assessed by management in special meetings, to allow the definition of those that were most representative of the socio-environmental impacts generated by the Group, based on their significance in achieving the corporate goals (significance for Unieuro) and for stakeholders within and outside of the business (significance for stakeholders);
3. at the end of the analysis, 12 material issues related to the aspects governed by Legislative Decree 254/2016 were defined.

The materiality of the Group resulting from the prioritisation of the issues is reported in the following matrix that represents the two dimensions considered.



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

Material issues	Internal scope	External scope
Consumption of resources and emissions	Group	-
Waste management	Group	-
Selection and management of suppliers	Group	Suppliers
Consumer privacy	Group	-
Safety of products on the market	Group	Suppliers
Support for local communities	Unieuro S.p.A.	-
Transparency of information on products and offers to customers	Group	Suppliers
Diversity and equal opportunities	Group	-
Staff training and career development	Group	-
Relations with the trade unions	Group	-
Health and safety of employees and collaborators	Group	Logistics cooperative
Corruption	Group	-

The table below illustrates the correlation between the Aspects of the Decree, material issues and indicators laid down by the GRI Standards Sustainability Reporting Guidelines.

Aspects of Legislative Decree 254/2016	Material issue	Scope	Aspects of GRI Standards 2016	Indicators
Environment	Consumption of resources and emissions	Unieuro Group	GRI 301: Materials	GRI 301-1
			GRI 302: Energy	GRI 302-1
			GRI 305: Emissions	GRI 305-1 GRI 305-2 GRI 305-3
	Waste management	Unieuro Group	GRI 306: Effluents and Waste	GRI 306-2
Company	Selection and management of suppliers	Unieuro Group	GRI 102: General disclosures	GRI 102-9
			GRI 308: Supplier environmental assessment	GRI 308-1
			GRI 414: Supplier social assessment	GRI 414-1
	Consumer privacy	Unieuro Group	GRI 418: Customer Privacy	GRI 418-1
	Safety of products on the market	Unieuro Group	GRI 416: Customer Health and Safety	GRI 416-2
	Support for local communities	Unieuro S.p.A.	GRI 413: Local Communities	GRI 413-1
	Transparency of information on products and offers to customers	Unieuro Group	GRI 417: Marketing and Labelling	GRI 417-1 GRI 417-2 GRI 417-3
Personnel	Diversity and equal opportunities	Unieuro Group	GRI 102: General disclosures	GRI 102-8
			GRI 405: Diversity and equal opportunities	GRI 405-1 GRI 405-2
	Staff training and career development	Unieuro Group	GRI 404: Training and education	GRI 404-1 GRI 404-3
	Relations with the trade unions	Unieuro Group	GRI 102: General disclosures	GRI 102-41
			GRI 402: Labour/ Management Relations	GRI 402-1
	Health and safety of employees and collaborators	Unieuro Group	GRI 403: Occupational Health and Safety	GRI 403-2
Diversity of governing and control bodies	Diversity and equal opportunities	Unieuro Group	GRI 102: General disclosures	GRI 102-22
			GRI 405: Diversity and equal opportunities	GRI 405-1
The fight against corruption	Corruption	Unieuro Group	GRI 205: Anti-corruption	GRI 205-1 GRI 205-2 GRI 205-3

Human Rights	-	Unieuro Group	GRI 406: Non-discrimination	GRI 406-1
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Involvement of stakeholders

The involvement of stakeholders is an opportunity for the Group to listen and enter into a discussion that is essential to understand the level of satisfaction with their work. In 2017, when the Group's first Statement was drafted, a process was launched to identify stakeholders, also aimed at identifying material issues. In particular, a mapping of the stakeholders was carried out, starting from those identified in the Code of Ethics, selecting: the categories whose interests are relevant based on direct and indirect relationships with the Group, the categories whose interests may be directly or indirectly conditioned or influenced by the company's activities and, finally, those on which the activities carried out by the Group would have the greatest effect. Unieuro develops its own process of stakeholder engagement starting from the values of honesty, transparency and open dialogue and it is due to this approach that it is able to pursue the dual objective of creating economic value and shared value for its stakeholders.



Group Profile

Unieuro S.p.A. is a leading company in the distribution of consumer electronics and appliances in Italy, strengthened by an omnichannel approach that integrates direct stores (around 250), affiliated sales outlets (around 260) and the digital platform unieuro.it. The company's registered office is in Forlì, it has a central logistics platform in Piacenza and a headcount of more than 5,000 employees. The subsidiary Monclick is a company specialised in e-commerce and in B2B2C, operating in the same product categories. Listed on the STAR segment of the Italian Stock Exchange since 2017, Unieuro recorded revenues of more than Euro 2.4 billion in the financial year ending 29 February 2020.

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

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

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

All the more than 500 stores, both direct and affiliated, are distinguished by the Unieuro band: one of the most recognisable and established in the sector, with the claim – “*Batte. Forte. Sempre*” – unique and memorable in the retail sector. The Unieuro brand resents itself as the sole interlocutor of a coherent communication ecosystem on all channels, online and offline.

Through the five different distribution channels - integrated and converging - in which it operates, Unieuro markets a wide range of consumer electronic products and appliances as well as ancillary services. Specifically, the Company operates in the following product categories:

- **GREY**, which includes telephone systems, tablets, information technology, accessories for telephone systems, photographic equipment, as well as all wearable technological products;
- **WHITE**, which includes both large appliances (MDA) such as washing machines, dryers, refrigerators, freezers and ovens, and small appliances (SDA) such as vacuum cleaners, kitchen robots, coffee machines, as well as the climate control segment;
- **BROWN**, composed of televisions and accessories, audio devices, devices for smart TVs, car accessories as well as memory systems;
- **Other products**, which includes both the sales of the entertainment sector and other products not included in the consumer electronics market such as hoverboards and bicycles;
- **Services**, including home delivery, installation, collection of used items, extended warranty, consumer credit services through financial intermediaries and after-sales assistance.

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

The subsidiary Monclick S.r.l., on the other hand, via its website monclick.it, sells I.T. electronic and telephone system products and appliances in Italy, guaranteeing a comprehensive purchasing experience completed through the home delivery and installation of the product purchased. It also operates in the segment known as *Business to Business to Consumer* (B2B2C), where the customers

are operators which need to purchase electronic products to distribute to their regular customers or employees to accumulate points or participate in competitions or incentive plans.

Unieuro belongs to outside associations, locally, nationally and internationally, for the purpose of improving public and institutional relations.

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

Nationally, the Company is a member of **Aires** (the Italian Association of Specialised Appliance Retailers), which brings together the main companies and distribution groups specialised in consumer electronics and home appliances, in turn a member of Confcommercio Imprese, Italy. Unieuro has been chairman of the association since 5 April 2018. The Company is also a member of **Confimprese**, which groups leading operators with direct and franchised distribution networks, regardless of the product sector in which they operate.

Internationally, Unieuro was one of the founders, at the end of 2019, of the new European association **EuCER** (European Consumer Electronic Retailer Council), with its headquarters in Brussels, which brings together European chains and purchasing groups of consumer electronics. EuCER was, in turn, admitted, in March 2020, to EUROCOMMERCE, one of the largest associations representing European retailers.

Shareholding and corporate structure

Listed since 4 April 2017, in the financial year 2019/20 Unieuro became a public company to all intents and purposes.

Following two successive placements of securities on the market, the historical majority shareholder Italian Electronics Holdings S.à r.l. (IEH) reduced its share of the share capital to zero, leaving the shareholding structure. Specifically:

- on 13 November 2019, through an accelerated bookbuilding operation, IEH sold 3.25 million Unieuro S.p.A. ordinary shares to institutional investors for a price of Euro 12.95 per share. IEH's share went down from 33.8% to 17.6% of the share capital;
- on 22 January 2020, IEH successfully completed the accelerated bookbuilding procedure through the sale, still to institutional investors, of around 3.5 million ordinary shares at a price of Euro 13.25 per share. The placement, corresponding to 17.6% of the remaining portion, brought IEH's entire equity investment in Unieuro S.p.A. to zero;
- on 23 January 2020, with the resignation of three board directors, related to the previous reference shareholder and in the light of a free-float that is currently more than 85% (including the 5.6% held by Amundi Asset Management, a leading international asset manager), Unieuro has, to all intents and purposes, become a public company.

At year-end, the share capital could be broken down as follows:

Share capital of Unieuro S.p.A.

Share capital	%
Alfa S.r.l. (Dixons Carphone plc)	7.2
Amundi Asset Management	5.6
Several shareholders who are members of the Silvestrini Family	5.6
Some Unieuro top managers	2
Other shareholders	79.6

Dialogue with shareholders

In financial year 2019/20, Unieuro guaranteed constant willingness for dialogue and discussion due to the Investor Relations function, structured and adapted to the needs of a company of its size.

When interfacing with the financial market, Unieuro was called upon to demonstrate that it can realise its vision proposed to potential investors since the IPO.

In the financial year 2019/20, these activities involved:

- the promotion of the greatest possible coverage of Unieuro stock by brokers, which has gone up to 6, partly due to the signing of corporate broking agreements with leading operators specialised in the analysis and promotion of the equity story of small and medium-sized companies;
- the organisation of half-yearly conference calls, dedicated to financial analysts and investors for a public and direct comparison with management of the half-yearly and annual results;

- participation in investor conferences organised by third-parties, with special reference to the two STAR conferences in Milan (March 2019) and in London (October 2019) promoted by Borsa Italiana;
- meetings, both physical and virtual, with market operators, including during specially organised road shows in Italy and abroad;
- the organisation, in September 2019, of a site visit in Sicily dedicated to financial analysts for the purpose of presenting the retail activities acquired from Pistone S.p.A. at the beginning of the year;
- the organisation, in December 2019, of a visit to the Milan San Babila store, together with the Cellularline Group, also listed on the STAR segment of Borsa Italiana, in order to present the chain's main travel sales outlet and the new display solutions for accessories;
- the constant updating of its website www.unieurospa.com dedicated to all stakeholders, specifically financial ones, interested in examining the corporate identity of Unieuro, its strategies, its results and, more generally, the investment case. The website also acts as an archive for company documentation, to the benefit of shareholders and investors;
- the promotion of the visibility of Unieuro on the main financial, traditional and digital media when the periodic results and extraordinary transactions are disclosed;
- the use of the professional social network LinkedIn, for sharing corporate contents for the benefit, specifically, of small shareholders and employees.

The main issues that emerged in the talks with investors concerned the sustainability of the business in light of a highly competitive market and the growing penetration of e-commerce, with the consequent pressure on operators' margins. Great interest was also directed at the acquisition and integration of the former Pistone Sicilian stores, the second largest acquisition in the history of the Company and the most significant involving a performing company, but also all potential external growth operations of the Company and development in the large-scale retailing sector. Other central theme for investors were the development of the shareholding structure and the sustainability of the Company's profits and cash flows, as well as the capacity to produce a return on investments.

Main non-financial risks and management methods

Taking into consideration the activities carried out by Unieuro and the characteristics of the reference market, the Group's main non-financial risks and management methods are listed below.

Environment

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

The Group's Code of Ethics promotes waste management in compliance with current legislation through selected suppliers, requiring checks on the authorisation, registration and communications of the third-parties necessary for exercising the activities and the traceability of the process and control of the supply chain. In addition, in order to protect against this risk, the Group has a dedicated operating manual that defines the roles and responsibilities for the correct management of the disposal of WEEE. For more details, please see the paragraph on "Waste management".

Further possible risks with regard to the environment may involve emissions into the atmosphere caused by network gas facilities and escapes of refrigerant gas from "rooftop refrigeration units" (air conditioning and/or climate control systems).

Customers

As a retail distributor of consumer goods, the Group is exposed to the risk of actions for product liability pursuant to the provisions of the Consumer Code (Legislative Decree 205/2006).

In the abstract, possible violations can result from: (i) advertising messages concerning product characteristics or qualities or surrounding the mechanics of reward programmes, published at sales outlets and/or e-commerce websites and/or media channels; (ii) extended warranty contracts; (iii) deficient and/or incomplete information on the product labels or in the documents inside the packaging.

The sale by suppliers of products harmful to the health of citizens or not in line with European standards in terms of safety or quality of products, albeit governed by framework agreements and subject to certification by third parties, could in fact expose Unieuro to the risk of claims for compensation for damages, as well as criminal proceedings, caused by defects in products sold and negative repercussions on the Group's reputation with possible negative effects on its economic, asset and financial situation. Likewise, Unieuro could be exposed to reports to consumer associations or the Competition and Market Authority (AGCM) for complaints on various accounts.

Unieuro's Code of Ethics, in addition to promoting relations with consumers featuring full transparency and satisfaction with regard to the products and services offered, guarantees the Group's commitment to preserving the safety and well-being of its customers. The high standing of the suppliers chosen and the stringent industry regulations currently in force in Europe for the sale of products (specifically the RoHs Directive⁴⁴), guarantee these risks are protected as far as possible. For more details, please see the paragraph on the "Health and Safety of Consumers".

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

The Group's Code of Ethics requires particular caution in the processing of information relating to corporate activity and the data of employees and third parties in general (including customers), and undertakes to protect information generated or acquired within the corporate structure and/or during the management of business relationships. Unieuro S.p.A. has specific control systems to oversee physical and computerised access to the data centre, as well as the email system. The Company has also implemented a Disaster Recovery Plan that has been shared with all corporate functions. This plan, in addition to including a series of actions to be implemented in the case of an emergency, also includes a series of measures to be implemented periodically to check validity.

In addition, as early as in 2018, Unieuro launched a process for adaptation to the regulation on data protection (GDPR), providing itself with an organisational model that contains policies and procedures for mitigating possible data breaches. For more details on privacy issues, please see the paragraph "Consumer data security".

⁴⁴ The Directive establishes rules regarding restrictions on the use of hazardous substances in electrical and electronic equipment in order to protect human health and the environment, including the ecologically correct recovery and disposal of e-waste.

Personnel

Unieuro considers its people to be precious resources. The Group's results and success depend, amongst other things, on the ability to attract and retain qualified personnel and those who have held key positions in the business development stages. The loss of some of these resources could in fact affect, at least temporarily, Unieuro's competitive ability, activity and prospects, with possible negative effects on its business. Further risks could be due to inadequate or inefficient internal communication processes, inadequate staff training and occupational accidents and/or illnesses, mainly as a result of manual handling of warehouse loads at the goods storage sites. The evaluations conducted by management have not revealed any activities directly carried out by the Group that present risks of human rights violations (e.g., child labour, forced labour and freedom of association and collective bargaining).

In the Code of Ethics, the Group is committed to comply with a series of fundamental principles for the management of human resources. These include the principle of *equal opportunities and non-discrimination*, to be complied with both at the time of hire and throughout the working relationship, ensuring fair and meritocratic treatment. Unieuro is also committed to comply with the CCNL (collective agreement) and employment regulations in force in all its personnel management policies.

In order to attract and retain its employees, Unieuro has adopted an individual performance assessment system that takes into account organisational and professional behaviour and offers managerial and professional training courses to both staff in the stores and in the offices. The Group is also committed to creating a work environment of open dialogue and discussion, giving its employees the opportunity of going to their direct manager or to the HR Department any time they feel it is necessary, contacting them directly, by telephone or by email. For more information, please see the paragraph on "Personnel training and career development".

To oversee the risk of workplace accidents and/or occupational illnesses, Unieuro S.p.A. has an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and related protocols, in compliance with Legislative Decree 81/2008. For more information, refer to the paragraph on "Health and safety in the workplace".
With regard to Monclick, the risk of occupational accidents and illnesses is not significant.

Lastly, note that Unieuro is following the development of the Covid-19 pandemic that began in February 2020, very closely. It immediately complied with the provisions and recommendations of the Italian government and other authorities, sometimes even earlier and extending the range. Unieuro has stressed its commitment to dealing with this serious health emergency, highlighting the measures implemented to fight the negative effects, which culminated on 14 March 2020 with the closure of the entire network of direct stores. Measures aimed at safeguarding the health of its employees, contractors and customers, in spite of the company being included amongst those not required to suspend operations, as it offers essential goods and services, from homeworking to e-learning, from house cleaning to food conservation. Following the gradual reopening, that took place as of 30 March, the safety and prevention measures were increased further.

Corruption

Amongst the activities identified by the Company as potentially susceptible to corruption, we highlight the relationships that the company may have with the authorities and public officials for the opening of new stores, the organisation of promotional events or during tax audits. There may

also be incidents of corruption during inspections on health and safety at work, on the protection of personal data or on the correct disposal of waste.

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

In order to minimise the risk of behaviour that could be due to corruption, the Unieuro Group has a special Anti-Corruption Policy, in conformity with its Code of Ethics and in line the best practices on the subject of the Anti-Corruption Compliance Program and international standard ISO 37001:2016.

In addition, in order to foster the collaboration of workers to promote the emergence of the development of corruption, the Group has implemented a formal whistleblowing process within company policy (the Whistleblowing Policy), that provides stakeholders with the tools for reporting unlawful conduct or violations of Model 231 of the Code of Ethics, the Anti-Corruption Policy and, in general, all internal corporate regulations adopted by the Company.

The references on the issue are also found in the latest update of Unieuro S.p.A.'s Model 231, General Section.

For more details, please see the paragraphs "Organisation, Management and Control Model and corporate regulatory system" and "Fight against corruption".

Supply chain

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

In addition, given the location of the main suppliers, the main environmental risks along the supply chain are the risks associated with typical activities of companies producing appliances and consumer electronic goods. The main ones include the pollution of the soil and water on account of the incorrect disposal of water and liquids, atmospheric pollutions caused by fumes from processing materials and electricity and fuel consumption, as well as the incorrect disposal of waste (e.g., waste products and packaging).

From a social point of view and respecting human rights, the risks associated with the supply chain mainly refer to the failure to comply with reference regulations and, above all in certain countries featuring social instability, they may involve the risk of human rights violations (e.g., child labour, forced labour and freedom of association and collective bargaining).

Other risks associated with procurement may involve delays in the arrival of goods or receiving goods in a condition that does not conform to the order (in terms of quantity and quality).

To mitigate these risks, the Group has established a series of principles in the Code of Ethics that must be complied with both by its own employees when selecting new suppliers and by suppliers during relations with the Group. For more information, please see the paragraph "Selection and management of suppliers".

Governance

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

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

For more information on the Governance system, please see the Corporate Governance Report and the ownership structures as at 29 February 2020.

Board of Directors

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

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

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

Members of the Board of Directors

The Board of Directors, appointed on 18 June 2019, is currently composed of 9 members (5 men and 4 women) and their term of office will expire when the financial statements are approved as at 28 February 2022.

Following the resignation of Robert Frank Agostinelli, Bernd Erich Beetz and Gianpiero Lenza, the Board of Directors of Unieuro S.p.A. was supplemented on 20 February 2020 by three new members, whose appointment is subject to the approval of the Company's Shareholders' Meeting.

Members of the Board of Directors

Office	Age	Gender	Type	Independence	Membership of stakeholder groups
Chairman	71	M	Non-Executive	Independent ⁴⁵	-
Chief Executive Officer ⁴⁶	61	M	Executive	Non-independent	<i>Management</i>
Director	58	M	Non-Executive	Independent	-
Director	55	M	Non-Executive	Independent	Assogestioni
Director	53	F	Non-Executive	Independent	-
Director	62	F	Non-Executive	Independent	-
Director	52	M	Non-Executive	Independent	-
Director	51	F	Non-Executive	Independent	-
Director	50	F	Non-Executive	Non-independent	-

Members of the Board of Directors by age group

Age group	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
<i>under the age of 30</i>	N°	-	-	-	-	-	-	-	-	-
<i>between 30 and 50 years</i>		-	1	1	2	-	2	2	-	2
<i>age over 50 years</i>		5	3	8	5	-	5	5	-	5
Total		5	4	9	7	0	7	7	0	7

Control and Risk Committee

The Control and Risk Committee, appointed by the Board of Directors, has the task of assisting the Board of Directors with preparatory, advisory and consultative functions, in evaluations and decisions relating to the internal control and risk management system, as well as those concerning the approval of periodic financial reports. The Control and Risk Committee is composed of 3 non-executive, independent directors (1 man and 2 women over 50 years of age).

Remuneration and Appointments Committee

As a Remuneration Committee, its task is to assist the Board of Directors with preparatory, advisory and consultative functions, in evaluations and decisions relating to the remuneration policy of

⁴⁵ Pursuant to the T.U.F. but not the Code of Corporate Governance of listed companies

⁴⁶ CEO and Sole Director of Monclick S.r.l.

directors and managers with strategic responsibilities, periodically evaluating the adequacy, the overall consistency and the concrete application of the remuneration policy.

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

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

The Remuneration and Appointments committee is composed of 3 non-executive, independent directors (2 men and 1 woman over 50 years of age).

Related-Party Transactions Committee

The Related-Party Transactions Committee, appointed by the Board of Directors, mainly has the task of formulating specific reasoned opinions on the interest of Unieuro in the performance of Transactions with Related-Parties, whether these are of greater or lesser importance, expressing a judgement regarding the convenience and substantial correctness of the relative conditions, upon receipt of timely and adequate information flows. The Related-Party Transactions Committee is composed of 3 non-executive, independent directors (2 men and 1 woman over 50 years of age).

Board of Statutory Auditors

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

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

Members of the Board of Statutory Auditors

The Board of Statutory Auditors, appointed on 18 June 2019 in office for three financial years, is composed of 5 statutory auditors including the Chairman, two standing auditors and two alternate auditors.

Members of the Board of Statutory Auditors

Office	Age	Gender	Independence	Membership of stakeholder groups
Chairman	39	F	Independent	Assogestioni
Statutory auditor	47	F	Independent	-
Statutory auditor	44	M	Independent	-

Alternate auditor	36	M	Independent	-
Alternate auditor	39	F	Independent	-

Members of the Board of Statutory Auditors by age group

Age group	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
<i>under the age of 30</i>	N°	-	-	-	-	-	-	-	-	-
<i>between 30 and 50 years</i>		2	3	5	2	-	2	4	-	4
<i>age over 50 years</i>		-	-	-	3	-	3	1	-	1
Total		2	3	5	5	0	5	5	0	5

Organisation, Management and Control Model and corporate regulatory system

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

The Company therefore has an Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, suitable for preventing unlawful conduct on the part of its directors, employees and contractors subject to management or supervision by the Company. Although the adoption of the Model 231 at the time of its adoption did not constitute an obligation, but an optional choice assigned to each individual body, the Company decided to adapt by launching a project to analyse its organisational, management and control tools, verify the correspondence of the behavioural principles and of the existing safeguards with respect to the requisites envisaged by Legislative Decree 231/2001 and, where necessary, proceed with the integration of the system in force. Through the adoption of Model 231, Unieuro S.p.A. intends to prevent and combat the committing of crimes and to promote a corporate culture based on legality, compliance with regulations and internal regulations.

The Company has appointed a Supervisory Body which has the task of overseeing the effective implementation of Model 231, compliance with same by all recipients, as well as updating in order to improve the effective prevention of offences and unlawful acts. Unieuro's Supervisory Body takes the form of a compound body with autonomous powers of initiative and control.

In March 2019, the Organisation, Management and Control Model was updated with the new offences 231 introduced and provisions with regard to whistleblowing (Law 179 of 30 November 2017 - "*Provisions for protecting the authors of reports of offences or irregularities that have come to attention under the scope of a public or private work relationship*").

The recipients of Model 231 have a reporting system for highlighting unlawful behaviour, based on elements of accurate and consistent facts (Article 6, paragraph 2-*bis* of Legislative Decree 231/2001). Reports are collected through dedicated channels (the Whistleblowing portal, available on the company intranet and at the email address odv@unieuro.com) and are managed in line with the provisions of the recent Whistleblowing Policy (adopted from March 2019).

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

competitive context in which it operates must be inextricably linked with ethical sensitivity, social involvement and respect for the environment. The principles, endorsed by the company's Code of Ethics, involve transparency, correctness and honesty, impartiality, protection of competition, prevention of conflicts of interest, confidentiality and privacy protection, compliance with legislation, workplace safety and protecting the environment, accounting control and transparency, prevention of money-laundering, prevention of cybercrime, protection of intellectual property and protection of corporate assets. Compliance with the provisions of the Code of Ethics is considered a vital part of the contractual obligations of Company employees (pursuant to and in accordance with Articles 2104 and 2105 of the Italian Civil Code) and all those who have commercial relations with the Company. Therefore, any breach of the above provisions may constitute non-fulfilment of these obligations, with all legal consequences.

As regards the subsidiary, Monclick, note that it is adopting its own Organisation, Management and Control Model, in line with that of the parent company.

The fight against corruption

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

In addition to the behaviour principles and rules outlined in the Code of Ethics, the Organisation, Management and Control Model identifies so-called sensitive activities in the offences referred to by Legislative Decree 231/2001, including the crime of corruption, and defines specific safeguards to support the processes believed to be exposed to the potential risk of the committing of offences. A sanction system has also been adopted aimed at guaranteeing the effective implementation of Model 231 and information and training activities on the contents have been outlined. The training courses are provided in the classroom with regard to the top managers (Directors and Area Managers) and through the e-learning platform for remaining employees.

In the financial year 2019/20, training with regard to anti-corruption was carried out together with the training pursuant to Legislative Decree 231/2001 and on the subject of whistleblowing, with a total of 279 hours provided, involving 377 employees (3% senior management, 5% middle management, 85% office workers and 7% manual workers), including member of the Board of Directors. Training in this area is due to continue until April 2020, but will be rescheduled on account of the Covid-19 pandemic.

As previously mentioned above, due to the whistleblowing system implemented, Unieuro has also established methods through which unlawful or illegal conduct or behaviour, by committing an act or failure to commit one, which constitutes or could constitute a breach or lead to a breach of the Group's control structures can be reported.

Based on the principles defined in the Code of Ethics and supplementing Model 231, in March 2019, Unieuro defined a specific Anti-Corruption Policy that lays down a series of rules for personnel to follow in order to strengthen the anti-corruption control structure. Specifically, the policy establishes the obligation to comply with the anti-corruption rules, providing a definition of what could be interpreted as corruption and establishing the requirement to report illegal practices in which personnel could be actively or passively involved.

Performance indicators

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

During the 2019/20 financial year, there were no reports regarding the Group that concerned incidents involving corruption.

Employees

Personnel management

The Unieuro Group employees 5,034 people, a rise of around 7% compared with the previous financial year, mainly following the completion of the transaction to acquire Carini S.r.l.

Employees are divided between business activities (clerks, cashiers, warehouse workers and store managers), amounting to 4,667 employees, and support activities (employees, specialists, coordinators, managers, director of headquarters functions - Finance and Control, Sales, Omnichannel, Marketing, Property, Technical Office, Human Resources, IT, Logistics, Service, Customer Care and Sales, Investor Relations), equal to 367 employees. The majority of the resources, 87%, are employed on permanent contracts, guaranteeing the Group the possibility of retaining qualified personnel within the company.

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

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

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

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

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

Performance indicators

Employees divided by age group, gender and function

Employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
Employees employed in support functions	N°	196	171	367	190	157	347	188	148	336
<i>under the age of 30</i>		15	24	39	11	22	33	10	22	32
<i>between 30 and 50 years</i>		136	124	260	146	119	265	150	112	262
<i>age over 50 years</i>		45	23	68	33	16	49	28	14	42
Employees employed in business activities		2,442	2,225	4,667	2,184	2,177	4,361	2,197	2,020	4,237
<i>under the age of 30</i>		351	259	610	335	242	577	355	235	590
<i>between 30 and 50 years</i>		1,730	1,675	3,405	1,634	1,648	3,282	1,606	1,628	3,234
<i>age over 50 years</i>		361	291	652	215	287	502	236	177	413
Total		2,638	2,396	5,034	2,374	2,334	4,708	2,385	2,188	4,573

Number of employees by type of contract and geographical area⁴⁷

Employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
Fixed-term contract	N°	375	304	679	372	294	666	364	265	629
<i>North</i>		231	195	426	240	198	438	239	166	405
<i>Centre</i>		89	53	142	115	83	198	113	93	206
<i>South and Islands</i>		55	56	111	17	13	30	12	6	18
Permanent contract		2,263	2,092	4,355	2,072	1,970	4,042	2,021	1,923	3,944
<i>North</i>		1,286	1,284	2,570	1,269	1,250	2,519	1,201	1,176	2,377
<i>Centre</i>		586	542	1,128	581	550	1,131	543	507	1,050
<i>South and Islands</i>		391	266	657	222	170	392	277	240	517
Total		2,638	2,396	5,034	2,444	2,264	4,708	2,385	2,188	4,573

⁴⁷ The breakdown by geographical area is as follows:

North: Valle d'Aosta, Piedmont, Lombardy, Trentino Alto Adige, Friuli Venezia Giulia, Veneto, Emilia Romagna, Liguria

Centre: Tuscany, Marche, Umbria, Lazio

South and Islands: Sicily, Sardinia, Campania, Apulia, Basilicata, Molise, Abruzzo, Calabria

Employees by region

Employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
<i>Valle d'Aosta</i>	N°	5	10	15	5	10	15	7	10	17
<i>Lombardy</i>		381	338	719	378	328	706	371	311	682
<i>Piedmont</i>		193	257	450	200	274	474	213	275	488
<i>Trentino Alto Adige</i>		23	20	43	21	24	45	18	12	30
<i>Veneto</i>		305	258	563	304	239	543	262	189	451
<i>Friuli Venezia Giulia</i>		62	61	123	69	72	141	49	57	106
<i>Liguria</i>		125	144	269	116	131	247	102	118	220
<i>Emilia Romagna</i>		423	391	814	416	370	786	418	370	788
<i>Tuscany</i>		95	114	209	93	116	209	84	108	192
<i>Abruzzo</i>		28	30	58	31	31	62	28	31	59
<i>Marche</i>		112	101	213	122	105	227	134	113	247
<i>Umbria</i>		18	15	33	17	14	31	17	14	31
<i>Molise</i>		24	15	39	24	15	39	25	15	40
<i>Lazio</i>		398	320	718	409	352	761	421	365	786
<i>Sardinia</i>		67	66	133	66	63	129	57	62	119
<i>Campania</i>		18	10	28	20	7	27	19	9	28
<i>Apulia</i>		88	47	135	93	60	153	84	55	139
<i>Basilicata</i>		35	24	59	35	24	59	32	16	48
<i>Calabria</i>		10	14	24	11	15	26	11	15	26
<i>Sicily</i>		228	161	389	14	14	28	33	43	76
Total		2,638	2,396	5,034	2,444	2,264	4,708	2,385	2,188	4,573

Diversity, equal opportunities and respect for human rights

For Unieuro diversity is a real value, so for this reason it is constantly committed to guarantee compliance at all stages of personnel selection, ensuring that there is no room for discrimination on the grounds of race, sex, nationality, sexual orientation, social status, physical appearance, religion and political persuasion.

All personnel management policies are defined in the utmost compliance with the applied National Collective Labour Contract and of the current labour regulations.

Unieuro's objective is to establish a transparent reality aimed at compliance with ethical and behavioural standards, in the belief that the success of the business cannot be separate from the ethics of business conduct and that competitiveness must inextricably accompany not only ethical sensitivity but also social involvement and respect of the environment.

For this purpose, a corporate Code of Ethics and Regulations have been formalised to share with contractors the values, principles and rules of behaviour and to make all other stakeholders aware of them. The Company has adopted specific selection procedures based on the principles of impartiality, speed and economy in the performance of the selection and selection publication process. The processes are based on the adoption of objective and transparent criteria, suitable to ascertain the correspondence of the professional skills, abilities and aptitudes of the candidates to the characteristics of the positions to be filled, avoiding any type of discrimination. In specific cases, such as for the selection of managerial or executive profiles, Unieuro can use companies specialised in personnel selection to guarantee greater impartiality and objectivity in the selection.

Unieuro's commitment in respecting diversity and equal opportunities is not exhausted in the selection stage, but is reaffirmed in every stage of the relationship with its employees, adopting criteria based on merit and competence in the remuneration policies as well. As indicated in the Code of Ethics, the physical and moral integrity of employees is considered a primary value for the Group, which aims to ensure for its employees the right to working conditions that are always mindful of the dignity of the person.

This commitment took the form of training courses for managers in the course of the 2019/20 financial year, focused on personnel management and labour regulations and aimed at guaranteeing all workers the same opportunities, so that everyone can enjoy fair treatment based on merit criteria and strict compliance with the law.

Confirming the Group's commitment to equal opportunities, female presence within the company is 48%. The age group that is composed of the largest number of employees is between 30 and 50 years for both female and male staff. During the last financial year, 1,057 resources were added, of which 45% were women, with a prevalence of the under-30s age group (56%).

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

Performance indicators

Employees broken down by age group, gender and level

Employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
Executives	N°	24	1	25	23	1	24	18	2	20
<i>under the age of 30</i>		0	0	0	-	-	-	-	-	-
<i>between 30 and 50 years</i>		15	1	16	17	1	18	14	2	16
<i>age over 50 years</i>		9	0	9	6	-	6	4	-	4
Middle managers		39	15	54	38	14	52	44	14	58
<i>under the age of 30</i>		0	0	0	-	-	-	-	-	-
<i>between 30 and 50 years</i>		29	10	39	31	11	42	36	11	47
<i>age over 50 years</i>		10	5	15	7	3	10	8	3	11
Office workers		2,505	2,359	4,864	2,383	2,248	4,631	2,323	2,171	4,494
<i>under the age of 30</i>		359	281	640	346	264	610	365	257	622
<i>between 30 and 50 years</i>		1,762	1,773	3,535	1,732	1,755	3,487	1,706	1,727	3,433
<i>age over 50 years</i>		384	305	689	305	229	534	252	187	439
Manual workers	70	21	91	-	1	1	-	1	1	
<i>under the age of 30</i>	7	2	9	-	-	-	-	-	-	
<i>between 30 and 50 years</i>	60	15	75	-	-	-	-	-	-	
<i>age over 50 years</i>	3	4	7	-	1	1	-	1	1	
Total	2,638	2,396	5,034	2,444	2,264	4,708	2,385	2,188	4,573	
<i>under the age of 30</i>	366	283	649	346	264	610	365	257	622	
<i>between 30 and 50 years</i>	1,866	1,799	3,665	1,780	1,767	3,547	1,756	1,740	3,496	
<i>age over 50 years</i>	406	314	720	318	233	551	264	191	455	

Employees broken down by type of employment and gender

Employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
Full-time employees	N°	2,036	1,141	3,177	1,897	1,103	3,000	1,844	1,100	2,944
Part-time employees		602	1,255	1,857	547	1,161	1,708	541	1,088	1,629
Total		2,638	2,396	5,034	2,444	2,264	4,708	2,385	2,188	4,573

New hires, by age group, gender and geographical area

Number of new hires	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
North	N°	363	298	661	365	316	681	317	232	549
<i>under the age of 30</i>		229	180	409	215	178	393	217	149	366
<i>between 30 and 50 years</i>		111	100	211	118	118	236	97	77	174
<i>age over 50 years</i>		23	18	41	32	20	52	3	6	9
Centre		151	103	254	123	101	224	330	237	567
<i>under the age of 30</i>		98	58	156	76	46	122	225	153	378
<i>between 30 and 50 years</i>		50	45	95	43	54	97	102	78	180
<i>age over 50 years</i>		3	0	3	4	1	5	3	6	9
South and Islands		72	70	142	31	28	59	294	225	519
<i>under the age of 30</i>		29	26	55	13	4	17	184	129	313
<i>between 30 and 50 years</i>		40	44	84	16	23	39	103	84	187
<i>age over 50 years</i>		3	0	3	2	1	3	7	12	19
Total		586	471	1,057	519	445	964	941	694	1,635
<i>under the age of 30</i>		365	264	620	304	228	532	626	431	1,057
<i>between 30 and 50 years</i>		201	189	390	177	195	372	302	239	541
<i>age over 50 years</i>		29	18	47	38	22	60	13	24	37

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

Employees who have left the company	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woma n	Total	Man	Woma n	Total	Man	Woma n	Total
North	N°	368	274	642	322	225	547	238	186	424
<i>under the age of 30</i>		222	187	409	207	134	341	159	111	270
<i>between 30 and 50 years</i>		129	79	208	100	79	179	68	69	137
<i>age over 50 years</i>		17	8	25	15	12	27	11	6	17
Centre		166	132	298	140	118	258	142	93	235
<i>under the age of 30</i>		98	50	148	63	55	118	67	45	112
<i>between 30 and 50 years</i>		61	78	139	71	61	132	68	43	111
<i>age over 50 years</i>		7	4	11	6	2	8	7	5	12
South and Islands		63	40	103	21	41	62	12	14	26
<i>under the age of 30</i>		26	10	36	3	1	4	4	5	9
<i>between 30 and 50 years</i>		33	30	63	18	40	58	7	9	16
<i>age over 50 years</i>		4	-	4	-	-	-	1	-	1
Total		597	446	1,043	483	384	867	392	293	685
<i>under the age of 30</i>		346	247	593	273	190	463	230	161	391
<i>between 30 and 50 years</i>		223	187	410	189	180	369	143	121	264
<i>age over 50 years</i>		28	12	40	21	14	35	19	11	30

Turnover rate⁴⁸

Turnover rate	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Entry turnover rate	%	22.2%	19.7%	21.0%	21.2%	19.7%	20.5%	31.0%	24.2%	27.8%
Outgoing turnover rate		22.6%	18.6%	20.7%	19.7%	17.0%	18.4%	16.6%	13.5%	15.1%

Gender relationship between the average basic salary and the average remuneration broken down by level⁴⁹

Employees by level	u.m.	29/02/2020		28/02/2019		28/02/2018	
		Basic salary	Remuneration	Basic salary	Remuneration	Basic salary	Remuneration
Executives	%	52%	39%	50%	39%	76%	76%
Middle managers		107%	111%	113%	112%	126%	130%
Office workers		120%	121%	126%	128%	117%	118%
Factory workers		112%	108%	-	-	-	-

The incoming turnover rate remains in line with the financial year 2018/19. Specifically, the incoming turnover rate broken down by geographical area stands at 22% for the north, 20% for the centre and 18% for the south and islands; with reference to the breakdown by age group it stands at 96% for the age group below 30 years, 11% for the age group between 30 and 50 and 7% for the age group above 50 years of age.

The outgoing turnover rate shows a slight increase compared with the financial year 2018/19, going from 18.4% to 20.7%. Specifically, the outgoing turnover rate broken down by geographical area stands at 21% for the north, 23% for the centre and 13% for the south and islands; with reference to the breakdown by age group it stands at 91% for the age group below 30 years, 11% for the age group between 30 and 50 and 6% for the age group above 50 years of age.

On the other hand, with regard to the indicators referring to staff salaries, for the middle management and office worker categories the value is higher for the male gender, both for the basic salary and for the remuneration with a decrease in the gender ratio for both middle management and office workers compared with 2018/19. With regard to the senior management category, the gender ratio for remuneration is not significant (because 96% of this category are men).

Staff training and career development

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

In addition to the legally-required or suggested training courses (Health and Safety, Model 231, Privacy), the Group offers managerial and professional training courses, both for store and head office staff. The inclusion of employees in the company and their professional growth are supported through targeted training actions, activating insertion paths for new recruits, programmes to support continuous updating on the product news of the various product categories (staff training) and to

⁴⁸ The figure is calculated as the ratio between total entries/departures and total employees in the reference year.

⁴⁹ The figure is calculated as the ratio between the average basic salary of men over that of women and between the average remuneration of men over that of women. For financial years 2018/19 and 2017/18, there is no value reported for "Manual workers" as there was only one resource.

improve customer reception. Amongst the training tools made available is the portal dedicated to training, the Human Resources module - Zucchetti Training, through which it is possible to register for the courses, to trace all the training/informative initiatives and to collect satisfaction questionnaires on the initiatives carried out.

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

In financial year 2019/20, 54,062 hours of training were delivered to 14,073⁵⁰ employees, a 55% increase compared with the previous year. This positive change, proportional to the number of entries recorded during the fiscal year (following the acquisition of Carini Retail S.r.l. and the opening of new sales outlets), is also linked to the cyclical nature of training requirements and an increase in resources dedicated to training⁵¹.

Performance indicators

Hours of training provided

Hours of training by gender and function	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	Hours	934	196	1,130	269	75	344	612	40	652
Employees employed in business functions		34,637	18,296	52,932	23,915	10,574	34,489	16,502	7,475	23,977
Total		35,571	18,491	54,062	24,184	10,649	34,833	17,114	7,515	24,629

Employees involved in training activities broken down by gender and function

Number of employees involved by gender and function	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employees employed in support functions	No.	169	59	228	71	18	89	39	5	44
Employees employed in business functions		7,889	5,956	13,845	2,998	1,330	4,328	1,399	661	2,060
Total		8,058	6,015	14,073	3,069	1,348	4,417	1,438	666	2,104

Hours of training by type⁵²

⁵⁰ This figure does not represent the actual number of employees trained during the financial year, but the number of times they have taken part in training courses.

⁵¹ As of March 2018, training on regulatory requirements on the issue of workplace health and safety (pursuant to Legislative Decree 81/2008) was managed directly by Unieuro's Safety Office, outsourced by the HR Office.

⁵² New training categories provided in financial year 2019/20.

Hours of training by type	u.m.	29/02/2020	28/02/2019	28/02/2018
Products	<i>Hours</i>	28,036	15,625	17,419
Commercial		3,380	-	-
Management development		768	140	3,544
Marketing		-	-	1,448
Inclusion of newly hired employees in the company		-	224	1,248
Safety (pursuant to Legislative Decree 81/2008)		7,791	11,588	970
Trainee Directors Academy		3,297	4,484	-
Apprentices		5,148	2,335	-
Legal requirements		326	309	-
Training pursuant to Legislative Decree 231/2001		279	-	-
Linguistics		268		
<i>Privacy</i>		4,770	128	-
Total			54,062	34,833

Average hours of training broken down by gender, level ad function⁵³

Average hours of training by gender and category of employees	u.m.	29/02/2020			28/02/2019			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Employed in support functions	<i>Hours /No.</i>	4.77	1.14	3.08	1.42	0.48	0.99	3.26	0.27	1.94
Employed in business functions		14.18	8.22	11.34	10.94	4.86	7.90	7.51	3.66	5.66
Executives		11.44	2.00	11.06	2.17	-	2.08	2.67	-	2.40
Middle managers		19.89	8.38	16.69	5.32	3.14	4.73	19.45	5.14	16.00
Office workers		13.34	7.66	10.59	10.04	4.72	7.46	6.98	3.43	5.26
Total			13.48	7.72	10.74	9.89	4.70	7.40	7.18	3.43

⁵³ The figure is calculated as the ratio between the training hours provided and the total number of Group employees divided by gender, level and function.

Performance evaluation

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

- directing their performance and development towards corporate objectives and professional behaviour towards the corporate organisational culture;
- highlighting the need for training and developing potential;
- reinforcing strengths and intervening in areas for improvement;
- developing a sense of belonging and identification with the corporate mission;
- building an organisational culture based on results and merit;
- collecting feedback.

Evaluation cycles are managed by a specific portal, which monitors all phases and can be accessed at any time by all employees. Performance evaluation discussions are individual and involve the employee and their manager, with the possibility of the Human Resources department and/or the evaluation manager joining.

The evaluation process currently extends to all organisational roles, covering 4,263 people in the financial year 2018/19 corresponding to 85% of the corporate population (85% of men of total men and 86% of women of total women).

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

Performance indicators

Performance evaluation

Professional categories	u.m.	29/02/2020 ⁵⁴			28/02/2019		
		Man	Woman	Total	Man	Woman	Total
Executives	%	88	100	88	89	50	85
Middle managers		47	79	56	100	93	98
Office workers		85	86	86	92	91	91
Manual workers		87	74	84	-	100	100
Total		85	86	85	92	91	91

⁵⁴ The figure posted as at 29/02/2020 is related to the performance appraisals for the period 01/03/2018 - 28/02/2019. For the period 01/03/2019 - 29/02/2020 the Company intends to pursue the same objectives as the previous year, but it will not be possible to calculate the quantitative and qualitative data before the month of September 2020 (end of the business evaluation cycles). This note is in line with the contents of the previous non-financial statements.

Health & Safety

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

The policies aimed at mitigating the risks have been structured and formalised on the basis of the internal management models used by the Company, or the Model 231 and the related verification protocols, in compliance with Legislative Decree 81/2008. In order to correctly comply with the dictates of the aforementioned Decree, the Company also has the task of promoting the culture of safety within the company through appropriate information and training actions towards all staff at different levels of the organisation. During the year, a total of 7,791 hours of training required by workplace health and safety regulations were provided to 946 employees, 64% of whom were men and 36% women (90% belonging to the category "office workers" and 10% to the category "employees").

In addition to training activities, the Company provides its personnel with personal protection equipment (PPE), also aimed at mitigating the risk of accidents in the workplace, with the main reference to the activities carried out at the sales outlets. In 2006 it also set up a special Help Desk portal, accessible from all sales outlets and centrally managed by the Technical and Services Office, which also aims to collect complaints from employees and customers about possible violations of the safety rules.

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

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

Performance indicators

Accidents by type and gender and accident indices

Employees	u.m.	29/02/2020 ⁵⁵			28-Feb-19			28/02/2018		
		Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Accidents	N°	66	44	110	56	58	114	50	40	90
<i>at work</i>		42	30	72	43	40	83	35	24	59
<i>whilst travelling</i>		24	14	38	13	18	31	15	16	31
Deaths		-	-	-	-	-	-	-	-	-
<i>at work</i>		-	-	-	-	-	-	-	-	-
<i>whilst travelling</i>		-	-	-	-	-	-	-	-	-
Cases of occupational diseases		-	-	-	-	-	-	-	-	-

Employee accident indices

Accident indices ⁵⁶	29/02/2020	28/02/2019	28/02/2018
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⁵⁵ As regards the subsidiary Monclick S.r.l., no workplace accidents were recorded.

⁵⁶ The accident indices take into account accidents at work and accidents whilst travelling and are calculated as follows:

	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
Lost working hours rate	1.67	1.75	1.70	1.96	2.67	2.26	1.99	1.86	1.93
Absenteeism rate	2.86	2.27	5.13	3.13	3.22	6.35	3.11	2.11	5.11
Rate of occupational diseases (ODR)	-	-	-	-	-	-	-	-	-
Accident rate (IR)	15.36	13.58	14.59	13.98	19.19	16.22	13.26	14.11	13.62

Accidents of external collaborators by type and gender and accident indices

External collaborators	u.m.	29/02/2020	28/02/2019	28/02/2018
Accidents	N°	9	17	14
<i>at work</i>		7	14	13
<i>whilst travelling</i>		2	3	1
Deaths		-	-	-
<i>at work</i>		-	-	-
<i>whilst travelling</i>		-	-	-

Accident indices of external collaborators

Accident indices ¹⁶	29/02/2020	28/02/2019	28/02/2018
Accident rate (IR)	14.00	31.00	32.18

Lost working hours rate: (total number of hours lost through accidents / total hours worked)*1,000

Absenteeism rate: (absence days for accidents / working days in the period)

Rate of occupational diseases (ODR): (total number of cases of occupational diseases / total hours worked)*200,000

Accident rate (IR): ((total number of accidents + total number of deaths) / total hours worked)*1,000,000

Relations with the trade unions

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

The Company signed two second level agreements with the unions, on 13 March 2017 and 12 April 2017, which regulate aspects such as the incentive system, the use of video surveillance, labour relations and Sunday work, the latter with the aim of sharing the organisational and methodological principles aimed at guaranteeing the necessary supervision at the point of sale on Sundays of opening in respect of a fair rotation amongst workers and guaranteeing a long-term planning of Sunday openings. Specifically, the agreement concluded on 12 April 2017 regards workers at sales outlets⁵⁷, whilst that concluded on 13 March 2017, later renewed on 9 April 2019, regards workers at head office.

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

Performance indicators

Employees covered by collective bargaining agreements

Employees	29/02/2020	28/02/2019	28/02/2018
Number of employees covered by collective bargaining agreements	5,034	4,708	4,534
Total employees	5,034	4,708	4,573
Coverage rate	100%	100%	99%

⁵⁷ The agreement does not include the subsidiary Monclick S.r.l. because it has no sales outlets.

Company

Customers

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

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

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

Specifically, "proximity to customers" means always and exactly understanding the needs of customers, and also proximity. Unieuro's objective is actually the ability to reach as many customers as possible, due to both the extensiveness of the network of stores, now over 500 stores, and due to the integration of the platform unieuro.it in the digital ecosystem, combining the functions offered by search engines and exploiting the interaction with the main social networks, from home, via mobile and near the store itself. From an omnichannel point of view, proximity also translates into the "click and collect" project: the withdrawal system at the physical sales outlets of products purchased by customers on the online channel. Unieuro is in fact one of the first companies to have sensed the potential of using the more than 410 collection points, selected amongst its sales outlets, for orders placed via the web, thus getting closer to its customers who want to cut waiting times and additional delivery costs, as well use alternative methods of payment to e-money.

Quality of services and customer centricity

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

- abandonment rate;
- number of calls managed per hour;
- number of incoming tickets⁵⁸;
- management time/resolution of incoming tickets;
- random check of the quality of tickets and calls;
- verification of online order allocations.

⁵⁸ Communication tool with the customer by completing an online form available on the Company's website.

Through Customer Care, part of the Customer Relationship Management function (CRM), the Group constantly carries out monitoring in order to prevent possible inefficiencies relating to the home delivery of products and delivery times, especially at peak sales times. Thanks to the information gathered, Unieuro has developed a corrective action plan that will result in an order management project to optimise inventory stocks and respond to customer requests quickly and effectively.

In addition, Customer Care periodically carries out analyses on inefficiencies in individual product categories sold, based on the complaints received and historical data in order to inform the competent Category Manager with regard to any suppliers that may present a high failure rate.

As regards Monclick, the Care Team constantly monitors customer satisfaction through reports prepared by the figure responsible for customer support. The performance in terms of contacts received, emails, telephone calls and messages on social networks is analysed. In the same way the entire passive cycle in terms of practices managed, such as, for example, transport irregularities, breakdowns and terminations are monitored. The opinions of customers are monitored and managed in terms of customer satisfaction and the performance of the office is observed by analysing the opinions of customers about contacts received. On average, the number of monthly contacts that reach the Care Team is around 13 thousand emails received (of which 80% are managed) and around 8 thousand telephone calls received (of which 80% are managed).

The Care Team also takes care of all problems and requests relating to the "active cycle" and the "passive cycle" of orders placed at Monclick.it, namely customer management and care during the purchase process, from pre-sale product insights to the aid for browsing the web, from the completion of the transactions to the updating of information related to the tracking of shipments up to the management of any issues with the order. The treatment is reserved for all platforms connected to it (private sales, external partners, eBay, Facebook, etc.).

Health and safety of consumers

In addition to the competitiveness and level of service offered, Unieuro's strength is based on the level of customer loyalty with regard to the products sold. For this reason, the Group is committed to ensuring the highest level of quality and protection of consumers, both in terms of safety of the product sold, and from the point of view of protection of the data and information collected.

As regards non-Electroline brand products, trust in the product is protected, firstly due to the procurement from suppliers of the highest profile, which is often international, the quality and reliability of which are a fundamental part of their positioning as market leader. The conformity of the products with the laws and regulations on safety is, moreover, periodically monitored by means of random checks by the external authorities, in order to evaluate their real characteristics and certifications in the light of the European RoHS Directive (Restriction of Hazardous Substances Directive), laying down specific rules concerning the restriction on the use of hazardous substances in Electrical and Electronic Equipment in order to contribute to the protection of human health and the environment. During financial year 2019/2020, the Company did not receive any complaints or reports of non-conformity to rules or laws that have an impact on consumer health and safety.

As regards Electroline brand products, conformity to laws and regulations is monitored by an external company, which did not, during financial year 2019/20, find any episodes of non-conformity regarding impacts on the health and safety of consumers.

As already indicated in the paragraph "Main non-financial risks and management methods", the sale of products harmful to the health of citizens or not in line with European safety or product quality standards, albeit governed by framework agreements and certified by third parties, could expose Unieuro to the risk of claims for compensation for damage and loss of trust by consumers. To

protect against this risk, the Company has taken out insurance policies relating to those aspects for which it could not legitimately claim against the supplier or producer.

Transparency of product information and commercial offers to customers

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

The main advertising campaigns consist, alternately or simultaneously, of the distribution of promotional flyers, radio and television advertising and reward programmes, such as collecting points, competitions, vouchers and targeted promotional activities such as "underselling"

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

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

The management model adopted by the Company involves the collaboration of experts, in and outside of the company, dedicated to prior verification of the feasibility of certain commercial transactions. Specifically, the Company uses consultants for the prior verification of the content of the reward programme regulations; the Legal Office is involved by the competent functions for the prior verification of the feasibility of specific commercial transactions (for example, "underselling") and for checking the content of the most important information on the issue of communication through flyers, internet communications, etc.

Specifically, the Marketing Department must guarantee the correspondence between the characteristics of the products presented in any communication of an advertising and/or promotional nature and those offered for sale, with particular reference to the quantity, quality, origin or origin of the products.

During the financial year just ended, the Company recorded a single case of non-conformity of a private label product, concerning labelling and information documentation inside the product packaging. The proceedings concluded with a fine of Euro 84,000, which was later challenged and administrative proceedings are currently in progress. After the hearing before the Forlì Chamber of Commerce, the documents were sent to the Milan Chamber of Commerce for a decision that has not yet been received.

With regard to possible cases of non-conformity to laws and/or internal regulations relating to information on the products and services of the organisation, note that, during the financial year, administrative proceedings were launched concerning non-proprietary brand products, without the most modern DAB+ radio technology. The Authority intimated that the Company should withdraw the non-conforming products from sale. The condition these products were returned in is the subject of negotiation between the Unieuro merchants and the suppliers.

In addition, during the financial year, there were 4 cases of non-conformity with the laws regarding communication and marketing activities with reference to administrative sanctions and/or challenges for "underselling" deemed irregular and for which legal proceedings are in progress or they are still in the administrative phase. Some of the proceedings relating to the previous financial year concluded favourably for Unieuro, with the cancellation of the sanctions.

Although the Company has defined specific procedures aimed at guaranteeing the disclosure of correct, clear and transparent information, the Company undertakes to promptly implement the actions necessary to ensure an ever-increasing level of transparency.

Consumer data security

Recognising the increasing importance of the protection of privacy and the protection of personal data, Unieuro defines precise rules of confidentiality to ensure maximum protection. In fact, in the context of online commerce, increasingly stringent rules and policies are needed, capable of protecting the customer and responding to increasingly specific regulatory requirements introduced by the European Commission with Regulation 2016/679 the General Data Protection Regulation (GDPR).

The regulation intends to strengthen and harmonize the regulatory framework regarding the protection of personal data in the European Union and to give citizens greater control over their personal data. The wording, published in the European Official Gazette of 4 May 2016, came into force in May 2018 and repealed the standards of Legislative Decree 196/2003 for personal data protection.

In this regard, in 2018 the Group launched an adaptation process to the new regulation using a Privacy Organisational Model that contains policies and procedures aimed at mitigating all risks through:

- the imposition of greater checks on the flow of activities;
- making external managers and representatives responsible;
- anticipating contractual safeguards required from suppliers;
- preparing technical and IT measures aimed at increasing the level of IT security.

The Group has also appointed a Data Protection Officer (DPO), carried out impact and balance of interest evaluations; kept and updated Registers (partly due to the GoPrivacy tool) as the data owner or processor; as well as carrying out training (in progress) on personal data privacy.

In addition, it has circulated the job descriptions which, together with the letters of authorisation for handling personal data (signed by company employees), identified the activities of the representatives based on the macro categories of activities conducted and provided recommendations and instructions on the fulfilment of particular obligations (e.g., on the preservation of documentation, handling of sensitive data, etc.).

As the owner of personal data, Unieuro may run the risk of loss of confidentiality, integrity and availability which, in the abstract, could result from: errors, IT malfunctions and/or attacks; human error; unlawful facts and criminal events (for example, the theft of documents or equipment or components containing sensitive information; the unauthorised use of instruments; identity theft; illegal access to software and company data; access to employee credentials and their unlawful use); procedural errors; force majeure events.

In addition, as personal data processors, Unieuro could run the risk associated with the collection of personal data (for example, the collection of data on behalf of mobile phone companies).

Where Unieuro runs the above-mentioned risks, the adverse consequences could be: a) administrative sanctions for violations of provisions on personal data protection; b) compensation requests by interested parties/consumers who feel their rights have been violated; c) reputational damage resulting both from the publication of any provisions of the authorities, and from various types of comments published on social channels or other information channels; d) challenges from any commercial partners for failed compliance with contractual obligations concerning the management of personal data.

In order to reduce the risks resulting from human error, Unieuro S.p.A. has appointed an outside firm that handles the storage of the fidelity card hard copy forms to deal with the reading, through IT systems, of authorisation information and signatures on the forms. The information, received by the outside firm, is then processed, analysed and sent to the Privacy Office. Additionally, to improve the correctness of the collection of customer data and save it in their systems, in September 2019 Unieuro S.p.A. circulated a fidelity card management procedure in the sales network.

At the end of November 2019, with the support of external consultants, Unieuro S.p.A. implemented the project to align its channels launching a data updating campaign. Under this scope, in addition to pursuing the application of the principle of accuracy of its data base (pursuant to Article 5, paragraph 1, letter d) of the GDPR) and to guarantee the correctness of the personal data of its customers registered in its systems, Unieuro decided to ask its customers for consent to handle data for the purpose of integrated profiling (this purpose was suitably reported to customer in dedicated disclosures). At the end of the campaign (planned for the end of August 2020), the Company will evaluate if and when to start a new campaign for those customers who have not updated their data.

Unieuro S.p.A. also launched a process for the analysis and improvement of its IT infrastructures in terms of structural and perimeter security with the support of external consultants and under the supervision of the DPO.

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

In addition to the structure of systems and procedures aimed at preventing the loss of customer data and information, the Group carries out information, training and awareness-raising activities for personnel surrounding the risks associated with customer privacy protection. Specifically, Unieuro S.p.A. has trained the entire sales network on the issue of privacy, with an online course and top management with lessons. Online training for head office employees is scheduled for 2020. In Monclick, the information and awareness-raising activities carried out mainly involved member of the IT & Web Team.

The Group also manages a system for allocating access rights to systems with maximum granularity and with different control points. The data and information management model is also subject to periodic checks by the data controllers (for example, mobile operators, financial companies, television broadcasting companies), in relation to which Unieuro takes the position of the external manager, and possible internal audits carried out following the reporting of anomalies.

The reports, complaints and requests from customers regarding data handling (amendment or cancellation) can be sent to the Company via email to the addresses privacy@unieuro.com (the official channel published on the Company's corporate and consumer website) or to

dpo@unieuro.com or by ordinary mail. Alternatively, in addition to the official channels, some reports can also be received directly at the sales outlets, by telephone via call centres or at the Company's certified email address. With regard to Monclick, any report or information relating to data processing can be directed to the address privacy@monclick.it or directly to the data protection officer at the address dpo@monclick.it.

Complaints and claims are managed by the Legal Office, for the practices deemed most risky it is possible to consult the DPO and external parties, experts on the issue of privacy.

Unieuro is working quickly to manage all customer requests in the best way possible in order to guarantee the protection of confidential data and information and prevent possible negative consequences, both in reputation and sanction terms.

Numerous requests for amending or deleting data are received daily at the dedicated Unieuro S.p.A. privacy channels. Some of the requests relate to inconsistencies in the transcription of the data IT system as a result of IT and/or human errors, others could result from a simple rethinking by customers of consent expressed previously. The high number of requests received is due to both the fact that Unieuro has around 7 million active Fidelity Cards, as well as a very large number of e-commerce profits, and the data collection method which still takes place in a paper format, with a possible increase in the margin of error in uploading customer data into the system.

As at 28/02/2020 Unieuro had not received any complaints (pursuant to Article 77 of the GDPR and Articles 140-*bis* to 143 of the Privacy Code).

There were 4,544 requests on privacy received and managed by Unieuro S.p.A. between 28/02/2019 and 28/02/2020. With regard to the requests received, in 6 cases the party involved, in exercising their rights concerning privacy, only involved the guarantor authority for personal data protection for information purposes. The 6 cases involved were handled promptly by the Company, copying the authority in for information purposes, with the latter no launching any proceedings.

However, following some requests by the interested parties and some reports received from Customer Service, Unieuro S.p.A. found 7 cases of data security. Amongst these, with the support of the DPO, 2 were classified as "false positive" following the prompt analysis of the Data Breach Assessment Unit (as per the procedure) which did not involve incidents of confidentiality, integrity and availability of data at Unieuro systems, or those of its suppliers - appointed responsible for the processing (pursuant to Article 28 of the GDPR)-, whilst 5 were classified at data breaches. With regard to these last 5, note that, following a prompt analysis by the Data Breach Assessment Unit at first, and the Data Breach Management Unit afterwards, Unieuro did not notify the Guarantor Authority for the protection of personal data of the personal data breach (pursuant to Article 33 of the GDPR) on account of the low or low-medium level of risk of the event calculated in accordance with Enisa recommendations (the European agency for network and IT security) and Articles 75 and 76 of the GDPR Regulation.

As regards Monclick, the number of significant claims regarding privacy by customers last year was practically non-existent. This result was supported by the adoption of all security systems and applications of the GDPR rules, also in terms of the deletion of details at the request of customers.

Management of complaints

The Company is committed to developing a constant dialogue with its customers in order to maintain the relationship on a level of excellence. The management of complaints and other instances in which customers express their dissatisfaction is governed by specific procedures that ensure the taking charge of individual complaints received both at the registered office and directly at the certified email address. In particular, the Legal Department, together with the internal

departments involved, checks each complaint with the aim of handling complaints as promptly as possible, in line with the obligations imposed by law, and to contain litigation as far as possible. In addition to the principles of conduct, the Company has set up additional control measures to protect industrial and intellectual property, with particular attention to the application procedures related to the management of product sales activities. The Company, as a seller in accordance with the Consumer Code, receives numerous complaints and out-of-court claims from consumers and their representatives, referring to the non-conformity of products.

Note that, in the financial year 2019/2020, the Italian competition authority (AGCM) launched a moral suasion process with regard to Unieuro S.p.A. with an invitation to remove commercial conduct possible impropriety profiles. The AGCM opened proceedings following reports by consumers complaining of arbitrary cancellation by the Company of online orders in spite of the confirmation of the order and debiting of the payment. Unieuro S.p.A. responded by stating that the cancellation took place in sporadic cases for reasons related to the non-availability of products as a result of IT and/or human errors loading products in the warehouses or because the products were destroyed at the time of collection. In any event, the Company formulated commitments aimed at minimising cases of order cancellations by implementing a new management procedure (ERP) capable of tracing product loading information flows, thereby promoting the identification and correction of any irregularities. With reference to the issue of payments, Unieuro S.p.A. is committed to implement the *One Dollar Check* tool that will make it possible to check the effective availability of the product before debiting the amount to the customers' credit card. The AGCM has accepted Unieuro S.p.A.'s undertakings and has filed the proceedings asking for a report on the progress of the implementation of the measures by early May.

Selection and management of suppliers

Almost all the products marketed by the Group are produced by highly qualified and recognised suppliers, amongst the major players in the electronic and IT market, who supply their goods directly to Unieuro, signing to annual contracts. Purchases therefore take place via direct orders to the companies that deliver the goods at the logistics platform or directly at the sales outlet that are later sold to the end user. Alongside this organisational model there is also the direct importing of private brand products (around 1% of total sales).

In consideration of the high profile and reputational level of the main suppliers with which Unieuro interfaces on a daily basis, their selection is currently based on economic criteria that do not specifically target predefined social or environmental aspects. Furthermore, the Company mainly maintains relations with the Italian and European legal offices of the suppliers it relies on. Relations with suppliers, in any case, are always based on compliance with current regulations and the principles of transparency, fairness and honesty, as set out in the Code of Ethics.

In particular, potential new suppliers are evaluated and selected using objective methods, taking into account, in addition to the quality, costs and services offered, the requirements of integrity, reputation, and professionalism, as well as the absence of any suspicion, past or present, of involvement in unlawful activities. For their part, the suppliers, under the scope of their relations with the Group, must commit to guaranteeing protection against child labour and the rights of workers as well as the safety of the environment and workplaces. Precisely because of the multi-national nature of these suppliers, there are currently no company procedures for the prior verification of the safety of products and information to be provided at the marketing stage, but each purchasing manager (Category Manager), in the ordinary management of relations with these suppliers, ensures that the risk of errors in the data supplied regarding the products as well as the absence of the relevant approval certifications is checked.

Comparison with suppliers takes place constantly and continuously, on a weekly basis with the main suppliers through direct meetings and telephone calls. Issues of price product and methods and times relating to the entire life cycle of the product are dealt with.

The Company has also developed Electroline, a line of private label products, purchased directly from an intermediary company and sold to the end consumer. From 2018, the intermediary company has been involved in agreements concluded to comply with qualitative standards and regulatory certification in force in China, where production takes place.

With regard to Monclick, note that following the progressive increase in the Unieuro drop ship⁵⁹ percentage (which, in financial year 2019/2020, reached a peak of 87%), purchases of goods made by the company independently, in which other suppliers were added, had less impact. In the category of suppliers other than Unieuro, note Techdata, Ingram Micro and Vela.

The movement of goods and shipping take place at Piacenza and the service is regulated by market conditions based on intercompany agreements. The purchase order at the supplier is only completed after the sales order to the customer has taken place.

Activities in support of the local community

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

For this reason, in 2016 Unieuro created the **NoCyberbullying** project conceiving and promoting the **#cuoriconnessi** tour with the State Police. The choice of the project follows the brand architecture on the values of responsibility and possibility, raising awareness amongst the younger ones as to a responsible use of the devices through a series of meetings in theatres throughout Italy and disseminating information material on the sales outlets. The project, developed in itinerant form, has translated into the making of a documentary film in which children, parents and families who have experienced cyberbullying first hand tell their stories and their experiences. Since the start of the tour, the docu-film has been broadcast in Italian theatres and has led teenagers to reflect on the weight of the words conveyed through social networks. In the theatres, the children lived the testimonies of those who fought on the front lines, very often without any means to defend themselves, and were able to listen to the experiences of the police authorities, who actively contribute to the struggle and provide an immediate response to solve the problem. In addition to the docu-film, the project also involved important awareness-raising activities, both for employees of sales outlets through dedicated webinars and institutions. Since 2016, the year the project was launched, there have been more than 30,000 students on 42 stages throughout Italy and around 5,000 collaborators have been trained.

In financial year 2019/20, following the opening of 12 new stores in Sicily, Unieuro reiterated its business responsibility by supporting the **#cuoriconnessi** project and presented the **#cuoriconnessi 2** project supporting the continuity of its presence in the region. Unieuro distributed information on cyberbullying at all the sales outlets in Sicily. By reading a QR code, it is possible to download docu-films and other video content from the flyer for more details.

At Palermo on 29 June 2010, Unieuro took part, as a Gold Partner, at the much-anticipated event in Sicily: the Radio Italia Live concert held at the Foro Italico, Palermo. An important stage to give the

⁵⁹ Sales model courtesy of which the vendor sells a product to an end user without materially owning it in its warehouse. The certification and homologation risk for products is directly connected to the distributor or, generally speaking, to the party that puts the goods on the market, so Monclick does not run any risk of that sort.

issue of cyberbullying even more visibility and confirm the Group's commitment to informing as many young people as possible and making them aware of this terrible phenomenon.

From the experience of #cuoriconnessi, on 6 February 2020, in Sanremo, Unieuro and the State Police presented the book “#Cuoriconnessi - online stories of cyberbullying”, by Luca Pagliari: an anthology of the most important stories collected over the years made available to the public for the first time. To date, 200 thousand books have been distributed, free of charge, at all Unieuro stores, exhausting the number of copies printed. At cuoriconnessi.it, the website where the book is available in a digital format, around 35 thousand copies have been downloaded.

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

In financial year 2019/20, again, Unieuro S.p.A. supported the local basketball team as their main sponsor and it sponsored the Forlì, sports arena known as the Unieuro Arena.

Investments for the community

Investments for the community	u.m.	29/02/2020	28/02/2019	28/02/2018
Sponsorships	€	310,000	294,000	269,288

Environment

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

Waste management

Unieuro, as a distributor of electrical and electronic equipment, comes under the regulatory requirements of Legislative Decrees 121/2016 and 49/2014, which regulate the collection activities of WEEE distributors, as well as the technical requirements for depositing prior to collection at distributors and for the transport thereof. The collection methods vary according to the "size" of the WEEE.

Small WEEE⁶⁰ can be handed over free of charge by the customer at any Unieuro sales outlet without having to purchase a new equivalent appliance ("one for zero" scheme). The Company has appointed an external company for the management of this waste which collects the WEEE and disposes of it.

For large WEEE, on the other hand, the customer can only hand over the used appliance when purchasing a new product provided that the WEEE surrendered is for similar use as the product purchased ("one for one" scheme). To guarantee responsible management and comply with these deposit and collection requirements endorsed by Legislative Decrees 121/2016 and 49/2015, the Company has a special operating manual that defines the roles and responsibilities for the correct management of the disposal of WEEE. The manual requires the identification of specific areas within the company's sales outlets, where special containers are installed for the disposal of WEEE waste with the specific indication of whether it is hazardous or non-hazardous equipment. The management of the collection is facilitated by the use of the management software "RAEEgest" which, in addition to guaranteeing the traceability of the operations, sends a notice in the event that such waste has been registered in the warehouse for more than 45 days or has reached the maximum weight of 3.5 tonnes. Once these limits have been reached, the waste will then be handed over to the carrier who takes care of the correct disposal.

⁶⁰ Small WEEE refers to WEEE where the longest side is less than 25 cm.

Monclick has entrusted the collection and depositing of WEEE at the “Group Location” to outside companies that operate on its behalf. Once the WEEE has been deposited, when the above-mentioned limits are reached, they are handed over to the carrier who takes care of the correct disposal.

The Logistics function is responsible for the disposal process and operates, for collection and disposal activities, through supervision by local operators employed by the company. The Logistics employees carry out audits at the stores to check compliance with the WEEE procedures operating manual as well as the correct filing of the documentation. To facilitate correct management, the manuals and other necessary information can be consulted through the RAEEgest portal.

In addition to the WEEE, the company produces urban waste deriving from ordinary office activities and the operational management of the stores, which mainly consist of mixed packaging, toners and cartridges. The rules for the correct differentiation of municipal solid waste are on display in Group premises: paper, plastic and aluminium, liquid fraction and undifferentiated. Each type of waste is collected according to the current laws by means of specialised companies authorised for this purpose.

Performance indicators

Total weight of WEEE waste disposed of⁶¹

WEEE waste disposed of	u.m.	29/02/2020	28/02/2019	28/02/2018
Disposal	tonnes	14,556	10,577	6,574
Total		14,556	10,577	6,574

Total weight of non-hazardous waste, broken down by type of disposal⁶²

Non-hazardous waste by type of disposal	u.m.	29/02/2020	28/02/2019
Recycling	tonnes	2,811	3,577
Total		2,811	3,577

The change in the quantity of WEEE disposed of between 2018/19 and 2019/20 is mainly due to the greater quantity of WEEE collected and managed by the Group, including following the increase recorded in sales in the reference categories. Also note that, in 2017/18, Monclick's contribution was limited to the period 1 June 2016 - 28 February 2018.

⁶¹ The figure in tonnes was calculated as the number of product category pieces by the average estimated weight of the product category). The data of the company Monclick are the result of estimates, calculated from the data provided by the company that manages waste disposal.

⁶² The data refer to Unieuro S.p.A and are provided by the company responsible for the collection of waste which issues on a monthly basis a document at each store where it declares the weight of the collected waste. As regards the subsidiary Monclick S.r.l., during the reference period, a production of about 1.2 tonnes of waste disposed through recycling (0.6 tonnes), composting (0.24 tonnes), incineration (0.3 tonnes) and storage (0.1 ton) was estimated.

Energy consumption and emissions

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

However, Unieuro's commitment has taken the form of various energy efficiency initiatives, including the installation at around 88 sales outlets of efficiency systems that have led to a 24% reduction in consumption; the replacement of obsolete lighting systems with LED fixtures that allow an estimated saving of about 50% of energy and the replacement of air conditioning systems with high efficiency machinery. In addition, building automation systems have been installed that allow the integrated and smart management of all electrical systems such as lighting, heating and air conditioning, anti-intrusion and fire alarms.

Moreover, the Monclick office is located in a low environmental impact building, "LEED platinum" certified, and equipped with the most modern systems for the improvement and optimisation of energy consumption.

Until April 2019, **Enel X**, the business line of the Enel Group dedicated to innovative products and digital solutions, and Unieuro signed an important commercial agreement for the provision of Demand Response⁶³ services to 9 brand sales outlets. The demand management services, in which Enel X has the role of aggregator (Balance Service Provider – BSP) of the Unieuro sales outlets involved - actually ensure greater flexibility and stability of the electric network, in addition to a more efficient use of the energy infrastructure, contributing to curbing electricity prices. The companies that belong to the Demand Response programmes benefit from a reduction in energy costs at the same time promoting more sustainable behaviour through an efficient and informed use of consumption. After having implemented various energy efficiency initiatives at around 250 sales outlets in Italy, from waste disposal to curbing consumption, due to this agreement, Unieuro will respond very appropriately to the needs of the community and the growing attention to issues related to energy sustainability.

As illustrated in the table below, electric consumption and emissions increased by around 9% compared with the previous year as a result of the increase in the number of sales outlets confirming the effectiveness of the initiatives undertaken. Fuel consumption, on the other hand, mainly composed of diesel fuel for the heating of Unieuro S.p.A. branches and offices, fell by 8% compared with the previous year. Emissions relating to fuel consumption for Unieuro S.p.A. staff travel fell by around 10% compared with the previous year.

⁶³ The Demand Response services or management of demand, allows commercial and industrial consumers to access the dispatching services market by modulating its energy consumption with the objective of meeting peak electricity supply and demand and allowing the network greater flexibility and stability. The capacity offered to the market, especially if it features a high degree of flexibility and if managed in an aggregate form, acquires significant systemic and economic importance for consumers.

Performance indicators

Indirect energy consumption⁶⁴

Electricity for the operation of offices	u.m.	29/02/2020	28/02/2019	28/02/2018
Electricity	<i>kWh</i>	67,550,741	61,796,784	54,975,973
<i>of which from non-renewable sources</i>	%	100%	100%	100%

Emissions generated by indirect energy consumption⁶⁵

Indirect emissions - Scope 2	u.m.	29/02/2020	28/02/2019	28/02/2018
Emissions from electricity consumption	<i>kg CO2e</i>	25,331,528	23,173,794	20,615,990

Direct fuel consumption for the operation of offices and sales outlets⁶⁶

Fuel from non-renewable sources	u.m.	29/02/2020	28/02/2019	28/02/2018
Diesel	<i>Litres</i>	119,103	129,642	129,642
	<i>GJ</i>	4,544	4,948	4,946

Emissions generated by direct fuel consumption⁶⁷

Direct emissions - Scope 1	u.m.	29/02/2020	28/02/2019	28/02/2018
Emissions from diesel consumption	<i>kg CO2e</i>	308,966	340,562	337,090

Kilometres for staff travel⁶⁸

Kilometres for staff travel	u.m.	29/02/2020	28/02/2019	28/02/2018
By private car	<i>km</i>	728,772	1,064,572	1,300,377
By company car		3,758,756	3,830,000	3,508,206
Total travel mileage		4,487,528	4,894,572	4,808,583

Emissions generated by direct and indirect fuel consumption⁶⁹

Direct and indirect emissions - Scope 3	u.m.	29/02/2020	28/02/2019	28/02/2018
Indirect emissions for consumption by private car	<i>kg CO2e</i>	131,696	195,104	237,215
Direct emissions for consumption by company car		679,245	701,924	639,967

⁶⁴ Figures taken from the bills sent by the energy supplier, whilst for the subsidiary Monclick, the consumption figures for the months of 2018 were taken from the bills sent by the energy supplier, but for February 2019 they were estimated based on the consumption for the same month of the previous year.

⁶⁵ The conversion factors of ENERDATA 2015 were used to calculate the indirect emissions.

⁶⁶ Data obtained from the utility bills sent by the supplier. The figure excludes the subsidiary Monclick S.r.l. as it does not consume fuels.

⁶⁷ The conversion factors of the Department for Environment, Food and Rural Affairs (DEFRA) 2019 were used to calculate the emissions.

⁶⁸ The mileage of company cars is derived from the fuel cards; the mileage of private cars is estimated starting from employee expense reimbursements and dividing the total monetary value by the average cost of fuel €0.28. For financial year 2019/20, the figure reported excludes taxi expenses as this information was not available. The figure excludes the subsidiary Monclick S.r.l. as it was not significant.

⁶⁹ The conversion factors of the Department for Environment, Food and Rural Affairs (DEFRA) 2019 were used to calculate the emissions.

Total emissions for staff travel		810,941	897,028	877,182
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Consumption of resources

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

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

During financial year 2019/20, 315 million copies of advertising material were distributed in Italy, an increase of around 9% compared with the previous year (290 million) in light of the brand's launch in Sicily, a region in which there was little previous operation until the acquisition of Carini Retail S.r.l.

As of January 2020, a new advertising flyer format was launched, smaller than the previous one to curb costs and paper consumption. Procurement takes place from some of the main paper mills that observe strict quality and environmental certification standards and the products of which - Elemental Chlorine Free (EFC) certified, as they do not use organic elemental chlorine in the whitening phase - contain, on average, 40% of recycled fibre, whilst the remaining 60% comes from cellulose obtained from forests managed according to the PEFC (Programme for Endorsement of Forest Certification schemes) and FSC (Forest Stewardship Council) standards.

Performance indicators

Consumption of resources⁷⁰

Consumption of paper	u.m.	29/02/2020	28/02/2019	28/02/2018
Consumption of paper	kg	69,300	63,800	68,640

GRI Content Index

⁷⁰ The calculation of paper consumption was estimated by multiplying the number of copies purchased and distributed by the average weight of 22 grams.

The Group's Non-Financial Statement has been prepared in accordance with the GRI Standards: "Core" option. The following table shows the Group information based on the GRI Standards published in 2016 by the Global Reporting Initiative with reference to the analysis of materiality of Unieuro and related to financial years ending 28/02/2018 and 29/02/2020.

GRI Standard	Description	Notes	References
	General Standards		
102	General Disclosures		
	Organisational Profile		
102-1	Name of the organisation		p. 1
102-2	Main brands, products or services (Programmes for compliance with laws and voluntary codes related to marketing activities)		pp. 6-7
102-3	Location of the head office		p. 6
102-4	Location of the operational headquarters		p. 6
102-5	Ownership structure and legal form		p. 8
102-6	Markets served		pp. 6-7
102-7	Size of the organisation		pp. 6-8 Annual Financial Report (as at February 2020)
102-8	Employees by type of contract, gender, geographical area, classification		pp. 21-22; 24
102-9	Description of the supply chain organisation		pp. 39-40
102-10	Significant changes in the organisation and in the supply chain		pp. 1; 8
102-11	Method of application of the principle or prudential approach		pp. 17-18
102-12	Codes, principles or other initiatives developed externally in an economic, social or environmental context which the organisation belongs to or supports		pp. 33; 41; 44
102-13	Participations in trade associations		p. 7
	Strategy		
102-14	Statement by the Chairman		Annual Financial Report (as at February 2020)
102-15	Main impacts, risks and opportunities		pp. 9-13
	Ethics and Integrity		
102-16	Values, Principles, Standards and Rules of Conduct		pp. 6; 17-18
	Governance		
102-18	Governance structure		pp. 14-16
102-22	Composition of the highest governing bodies and its commissions		pp. 15-16
102-24	Nomination and selection processes for the highest governing bodies		p. 14
	Stakeholder Engagement		
102-40	List of stakeholders involved		p. 5
102-41	Employees covered by collective labour agreements		p. 32
102-42	Identification process and selection of stakeholders to be involved		p. 5
102-43	Approach to stakeholder engagement		p. 5
102-44	Key aspects and critical issues emerged from stakeholder engagement and related actions		pp. 2-5
	Reporting Practice		
102-45	List of entities included in the consolidated financial statements and those not included in the sustainability report		p. 1
102-46	Process for defining contents		pp. 2-4
102-47	Identified material aspects		pp. 2-4


102-48	Explanation of the effects of changes in information included in previous financial statements and related reasons	On 28 February 2019, Unieuro S.p.A. acquired Carini Retail S.r.l. and the company joined the scope of consolidation from 1 March 2019.	-
102-49	Significant changes compared with the previous financial statements	On 28 February 2019, Unieuro S.p.A. acquired Carini Retail S.r.l. and the company joined the scope of consolidation from 1 March 2019.	-
102-50	Reporting period		p. 1
102-51	Publication date of the previous financial statements		p. 1 Annual Financial Report (as at February 2019)
102-52	Reporting frequency		p. 1
102-53	Contacts and addresses for information on the financial statements		Annual Financial Report (as at February 2020)
102-54	GRI content index and choice of the "in accordance" option		p. 1
102-55	GRI content index		pp. 48-50
102-56	External certification		KPMG Independent Report

Topic Specific Standard			
GRI Standard	Description	Notes / Omissions	References
200	Economic		
205	Anti-Corruption		
103	Information on management methods		pp. 18-19
205-1	Evaluation operations for risks related to corruption		p. 19
205-2	Communication and training on corruption procedures		pp. 18-19
205-3	Episodes of corruption and actions taken in response		p. 19
206	Anti-competitive behaviour		
103	Information on management methods		p. 39
206-1	Legal action for anti-competitive and anti-trust behaviour and monopolistic practices		p. 39
300	Environment		
301	Materials		
103	Information on management methods		p. 46
301-1	Raw materials used by weight or volume		p. 47
302	Energy		
103	Information on management methods		pp. 44-45
302-1	Energy consumption within the organisation		p. 45
305	Emissions		
103	Information on management methods		pp. 44-45
305-1	Scope 1 emissions		pp. 45-46
305-2	Scope 2 emissions		pp. 45-46
305-3	Scope 3 emissions		pp. 45-46
306	Waste and Discharges		
103	Information on management methods		pp. 43-44
306-2	Total weight of waste by type and disposal methods		p. 44
307	Environmental Compliance		
103	Information on management methods		p. 43
307-1	Sanctions for failure to comply with environmental laws and regulations	During the 2019/20 financial year, no environmental reports were found.	-
308	Evaluation of suppliers based on environmental criteria		
103	Information on management methods		pp. 39-40
308-1	New suppliers selected based on environmental criteria		p. 40
400	Social Performance		
401	Occupation		

103	Information on management methods		pp. 20; 23
401-1	Total number and percentage of new hires and turnover, by age, gender and region		pp. 25-26
402	Management of industrial relations		
103	Information on management methods		p. 32
402-1	Minimum notice period for significant operational changes (organisational changes) indicating if these conditions are included in the collective bargaining agreement		p. 32
403	Health and Safety at Work		
103	Information on management methods		p. 30
403-2	Type of accident and accident rate, rate of occupational diseases, absenteeism rate and total number of deaths by territorial distribution and gender	The breakdown by type of accident and the rate is not available for workers who are not employees of the Group.	pp. 30-31
404	Training and Education		
103	Information on management methods		pp. 26-27; 29
404-1	Average annual training hours per employee		p. 28
404-3	Percentage of employees who receive regular reports on the results and career development, by gender and employee category		p. 29
405	Diversity and Equal Opportunities		
103	Information on management methods		p. 23
405-1	Composition of the governing bodies and breakdown of personnel by categories of employees, by gender, age, belonging to protected categories and other indicators of diversity	In financial year 2019/20, the information on employees belonging to protected categories was not available. It will be published in the next three-year period.	pp. 15-17; 24
405-2	Ratio of the basic salary and remuneration of women to that of men by category of employees		p. 26
406	Non-discrimination		
103	Information on management methods		p. 26
406-1	Episodes of discrimination and actions taken	No episodes of discrimination occurred during the 2019/20 financial year.	-
413	Local Communities		
103	Information on management methods		pp. 40-41
413-1	Activities that include the involvement of local communities		pp. 40-41
414	Social assessment of suppliers		
103	Information on management methods		pp. 39-40
414-1	New suppliers that have been selected using social criteria		p. 40
416	Health and Safety of consumers		
103	Information on management methods		pp. 34-35
416-2	Total number of cases of non-compliance with voluntary regulations and codes regarding the health and safety impacts of products and services during their life cycle		pp. 34-35
417	Labelling of products and services		
103	Information on management methods		pp. 35-36
417-1	Type of information related to the products and services required by the procedures and percentage of significant products and services subject to these information requirements		pp. 35-36
417-2	Episodes of non-conformity involving information and labelling of products and services		p. 36
417-3	Incidents related to non-compliance regarding information related to the product or service in communication and marketing activities		p. 36
418	Consumer privacy		
103	Information on management methods		pp. 36-39
418-1	Complaints concerning breaches of consumer privacy and loss of data relating to them		pp. 38-39
419	Socio-economic compliance		
103	Information on management methods		pp. 17-18

419-1	Significant monetary and non-monetary sanctions for non-compliance with laws or regulations in the socio-economic area	During the 2019/20 financial year, no socio-economic reports were received.	-
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06 May 2020

 Giancarlo Nicosanti Monterastelli Managing director and Chief Executive Officer	 Italo Valentini Executive Officer Responsible for the preparation of the financial statements of the company
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

*To the board of directors of
Unieuro S.p.A.*

Pursuant to article 3 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Unieuro Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 6 May 2020 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Unieuro S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" - "core" option, issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.



The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the entity's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;



- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and the subsidiaries Monclick S.r.l. and Carini Retail S.r.l. level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Unieuro Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Bologna, 11 May 2020

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
Unieuro S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Unieuro Group (the "group"), which comprise the statement of financial position as at 29 February 2020, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Unieuro Group as at 29 February 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Unieuro S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of goodwill

Notes to the consolidated financial statements: note 2.6 - The use of estimates and valuations in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 29 February 2020 include goodwill of €195.2 million.</p> <p>The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2021 to 28 February 2025 business plan, which was originally approved by the parent's board of directors on 12 December 2016 and subsequently updated by it, most recently, on 6 May 2020 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates.</p> <p>The operating cash flow estimate reflects the potential impact of the Covid-19 outbreak.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none">— understanding and analysing the process adopted to prepare the impairment tests approved by the parent's board of directors on 6 May 2020;— understanding and analysing the process used to draft the plan;— analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill, including the potential impact of the Covid-19 outbreak. Our analyses included comparing the main assumptions used to the group's historical data and external information, where available;— analysing the valuation models adopted by the directors for reasonableness and consistency with professional practice;— checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit;— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.



Premiums and contributions from suppliers

Notes to the consolidated financial statements: note 2.6 - Use of estimates and judgements in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
<p>The group has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution.</p> <p>Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes, also affected by the potential impact of the Covid-19 outbreak, and valuations that consider historical figures of premiums and contributions actually paid by suppliers.</p> <p>For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the group's management;— assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;— checking, on a sample basis, the existence and accuracy of premiums and contributions from suppliers, including through external confirmations;— checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation;— analysing the reasonableness of the assumptions in the estimate, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments, comparison with historical figures, our knowledge of the group and its operating environment and external information, where available;— assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.



Measurement of inventories

Notes to the consolidated financial statements: note 2.6 - Use of estimates and judgements in the preparation of the consolidated financial statements; note 2.7.2 - Significant accounting policies; note 5.7 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 29 February 2020 include inventories of €369.8 million, net of the allowance for inventory write-down of €15.1 million.</p> <p>Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including:</p> <ul style="list-style-type: none">— the characteristics of the group's business sector;— the sales' seasonality, with peaks in November and December;— the decreasing price curve due to technological obsolescence of products;— the high number of product codes handled;— the effects of the Covid-19 outbreak. <p>For the above reasons, we believe that the measurement of inventories is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;— checking the accuracy of the inventory calculation algorithm;— checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments;— checking the mathematical accuracy of the allowance for inventory write-down;— analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments and analysis of age bands and write-down rates applied and comparing the assumptions with historical figures, our knowledge of the group and its operating environment and external information, where available;— comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits;— assessing the appropriateness of the disclosures provided in the notes about inventories.



First-time adoption of IFRS 16

Notes to the consolidated financial statements: note 2.7.1 Changes in accounting policies; note 2.7.2 - Significant accounting policies; note 5.4 Right-of-use-assets; note 5.14 Other financial liabilities.

Key audit matter	Audit procedures addressing the key audit matter
<p>The Unieuro Group adopted IFRS 16 "Leases" as of 1 March 2019.</p> <p>As a first-time adopter, the group opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.</p> <p>As disclosed in the notes to the consolidated financial statements, following the first-time adoption of the new standard on 1 March 2019, the group recognised right-of-use assets of €447.7 million and lease liabilities of €443.0 million.</p> <p>The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about:</p> <ul style="list-style-type: none">— the assessment of whether a contract is, or contains, a lease;— the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease;— the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate;— the determination of the useful life of the right-of-use assets for depreciation purposes and whether they need to be tested for impairment in accordance with IAS 36. <p>Considering the complexity and subjectivity of the above valuations, we believe that the first-time adoption of IFRS 16 is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption;— understanding the internal process for the transition to the new standard and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;— for a sample of contracts that are or contain a lease: (i) assessing the appropriateness of the lease term determination, (ii) checking the calculation of the lease payments and (iii) analysing the reasonableness of the rate used to discount the lease payments to present value;— checking the right of use assets' useful lives applied for depreciation/amortisation purposes;— understanding the process adopted for impairment testing in accordance with IAS 36;— assessing the appropriateness of the disclosures provided in the notes about the first-time adoption of IFRS 16.



Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt



on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 29 February 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 29 February 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 29 February 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Unieuro S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Bologna, 11 May 2020

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

UNIEURO S.p.A.

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

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

Tax ID No./VAT No.: 00876320409

Registered in the Company Register

of Forlì-Cesena: 177115

CONSOLIDATED FINANCIAL STATEMENTS OF THE UNIEURO GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁷¹

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Plant, machinery, equipment and other assets	5.1	84,696	84,942
Goodwill	5.2	195,238	177,965
Intangible assets with a finite useful life	5.3	27,247	28,312
Assets for rights of use	5.4	478,286	-
Deferred tax assets	5.5	38,617	35,179
Other non-current assets	5.6	11,931	2,493
Total non-current assets		836,015	328,891
Inventories	5.7	369,788	362,342
Trade receivables	5.8	51,288	41,288
Current tax assets	5.9	-	2,118
Other current assets	5.6	25,355	19,773
Cash and cash equivalents	5.10	96,712	84,488
Total current assets		543,143	510,009
Total assets		1,379,158	838,900
Share capital	5.11	4,000	4,000
Reserves	5.11	38,316	29,558
Profit/(loss) carried forward	5.11	53,842	57,319
Profit/(Loss) of third parties	5.11	-	-
Total shareholders' equity		96,158	90,877
Financial liabilities	5.12	31,643	31,112
Employee benefits	5.13	11,988	10,994
Other financial liabilities	5.14	44,532	12,771
Provisions	5.15	8,679	7,718
Deferred tax liabilities	5.5	3,463	3,712
Other non-current liabilities	5.16	26	1,466
Total non-current liabilities		500,331	67,773
Financial liabilities	5.12	9,520	12,455
Other financial liabilities	5.14	69,419	7,683
Trade payables	5.17	479,608	468,458
Current tax liabilities	5.9	1,449	1,204
Provisions	5.15	1,245	1,348
Other current liabilities	5.16	221,428	189,102
Total current liabilities		782,669	680,250
Total liabilities and shareholders' equity		1,379,158	838,900

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

⁷¹ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

CONSOLIDATED INCOME STATEMENT⁷²

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Revenue	5.18	2,444,897	2,104,519
Other income	5.19	5,126	4,343
TOTAL REVENUE AND INCOME		2,450,023	2,108,862
Purchases of materials and external services	5.20	(2,135,414)	(1,923,930)
Personnel costs	5.21	(185,407)	(169,878)
Changes in inventory	5.7	7,446	48,593
Other operating costs and expenses	5.22	(7,263)	(6,445)
GROSS OPERATING PROFIT		129,385	57,202
Amortisation, depreciation and impairment losses	5.23	(88,802)	(27,568)
NET OPERATING PROFIT		40,583	29,634
Financial income	5.24	91	1,588
Financial expenses	5.24	(14,299)	(4,252)
PROFIT BEFORE TAX		26,375	26,970
Income taxes	5.25	(779)	1,925
PROFIT/(LOSS) FOR THE YEAR		25,596	28,895
Profit/(loss) of the Group for the financial year	5.11	25,596	28,895
Profit/(loss) of third parties for the financial year	5.11	-	-
Basic earnings per share (in euros)	5.26	1.28	1.44
Diluted earnings per share (in euros)	5.26	1.28	1.44

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME⁷³

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		25,596	28,895
<i>Other components of comprehensive income that are or could be restated under consolidated profit/(loss) for the year:</i>			
Gains/(losses) on cash flow hedges	5.14	(50)	(171)
Income taxes		12	47
Total other components of comprehensive income that are or could be restated under consolidated profit/(loss) for the year	5.11	(38)	(124)
<i>Other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss) for the year:</i>			
Actuarial gains (losses) on defined benefit plans	5.13	(455)	(650)
Income taxes		131	177
Total other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss) for the year:	5.11	(324)	(473)
Total statement of comprehensive income for the consolidated year		25,234	28,298

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

⁷² IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

⁷³ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

CONSOLIDATED CASH FLOW STATEMENT⁷⁴

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Cash flow from operations			
Consolidated profit/(loss) for the consolidated year	5.11	25,596	28,895
<i>Adjustments for:</i>		-	-
Income taxes	5.25	779	(1,925)
Net financial expenses/(income)	5.24	14,208	2,664
Depreciation, amortisation and write-downs	5.23	88,802	27,568
Other changes		1,446	1,325
		130,831	58,527
Changes in:		-	-
- Inventories	5.7	(7,446)	(48,814)
- Trade receivables	5.8	(10,000)	(1,716)
- Trade payables	5.17	7,992	50,964
- Other changes in operating assets and liabilities	5.6-5.15-5.16	28,558	27,332
		-	-
Cash flow generated/(absorbed) by operating activities		19,104	27,766
		-	-
Taxes paid	5.25	(3,677)	(741)
Interest paid	5.24	(13,515)	(3,240)
		-	-
Net cash flow generated/(absorbed) by operating activities	5.27	132,743	82,312
Cash flow from investment activities			
Purchases of plant, equipment and other assets	5.1	(16,003)	(29,386)
Purchases of intangible assets	5.3	(11,844)	(2,761)
Assets for rights of use	5.4	(54,435)	-
Investments for business combinations and business units	5.14	(11,964)	(5,587)
Net cash inflow from acquisition	5.10	10	-
Cash flow generated/(absorbed) by investing activities	5.27	(94,236)	(37,734)
Cash flow from financing activities			
Increase/(Decrease) in financial liabilities	5.12	(3,223)	(4,700)
Increase/(Decrease) in other financial liabilities	5.14	(1,660)	3,196
Distribution of dividends	5.11	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	5.27	(26,283)	(21,504)
Net increase/(decrease) in cash and cash equivalents		12,224	23,074
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		84,488	61,414
Net increase/(decrease) in cash and cash equivalents		12,224	23,074
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		96,712	84,488

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

⁷⁴ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY⁷⁵

<i>(Amounts in thousands of Euros)</i>	Notes	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity	Non-controlling interests	Total shareholders' equity
Balance as at 28 February 2018	5.11	4,000	800	46,810	(191)	(774)	1,352	57,999	(32,780)	77,216	0	77,216
Effect of the change in the accounting standard (IFRS 15)		-	-	-	-	-	-	-	4,038	4,038	-	4,038
Balance adjusted at 1 March 2018		4,000	800	46,810	(191)	(774)	1,352	57,999	(28,742)	81,254	0	81,254
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	28,895	28,895	-	28,895
Other components of consolidated comprehensive income		-	-	-	(124)	(473)	-	-	-	(597)	-	(597)
Total statement of comprehensive income for the consolidated year		-	-	-	(124)	(473)	-	-	28,895	28,298	-	28,298
Allocation of prior year result		-	-	-	-	-	-	-	(8,521)	(8,521)	-	(8,521)
Covering retained losses and negative reserves		-	-	(46,810)	-	-	-	(11,055)	(66,386)	8,521	-	8,521
Distribution of dividends		-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	2,024	-	(699)	1,325	-	1,325
Total transactions with shareholders		-	-	(46,810)	-	-	2,024	(31,055)	57,166	(18,675)	-	(18,675)
Balance as at 28 February 2019	5.11	4,000	800	0	(315)	(1,247)	3,376	26,944	57,319	90,877	0	90,877
Effect of the change in the accounting standard (IFRS 16)		-	-	-	-	-	-	-	-	-	-	-
Balance adjusted at 1 March 2019		4,000	800	-	(315)	(1,247)	3,376	26,944	57,319	90,877	-	90,877
Profit/(loss) for the consolidated period		-	-	-	-	-	-	-	25,596	25,596	-	25,596
Other components of comprehensive income		-	-	-	(38)	(324)	-	-	-	(362)	-	(362)
Total statement of comprehensive income for the consolidated year		-	-	-	(38)	(324)	-	-	25,596	25,234	-	25,234
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-	-	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)	-	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	2,351	-	(904)	1,447	-	1,447
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,073)	(19,953)	-	(19,953)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	0	96,158

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

NOTES

⁷⁵ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

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) 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 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 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.

With the objective of simplifying and streamlining internal processes, at the same time overcoming the current structure of the Group and resulting expenses, the Board of Directors of Unieuro approved the merger by incorporation on 18 March 2020 of the wholly-owned subsidiaries Carini Retail S.r.l., and Monclick S.r.l. The completion of the mergers is subject to the condition precedent of the outcome of the request submitted by Unieuro pursuant to Article

11, paragraph 2 of Law 212 of 27 July 2000, for the disapplication of Article 172, paragraph 7 of Presidential Decree 917 of 22 December 1986 (TUIR).

Since January 2020 Unieuro has to all intents and purposes been a public company. This new status came about following the gradual withdrawal from the share capital of the private equity operator Rhône, which thanks to the IPO on the Italian Stock Exchange (April 2017) and three subsequent placements, reduced its equity investment to zero when it had originally been 70.5% of the share capital.

Based on the information currently available, the major shareholders of Unieuro are Alfa S.r.l. (Dixons Carphone plc) with 7.2%, the asset management company Amundi Asset Management with 5.6%, several shareholders from the Silvestrini Family who, in total, own 5.6% and, lastly, several Unieuro top managers who own 2%⁷⁶.

⁷⁶ Sources: Consob; reworking of the shareholders' register at 1 August 2019.

2. CRITERIA ADOPTED FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF ACCOUNTING STANDARDS

Below are the preparation criteria, the main accounting principles and valuation criteria adopted for the drafting of the Consolidated Financial Statements. These principles and criteria were consistently applied for all the financial years presented in this document taking into account the provisions of note 2.7.1. "Changes to the accounting standards".

2.1 Basis of preparation of the Consolidated Financial Statements

The Group's consolidated financial statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for financial year ended 29 February 2020, as well as the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity for financial year ended 29 February 2020 of Unieuro and the related notes to the financial statements.

2.2 Preparation criteria for the Consolidated Financial Statements

The 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; for more details of the impacts of the Coronavirus pandemic, see paragraph 13 Coronavirus Pandemic of the Directors' Report.

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

Please see the Report on Operations for information regarding the nature of the company's operations and significant events after the balance sheet date.

As at 29 February 2020, the Group is composed as follows:

<i>(Amounts in thousands of Euros)</i>	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 major shareholders of Unieuro as at 29 February 2020 are reported in the Introduction.

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

The Consolidated Financial Statements as at 29 February 2020, approved by the Board of Directors of the Company on 6 May 2020, have been audited and will be submitted for approval to the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

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

2.4 Consolidated Financial Statement schedules

In addition to these notes, the Consolidated Financial Statements consist of the following schedules:

- A) **Statement of consolidated financial position:** the presentation of the consolidated statement of financial position is shown by distinctly presenting current and non-current assets and current and non-current liabilities. This includes a description in the notes for each asset and liability item of the amounts that are expected to be settled or recovered within or later than 12 months from the reference date of the Consolidated Financial Statements.
- B) **Consolidated income statement:** the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.

- C) **Consolidated statement of comprehensive income:** this item includes the profit/(loss) for the year as well as the income and expenses recognised directly in equity for transactions other than those with shareholders.
- D) **Statement of consolidated cash flows:** the statement of consolidated cash flows contains the cash flows from operations, investments and financing. The cash flows from operations are shown using the indirect method through which the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.
- E) **Consolidated statement of changes in shareholders' equity:** this schedule includes, in addition to the results of the comprehensive income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

The Consolidated Financial Statements are shown in comparative form.

2.5 Consolidation policies and scope of consolidation

The Consolidated Financial Statements as at 29 February 2020 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 group company statements used for full consolidated have been duly amended and reclassified, in order to align them with the aforementioned international accounting standards.

Subsidiaries

These are companies over which the Group exercises control as defined by IFRS 10. This control exists when the Group has the power, directly or indirectly, to determine the financial and operating standards of an enterprise to obtain benefits from its activities. The financial statements of the subsidiary are included in the Consolidated Financial Statements from the date on which control over it was assumed until this control ceases.

For the purposes of consolidation of the subsidiaries, the total integration method is applied, thus assuming the full amount of the financial assets and liabilities and all costs and revenues. The book value of the consolidated investment is then eliminated from the related shareholders' equity. The share of shareholders' equity and the result relating to the minority shareholders is shown respectively in a special item in shareholders' equity and in the consolidated income statement.

In accordance with IFRS 3, the subsidiary acquired by the Group is accounted for using the purchase method, whereby:

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

Transactions eliminated in the consolidation process

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

2.6 The use of estimates and valuations in the preparation of the Consolidated Financial Statements

In application of the IFRS, the preparation of the Consolidated Financial Statements requires the usage of estimates and assumptions that have an effect on the values of the Consolidated Financial Statement assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. The estimates and assumptions are based on elements which are known as at the date that the Consolidated Financial Statements are prepared, are based on the experience of the management and other elements - if any - considered to be significant. The actual figures may differ from the estimates. The estimates are used to recognise the provision for bad debts, inventory obsolescence, assets that refer to the capitalisation of costs for obtaining contracts, liabilities from contracts relating to the sale of extended warranty services, liabilities for leases and assets for rights of use, measure depreciation and amortisation, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.

The estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit and loss.

Following is a summary of the critical valuation processes and the key assumptions used by the Group in applying the IFRS, which can have significant effects on the values recognised in the Consolidated Financial Statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

The Group classifies the sub-leases in which it acts as the landlord as financial leases.

Recoverable value of non-current assets

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The Group periodically reviews the book value of non-current assets held and used and the book value of assets that are held for sale, when the facts and circumstances require this review. In the case of goodwill, this analysis is conducted once per year and whenever facts and circumstances indicate a possibility of impairment. Analysis whether the book value of a non-current asset is recoverable is generally carried out using expected cash flow estimates from the sale or use of the asset and adequate discount rates for calculation of its current value. When the book value of a non-current asset has become impaired, the Group writes down the excess of the book value of the asset and its recoverable value through usage or sale thereof, determined with reference to the cash flows used for the recent business plans.

The estimates and assumptions used as part of this analysis, in particular the impairment tests carried out on goodwill, reflect the status of the Group's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

Recoverability of deferred tax assets

The Group recognises deferred tax assets up to the value which it considers to be probable that it will recover. Where necessary, the Group makes adjustments to reduce the value of a deferred tax asset down to the value that it considers probable to recover. In assessing the recoverability of deferred tax assets, budget results and provisions for subsequent years are used coherently with those used for the impairment testing which are described in the previous paragraph relative to the recoverable value of non-current assets.

Bad debt provision

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

Inventory obsolescence provision

The inventory write-down provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Group. This estimate makes it possible to bring the value of the inventories to the lower of the cost and the presumably realisable value.

Contract assets relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is sold directly at the sales outlets by paying an additional amount on the cost of the product sold. Sales personnel get paid a bonus for each additional sale of extended warranty services.

When guarantee services are sold, the Group recognises an asset equal to the value of the bonus paid to employees and this asset is then released as a cost throughout the time that the service is being provided. The release of this asset as a cost is calculated on the basis of the estimated interventions for repairs under warranty in line with the contract liability reversal relating to the sale of extended warranty services.

Trade payables

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

Contract liabilities relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Group offers to its customers. This service is offered by the Group and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.

The warranty extension compared to the legal requirement can be in timing (more years covered) and/or the risks covered (e.g., product damage) depending on the product category sold.

When the warranty services are sold, the Group recognises a liability equal to the sales value of this service, and then releases it as revenue throughout the time that the service is being provided. The release of this liability as revenue is determined based on the interventions that have been estimated for repairs that are covered by the guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

Liabilities for leases and assets for rights of use

The Group records assets for rights of use and liabilities for leases. Assets for rights of use are initially valued at cost, and later at cost net of amortisation and cumulative losses for reduction in value, and adjusted to reflect the revaluations of lease liabilities.

The Group values lease liabilities at the current value of payments due for leases not paid at the start date.

Lease liabilities are later increased by the interest accrued on these liabilities and decreased by payments due for leases made and are revalued in the case of changes to future payments due for leases resulting from a change in the index or rate, or when the Group changes the valuation with reference to whether or not an extension or termination is exercised.

Lease agreements in which the Group is the tenant can include renewal options with effects on the duration of the actual agreement. Assessments on the existence of relative certainty that this option may (or may not) be exercised can significantly influence the amount of lease liabilities and assets for rights of use.

Defined benefit plans and other post-employment benefits

The Group provides a defined-benefit plan for its employees (employees severance indemnity). For the employee benefits, the costs and net financial expenses are measured using actuarial methods requiring the use of estimates and assumptions for determination of the net value of an obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of remuneration and considers the probability of potential future events occurring through the use of parameters of a demographic nature such as for example the rates relative to mortality and resignations or retirement of employees. In particular, the discount rates used as a reference are rates or rate curves for corporate bonds with a high credit rating in their respective markets of reference. The changes in each of these parameters could affect the amount of the liability.

Provisions

The Group creates a provision for disputes and legal proceedings under way when it is considered probable that there will be a financial outlay and when the amount of the relative expenses can be reasonably estimated. If the amount of the financial outlay cannot be reasonably estimated or the probability of such a financial outlay becomes possible, no provision is established and the fact is indicated in the notes.

During the normal course of business, the Group monitors the status of the disputes which are ongoing and consults with its own legal and tax advisors. It is therefore possible that the value of the provisions for the disputes and lawsuits involving the Group may change as a result of future developments in the proceedings that are ongoing.

Share based payment plan settled with equity instruments

The measurement of the probable market price of options is recognised using the binomial method (Cox – Ross – Rubinstein). The theories underlying the calculation were (i) volatility,

(ii) 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, in line with the provisions of IFRS 2, the probability of the recipients leaving the plan and the probability of achieving the performance targets were taken into account. For more details, please see Note 5.28.

Hedging derivatives

The fair value of derivative instruments is determined based on the values observed on regulated markets or prices provided by financial counterparties. If the values and the sources mentioned are not available, the estimate is made using valuation models that take into account the objective valuations such as for example estimates of cash flows and expected volatility of prices.

2.7 Significant accounting policies

The accounting criteria and standards adopted for the preparation of these Consolidated Financial Statements were the same as those applied in preparing the Unieuro consolidated financial statements for the year ended 29 February 2020 apart from the new standards and/or supplements adopted described in Note 2.7.1. Changes to the accounting standards listed below.

2.7.1 Changes to the accounting standards

The Group adopted IFRS 16 from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. 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.

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:

<i>(Amounts in thousands of Euros)</i>	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

The weighted average of the tax applied at the first-time application date is 2.1%.

For contracts that involve a renewal option at the end of the period that cannot be cancelled, the Group has chosen, based on historical evidence and on the business development plans, to consider, not only the period that cannot be cancelled, but also the period subject to the renewal option, unless there are any business plans to dispose of the leased assets, as well as clear valuations that lead them to reasonably believe the renewal option should not be exercised.

For contracts with renewal options that are exercised automatically at the end of the period that cannot be cancelled, the duration considered is the maximum one, usually beyond the time horizon covered by the Group business plan.

Impact on the main items of the consolidated income statement and the consolidated statement of financial position for the year ended 29 February 2020

<i>(Amounts in thousands of Euros)</i>	29 February 2020	Impact	29 February
	a	IFRS 16	2020
		b	IFRS 16
			a+b
Revenue	2,444,897	-	2,444,897
Other income	6,809	(1,683)	5,126
TOTAL REVENUE AND INCOME	2,451,706	(1,683)	2,450,023
Purchases of materials and external services	(2,202,483)	67,069	(2,135,414)
Personnel costs	(185,407)	-	(185,407)
Changes in inventory	7,446	-	7,446
Other operating costs and expenses	(7,263)	-	(7,263)
GROSS OPERATING PROFIT	63,999	65,386	129,385
Amortisation, depreciation and impairment losses	(29,083)	(59,719)	(88,802)
NET OPERATING PROFIT	34,916	5,667	40,583
Financial income	91	-	91
Financial expenses	(3,904)	(10,395)	(14,299)
PROFIT BEFORE TAX	31,103	(4728)	26,375
Income taxes	(1,992)	1,213	(779)
PROFIT/(LOSS) FOR THE PERIOD	29,111	(3,515)	25,596

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 65,386 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 29 February 2020 are given below.

<i>(Amounts in thousands of Euros)</i>	29 February 2020	Impact	29 February 2020
	a	IFRS 16	IFRS 16
		b	a+b
Plant, machinery, equipment and other assets	84,696	-	84,696
Goodwill	195,238	-	195,238
Intangible assets with a finite useful life	34,686	(7,439)	27,247
Assets for rights of use	-	478,286	478,286
Deferred tax assets	37,404	1,213	38,617
Other non-current assets	2,998	8,933	11,931
Total non-current assets	355,022	480,993	836,015
Inventories	369,788	-	369,788
Trade receivables	51,288	-	51,288
Current tax assets	-	-	-
Other current assets	24,302	1,053	25,355
Cash and cash equivalents	96,712	-	96,712
Total current assets	542,090	1,053	543,143
Total assets	897,112	482,046	1,379,158
Share capital	4,000	-	4,000
Reserves	38,316	-	38,316
Profit/(loss) carried forward	57,357	(3,515)	53,842
Profit/(Loss) of third parties	-	-	-
Total shareholders' equity	99,673	(3,515)	96,158
Financial liabilities	31,643	-	31,643
Employee benefits	11,988	-	11,988
Other financial liabilities	13,618	430,914	444,532
Provisions	7,719	960	8,679
Deferred tax liabilities	3,463	-	3,463
Other non-current liabilities	26	-	26
Total non-current liabilities	68,457	431,874	500,331
Financial liabilities	9,520	-	9,520
Other financial liabilities	12,338	57,081	69,419
Trade payables	479,608	-	479,608
Current tax liabilities	1,449	-	1,449
Provisions	1,245	-	1,245
Other current liabilities	224,882	(3,394)	221,428
Total current liabilities	728,982	53,687	782,669
Total liabilities and shareholders' equity	897,112	482,046	1,379,158

IFRS 16 introduces a unique accounting model for leases 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. Assets for rights of use according to the provisions of IFRS 16 includes the amount of the payable initially recorded as the leasing liability, any initial direct costs incurred by the tenant (e.g. key money) and an estimate of the costs that should be incurred by the tenant for the dismantling or removal of the asset.

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

<i>(Amounts in thousands of Euros)</i>	29 February 2020
Net financial debt - IAS 17	29,593
Current financial receivables - IFRS 16	1,430
Non-current financial receivables - IFRS 16	8,932
Other current financial payables - IFRS 16	(57,081)
Other non-current financial payables - IFRS 16	(430,914)
Net financial debt - IFRS 16	(448,040)

The weighted average of the tax applied at 29 February 2020 is 2.1%.

The reconciliation of lease liabilities calculated in accordance with IFRS 16 and operating lease commitments that cannot be cancelled indicated in the consolidated financial statements for the previous financial year in accordance with IAS 17 is reported below.

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

Commitments for operating leases pursuant to IAS 17 reported in the last consolidated financial statements of the Group at 28 February 2019 refer solely to lease liabilities due in the enforceable period, understood as the period of the contract that cannot be cancelled. The other changes mainly 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 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 the date it came into force by applying the retroactive method amended with the comparative information not restated. The application of the new interpretation involved a reclassification of the liabilities relating to uncertain tax treatments for income taxes from the item "Provisions" to the item "Liabilities for current taxes".

2.7.2 Significant accounting policies

Business combinations and goodwill

Business combinations are recognised using the acquisition method. As at the date the control is acquired, this requires recognition of their value of identifiable assets (including intangible fixed assets which had previously not been recognised) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.

Every contingent consideration is also recognised by the Group at its fair value on its acquisition date. The change in the fair value of the contingent consideration classified as an asset or liability will be recognised, pursuant to the instructions found in IFRS 9, in profit and loss. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

Goodwill arising from a business combination is initially measured at cost which is the amount by which the fair value of the consideration paid exceeds the Group's portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired company. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Group or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Group have been assigned to these units or groups of units. Every unit or group of units to which goodwill is allocated:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than the operating segments that have been identified.

When goodwill constitutes a part of a cash generating unit and a part of that internal asset and unit is sold, the goodwill associated with the sold asset is included in the book value of the asset for determination of the profit or the loss from the sale. The goodwill disposed of in those circumstances is measured based on the relative values of the activity disposed of and the portion of the units retained.

Any profits from the purchase of a company at favourable prices are immediately recognised in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognised as expenses in the profit/(loss) of the year in which they are incurred.

After initial recognition, goodwill is not amortised and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Operations which are under common control are recognised at their book values, without any capital gain, pursuant to the reference accounting standards, and the guidelines issued by the OPI 1 (preliminary Assirevi guidelines for IFRS), relative to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. When the transfer values are higher than the historical values, the excess must be eliminated by adjusting the acquiring company's shareholders equity downwards.

Hierarchical levels of fair value measurement

Various accounting standards and several disclosure obligations require measurement of the fair value of assets and liabilities whether financial or non-financial. The fair value is the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To increase comparability of the data and the fair value measurements, the standard establishes a hierarchy identified in three different levels which reflects the significance of the inputs used in measuring the fair value. The levels identified are the following:

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;
- Level 2: inputs other than listed prices included in level 1 that can be observed, whether directly or indirectly, for the assets or liabilities to be measured. If the asset or the liability has a specific duration a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;
- Level 3: inputs for assets or liabilities which are not observable. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.

Plant, machinery, equipment and other assets (tangible fixed assets)

Recognition and measurement

The tangible fixed assets are measured at cost of acquisition including the directly imputable ancillary expenses net of the depreciation and losses due to accumulated impairment.

Any financial expenses incurred for the acquisition or construction of capitalised assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalised and amortised throughout the life of the asset class they refer to. All other financial expenses are recognised in the income statements during the year they refer to.

If a tangible fixed asset is composed of various components with differing useful lives, these components are recognised separately (if they are significant components).

The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual value of the asset, and it is recognised in the income statement during the year in which the elimination takes place.

Subsequent costs

The costs incurred subsequently to the purges of the assets and the replacement cost of certain parts of the assets recognised in this category are added to the book value of the element they refer to and they are capitalised only if they increase the future economic benefits of the asset itself. All other costs are recognised in the income statement once incurred.

When the replacement cost of certain parts of the asset is capitalised, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalised and amortised on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognised in the income statement in the year in which they are incurred.

Assets under construction are recognised at cost under assets under construction for as long as their construction is not available for use; when they become available for use, the cost is classified in the relative item and depreciated.

Depreciation

The depreciation period begins from the time the asset becomes available for use and ends on the earliest of the date on which the asset is classified as held for sale, pursuant to IFRS 5, and the date on which the asset is eliminated from the books. Any changes to the depreciation schedule are applied prospectively.

The value to be depreciated is the book value minus the presumable net sales value at the end of the asset's useful life, if it is significant and can be reliably measured.

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realisable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is appreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or

when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognised.

The depreciation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

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

Intangible assets with a finite useful life

Initial recognition and measurement

The intangible fixed assets acquired separately are initially capitalised at cost while those that are acquired through business combinations are capitalised at fair value on their acquisition date. After initial recognition the intangible fixed assets are recognised at cost, net of amortisation and any accumulated impairment.

Subsequent costs

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

Depreciation

Intangible fixed assets are amortised based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortisation applied to them is re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

The amortisation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

Category	% used
Software	20%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
<i>Key Money</i>	Based on the duration of the lease beginning from the date that the shop opens
Brands	5-10%

Leased assets

Assets for rights of use are initially valued at cost, including the amount of the initial valuation of the lease liability, adjusted by the payments due for the lease made at the date or before the start date, increased by the initial direct costs incurred and by an estimate of the costs that the tenant will incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, excluding the lease incentives received. The item “Assets for rights of use” reports the rights of use relating to buildings and vehicles, the other goods owned through financial lease agreements, mainly composed of furniture, energy-saving lighting systems, climate control systems, servers, computers and printers are classified under the item "Plant, machinery, equipment and other goods".

Assets for rights of use are later amortised at constant rates from the start date until the end of the lease. In addition, the assets for rights of use are regularly decreased for any losses for reductions in value and adjusted to reflect any changes resulting from valuations of lease liabilities.

At the start date of the lease, the Group records the lease liabilities measuring them at the current value of the payments due for the lease not yet paid at this date. The payments due include fixed payments (including fixed payments in essence) excluding any leasing incentives to be received, variable lease payments that depend on an index or rate, and the amounts due to be paid by way of guarantees for the residual value. The lease payments also include the exercise price of a purchase option if there is reasonable certainty that this option will be exercised by the Group and the lease termination penalty payments, if the term of the lease takes into account

the exercising by the Group of the lease termination option. Variable lease payments that do not depend on an index or rate are recorded as costs in the period in which the event or the condition that has generated the payment occurs.

In calculating the current value of payments due, the Group uses the marginal financing rate at the start date. After the start date, the amount of lease liabilities increases to take into account the interest on lease liabilities and decreases to take into consideration the payments made. In addition, the book value of lease liabilities is recalculated in the case of any changes to the lease or the revision of the contractual terms to change the payments; it is also recalculated if there are changes to future payments which result from a change in the index or rate used to calculate these payments.

The Group applies the exemption for leases relating to low-value assets and contracts of 12 months or less.

The Group, in the capacity of intermediary lessor in a sub-leasing agreement, classifies the sub-lease as financial with reference to assets with rights to use resulting from the main lease.

Financial assets

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

a) Financial assets valued at amortised cost

Financial assets for which the following requirements have been verified are classified in this category:

- (i) the asset is owned under the scope of a business model where the objective is possession of the asset aimed at the collection of contractual cash flows; and
- (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the capital amount to repay.

It mainly involves receivables to customers, loans and other receivables.

Trade receivables which do not take into account a significant financial component are recognised at the price defined for the transaction (calculated according to the provisions of IFRS 15 Revenue from contracts with customers).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any ancillary costs directly attributable to the transactions that generated them.

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

In later measurements, financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, use the effective interest rate. The effects of this measurement are recognised under income financial components.

With reference to the impairment model the Group values receivables using an expected loss logic.

For trade receivables the Group adopts a simplified approach to the valuation that does not require the recording of the periodic changes in credit risk, rather the accounting of an expected credit loss (ECL) calculated on the entire life of the credit (lifetime ECL), specifically, trade receivables are written-down in full if there is no reasonable expectation of recovery (e.g. bankruptcy situations).

The write-downs made pursuant to IFRS 9 are recorded in the consolidated income statement net of any positive effects related to releases or value restatements and are reported under operating costs.

b) Financial assets at fair value with an offsetting entry in the comprehensive income statement (“FVOCI”)

Financial assets for which the following requirements have been verified are classified in this category:

- (i) the assets are owned in the framework of a business model where the objective is achieved either through the collection of contractual cash flows or through the sale of the actual assets; and
- (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the capital amount to repay.

These assets are initially recognised in the financial statements at their fair value increased by any ancillary costs directly attributable to the transactions that generated them. In later measurements, the valuation carried out during the recording is re-updated and any changes in fair value are recognised in the comprehensive income statement.

With reference to the impairment model the description in point a) detailed above follows.

c) Financial assets at fair value with an offsetting entry in the consolidated income statement (“FVPL”)

Financial assets that are not classified in any of the previous categories are classified in this category (i.e. residual category). It is mainly derivative instruments that are involved.

The assets belonging to this category are recorded at fair value at the time of their initial recognition.

The ancillary costs incurred during the recording to the assets are immediately recognised in the consolidated income statement.

In later measurements, the FVPL financial assets are valued at fair value.

The profits and losses from the changes in fair value are reported in the consolidated income statement in the period in which they are recorded.

Purchases and sales of financial assets are recorded at the settlement date.

Financial assets are removed from the financial statements when the contractual rights expire, or when the Group transfers all the risks and benefits of the ownership of the financial asset.

Inventories

The inventories are measured at the lower of the cost and net realisable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. This includes in particular the purchase price and other costs which are directly attributable to the purchase of the merchandise. Commercial discounts, returns and other similar items are deducted when determining the acquisition cost. The method used for the cost of inventories is the average weighted cost method.

The value of the obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through Inventory bad debt provision.

Cash and cash equivalents

The cash and cash equivalents include cash on hand and sight and short-term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

Financial liabilities

The financial liabilities are initially recognised at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the effective interest rate method. Amortisation at the effective interest rate method is included among financial liabilities in the income statement.

If there is a change, which can be estimated, in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

Liabilities arising from employee benefits

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the Group and, sometimes, its employees pay contributions of a specific amount into a distinct entity (a fund) and the Group does not and will not have a legal or implicit obligation to pay additional

contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

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

The actuarial valuation is carried out by an actuary who is not employed by the Group.

Following the amendments made to the employee severance indemnity ("TFR") provisions of law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

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

Provisions

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

Restructuring provision

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

Trade payables

The payables are recognised at their nominal value net of discounts, returns or invoicing adjustments, representative of the fair value of the obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Group tests the asset for impairment.

The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Group has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

In evaluating whether there is an indication of impairment of an asset, the Group considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Group's discount rate, thereby diminishing the recoverable value of the asset;
- significant changes in the technological environment and market in which the Group operates;
- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;
- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);
- operating losses resulting from interim results.

If the analysis shows that there are potential losses due to impairment, the management will make a preliminary check relative to the useful life, the amortisation criterion, and the residual

value of the asset and, based on the applicable accounting standard, shall make any amendments to these parameters; specific analysis relative to the impairment of the asset will take place at a later time.

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

In order to better understand the provisions of IAS 36, we provide below some key definitions:

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

Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Group uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

Cash generating units (or cash flows): a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs.

The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values are higher than the book value, it is not necessary to identify the other amount as well. Furthermore, the fair value of an asset or cash generating unit is not always measurable, as there is no criterion that provides a reliable estimate of the selling price of an asset in an arm's length transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

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

On each balance sheet closing date, the Group will furthermore measure, in regard to all the assets other than goodwill, the possible existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. The reversal is recognised in the income statement.

Derivative financial instruments and hedge accounting

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

Therefore, the derivative financial instruments are recognised using hedge accounting rules when:

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

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

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

Cash flow hedges

The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.

Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

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

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

Share based payment

Key executives and certain managers of the Group may receive a portion of their remuneration in the form of share-based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share-based payments as at the assignment date is recognised in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight-line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Cancellation of financial assets and liabilities

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

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

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

Revenue

Revenue from contracts with customers are recorded in accordance with IFRS 15. Based on the model in five phases introduced by IFRS 15, the Group records revenues after having identified the contracts with its customers and services to provide (transfer of goods and/or services), calculated to consideration it deems to have the right to receive in exchange for providing each of these services, as well as having evaluated the method for providing these services (fulfilment at a given time compared with the fulfilment over a period of time).

The revenues are recorded at the time the performance obligations are met through the transfer of the goods or services promised to the customer, it is likely that the economic benefits are

received by the Group and the related amount can be calculated reliably, independently of the collection. The price of the transaction, which represents the amount of the consideration that the entity expects to receive following the provisions of the goods or services to the customer, is allocated on the basis of the stand-alone selling prices of the related performance obligations. Revenues are measured not including discounts, reductions, bonuses or other taxes on sales. The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

Sale of assets

The revenue is recognised at the time when control of the asset passes to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the Indirect and B2B channel. In addition, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognised as revenue at the time that the consumer makes the purchase. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way the sales revenue is recorded at the time of the purchase of the goods by the consumer even if installation of the goods is necessary, the revenue is recorded immediately at the time the purchaser accepts delivery when the installation procedure is very simple (for example the installation of an appliance that only requires unpacking and electrical connection).

The Group has a customer loyalty programme which is based on points, the Unieuro Club, through which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. The Group records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty program and the historical information regarding the percentage of loyalty point usage by customers.

Right of return

The following elements are reported by the Group to record the transfer of products with the right of return:

- a) adjustment of sales revenues for the amount of the consideration of the products that can be returned;
- b) a liability for future refunds is recorded;
- c) an asset is recorded (and the corresponding adjustment of the sales cost) for the right to recover the products from the customer when the liability for future refunds is extinguished.

Provision of services

The revenues and costs from the provision of services (revenues realised over time) are recognised based on the evaluation of the progress of the entity towards completing fulfilling its obligation over time. Specifically, the transfer over time is evaluated based on the input method or taking into consideration the efforts of the inputs employed by the Group to fulfil the individual performance obligation.

For the sale of extended warranty services over and above the guarantee provided by the manufacturer pursuant to the law, the Group recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

The Group incurs costs for the acquisition of the multi-year contract.

These costs, typically represented by the bonuses paid to employees for every additional sale made and recovered by means of the revenues from the contract, were capitalised as contract costs and amortised based on the evaluation of the progress of the entity in transferring the services and goods transferred to the customer over time.

Commissions

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

Costs

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

The costs for the purchase of merchandise are recognised upon assumption of all the risks and benefits connected to ownership and they are measured at the fair value of the consideration payable net of any reductions, returns, trade discounts and bonuses.

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

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

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

Interest income and interest expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

Taxes

Current taxes

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

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

Deferred taxes

The deferred taxes are calculated using the so-called "liability method" on the temporary differences from the balance sheet data between the tax values used as a reference for the assets and liabilities and the values included in the balance sheet. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from

initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished, considering the rates applicable and those already issued or essentially issued on the balance sheet date. The estimate has considered the provisions of law 208 of 28 December 2015 "Stability law 2016" which has provided for reduction of the IRES rate from 27.5% to 24% with effect for the tax years subsequent to 28 February 2017.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

Effects of the changes in foreign exchange rates

The financial statements are presented in Euro, which is the Group's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognised in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

The diluted earnings per share are calculated by dividing the profit of the Group by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

Segment Reporting

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the Group for allocation of resources and for analysis of the relative performances.

2.8 New accounting standards

Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by the Group as at 29 February 2020

- On 31 October 2018, the IASB issued amendments to IAS 1 and IAS 8 - *Definition of Material*. The objective of the amendment is to clarify the definition of "material" in order to help the company evaluate whether information should be included in the financial statements. The amendments go into effect on 1 January 2020.
- 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 26 September 2019 the IASB published proposals to amend the standard on financial instruments - version IFRS 9 and IAS 39 - in the light of the reform on inter-bank interest rates such as IBOR.

- On 22 October 2018, the IASB issued amendments to *IFRS 3 - Business Combinations*. The objective of the amendment is to help in deciding whether a transaction is an acquisition of a business or group of assets that does not satisfy the definition of business in IFRS 3. The amendments apply to acquisitions 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. They go into effect on 1 January 2021.
- On 23 January 2020 the IASB published the amendments to *IAS 1 - Business Combinations IAS 1 Presentation of Financial Statements*. The objective of the amendment is to clarify how to classify payables and other liabilities as short or long-term. The amendments apply to acquisitions after 1 January 2022.

The directors are currently evaluating the possible effects of the introduction of these changes to the consolidated financial statements of the Group.

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 channel⁷⁷) and wholesale customers (B2B channel), which represent a total of approximately 16.3% of the Group's revenues as at 29 February 2020, 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

⁷⁷ 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.

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 minimising the cost of financial management. This translates into procuring financial resources sufficient to maintain the company's financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited by:

- cash flows from operations: optimal management of incoming cash flows from normal operations as compared to cash outflows;
- usage of short-term loans (*hot money*);
- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Group until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

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

funds in the financial market. For more details on the impacts of the Coronavirus, please refer to paragraph 13 Coronavirus Epidemic. For more details on the impacts of the Coronavirus, please refer to paragraph 13 Coronavirus Epidemic.

The financial structure in its entirety is constantly monitored by the Group to ensure coverage of its liquidity needs. Below is the Group's financial structure by deadline for the years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Balance as at 29 February 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	41,163	9,520	31,643	-	41,163
Other financial liabilities	513,951	69,419	241,957	202,575	513,91
Total	555,114	78,939	273,600	202,575	555,114

<i>(Amounts in thousands of Euros)</i>	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

"Other financial liabilities" include the effects of the application of IFRS 16 (*Leasing*), adopted from 1 March 2019 using the retroactive application method modified by virtue of comparative information were not restated, for more details see notes 2.7.1 Changes to accounting principles 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 29 February 2020 were stipulated following the conclusion of a loan contract with a syndicate 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.

<i>(Amounts in thousands of Euros)</i>			Nominal value as at		Fair value as at	
Derivative contracts	Stipulated on	Expires on	28-Feb-20	28-Feb-19	28-Feb-20	28-Feb-19
Interest Rate Swaps (IRS)	12-Feb-18	09-Jan-23	32,500	42,500	(462)	(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 50 thousand (negative) as at 29 February 2020 and Euro 171 thousand (negative) as at 28 February 2019.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 29 February 2020.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Group has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 bps, would have resulted in an effect on financial expenses for 2019 as follows below.

<i>(Amounts in thousands of Euros)</i>	- 50 bps	+ 50 bps
As at 29 February 2020	232	(175)

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

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

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

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

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

<i>(Amounts in thousands of Euros)</i>	- 50 bps	+ 50 bps
Sensitivity analysis as at 29 February 2020	(254)	251

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 as at 29 February 2020. 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 IFRS 9 for hedge accounting. As at 29 February 2020 the company does not have any forward contracts in US dollars.

3.4 Fair value estimates

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

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

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

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

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

The table below separates financial assets and liabilities by category as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended 29 February 2020			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not measured at fair value				
Cash and cash equivalents	96,712	-	-	96,712
Trade receivables	51,288	-	-	51,288
Other assets	37,286	-	-	37,286
Financial assets measured at fair value				
Other assets		0		0
Financial liabilities not measured at fair value				
Financial liabilities	-	-	41,163	41,163
Trade payables	-	-	479,608	479,608
Other liabilities	-	-	221,454	221,454
Other financial liabilities	-	-	513,488	513,488
Financial liabilities measured at fair value				
Other financial liabilities	-	463	-	463

<i>(Amounts in thousands of Euros)</i>	Year ended 28 February 2019			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not measured 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 measured at fair value				
Other assets		0		0

Financial liabilities not measured 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 measured at fair value				
Other financial liabilities	-	413	-	413

"Other assets" and "Other financial liabilities" include the effects of the application of IFRS 16 (*Leasing*), adopted from 1 March 2019 using the retroactive application method modified by virtue of comparative information were not restated, for more details see notes 2.7.1 Changes to accounting principles and 5.6 Other current assets and other non-current assets and 5.14 Other financial liabilities.

4. INFORMATION ON OPERATING SEGMENTS

The Group has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. The Group's view of itself as a single omnichannel business means that the company has identified a single Strategic Business Unit ("SBU"). Management has also identified three Cash Generating Units (CGUs) inside the SBU to which goodwill has been allocated. This approach is supported by the control model of the management's operations that considers the entire business, regardless of the product lines or geographical location, which management does not consider significant in decision-making. The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended	
	29 February 2020⁷⁸	28 February 2019
Revenue	2,444,897	2,104,519
GROSS OPERATING PROFIT	129,385	57,202
<i>% of revenues</i>	<i>5.3%</i>	<i>2.7%</i>
Depreciation, amortisation and write-downs	(88,802)	(27,568)
NET OPERATING PROFIT	40,583	29,634
Financial income	91	1,588
Financial expenses	(14,299)	(4,252)
PROFIT BEFORE TAX	26,375	26,970

⁷⁸ Note that IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

Income taxes	(779)	1,925
PROFIT/(LOSS) FOR THE YEAR	25,596	28,895

The impact of the Gross operating result on Revenues was 5.3% at 29 February 2020, note that IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

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

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020		28 February 2019 ⁷⁹		Δ	%
		%		%		
Grey	1,160,174	47.5%	992,867	47.2%	167,307	16.9%
White	683,983	28.0%	548,547	26.1%	135,436	24.7%
Brown	384,494	15.7%	367,920	17.5%	16,574	4.5%
Other products	113,901	4.7%	110,640	5.3%	3,261	2.9%
Services	102,345	4.2%	84,545	4.0%	17,800	21.1%
Total revenues by category	2,444,897	100.0%	2,104,519	100.0%	340,378	16.2%

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Abroad	4,001	4,682
Italy	2,440,896	2,099,837
Total	2,444,897	2,104,519

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 CONSOLIDATED FINANCIAL STATEMENT ITEMS

⁷⁹ 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.

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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Amounts as at 29 February 2020			Amounts as at 28 February 2019		
	Historical cost	Accumulated Amortisation and Depreciation	Net book value	Historical cost	Accumulated Amortisation and Depreciation	Net book value
Plant and machinery	142,898	(106,091)	36,807	136,242	(96,699)	39,543
Equipment	24,335	(16,175)	8,160	22,502	(15,122)	7,380
Other assets	184,440	(149,680)	34,759	175,294	(139,126)	36,168
Tangible assets under construction	4,969	-	4,969	1,851	-	1,851
Total plant, machinery, equipment and other assets	356,642	(271,946)	84,696	335,889	(250,947)	84,942

The change in the item "Plant, machinery, equipment and other assets" for the period from 28 February 2018 to 29 February 2020 is shown below:

<i>(Amounts in thousands of Euros)</i>	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	14,732	4,103	11,334	1,836	32,005
Business unit acquisitions	221	4	122	--	347
Decreases	(847)	(50)	(964)	(1,633)	(3,494)
Amortisation, depreciation and write downs/(write backs)	(8,642)	(903)	(10,307)	(584)	(20,436)
Decreases in Amortisation, Depreciation Provision	847	50	791	-	1,688
Balance as at 28 February 2019	39,543	7,380	36,168	1,851	84,942
Increases	5,837	1,807	8,231	4,394	20,269
First consolidation of Carini Retail	940	26	1,013	--	1,979
Decreases	(121)	-	(99)	(1,276)	(1,496)
Amortisation, depreciation and write downs/(write backs)	(9,417)	(1,053)	(10,561)	-	(21,030)
Decreases in Amortisation, Depreciation Provision	25	-	7	-	31
Balance as at 29 February 2020	36,807	8,160	34,759	4,969	84,696

With reference to the financial year ended 29 February 2020, the Company made net investments, including the assets acquired in the first consolidation of Carini Retail S.r.l., of Euro 20,784 thousand.

In particular, the investments were mainly: (i) interventions relating to the restructuring of selected sales outlets through the restyling of the layout and the reduction or expansion of the sales area and investments in relocating existing sales outlet in catchment areas deemed more strategic for Euro 3,686 thousand; (ii) investments relating to the opening of the new sales outlets in catchment areas deemed strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona) or in areas not sufficiently covered by the current portfolio of stores and the refitting of the sales outlets acquired from the business units of the former Pistone S.p.A. for Euro 6,361 thousand; (iii) minor extraordinary maintenance operations and the renewal of anti-theft and electrical systems at various sales outlets for Euro 2,310 thousand; (iv) investments relating to the creation of electric display panels for specific supplier brands in sales outlets for Euro 1,935 thousand; (v) additional investments related to the Piacenza logistics hub for Euro 1,523 thousand and (iv) investments relating to the expansion of the Paderno Dugnano sales area for Euro 55 thousand.

Note that the acquisition of the 12 sales outlets belonging to the former Pistone 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.

To measure this fair value the Company used the information from the technical expert's report prepared pursuant to Article 2465 et seq. of the Italian Civil Code where 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 the useful life are reflected in the financial statements from the date that Unieuro acquired control. For more details, please refer to Note 5.29 "Business unit combinations".

Net fixed assets under construction of Euro 4,969 thousand mainly refer to (i) openings of new sales outlets and projects for Euro 2,433 thousand; (ii) investments relating to restructuring/relocation for Euro 851 thousand; (iii) minor extraordinary maintenance operations at various sales outlets for Euro 619 thousand; (iv) investments for the creation of electric display panels for specific supplier brands in sales outlets for Euro 279 thousand; and (v) additional investments related to the Piacenza logistics hub for Euro 213 thousand.

The item "Amortisation and write-downs (write backs)" of Euro 21,030 thousand includes Euro 20,590 thousand in depreciation and Euro 440 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 5.14 "Other financial liabilities."

With reference to the financial year ended 28 February 2019, the Group made net investments of Euro 30,547 thousand.

In particular, the investments were mainly: (i) interventions relating to the restructuring of selected sales outlets for Euro 2,371 thousand through the restyling of the layout and the reduction or expansion of the sales area; (ii) investments relating to the opening of new sales outlets in new catchment areas deemed strategic or in areas not sufficiently covered by the current portfolio of stores and the refitting of the sales outlets acquired from the former DPS Group S.r.l. and former Galimberti S.p.A. business units for Euro 7,526 thousand; (iii) investments in the relocation of existing sales outlets to catchment areas deemed more strategic for Euro 2,263 thousand; (iv) minor extraordinary maintenance operations and the replacement of furniture at various sales outlets for Euro 3,784 thousand; (v) investments in the creation of structures dedicated to the display of specific products in sales outlets as well as other investments involving the purchase of RT servers and PCs, in order to comply with the new privacy regulations (GDPR) for a total of Euro 1,875 thousand; (vi) investments relating to the creation of a hub logistics hub in Piacenza for Euro 5,628 thousand.

The new financial lease agreements stand at Euro 6,753 thousand of which (i) Euro 131 thousand relates to electronic machinery; (ii) Euro 1,963 thousand relates to furnishings; (iii) Euro 4,496 thousand relates mainly to lifting equipment, surveillance/anti-theft systems and the data transmission network for the new Piacenza warehouse; (iv) Euro 163 thousand relates to electrical equipment for existing sales outlets subject to restructuring/relocation.

Note that the acquisition of the 7 sales outlets belonging to the DPS Group S.r.l. business unit and the 5 sales outlets belonging to the Galimberti S.p.A. business unit were configured as business combinations and therefore came under the scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

The Company relied on internal techniques for the assessment of this fair value through which the value of the assets acquired was estimated at Euro 347 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category. The values and the useful life are reflected in the financial statements from the date that Unieuro acquired control. For more details, please refer to Note 5.28 "Business unit combinations".

The item "Amortisation and write-downs (write backs)" of Euro 19,851 thousand includes Euro 18,083 thousand in depreciation and Euro 1,768 thousand of write-downs and write backs. The write-downs mainly relate to stores for which onerous rental agreements have been identified.

5.2 Goodwill

The breakdown of the item “Goodwill” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Goodwill	195,238	177,965
Total Goodwill	195,238	177,965

The change in the “Goodwill” item for the period from 28 February 2018 to 29 February 2020 is shown below:

<i>(Amounts in thousands of Euros)</i>	Goodwill
Balance as at 28 February 2018	174,843
Acquisitions	3,122
Increases	-
Write-downs	-
Balance as at 28 February 2019	177,965
Acquisitions	17,273
Increases	-
Write-downs	-
Balance as at 29 February 2020	195,238

The value of goodwill at 29 February 2020, equalling Euro 195,238 thousand, increased over the year ended 28 February 2019 by Euro 17,273 thousand. The increase refers to the transaction to acquire 100% of the equity investment in Carini Retail S.r.l.

Note that the accounting for the acquisition of 100% of the investment in Carini Retail S.r.l. required by IFRS 3 has been finalised. For further details on the transactions, please refer to note 5.29 "Business combinations".

Goodwill as at 29 February 2020 and 28 February 2019 can be broken down as follows:

<i>(Amounts in thousands of Euros)</i>	Goodwill as at 29 February 2020	Goodwill as at 28 February 2019
<i>Resulting from mergers:</i>		
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
<i>Resulting from acquisitions of equity investments:</i>		
Monclick S.r.l.	7,199	7,199
Carini Retail S.r.l.	17,273	-

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	195,238	177,965

5.2.1 Impairment test

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

The goodwill impairment test for each CGU was approved by the Company's Board of Directors on 6 May 2020. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

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

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

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

- *Retail;*
- *Indirect;*
- *B2B.*

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

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

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

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

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

The Business Plan used for the impairment test for the goodwill recorded in the Unieuro Group's Consolidated Financial Statements which refer to the financial year ended 29 February 2020 is based on the strategic guidelines of the plan approved by the Board of Directors on 12 December 2016 and later updated. The Business Plan underlying the impairment test was prepared on a consolidated basis, taking into account recent business performance. Specifically, the final figures relating to the financial years ended 28 February 2017 and 28 February 2018, 28 February 2019 and 29 February 2020 were taken into account and consequently the development of the financial data up to 28 February 2025 was updated. The impairment test was approved by the Board of Directors on 6 May 2020.

The estimates in the business plan are inevitably influenced by the crisis related to the spread of Covid-19, which manifested themselves in Italy at the end of February 2020.

It is likely that the emergency will have a strong impact on Italian GDP and, although to a lesser extent in the lights of the lower volatility historically recorded, on the consumer electronics and appliances market.

The limited operation of physical stores, compulsory or voluntary, together with the social distancing measures adopted in response to the pandemic will have a significant adverse effect on network traffic and revenues, with special reference to the first months of the financial year that will end at 28 February 2021. Alongside this, e-commerce will gain an advantage from the situation that has been created, accelerating the development of the channel mix already in progress. The cost-cutting actions in place, recourse to social safety nets, together with lower costs for services and rental will be the main elements supporting profitability.

The reference market growth estimates included in the business plan used for the impairment test at 29 February 2020 are based, among other things, on external sources and on the analyses conducted by the Group. Specifically, the Group expects an impact related to the Coronavirus pandemic especially in relation to the first part of FY21 and a gradual recovery of business in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its market penetration compared with competitors. For more details, please see paragraph 13. Coronavirus Pandemic of the Directors' Report

It is important to stress that, in the light of the great deal of uncertainty relating to the extent of the economic and social effects of the Coronavirus, it is not currently possible to predict the duration and extent of the current crisis with a sufficient degree of reliability and to be able to evaluate its future impacts on the performance and financial position of the Group.

Based on the information currently available, in an ever-changing scenario, the macro economic and business variables are constantly being monitored to have the best estimate of the potential impacts on the Group available in real time and to enable them to be mitigated with response/contingency plans.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11.69%.

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

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

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

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Group has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Group overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0%, there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Group's three CGUs relating to the analyses of the impairment tests conducted with reference to 29 February 2020.

as at 29 February 2020	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
<i>(Amounts in millions of euros)</i>					
Retail CGU	11.69%	0.0%	162.6	302.7	53.7%
Indirect CGU	11.69%	0.0%	7.9	16.3	48.2%
B2B CGU	11.69%	0.0%	13.5	21.0	64.3%

The results of the impairment tests as at 29 February 2020 are given below:

as at 29 February 2020		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
<i>(Amounts in millions of euros)</i>				
Retail CGU	EUR/mln	33.5	302.7	269.2
Indirect CGU	EUR/mln	(1.3)	16.3	17.6
B2B CGU	EUR/mln	4.2	21.0	16.8

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the Indirect CGU as at 29 February 2020 was negative as a result of the negative net working capital allocated to the Indirect CGU.

The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, such as the change in the percentage of EBIT and the growth rate, vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 29 February 2020	Terminal plan EBIT				
<i>(Amounts in millions of euros)</i>					
RA Sensitivity Difference compared with CA	0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
Retail CGU	269.2	253.7	238.2	222.7	207.2
Indirect CGU	17.6	16.9	16.2	15.4	14.7
B2B CGU	16.8	15.7	14.5	13.4	12.3

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a percentage increase in WACC:

as at 29 February 2020	WACC				
<i>(Amounts in millions of euros)</i>					
RA Sensitivity Difference compared with CA	11.69%	12.19%	12.69%	13.19%	13.69%
Retail CGU	269.2	256.8	245.4	234.7	224.9
Indirect CGU	17.6	17.0	16.4	15.9	15.4
B2B CGU	16.8	15.9	15.0	14.2	13.5

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 29 February 2020	Perpetual growth rate (g)					
<i>(Amounts in millions of euros)</i>						
	WACC					
RA Sensitivity Difference compared with CA		(2.0%)	(1.5%)	(1.0%)	(0.5%)	(0.0%)
Retail CGU	11.69%	242.7	248.5	254.9	261.7	269.2

Indirect CGU	11.69%	16.3	16.6	16.9	17.2	17.6
B2B CGU	11.69%	14.6	15.1	15.6	16.2	16.8

Below is the breakdown of the stress test which identifies the values for the following parameters: (i) EBIT (gross operating profit, percentage change over the years of the plan and in the terminal value), (ii) g and (iii) WACC sensitised separately compared with the basic scenario, the differential between the recoverable value and the carrying amount is, all things being equal, zero.

Parameter / CGU	Retail	Indirect	B2B
EBIT % change (Plan and TV)	(86.8%)	(117.2%)	(74.2%)
g factor	n.a. ⁽¹⁾	n.a. ⁽¹⁾	n.a. ⁽¹⁾
WACC	68.1%	n.a. ⁽¹⁾	50.5%

(1) For some of the parameters selected, taking into consideration the configuration of the cash flows on which the calculation of the recoverable amount and/or the value of the carrying amount was based, there is no reasonable value identified for the parameter for which the recalculated sum for the recoverable amount corresponds to the respective value of the carrying amount.

Lastly, the Group has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new sales points over the span of the business plan. The results of the analysis conducted are given below:

as at 29 February 2020 (Amounts in millions of euros)	Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
Retail CGU	EUR/mln 33.5	296.6	263.1

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Group.

5.3 Intangible assets with a finite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 29 February 2020 and as at 28 February 2019:

(Amounts in thousands of Euros)	Amounts as at 29 February 2020			Amounts as at 28 February 2019		
	Historical cost	Accumulated Amortisation	Net book value	Historical cost	Accumulated Amortisation	Net book value

	and Depreciation				and Depreciation	
Software	61,692	(46,119)	15,573	53,269	(40,450)	12,819
Concessions, licences and brands	13,361	(8,621)	4,740	13,361	(7,626)	5,735
Key Money	1,572	(1,572)	-	8,130	(1,572)	6,558
Intangible fixed assets under construction	6,935	-	6,935	3,200	-	3,200
Total intangible assets with a finite useful life	83,560	(56,313)	27,247	77,960	(49,648)	28,312

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2018 to 29 February 2020 is given below:

<i>(Amounts in thousands of Euros)</i>	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	5,862	--	--	3,188	9,050
Acquisitions	-	-	2,420	-	2,420
Decreases	-	-	-	(1,059)	(1,059)
Amortisation, depreciation and write downs/(write backs)	(4,942)	(1,017)	(1,174)	-	(7,133)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 28 February 2019	12,819	5,735	6,558	3,200	28,312
Increases	8,423	-	-	6,792	15,215
Adjustment - application of IFRS 16	-	-	(6,558)	-	(6,558)
Decreases	-	-	-	(3,057)	(3,057)
Amortisation, depreciation and write downs/(write backs)	(5,669)	(995)	-	-	(6,665)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 29 February 2020	15,573	4,740	-	6,935	27,247

With regard to the financial year ended 29 February 2020, increases net of decreases for the category "Intangible fixed assets under construction" came to a total of Euro 5,366 thousand and are mainly attributable to the category "Software" for Euro 8,423 thousand.

The Group, as required by the new accounting principle IFRS 16, reclassified Key Money recording it under assets for rights of use because it represents the initial direct costs of the tenant built into the rental agreement.

The increases relate to the category "Software" for Euro 8,423 thousand, 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 interventions to existing management software.

The increases in intangible fixed assets under construction equal to Euro 6,792 thousand are attributable to the implementation of new software (ERP) and existing software.

Regarding the year ended 28 February 2019, the total increases of Euro 9,050 thousand mainly relate to the “Software” category for Euro 5,862 thousand, and to the “Intangible fixed assets under construction” category for Euro 3,188 thousand.

The increases relate to the category “Software” for Euro 5,862 thousand, 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 interventions to existing management software.

The increases relating to the "Key Money" category of Euro 2,420 thousand refer to the payment of Key Money for rental agreements, relating to the acquisition of business units of Euro 1,948 thousand, the acquisition of 7 sales outlets belonging to the former DPS Group S.r.l. business unit and 5 sales outlets belonging to the Galimberti S.p.A. business unit for Euro 473 thousand. These transactions are configured as business combinations and come under the scope of IFRS 3. As required by the standard, the intangible assets were recorded separately from goodwill and recorded at their fair value on the acquisition date, which meets the requirements under IAS 38. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. The values and the useful life are reflected in the financial statements from the date that Unieuro acquired control. For more details, see note 5.29 "Business unit combinations".

For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which used assessment methods in line with the best professional practices.

The increases in intangible fixed assets under construction are attributable to the implementation of new software and existing software.

5.4 Assets for rights of use

The balance of the item “Assets for rights of use” is given below, broken down by category as at 29 February 2020 and as at 28 February 2019:

(Amounts in thousands of Euros)	Amounts as at 29 February 2020			Amounts as at 28 February 2019		
	Historical cost	Accumulated Amortisation	Net book value	Historical cost	Accumulated Amortisation	Net book value

		and Depreciation		and Depreciation	
Buildings	537,196	(60,308)	476,889		-
Vehicles	2,196	(799)	1,397		
Total intangible assets with a finite useful life	539,393	(61,107)	478,286	-	-

The change in the item "Assets for rights of use" for the period from 28 February 2019 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Buildings	Vehicles	Total
Balance as at 28 February 2019	-	-	-
Adjustment - application of IFRS 16	446,130	1,588	447,718
First consolidation of Carini Retail	33,952	-	33,952
Increases / (Decreases)	57,115	608	57,723
Amortisation, depreciation and write downs/(write backs)	(60,308)	(799)	(61,107)
Balance as at 29 February 2020	476,889	1,397	478,286

The item includes the value for assets for rights of use resulting from the application of IFRS 16. The application of the new accounting principle had a material impact on the Group's consolidated financial statements by virtue of the operating activities related to the retail network which is a significant part of the business. For the Group, the analysis of contracts that come under the scope of application of the principle particularly involved those relating to stores, warehouses, offices and vehicles. The effects of this new accounting principle are illustrated in paragraph 2.7.1 - "Changes to the accounting standards" which should be referred to for further details.

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 29 February 2020 is given below:

Deferred tax assets

<i>(Amounts in thousands of Euros)</i>	Bad debt provision - amount due from suppliers	Obsolescence Provision	Tangible assets and assets for rights of use	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	(146)	(151)	-	(9)	(836)	93	(1,342)	(2,391)	7,241	4,850

Provision/Releases to the Comprehensive Income Statement	-	-	-	-	224	-	-	224	-	224
Balance as at 28 February 2019	678	2,337	907	4,281	272	1,456	2,280	12,211	22,968	35,179
Provision/Releases to the Income Statement	55	1,269	1,213	-	-	357	(985)	1,909	1,386	3,295
First consolidation of Carini - Comprehensive Income Statement	-	-	-	-	38	-	-	38	-	38
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	105	-	-	105	-	105
Balance as at 29 February 2020	733	3,606	2,120	4,281	415	1,813	1,295	14,263	24,354	38,617

The balance as at 29 February 2020 was Euro 38,617 thousand and was mainly composed of: (i) temporary differences mainly due to goodwill and the provision for obsolete inventory for Euro 14,263 thousand and (ii) deferred tax assets recorded on tax losses for Euro 24,354 thousand.

The balance as at 28 February 2019 was Euro 35,179 thousand and was mainly composed of: (i) temporary differences mainly due to goodwill and the provision for obsolete inventory for Euro 12,211 thousand and (ii) deferred tax assets recorded on tax losses for Euro 22,968 thousand.

Note that tax losses, which were still available at 29 February 2020, totalled Euro 345,787 thousand in relation to Unieuro and Euro 6,338 thousand in relation to Monclick.

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

<i>(Amounts in thousands of Euros)</i>	Intangible assets	Other current assets	Total net deferred taxes
Balance as at 28 February 2018	2,448		2,448
Adjustment at the date of the first-time adoption of IRFS 15	-	1,483	1,483
Provision/Releases to the Income Statement	139	(358)	(219)
Provision/Releases to the Comprehensive Income Statement	-	-	0
Balance as at 28 February 2019	2,587	1,125	3,712

Provision/Releases to the Income Statement	138	(387)	(249)
Provision/Releases to the Comprehensive Income Statement	-	-	0
Balance as at 29 February 2020	2,725	738	3,463

The decrease in the item "Deferred tax liabilities" is mainly due to the release of deferred taxes previously recorded under other current assets relating to the tax effects on contract assets recorded during the application of IFRS 15. Deferred tax liabilities relating to Intangible Assets result from goodwill with a different statutory value from the value for tax purposes.

It is estimated that the debt refers to differences which will be reabsorbed in the medium-/long-term.

5.6 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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Deferred charges	9,725	8,997
Contract assets	6,771	5,337
Accrued income	3,599	1,643
Tax credits	2,896	3,544
Financial receivables for leases - current part	1,430	-
Other current assets	910	166
Advances to suppliers	24	86
Other current assets	25,355	19,773
Financial receivables for leases - non-current part	8,932	-
Deposit assets	2,373	2,220
Deposits to suppliers	531	266
Other non-current assets	95	7
Other non-current assets	11,931	2,493
Total Other current assets and Other non-current assets	37,286	22,266

The item "Financial receivables for leases" equal to Euro 10,362 thousand (the current part of which is Euro 1,430 thousand) was recorded during the first-time adoption of IFRS 16 and includes the current part and the non-current part relating to the sub-lease agreements in which the Group is the landlord. For more details, please refer to Note 2.7.1 Changes to the accounting standards.

The increase in the item "Deferred charges" standing at Euro 9,725 thousand, mainly includes deferred charges relating to insurance, building rental and expenses and the hire of road signs which had been reported financially before 29 February 2020 and with an accrual accounting basis that relates to the solar year.

The item "Contract assets" equal to Euro 6,771 thousand, includes the costs for obtaining the contract classified as contract costs, represented by the bonuses paid to employees for each additional sale of extended warranty services.

The item "Accrued income" standing at Euro 3,599 thousand at 29 February 2020 (Euro 1,643 thousand at 28 February 2018) mainly refers to the insurance payment received with regard to the theft that took place in 2017 at the Piacenza logistics platform of Euro 2,600 thousand, last year the item included the compensation for the Oderzo fire that took place on 25 February 2017 equal to Euro 1,521 thousand.

Tax credits as at 29 February 2020 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 financial receivables for leases, equity investments, deposit assets and deposits to suppliers. The increase is essentially due to the recording of the non-current part of financial receivables for leases during the first-time adoption of IFRS 16, for more details, see note 2.7.1 "Changes to accounting standards".

5.7 Inventories

Warehouse inventories break down as follows:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Merchandise	384,246	371,462
Consumables	640	659
Gross stock	384,886	372,121
Warehouse obsolescence fund	(15,098)	(9,779)
Total Inventories	369,788	362,342

The value of gross inventories went from Euro 372,121 thousand as at 28 February 2019 to Euro 384,886 thousand as at 29 February 2020, an increase of 3.4% in total gross inventories. The increase is due to: (i) the different business scope resulting from the acquisition of 12 sales outlets from Carini Retail S.r.l. and the logistics platform of Pistone S.p.A., located at Carini, (ii) the sharp rise in online business, and (iii) the partnership with Finiper, which marked the launch of Unieuro in large-scale retailing.

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 obsolescence fund for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Warehouse obsolescence fund
Balance as at 28 February 2018	(9,126)
Direct write-down	-
Provisions	(819)
Reclassifications	-
Releases to the Income Statement	166
Utilisation	-
Balance as at 28 February 2019	(9,779)
Direct write-down	-
Provisions	(5,319)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
Balance as at 29 February 2020	(15,098)

The increase in the warehouse obsolescence fund equal to Euro 5,319 thousand is attributable to the adaptation of the warehouse bad debt provision which includes the prudential write down of the value of goods at 29 February 2020 and reflects the impacts on the valuation of inventories resulting from the current Coronavirus pandemic (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report) and the loss in value of goods in cases in which the cost is higher than the presumed realisable value and enabling the warehouse value to be reported at the current market value.

5.8 Trade receivables

A breakdown of the item "Trade receivables" as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Trade receivables from third-parties	54,426	43,779
Trade receivables from related-parties	-	-
Gross trade receivables	54,426	43,779
Bad debt provision	(3,138)	(2,491)
Total Trade receivables	51,288	41,288

The value of receivables, that refer to the Indirect and B2B channels, increased by Euro 10,000 thousand compared with the previous year; this increase is mainly due to the different collection timetables.

The change in the bad debt provision for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Bad debt provision
Balance as at 28 February 2018	(2,412)
Provisions	(100)
Releases to the Income Statement	-
Utilisation	21
Balance as at 28 February 2019	(2,491)
Provisions	(747)
Releases to the Income Statement	-
Utilisation	100
Balance as at 29 February 2020	(3,138)

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. The assessments concerning exposure to the risk of potential losses from failure to comply with the obligations undertaken by counterparties also taking into consideration the current Coronavirus pandemic, which has involved an increase in the write-down of receivables deemed of doubtful recoverability (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report). 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.

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 29 February 2020 and as at 28 February 2019:

Current tax assets

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
IRES credits	-	2,116
IRAP credits	-	2
Total Current tax assets	-	2,118

Credits for current taxes stood at zero at 29 February 2020 (Euro 2,118 thousand at 28 February 2019); last year the item referred to IRES credits mainly generated as a result of withholdings.

Current tax liabilities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Payables for IRAP (income tax)	154	1,204
Payables for IRES (income tax)	255	-
Payables for tax liabilities	1,040	-
Total Current tax liabilities	1,449	1,204

As at 29 February 2020, the item "IRAP payables" and "IRES payables" included payables, respectively, of Euro 154 thousand and euro 255 thousand resulting from the estimated taxes for the year ended 29 February 2020 and "Payables for tax liabilities" equal to Euro 1,040 thousand relating to the reclassification of liabilities relating to uncertain 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 2.7.1 "Changes to the accounting standards".

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Bank accounts	85,690	77,007
Petty cash	11,022	7,481
Total cash and cash equivalents	96,712	84,488

Cash and cash equivalents stood at Euro 96,712 thousand as at 29 February 2020 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:

<i>(Amounts in thousands of Euros)</i>	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
Effect of the change in the accounting standard (IFRS 16)		-	-	-	-	-	-	-	-	-	-	-
Balance adjusted 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		-	-	-	-	-	-	-	25,596	25,596	-	25,596
Other components of comprehensive income		-	-	-	(38)	(324)	-	-	(361)	(361)	-	(362)
Total comprehensive income for the period		-	-	-	(38)	(324)	-	-	25,596	25,234	-	25,234
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		-	-	-	-	-	2,351	-	(904)	1,447	-	1,447
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,073)	(19,953)	-	(19,953)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(353)	(1,571)	5,727	26,944	53,842	96,158	0	96,158

Shareholders' equity, equal to Euro 96,158 thousand as at 29 February 2020 (Euro 90,877 thousand as at 28 February 2019) rose during the year through the combined effect of: (i) the recording of a profit for the period of Euro 25,596 thousand and the other components of the comprehensive income statement for a negative Euro 362 thousand and (ii) the recording in the reserve of share-based payments of Euro 1,447 thousand which refer to the Long Term Incentive Plan for certain managers and employees and (iii) the distribution of a dividend of Euro 21,400 thousand as approved on 18 June 2019 by the Shareholders' Meeting.

The Share capital as at 29 February 2020 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 29 February 2020 (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 29 February 2020;
- the extraordinary reserve of Euro 6,769 thousand as at 29 February 2020 (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 financial year approved on 18 June 2019 by the Shareholders' Meeting;
- the cash flow hedge reserve negative by Euro 353 as at 29 February 2020 (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 Euro 1,571 thousand as at 29 February 2020 (Euro 1,247 thousand as at 28 February 2019); it changed by Euro 324 thousand following the actuarial valuation relating to severance pay;
- the reserve for share-based payments of Euro 5,727 thousand as at 29 February 2020 (Euro 3,376 thousand as at 28 February 2019); this changed as a result of the recording of Euro 2,351 thousand offsetting the personnel costs of the share-based payment plan. For more details, please see Note 5.28.

During the year ended 29 February 2020 there were no assets allocated to specific businesses.

<i>(Amounts in thousands of Euros)</i>	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
Effect of the change in the accounting standard (IFRS 15)	-	-	-	-	-	-	-	4,038	4,038	-	4,038
Balance adjusted at 1 March 2018	4,000	800	46,810	(191)	(774)	1,352	57,999	(28,742)	81,254	-	81,254
Profit/(loss) for the year	-	-	-	-	-	-	-	28,895	28,895	-	28,895
Other components of comprehensive income	-	-	-	(124)	(473)	-	-	-	(597)	-	(597)
Total statement of comprehensive income for the year	-	-	-	(124)	(473)	-	-	28,895	28,298	-	28,298
Allocation of prior year result	-	-	-	-	-	-	-	(8,521)	(8,521)	-	(8,521)
Covering retained losses and negative reserves	-	-	(46,810)	-	-	-	(11,055)	66,386	8,521	-	8,521
Distribution of dividends	-	-	-	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	2,024	-	(699)	1,325	-	1,325

Total transactions with shareholders	-	-	(46,810)	-	-	2,024	(31,055)	57,166	(18,675)	-	(18,675)
Balance as at 28 February 2019	4,000	800	0	(315)	(1,247)	3,376	26,944	57,319	90,877	0	90,877

Shareholders' equity, equal to Euro 90,877 thousand as at 28 February 2019 (Euro 77,216 thousand as at 28 February 2018) rose during the year through the combined effect of: (i) the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting; (ii) the recording of the consolidated profit for the year of Euro 28,895 thousand and the other components of the comprehensive income statement negative for Euro 597 thousand; (iii) the reporting of the application of the new accounting standard IFRS 15 for Euro 4,038 thousand under profits/(losses) carried forward and (iv) the recording in the reserve of share-based payments of Euro 1,325 thousand which refer to the Long Term Incentive Plan for certain managers and employees.

The Share capital as at 28 February 2019 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 28 February 2019 (Euro 800 thousand as at 28 February 2018), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it to 28 February 2019;

- the extraordinary reserve of Euro 0 thousand as at 28 February 2019 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the year as a result of the coverage of retained losses and negative reserves approved on 5 June 2018 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 315 thousand as at 28 February 2019 (negative by Euro 191 thousand as at 28 February 2018); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement entered into during the year (for more details, please refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of Euro 1,247 thousand as at 28 February 2019 (Euro 774 thousand as at 28 February 2018); it decreased by Euro 473 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 3,376 thousand as at 28 February 2019 (Euro 1,352 thousand as at 28 February 2018); the change resulted from (i) the recording of Euro 2,024 thousand to offset the recording of personnel expenses 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 component referring to the monetary bonus accrued to managers and employees from the item profits and losses carried forward to the item other non-current liabilities for Euro 699 thousand. For more details, please see Note 5.28.

The reconciliation between the shareholders' equity of the parent company and the consolidated shareholders' equity as at 29 February 2020 is illustrated below:

<i>(Amounts in millions of euros)</i>	Shareholders' equity at 29 February 2020	Net profit (loss) at 29 Februar y 2020
Balances from the Parent Company's Financial Statements	106.7	39.2
Difference between the carrying amount of equity investments and the profit/(loss) for the period	(21.3)	(13.1)
Allocation of goodwill, brand, software and customer list, excluding the tax effect	10.8	(0.6)
Shareholders' equity and profit/(loss) for the period from the Consolidated Financial Statements	96.2	25.6

5.12 Financial liabilities

A breakdown of the item current and non-current “Financial liabilities” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Current financial liabilities	9,520	12,455
Non-current financial liabilities	31,643	31,112
Total financial liabilities	41,163	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 three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.

The new lines include Euro 190.0 million of term loan amortising, of which Euro 50.0 million ("Term Loan") is aimed at replacing the previous lines of credit and Euro 50.0 million (the "Capex Facility") is aimed at acquisitions and restructuring investments for the network of stores, and Euro 90.0 million are revolving facilities (the "Revolving Facility").

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 twelve-month index 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 29 February 2020 the covenant was calculated and complied with.

The Loan Agreement includes Unieuro's right of early repayment, in full or in part (in such a case of minimum amounts equal to Euro 1,000,000.00) and prior notification of the Agent Bank, of both the Term Loan and the Capex Facility. In addition, when certain circumstances and/or events are verified, Unieuro is obliged to repay the Loan early. As at 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 29 February 2020 and at 28 February 2019 are illustrated below:

<i>(Amounts in thousands of Euros)</i>	Maturity	Original amount	Interest rate	As at 29 February 2020		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	74,500	0.35% - 6.5%	52	52	-
Revolving Credit Facility	Jan-23	90,000	Euribor 1m+spread	-	-	-
Current bank payables				52	52	-
Term Loan	Jan-23	50,000	Euribor 3m+spread	32,500	10,000	22,500
Capex Facility	Jan-23	50,000	Euribor 3m+spread	10,000	-	10,000
Ancillary expenses on loans (2)				(1,389)	(532)	(857)
Non-current bank payables and current part of non-current debt				41,111	9,468	31,643
Total				41,163	9,520	31,643

- (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.

<i>(Amounts in thousands of Euros)</i>	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 29 February 2020 totalled Euro 41,163 thousand with a decrease of Euro 2,404 thousand compared with 28 February 2019. This change is mainly due to the combined effect of: (i) less use at the reporting date of the short-term lines for Euro 2,997 thousand, (ii) the normal repayment of the principal shares of the loan for Euro 10,000 thousand, (iii) draw down on the Capex Facility for Euro 10,000 thousand, used to repay the instalments set out in the debt contract for investments in equity investments and business units.

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 1,389 thousand as at 29 February 2020 (Euro 1,982 thousand as at 28 February 2019).

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Within 1 year	9,520	12,455
From 1 to 5 years	31,643	31,112
More than 5 years	-	-
Total	41,163	43,567

A breakdown of the net financial debt as at 29 February 2020 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.

<i>(Amounts in thousands of Euros)</i>	Ref	as at 29 February 2020		as at 28 February 2019	
			<i>of which with Related-Parties</i>		<i>of which with Related-Parties</i>
(A) Cash	5.10	96,712	-	84,488	-
(B) Other cash and cash equivalents		0	-	-	-

(C) Securities held for trading		0	-	-	-
(D) Liquidity (A)+(B)+(C)		96,712	-	84,488	-
- of which is subject to a pledge		0	-	-	-
(E) Current financial receivables		0	-	-	-
(F) Current bank payables	5.12	(52)	-	(3,049)	-
(G) Current part of non-current debt	5.12	(9,468)	-	(9,406)	-
(H) Other current financial payables	5.14	(12,338)	-	(7,683)	-
(I) Current financial debt (F)+(G)+(H)		(21,858)	-	(20,138)	-
- of which is secured		0	-	-	-
- of which is unsecured		(21,858)	-	(20,138)	-
(J) Net current financial position (I)+(E)+(D)		74,854	-	64,350	-
(K) Non-current bank payables	5.12	(31,643)	-	(31,112)	-
(L) Issued bonds		0	-	-	-
(M) Other non-current financial payables	5.14	(13,618)	-	(12,771)	-
(N) Non-current financial debt (K)+(L)+(M)		(45,261)	-	(43,883)	-
- of which is secured		0	-	-	-
- of which is unsecured		(45,261)	-	(43,883)	-
(O) Net financial debt - IAS 17 (J)+(N)		29,593	-	20,467	-
(P) Current financial receivables - IFRS 16	5.6	1,430	-	-	-
(Q) Non-current financial receivables - IFRS 16	5.6	8,932	-	-	-
(R) Other current financial payables - IFRS 16	5.14	(57,081)	-	-	-
(S) Other non-current financial payables - IFRS 16	5.14	(430,914)	-	-	-
(T) Net financial debt - IFRS 16 (O)+(P)+(Q)+(R)+(S)		(448,040)	-	20,467	-

The increase in net financial debt is attributable to the first-time adoption of IFRS 16, which involved the reporting of net financial liabilities for leases for Euro 477,633 thousand and to the combined effect of: (i) investments of Euro 27,646 thousand due specifically to the costs incurred for operations for the development of the direct stores network and the refurbishment of existing stores 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, (ii) the distribution of dividends of Euro 21,400 thousand approved by the Shareholders' Meeting on 18 June 2019, (iii) 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 11,965 thousand and (iv) the net increase in payables for investments in business combinations of Euro 7,238 thousand, which refer to the payable to Pistone S.p.A., remaining at 29 February 2020, excluding the payment made in the period regarding the above transactions.

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 29 February 2020 and 28 February 2019. See note 5.14 “Other financial liabilities” for more details.

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Other financial liabilities	69,419	7,683
Other current financial payables	69,419	7,683
Other financial liabilities	444,532	12,771
Other non-current financial payables	444,532	12,771

5.13 Employee benefits

The change in the item "Employee benefits" for the year from 28 February 2019 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	
Balance as at 28 February 2018	11,179
Service cost	79
Curtailement	(50)
<i>Interest cost</i>	125
<i>Business unit acquisitions</i>	79
Settlements/advances	(1,068)
Actuarial (profits)/losses	650
Balance as at 28 February 2019	10,994
First consolidation of Carini Retail	946
First consolidation of Carini Retail - Actuarial (Profits)/losses	136
Service cost	77
Curtailement	0
<i>Interest cost</i>	67
<i>Business unit acquisitions</i>	0
Settlements/advances	(551)
Actuarial (profits)/losses	319
Balance as at 29 February 2020	11,988

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 consolidation of Carini Retail" refers to the assumption of the debt relating to the Severance Pay of employees transferred under the scope of the acquisition of the business units of Carini Retail S.r.l.; for more details, refer to Note 5.28 - "Business unit combinations".

Settlements recorded in the financial year ended 29 February 2020 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

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

Economic recruitment	Year ended	
	29 February 2020	28 February 2019
Inflation rate	1.20%	1.50%
Actualisation rate	0.45%	0.80%
Severance pay increase rate	2.400%	2.625%

Demographic recruitment	Year ended	
	29 February 2020	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 29 February 2020, 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:

Change to the parameter	Impact on DBO at 29 February 2020		
	UNIEURO	CARINI	MONCLICK
1% increase in turnover rate	10,449	1,060	357
1% decrease in turnover rate	10,666	1,090	369
0.25% increase in inflation rate	10,701	1,091	371
0.25% decrease in inflation rate	10,404	1,057	355
0.25% increase in actualisation rate	10,315	1,047	353
0.25% decrease in actualisation rate	10,796	1,102	373

5.14 Other financial liabilities

A breakdown of the item “Other financial liabilities” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019

Payables to leasing companies	59,931	3,262
Payables for investments in equity investments and business units	9,355	4,176
Fair value of derivative instruments	133	245
Other current financial liabilities	69,419	7,683
Payables to leasing companies	436,420	6,917
Payables for investments in equity investments and business units	7,782	5,686
Fair value of derivative instruments	330	168
Other non-current financial liabilities	444,532	12,771
Total financial liabilities	513,951	20,454

Payables for investments in equity investments and business units

Payables owed to leasing companies amount to a total of Euro 17,137 thousand at 29 February 2020 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 that refer to the consideration to acquire 100% of the share capital of Carini Retail S.r.l., partly offset by the considerations paid in the year. The existing debt cash flows as at 29 February 2020 were discounted.

Lease liabilities

Lease liabilities amounted to a total of Euro 496,351 thousand as at 29 February 2020 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 current value of lease liabilities relating to contract previously classified as operating leases for which, following the application of the new accounting standard IFRS 16, the Group recorded a liability that reflects the payment obligation of rental fees of Euro 487,995 thousand and (ii) the lease liabilities relating to contracts previously recorded in accordance with IAS 17 which do not change following the application of the new accounting standard IFRS 16 for Euro 8,356 thousand. There are no hedging instruments for the interest rates. For more details, please refer to Note 2.7.1 "Changes to the accounting standards".

The cash flows for the item lease liabilities are reported below.

<i>(Amounts in thousands of Euros)</i>					
	Balance as at 29 February 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	496,351	59,931	23,845	202,575	496,351
Total	496,351	59,931	233,845	202,575	496,351

Fair value of derivative instruments

Financial instruments for hedging, as at 29 February 2020, 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 amounted to Euro 463 thousand as at 29 February 2020 (Euro 413 thousand

as 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 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>						
	Tax dispute provision	Other disputes provision	Onerous contracts provision	Restructuring provision	Other risks provision	Total
Balance as at 28 February 2018	3,701	2,524	881	175	1,399	8,680
- of which current portion	1,051	565	814	175	279	2,884
- of which non-current portion	2,650	1,959	67	-	1,020	5,696
<i>Adjustment at the date of the first-time adoption of IFRS 15</i>	-	-	-	-	(42)	(42)
Provisions	66	1,102	38	1,189	799	3,194
Draw-downs/releases	(358)	(484)	(795)	(1,005)	(124)	(2,766)
Balance as at 28 February 2019	3,409	3,142	124	359	2,032	9,066
- of which current portion	-	502	124	359	363	1,348
- of which non-current portion	3,409	2,640	-	-	1,669	7,718
<i>Adjustment - application of IFRS 16</i>	-	-	(126)	-	808	682
<i>Adjustment - application of IFRIC 23</i>	(1,040)	-	-	-	-	(1,040)
Provisions	330	1,971	2	280	358	2,941
Draw-downs/releases	(802)	(487)	-	(259)	(177)	(1,725)
Balance as at 29 February 2020	1,897	4,626	-	380	3,021	9,924
- of which current portion	-	849	-	380	16	1,245
- of which non-current portion	1,897	3,777	-	-	3,005	8,679

The "Tax dispute provision", equal to Euro 1,897 thousand as at 29 February 2020 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 of the first-time application date of IFRIC 23 refers to the accounting treatment of liabilities relating to uncertain tax treatments from the item "Provisions" to the item "Liabilities for current taxes". For more details, please refer to Note 2.7.1 "Changes to the accounting standards".

The "Provision for other disputes", equal to Euro 4,626 thousand as at 29 February 2020 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 29 February 2020 and Euro 124 thousand as at 28 February 2019, refer to the allocation of non-discretionary costs necessary to fulfil the obligations undertaken in several rental agreements; following the first-time application of IFRS 16 the assets for the rights of use for the allocation of onerous leases

reported in the statement of financial position at the first-time application date was adjusted. For more details, please refer to Note 2.7.1 "Changes to the accounting standards".

The "Restructuring provision", equal to Euro 380 thousand as at 29 February 2020 and Euro 359 thousand as at 28 February 2019, refer mainly to the personnel restructuring process of the closing sales outlets.

"Other risk provisions" of Euro 3,021 thousand as at 29 February 2020 and Euro 2,032 thousand as at 28 February 2019. The adjustment at the first-time application date of IFRS 16 refers to the provision for the restoration of stores, allocated to deal with the costs incurred for the restoration of the property, at the time it is handed bank to the lessor in cases where the contractual obligation is the responsibility of the tenant. For more details, please refer to Note 2.7.1 "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 29 February 2020 and 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Contract liabilities	154,835	127,956
Payables to personnel	38,717	35,383
Payables for VAT	16,393	14,667
Payables to welfare institutions	3,051	3,638
Payables for IRPEF (income tax)	3,036	3,037
Deferred income and accrued liabilities	2,656	4,331
Long-Term Incentive Plan monetary bonus	2,436	-
Other tax payables	236	85
Other current liabilities	68	5
Total other current liabilities	221,428	189,102
Long-Term Incentive Plan monetary bonus	-	1,440
Deposit liabilities	26	26
Total other non-current liabilities	26	1,466
Total other current and non-current liabilities	221,454	190,569

The item "Other current liabilities" increased by Euro 32,326 thousand in the year ended 29 February 2020 compared with the year ended 28 February 2019. The increase in the item recorded in the year in question is mainly due to greater contract liabilities relating to the servicing of the extended warranty. The change recorded in the payable relating to the monetary bonus is mainly attributable to the approval of the distribution of the dividend by the Shareholders' Meeting on 18 June 2019 which involved the recording of part of the payable relating to the component that 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 154,835 thousand as at 29 February 2020 (Euro 127,956 thousand as at 28 February 2019) due mainly to (i) deferred revenues for extended warranty services. Sales revenues are recorded according to the duration of the contract, or the period for which there is a performance obligation thereby deferring sales pertaining to future periods, (ii) payments on account received from customers, (iii) liabilities relating to vouchers and (iv) liabilities relating to sales with the right of return;
- payables to employees for Euro 38,717 thousand as at 29 February 2020 (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 16,393 thousand as at 29 February 2020 (Euro 14,667 thousand at 28 February 2019) composed of payables resulting from the VAT settlement with regard to February 2020;
- deferred income and accrued liabilities of Euro 2,656 thousand as at 29 February 2020 (Euro 4,331 thousand as at 28 February 2019) mainly relating to the reporting of deferred income on revenue that has been settled during the year but with deferred economic maturity;
- payable for the Long-Term Incentive Plan monetary bonus of Euro 2,436 thousand under the share-based payment plan called the Long-Term Incentive Plan.

The item "Other non-current liabilities" decreased to Euro 1,440 thousand in the year ended 29 February 2020 compared with the year ended 28 February 2019.

The balance of the item "Other non-current liabilities" is composed of deposit liabilities for Euro 26 thousand while the monetary bonus under the share-based payment plan known as the Long-Term Incentive Plan for Euro 1,440 thousand was reclassified under 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 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Trade payables to third-parties	477,996	466,533

Trade payables to related-parties	-	-
Gross trade payables	477,996	466,533
Bad debt provision - amount due from suppliers	1,612	1,925
Total Trade payables	479,608	468,458

The balance includes payables relating to carrying out normal trade activities involving the supply of goods and services. This item takes into account the valuations surrounding the exposure to the risk of potential losses resulting from failure to comply with the obligations undertaken by counterparties also in consideration of the current Coronavirus Pandemic (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report).

Gross trade payables increased by Euro 11,463 thousand as at 29 February 2020 compared with 28 February 2019. The increase is due to the different scope of business resulting from the acquisition of 12 sales outlets of Carini Retail S.r.l. and the Pistone S.p.A. logistics platform located at Carini, which became the chain's secondary hub to increase the volumes managed.

The change in the "Bad debt provision and suppliers account debit balance" for the year from 28 February 2018 to 29 February 2020 is given below:

<i>(Amounts in thousands of Euros)</i>	Bad debt provision - amount due from suppliers
Balance as at 28 February 2018	2,455
Provisions	-
Releases to the Income Statement	(170)
Utilisation	(360)
Balance as at 28 February 2019	1,925
Provisions	-
Releases to the Income Statement	(248)
Utilisation	(65)
Balance as at 29 February 2020	1,612

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:

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019 ⁸⁰	%	2020 vs. 2019	%
<i>Retail</i>	1,708,595	69.9%	1,477,761	70.2%	230,834	15.6%
<i>Online</i>	297,058	12.2%	240,475	11.4%	56,583	23.5%
<i>Indirect</i>	263,164	10.8%	231,027	11.0%	32,137	13.9%
<i>B2B</i>	136,472	5.6%	121,660	5.8%	14,812	12.2%
<i>Travel</i>	39,608	1.6%	33,596	1.6%	6,012	17.9%
Total revenues by channel	2,444,897	100.0%	2,104,519	100.0%	340,378	16.2%

The Retail channel (69.9% of total revenues) - which at 29 February 2020 was composed of 237 direct sales outlets located in areas deemed commercially strategic and featuring different sizes in terms of area - recorded growth of 15.6%, Euro 1,708,595 thousand compared with Euro 1,477,761 thousand in the previous year, mainly thanks to the consolidation of the former Piston stores and the incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve months, as well as the very positive like-for-like performance of the stores.

The *Online* channel (12.2% of total revenues) was once again the channel with the greatest rate of growth thanks to the strong acceleration recorded in the fourth quarter (+40.0% compared with the corresponding period of the previous year), which pushed revenues to Euro 297,058 thousand, up 23.5% compared with the figure of Euro 240,475 thousand for the year ended 28 February 2019. The performance benefited in particular from the success of the commercial initiatives of the second half-year, in which the Black Friday campaign stands out and the acceleration of e-commerce recorded at the end of the year in response to the Covid-19 emergency.

The Indirect channel (10.8% of total revenues) - 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 261 sales outlets - recorded revenues of Euro 263,164 thousand, an increase of 13.9% compared with Euro 231,027 thousand in 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 La Grande i hypermarkets, which greatly offset the lower

⁸⁰ 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.

contribution from the network of affiliated stores, subject to rationalisation over the last twelve months.

The B2B channel⁸¹ (5.6% of total revenues) - 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 136,472 thousand, a rise of 12.2% compared with the figure of Euro 121,660 thousand of the previous year, with a strong recovery in the second half-year after the channel recorded a considerable fall in the first half-year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (1.6% of total revenues) - composed of 12 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations - recorded growth of 17.9% or Euro 39,608 thousand. The performance, although in the process of standardisation as a result of the disappearance of the scope effect, benefited from the incremental contribution of the Milan San Babila sales outlet, which opened in October 2018, and the good performance of the Turin store at the Porta Nuova station.

Below is a breakdown of revenues by category:

<i>(In millions of Euro and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020		28 February 2019 ⁸²		2020 vs. 2019	
		%		%		%
Grey	1,160,174	47.5%	992,867	47.2%	167,307	16.9%
White	683,983	28.0%	548,547	26.1%	135,436	24.7%
Brown	384,494	15.7%	367,920	17.5%	16,574	4.5%
Other products	113,901	4.7%	110,640	5.3%	3,261	2.9%
Services	102,345	4.2%	84,545	4.0%	17,800	21.1%
Total revenues by category	2,444,897	100.0%	2,104,519	100.0%	340,378	16.2%

The Grey category (47.5% of total revenues) - or telephony, tablets, information technology, telephone accessories, photographic machinery, as well as all wearable technological products - generated sales of Euro 1,160,174 thousand, a 16.9% increase compared with Euro 992,867 thousand in the previous year thanks to the positive performance of the Telephony segment, supported in particular by several new smart phone models, as well as laptops as a result of a shift to the top of the range. The positive performance of the two product clusters more than offset the fall recorded in the sale of tablets.

⁸¹ For a better representation, supplies of business type goods were reclassified from the Online channel to the B2B channel.

⁸² The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

The *White* category (28.0% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA), such as vacuum cleaners, kitchen robots, coffee machines as well as the climate control segment - recorded sales of Euro 683,983 thousand, growth of 24.7% compared with Euro 548,547 thousand in the previous year, impacted by a significant increase of 28.0% of revenues (+1.9%). 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 dryers, the ventilation sector and air conditioners, with sales helped by the hot weather in the summer

The *Brown* category (15.7% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories and memory systems - recorded total revenues of Euro 384,494 thousand, +4.5% compared with the figure of Euro 367,920 thousand in the previous year. The lower impact on total revenues, down compared with the previous figure of 17.5%, is mainly due to the sale of televisions, affected by the general fall in average market prices and the difficult comparison with 2018, which benefited from the boost given by the Football World Cup. The performance of the fourth quarter (+8.3%) showed an improvement compared with the first nine months of the year.

The *Other products* category (4.7% of total revenues) - which includes both the sales of the Entertainment sector and other products not included in the consumer electronics market such as hoverboards or bicycles - recorded consolidated revenues of Euro 113,901 thousand (+2.9%) driven by cooking accessories and tableware and the increasing success of the luggage sector.

The *Services* category (4.2% of total revenues) recorded growth of 21.1% of Euro 102,345 thousand, thanks to the expansion of the sales network and Unieuro's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Abroad	4,001	4,682
Italy	2,440,896	2,099,837
Total	2,444,897	2,104,519

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Insurance reimbursements	3,575	1,670
Other income	1,297	822
Rental and lease income	254	1,851
Total Other Income	5,126	4,343

The item mainly includes income from the rental of computer equipment to affiliates and insurance payments relating to theft or damage caused to stores. The increase in the item "Insurance payments" mainly refers to the insurance payment received with regard to the theft that took place in 2017 at the Piacenza logistics platform of Euro 2,600 thousand, last year the item included the compensation for the Oderzo fire that took place on 25 February 2017 equal to Euro 1,521 thousand. The decrease recorded in the period in the item "Rental and lease income" is attributable to the application of the new accounting standard IFRS 16 specifically, the Group reassessed the classification of sub-leases in which it acts as the landlord based on the information available and reclassified sub-leases as financial leases. For more details, please refer to paragraph 2.6.1 "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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Purchase of goods	1,935,198	1,684,306
Transport	69,153	54,011
Marketing	52,978	49,996
Utilities	15,075	14,053
Maintenance and rental charges	13,558	12,403
General sales expenses	11,707	10,205
Building rental and expenses	11,309	71,513
Other costs	9,621	9,710
Consulting	7,335	8,410
Purchase of consumables	6,267	5,910
Travel expenses	2,527	2,645
Payments to administrative and supervisory bodies	686	768
Total Purchases of materials and external services	2,135,414	1,923,930
Changes in inventory	(7,425)	(48,593)
Total, including the change in inventories	2,127,989	1,875,337

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 1,875,337 thousand as at 28 February 2019 to Euro 2,127,989 thousand in the year ended 29 February 2020, an increase of Euro 252,631 thousand or 13.5%.

The main increase is due to the item "Purchase of goods" for Euro 250,892 thousand where the increase was due to the different scope of business resulting from the acquisition of the 12 Carini Retail S.p.A. sales outlets, the Pistone S.p.A. logistics platform, located at Carini, which become the chain's secondary hub and the openings that took place over the last twelve months.

The item “Transport” increased by Euro 54,011 thousand at 28 February 2019 to Euro 69,153 thousand at 29 February 2020. The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

The item “Marketing” increased by Euro 49,996 thousand as at 28 February 2019 to Euro 52,978 thousand as at 29 February 2020. 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 item "Utilities" and "Maintenance and rental charges" increased, respectively by Euro 1,022 thousand and Euro 1,155 thousand compared with 28 February 2019; the increase is mainly due to the different scope of business resulting from the acquisition of the 12 Carini Retail S.p.A. sales outlets and the Pistone S.p.A. logistics platform, located at Carini, that became the chain's secondary hub.

The item “General sales expenses” increased from Euro 10,205 thousand as at 28 February 2019 to Euro 11,707 thousand as at 29 February 2020. The item mainly includes costs for commission on sales transactions with the increase due to the increase in turnover.

The item "Building rental and expenses" fell by Euro 60,204 thousand compared with 28 February 2019 or 84.2%. The fall recorded in the year is due to the application of the new accounting standard IFRS 16 which changed the accounting treatment of rental relating to lease agreements. Specifically, 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 item "Building rental and expenses" and the Group's Gross Operating Profit. For more details, please refer to paragraph 2.7.1 "Changes to the accounting standards".

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item fell by Euro 89 thousand compared with 28 February 2019 or 0.9%; the decrease mainly relates to the fall in the cost of insurance.

The item “Consulting” went from Euro 8,410 thousand as at 28 February 2019 to Euro 7,335 thousand as at 29 February 2020, down from the previous year.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Salaries and wages	133,520	122,357
Welfare expenses	40,763	36,748
Severance pay	8,162	8,146
Other personnel costs	2,962	2,627
Total personnel costs	185,407	169,878

Personnel costs went from Euro 169,878 thousand in the year ended 28 February 2019 to Euro 185,407 thousand in the year ended 29 February 2020, an increase of Euro 15,529 thousand or 9.1%.

The item "Salaries and wages" increased by Euro 11,163 thousand, or around 9.1%; the increase was mainly due to an increase in the number of employees following the acquisitions and opening of new stores.

The item “Other personnel costs”, was equal to Euro 2,962 thousand at 29 February 2020 (Euro 2,627 thousand at 28 February 2019); this item mainly includes the reporting of 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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019

Non-income-based taxes	6,152	6,225
Provision/(releases) for supplier bad debts	(248)	(170)
Provision/(releases) for the write-down of other assets	(177)	-
Bad debt provision/(releases)	747	100
Other operating expenses	789	290
Total other operating costs and expenses	7,263	6,445

"Other operating costs and expenses" went from Euro 6,445 thousand in the year ended 28 February 2019 to Euro 7,263 thousand in the year ended 29 February 2020, an increase of Euro 818 thousand or 12.7%. The assessments concerning exposure to the risk of potential losses from failure to comply with the obligations undertaken by counterparties taking into consideration the current market and economic scenario involved an increase in the write-down of receivables deemed of doubtful recoverability.

The item "non-income-based taxes" mainly includes costs associated with the running of the business such as waste disposal tax and taxes for advertising and promotional activities.

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

5.23 Amortisation, depreciation and impairment losses

Below is a breakdown of the item "Depreciation, amortisation and write-downs" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Depreciation and amortisation of assets for rights of use	61,107	
Depreciation and amortisation of assets for tangible fixed assets	20,590	18,080
Depreciation and amortisation of intangible fixed assets	6,665	7,115
Write-downs/(write backs) of tangible and intangible fixed assets	440	2,373
Total depreciation, amortisation and write-downs	88,802	27,568

The item "Depreciation, amortisation and write-downs" went from Euro 27,568 thousand in the year ended 28 February 2019 to Euro 88,802 thousand in the year ended 29 February 2020, a rise of Euro 61,234 thousand. The increase is due to the application of the new accounting standard IFRS 16 which changed the accounting treatment of rental relating to lease agreements. Specifically, 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 laid down by the previous accounting standard IAS 17. For more details, see paragraph 2.7.1 Changes to accounting standards and the progressive increase in investments in recent financial years also related to the new acquisitions.

The item "Write-downs/(write-backs) of tangible and intangible fixed assets" includes the write-downs of assets following interventions at sales outlets; in the last financial year the item included the costs resulting from the creation of the new Piacenza logistics hub which involved the write-down of several assets at the old warehouse.

5.24 Financial income and Financial expenses

Below is a breakdown of the item "Financial income" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Other financial income	89	1,583
Interest income	2	5
Total financial income	91	1,588

"Financial income" went from Euro 1,588 thousand in the year ended 28 February 2019 to Euro 91 thousand in the year ended 29 February 2020, a decrease of Euro 1,497 thousand. In the last financial year, the item included the income from the removal of the acquisition debt for Monclick S.r.l. of Euro 1,500 thousand recorded following the signing which took place on 1 August 2018 of the settlement agreement with Project Shop Land S.p.A.

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Interest expense on bank loans	2,369	2,645
Other financial expense	11,930	1,607
Total Financial Expenses	14,299	4,252

"Financial expense" went from Euro 4,252 thousand in the year ended 28 February 2019 to Euro 14,299 thousand in the year ended 29 February 2020, an increase of Euro 10,047 thousand or 236.3%.

The item "Interest expense on bank loans" fell at 29 February 2020 by Euro 276 thousand compared with the same period of the previous year; as a result of the improved conditions in relation to interest rates and the greater operating flexibility related to the reduction in the number of financing institutions, covenants and contractual constraints; as well as the removal of the real guarantees in favour of the lending banks.

The item "Other financial expense" stood at Euro 11,930 as at 29 February 2020 (Euro 1,607 thousand as at 28 February 2019). The change is due to the adoption by the company of the

new accounting standard IFRS 16. For more details, refer to paragraph 2.7.1 of these financial statements.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Current taxes	(4,308)	(3,078)
Deferred taxes	3,544	5,069
Tax provision allocation	(15)	(66)
Total	(779)	1,925

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

<i>(In thousands of Euros and as a percentage of the profit before tax)</i>	Year ended			
	29 February 2020	%	28 February 2019	%
Pre-tax result for the period	26,375		26,970	
Theoretical income tax (IRES)	(6,330)	24.0%	(6,473)	24.0%
IRAP	(2,620)	(9.9%)	(2,456)	(9.1%)
Tax effect of permanent differences and other differences	8,186	31.0%	10,920	40.5%
Taxes for the period	(764)		1,991	
Accrual to/(release from) tax provision	(15)		(66)	
Total taxes	(779)		1,925	
Actual tax rate		(3.0%)		7.1%

The impact of taxes on income is calculated considering (accrual to)/release from tax provision for tax disputes. In the financial years ended 29 February 2020 and 28 February 2019 the impact of taxes on the pre-tax result, was, respectively a negative 3.0% and a positive 7.1%; the decrease is due to the cost resulting from the estimate of taxes for the year. For details of the fiscal impacts resulting from the application of the new accounting standard IFRS 16 refer to note 2.7.1. Changes to the accounting standards.

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 of 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 debt (corporate

income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item “Allocation to tax provision” went from a release of Euro 66 thousand in the financial year ended 28 February 2019 to an allocation of Euro 15 thousand in the financial year ended 29 February 2020.

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:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Result for the year/year [A]	25,596	28,895
Number of shares (in thousands) taken into consideration for the purpose of calculating the basic earnings per share [B] ⁽¹⁾	20,000	20,000
Basic earnings per share (in Euro) [A/B]	1.28	1.44

(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.

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Result for the year/year [A]	25,596	28,895
Average number of shares (in thousands) [B] ⁽¹⁾	20,000	20,000
Effect of share options on the issue [C] ⁽²⁾	0	0
Diluted earnings per share (in Euro) [A/(B+C)]	1.28	1.44

(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 Cash Flow Statement

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

Net cash flow generated/(absorbed) by operating activities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Cash flow from operations		
Consolidated profit/(loss) for the consolidated year	25,596	28,895
<i>Adjustments for:</i>		
Income taxes	779	(1,925)
Net financial expenses/(income)	14,208	2,664
Depreciation, amortisation and write-downs	8,802	27,568
Other changes	1,446	1,325
	130,831	58,527
Changes in:		
- Inventories	(7,446)	(48,814)
- Trade receivables	(10,000)	(1,716)
- Trade payables	7,992	50,964
- Other changes in operating assets and liabilities	28,558	27,332
Cash flow generated/(absorbed) by operating activities	19,104	27,766
Taxes paid	(3,677)	(741)
Interest paid	(13,515)	(3,240)
Net cash flow generated/(absorbed) by operating activities	132,743	82,312

The Consolidated net cash flow generated/(absorbed) by operating activities was a positive figure of Euro 132,743 thousand (a positive figure of Euro 82,312 thousand in the year ended 28 February 2019). This improvement is mainly due to: (i) the application of the new accounting standard IFRS 16 which involved a different classification of the cash flow relating to operating lease agreements from the item "Net cash flow generated/(absorbed) by operating activities" to the item "Cash flow generated/(absorbed) by investing activities" and (ii) the Group's good operating performance, offset by the performance of net working capital which recorded an increase in trade receivable generated by the Indirect channel as a result of the partnership concluded with Finiper and the greater taxes paid in the year of Euro 3,677 thousand (Euro 741 thousand in the previous financial year ended 28 February 2019).

Cash flow generated (absorbed) by investment activities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(16,003)	(29,386)
Purchases of intangible assets	(11,844)	(2,761)
Assets for rights of use	(54,435)	-
Investments for business combinations and business units	(11,964)	(5,587)
Net cash inflow from acquisition	10	-
Cash flow generated/(absorbed) by investing activities	(94,236)	(37,734)

Investment activities absorbed liquidity of Euro 94,236 thousand and Euro 37,734 thousand, respectively, in the years ended 29 February 2020 and 28 February 2019.

With reference to the year ended 29 February 2020, the Company's main requirements involved:

- assets for rights of use for Euro 54,435 thousand, specifically the application of the new accounting standard IFRS 16 which involved a different classification of the cash flow with reference to operating lease agreements from the item "Net cash flow generated/(absorbed) by operating activities" to the item "Cash flow generated/(absorbed) by investing activities".
- Investments in businesses and business units of Euro 11,964 thousand; the investments in question refer to the share paid of the purchase price under the scope of the transaction to acquire the former Pistone S.p.A. and the instalments due in the period with reference to the former Cerioni S.p.A. business unit and the acquisition of the equity investment in Monclick S.r.l.
- investments in plant, machinery and equipment of Euro 16,003 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible assets of Euro 11,844 thousand relate to 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.

Cash flow generated/(absorbed) by financing activities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	(3,223)	(4,700)
Increase/(Decrease) in other financial liabilities	(1,660)	3,196
Distribution of dividends	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	(26,283)	(21,504)

Financing absorbed liquidity of Euro 26,283 thousand in the year ended 29 February 2020 and Euro 21,504 thousand for the year ended 28 February 2019.

The cash flow from financing activities as at 29 February 2020 mainly reflects the distribution of a dividend of Euro 21,400 thousand as approved on 18 June 2019 by the Shareholders' Meeting and the change in financial liabilities relating to: (i) less use at the reporting date of the short-term lines for Euro 2,997 thousand, (ii) the repayment of the principal shares of the loan for Euro 10,000 thousand, (iii) the draw down on the Capex Facility for Euro 10,000 thousand, used to repay the instalments set out in the debt contract for investments in equity investments and business units.

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 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 judgement 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:
 - o in the event of failure to achieve at least 85% of the expected results, no options will be eligible for exercise;
 - o if 85% of the expected results are achieved, only half the options will be eligible for exercise;
 - o 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%;
 - o 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 to 2025.
- *Maturity period*: period ending on 29 February 2020, after which the Subscription

Rights of the Shares will become effective under the Plan, if the conditions are met.

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%
Duration of the option	5.5 years
Expected dividends	Expected dividends 2018-2020
Risk-free interest rate (based on government bonds)	0%

The number of outstanding options is as follows:

	Number of options 29 February 2020
In place at the beginning of period	831,255
Exercised during the period	-
Granted during the period	25,633
Contribution from merger	-
Withdrawn during the period (<i>bad leaver</i>)	(16,038)
Outstanding at end of period	840,850
Not allocated at the beginning of period	28,960
Exercisable at end of period	-
Not allocated at the end of the period	19,365

5.29 Business unit combinations

Acquisition of 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 with five million inhabitants where until then it had a very scant presence.

The closing of the acquisition took the shape of the purchase by Unieuro of a newly established company (Carini Retail S.r.l.) to which Pistone S.p.A. conferred the business unit represented by 12 stores and including lease agreements, equipment and sales staff, as well as the staff payables at the closing date.

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

Alongside the integration of the former Expert stores, Unieuro started to use the Pistone S.p.A. logistics platform, also located at Carini, which became the chain's secondary hub directly servicing the Piacenza central platform.

In this way Unieuro will manage to considerably improve its service to Sicilian customers and to develop cost synergies in supplying the direct and indirect sales outlets located in Sicily and Calabria, as well as home deliveries to web customers.

The values relating to assets acquired and liabilities assumed are reflected in the financial statements from the date Unieuro acquired control, namely from 1 March 2019.

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

<i>(Amounts in thousands of Euros)</i>	Acquired assets (liabilities)	Identifiable assets (liabilities)		IFRS Transition		Recognised assets (liabilities)
	Business unit	Stocks	Personnel	CRT financial lease	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 and non 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:

<i>(Amounts in thousands of Euros)</i>	1 March 2019
Transaction consideration (A)	(17,400)
% Acquired	100%
Shareholders' equity of NewCo (B)	(254)
Identifiable assets (liabilities) (C)	(1,889)
<i>Other current assets</i>	88
<i>Other current liabilities</i>	(10)
<i>Employee benefits</i>	(78)
<i>Inventories</i>	(1,889)
IFRS Transition (D)	(98)
<i>Plant, machinery, equipment and other assets, Intangible assets with finite useful life and Assets for rights of use</i>	33,996
<i>Deferred tax assets</i>	38
<i>Employee benefits</i>	(136)
<i>Other financial liabilities</i>	(33,996)
Excess Price to be Allocated (A+B+C)	(19,543)
Key Money	2,270
Residual goodwill	17,273
<i>Retail</i>	17,273

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 classified in the value of assets by right of use.

The residual goodwill measured during the business combination of Euro 17,273 thousand was allocated to the Retail CGU, relating to cash flows from the Retail, Online and Travel distribution channels.

Note that the accounting for the acquisition of 100% of the investment in Carini Retail S.r.l. required by IFRS 3 has been finalised.

6. RELATED-PARTY TRANSACTIONS

The tables below summarise the Group's credit and debt relations with related parties as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>							
Credit and debt relations with related-parties (as at 29 February 2020)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>							
Other current liabilities	-	(65)	(139)	(2,145)	(2,349)	221,428	(1.1%)
Total	-	(65)	(139)	(2,145)	(2,349)		

<i>(Amounts in thousands of Euros)</i>							
Credit and debt relations with related-parties (as at 28 February 2019)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 28 February 2019</i>							
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 with related parties as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>							
Economic relations with related parties (as at 29 February 2020)							
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Board of Directors	Main managers	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>							
Purchases of materials and external services	(278)	(96)	(524)	-	(898)	(2,135,414)	0.0%
Personnel costs	-	-	-	(5,323)	(5,323)	(185,407)	2.9%
Total	(278)	(96)	(524)	(5,323)	(6,221)		

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

With regard to the periods under consideration, creditor/debtor 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 29 February 2020	Year ended 28 February 2019
<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli	<i>Chief Executive Officer</i> - Giancarlo Nicosanti Monterastelli
<i>Chief Financial Officer</i> - Italo Valenti	<i>Chief Financial Officer</i> - Italo Valenti
<i>Chief Corporate Development Officer</i> - Andrea Scozzoli	<i>Chief Corporate Development Officer</i> - Andrea Scozzoli
<i>Chief Omnichannel Officer</i> - Bruna Olivieri	<i>Chief Omnichannel Officer</i> - Bruna Olivieri
<i>Chief Operations Officer</i> - Luigi Fusco	<i>Chief Operations Officer</i> - 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 29 February 2020 and as at 28 February 2019:

Type	Related parties					Total	Total balance sheet item	Impact on balance sheet item
	Pallacanestro Forlì 2.015 s.a r.l.	Italian Electronic Holdings	Statutory Auditors	Board of Directors	Main managers			
Period from 1 March 2018 to 28 February 2019								
Net cash flow generated/(absorbed) by operating activities	(262)		(76)	(647)	(2,815)	(3,800)	82,312	-4.6%
Cash flow generated/(absorbed) by financing activities		(6,760)				(6,760)	(21,504)	31.4%
Total	(262)	(6,760)	(76)	(647)	(2,815)			
Period from 1 March 2019 to 29 February 2020								
Net cash flow generated/(absorbed) by operating activities	278		(127)	(618)	(3,428)	(4,451)	132,743	(3.4)%
Total	278	0	(127)	(618)	(3,428)			

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Guarantees and sureties in favour of:		
Parties and third-party companies	48,829	47,383
Total	48,829	47,383

Information on the obligations of transparency in the system of public funds (Law 124/2017 Article 1 paragraphs 125-129)

As required by the regulations on transparency for public funds introduced by Article 1, paragraphs 125-129 of Law 124/2017 and later supplemented by the "security" Decree Law (113/2018) and by the "simplification" Decree Law (135/2018), refer to the National Register of State Aid. Note that the Group benefited from measures that are generally used by all businesses and that come under the general structure of the reference system defined by the State such as, by way of example, but not exhaustively, the subsidies relating to super and hyper depreciation. In the financial year ending 29 February 2020, the Group did not receive further subsidies, grants and economic benefits of any sort from public administrations and similar parties, from companies controlled by public administrations and from government-owned companies.

Payments to the independent auditors

Payments to the independent auditors and its network for statutory audits and other services as at 29 February 2020 are highlighted below:

Type of service	Entity providing the service	Considerations (in thousands of Euros)
Audit	KPMG S.p.A.	720
Certification services	KPMG S.p.A.	58
Other services	KPMG S.p.A.	473
Other services	KPMG Advisory S.p.A.	25
	Total	1,276

Subsequent events

Actions to contain the emergency

On 13 March, following the exacerbation of the health situation and the extension of restrictive measures throughout Italy, Unieuro announced the closure of its direct stores with effect from 14 March, reserving the right to review the situation on a daily basis. A decision taken to protect the health of customers and co-workers despite the company being included under commercial activities exempt from having to suspend operations, as it offers essential goods.

On 20 March Unieuro took out insurance cover against contagion by Coronavirus for all 5,000 group employees, which includes compensation in case of hospitalisation caused by Covid-19 infection, compensation for convalescence and a post-hospitalisation package to manage recovery.

On 30 March, Unieuro announced a new package of containment measures for the effects of the health emergency, supplementing and evolving from the actions announced previously, which involved the reopening of a variable, but significant number of direct sales outlets in order to ensure that customers can make urgent or necessary purchases.

Still on 30 March, in the light of the limited corporate operation and in order to curb the economic and financial impact of the crisis, Unieuro announced the application of the Cassa Integrazione Guadagni in Deroga (CIGD) (layoff fund), under the terms indicated in the “*Cura Italia*” Decree, for almost all employees, for a maximum of nine weeks, not necessarily consecutive. As a gesture of solidarity with the corporate population, the CEO announced the voluntary renunciation in full of his remuneration for the months of April and May. Similarly, the entire management of the company decided to reduce their salary by 20% for the Chiefs and 10% for other directors.

The donation of smart phones to hospitals and nursing homes

On 2 April, Unieuro announced its intention of donating more than 2,000 smart phones to patients and people suffering from Covid-19, unable to keep in touch with their loved ones. The first 1,000 smart phones were donated to hospitals in Emilia-Romagna, while the other are intended for hospitals and care homes for the elderly in other regions most affected by the health emergency. The initiative is evidence of Unieuro's tangible commitment to support the community at a time of a serious national emergency.

Appendix 1

Statement of Assets and Liabilities as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related- Parties	% Weighting	28 February 2019	Of which with Related- Parties	% Weighting
Plant, machinery, equipment and other assets	84,696			84,942		
Goodwill	195,238			177,965		
Intangible assets with a finite useful life	27,247			28,312		
Assets for rights of use	478,286			-		
Deferred tax assets	38,617			35,179		
Other non-current assets	11,931			2,493		
Total non-current assets	836,015	-	0.0%	328,891	-	0.0%
Inventories	369,788			362,342		
Trade receivables	51,288			41,288		
Current tax assets	-			2,118		
Other current assets	25,355			19,773		
Cash and cash equivalents	96,712			84,488		
Assets held for sale	-			-		
Total current assets	543,143	-	0.0%	510,009	-	0.0%
Total Assets	1,379,158	-	0.0%	838,900	-	0.0%
Share capital	4,000			4,000		
Reserves	38,316			29,558		
Profit/(loss) carried forward	53,842	(6,221)	(11.6%)	57,319	(5,892)	(10.3%)
Total shareholders' equity	96,158	(6,221)	(6.5%)	90,877	(5,892)	(6.5%)
Financial liabilities	31,643			31,112		
Shareholders' loan	-			-		
Employee benefits	11,988			10,994		
Other financial liabilities	444,532			12,771		
Provisions	9,026			7,718		
Deferred tax liabilities	3,463			3,712		
Other non-current liabilities	26			1,466	1,440	98.2%
Total non-current liabilities	500,678	-	0.0%	67,773	1,440	2.1%
Financial liabilities	9,520			12,455		
Shareholders' loan	-			-		
Other financial liabilities	69,419			7,683		
Trade payables	479,608			468,458		
Current tax liabilities	1,449			1,204		
Provisions	898			1,348		
Other current liabilities	221,428	2,349	1.1%	189,102	607	0.3%
Total current liabilities	782,322	2,349	0.3%	680,250	607	0.1%
Total liabilities and shareholders' equity	1,379,158	(3,872)	(0.3%)	838,900	(3,845)	(0.5%)

Appendix 2

Income Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related-Parties	% Weighting	28 February 2019	Of which with Related- Parties	% Weighting
Revenue	2,444,897			2,104,519		
Other income	5,126			4,343		
TOTAL REVENUE AND INCOME	2,450,023	-	0.0%	2,108,862	0	0.0%
Purchases of materials and external services	(2,135,414)	(898)	0.0%	(1,923,930)	(1,049)	0.1%
Personnel costs	(185,407)	(5,323)	2.9%	(169,878)	(5,105)	3.0%
Changes in inventory	7,446			48,593		
Other operating costs and expenses	(7,263)			(6,445)		
GROSS OPERATING PROFIT	129,385	(6,221)	(4.8%)	57,202	(6,154)	(10.8%)
Depreciation, amortisation and write-downs	(88,802)			(27,568)		
NET OPERATING PROFIT	40,583	(6,221)	(15.3%)	29,634	(6,154)	(20.8%)
Financial income	91			1,588		
Financial expenses	(14,299)			(4,252)		
PROFIT BEFORE TAX	26,375	(6,221)	(23.6%)	26,970	(6,154)	(22.8%)
Income taxes	(779)			1,925		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	25596	(6,221)	(24.3%)	28,895	(6,154)	(21.3%)

Appendix 3

Cash Flow Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related-Parties	% Weighting	28 February 2019	Of which with Related-Parties	% Weighting
Cash flow from operations						
Consolidated profit/(loss) for the year	25,596	(6,221)	(24.3%)	28,895	(6,154)	(21.3%)
<i>Adjustments for:</i>						
Income taxes	779			(1,925)		
Net financial expenses/(income)	14,208			2,664		
Depreciation, amortisation and write-downs	88,802			27,568		
Other changes	1,446	1,468	101.5%	1,325	1,424	107.5%
	130,831	(4,753)	(3.6%)	58,527	(4,730)	(8.1%)
Changes in:						
- Inventories	(7,446)			(48,814)		
- Trade receivables	(10,000)			(1,716)		
- Trade payables	7,992			50,964		
- Other changes in operating assets and liabilities	28,558	302	(1.1%)	27,332	930	3.4%
Cash flow generated/(absorbed) by operating activities	19,104	(4,451)	(23.3%)	27,766	(3,800)	(13.7%)
Taxes paid	(3,677)			(741)		
Interest paid	(13,515)			(3,240)		
Net cash flow generated/(absorbed) by operating activities	132,743	(4,451)	(3.4%)	82,312	(3,800)	(4.6%)
Cash flow from investment activities						
Purchases of plant, equipment and other assets	(16,003)			(29,386)		
Purchases of intangible assets	(11,844)			(2,761)		
Assets for rights of use	(54,435)					
Investments for business combinations and business units	(11,964)			(5,587)		
Cash contribution from merger	10					
Cash flow generated/(absorbed) by investing activities	(94,236)	-	0.0%	(37,734)	-	0.0%
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	(3,223)			(4,700)		
Increase/(Decrease) in other financial liabilities	(1,660)			3,196		
Increase/(Decrease) in shareholder loans	-			-		
Distribution of dividends	(21,400)	0		(20,000)	(6,760)	33.8%
Cash flow generated/(absorbed) by financing activities	(26,283)	-	0.0%	(21,504)	(6,760)	31.4%
Net increase/(decrease) in cash and cash equivalents	12,224	(4,451)	(36.4%)	23,074	(10,560)	(45.8%)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	84,488			61,414		
Net increase/(decrease) in cash and cash equivalents	12,224			23,074		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	96,712			84,488		

Appendix 4

Income Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	28 February 2019	Of which non- recurring	% Weighting	28 February 2018	Of which non- recurring	% Weighting
Revenue	2,444,897	-		2,104,519		
Other income	5,126	2,746	53.6%	4,343	1,809	41.7%
TOTAL REVENUE AND INCOME	2,450,023	2,746	0.1%	2,108,862	1,809	0.1%
Purchases of materials and external services	(2,135,414)	(8,412)	0.4%	(1,923,930)	(6,901)	0.4%
Personnel costs	(185,407)	(1,329)	0.7%	(169,878)	(3,155)	1.9%
Changes in inventory	7,446	(1,589)	(21.3%)	48,593		
Other operating costs and expenses	(7,263)	(726)	10.0%	(6,445)	(189)	2.9%
GROSS OPERATING PROFIT	129,385	(9,310)	(7.2%)	57,202	(8,436)	(14.7%)
Depreciation, amortisation and write-downs	(88,802)	-		(27,568)	(320)	1.2%
NET OPERATING PROFIT	40,583	(9,310)	(22.9%)	29,634	(8,756)	(29.5%)
Financial income	91	-		1,588		
Financial expenses	(14,299)	-		(4,252)	1,500	(35.3%)
PROFIT BEFORE TAX	26,375	(9,310)	(35.3%)	26,970	(7,256)	(26.9%)
Income taxes	(779)	-		1,925		
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	25,596	(9,310)	(36.4%)	28,895	(7,256)	(25.1%)

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2020 PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

The undersigned, Giancarlo Nicosanti Monterastelli, as Chief Executive Officer, and Italo Valenti, as the manager in charge of preparing the Unieuro Group's corporate and accounting documents, hereby certify, also considering the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:



- the adequacy in relation to the company's characteristics; and
- the effective implementation of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for the financial year 2020.

It is also certified that the 2020 Consolidated Financial Statements of the Unieuro Group:

- were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the books and accounting records;
- provide a true and accurate representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the consolidation.

The Directors' Report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

06 May 2020

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

SEPARATE FINANCIAL STATEMENTS OF UNIEURO S.p.A.

BALANCE SHEET AND INCOME STATEMENT⁸³

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Plant, machinery, equipment and other assets	5.1	79,959	84,851
Goodwill	5.2	170,767	170,767
Intangible assets with a finite useful life	5.3	22,148	22,534
Assets for rights of use	5.4	454,994	-
Deferred tax assets	5.5	38,307	35,179
Other non-current assets	5.6	42,250	15,045
Total non-current assets		88,425	328,376
Inventories	5.7	351,109	362,133
Trade receivables	5.8	86,486	41,643
Current tax assets	5.9	-	2,093
Other current assets	5.6	25,168	18,315
Cash and cash equivalents	5.10	80,191	77,412
Total current assets		542,954	501,596
Total assets		1,351,379	829,972
Share capital	5.11	4,000	4,000
Reserves	5.11	38,392	29,535
Profit/(loss) carried forward	5.11	60,831	54,156
Total shareholders' equity		103,223	87,691
Financial liabilities	5.12	31,643	31,112
Employee benefits	5.13	10,551	10,660
Other financial liabilities	5.14	426,675	12,771
Provisions	5.15	8,499	7,718
Deferred tax liabilities	5.5	2,082	2,112
Other non-current liabilities	5.16	26	1,466
Total non-current liabilities		479,476	65,839
Financial liabilities	5.12	9,520	12,455
Other financial liabilities	5.14	66,227	7,683
Trade payables	5.17	477,250	463,984
Current tax liabilities	5.9	1,473	1,204
Provisions	5.15	1,238	1,341
Other current liabilities	5.16	212,972	189,775
Total current liabilities		768,680	676,442
Total liabilities and shareholders' equity		1,351,379	829,972

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

⁸³ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

INCOME STATEMENT⁸⁴

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Revenue	5.18	2,425,895	2,079,148
Other income	5.19	5,491	4,593
TOTAL REVENUE AND INCOME		2,431,386	2,083,741
Purchases of materials and external services	5.20	(2,108,521)	(1,898,409)
Personnel costs	5.21	(170,157)	(167,785)
Changes in inventory	5.7	(11,024)	48,724
Other operating costs and expenses	5.22	(6,828)	(6,325)
GROSS OPERATING PROFIT		134,856	59,946
Amortisation, depreciation and impairment losses	5.23	(83,808)	(29,876)
NET OPERATING PROFIT		51,048	30,070
Financial income	5.24	82	1,587
Financial expenses	5.24	(13,879)	(4,549)
PROFIT BEFORE TAX		37,251	27,108
Income taxes	5.25	(1,501)	1,061
PROFIT/(LOSS) FOR THE YEAR		35,750	28,169

Basic earnings per share (in Euros) ⁽¹⁾	5.26	1.79	1.44
Diluted earnings per share (in Euros) ⁽¹⁾	5.26	1.79	1.44

(1) The basic and diluted earnings per share were calculated with reference to the Profit/(Loss) of the year.
The notes are an integral part of these annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME⁸⁵

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
PROFIT/(LOSS) FOR THE YEAR		35,750	28,169
<i>Other components of comprehensive income that are or could be restated under consolidated profit/(loss) for the year:</i>			
Gains/(losses) on cash flow hedges	5.14	(49)	(171)
Income taxes		12	47
Total other components of comprehensive income that are or could be restated under consolidated profit/(loss) for the year	5.11	(37)	(124)
<i>Other components of comprehensive income that will not subsequently be restated under profit/(loss) for the year:</i>			
Actuarial gains (losses) on defined benefit plans	5.13	(313)	(634)
Income taxes		87	177
Total other components of comprehensive income that will not subsequently be restated under consolidated profit/(loss) for the year:	5.11	(226)	(457)
Total statement of comprehensive income for the year		35,487	27,588

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

⁸⁴ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

⁸⁵ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

CASH FLOW STATEMENT⁸⁶

<i>(Amounts in thousands of Euros)</i>	Notes	Year ended	
		29 February 2020	28 February 2019
Cash flow from operations			
Profit (loss) for the year	5.11	35,750	28,169
<i>Adjustments for:</i>			
Income taxes	5.25	1,501	(1,061)
Net financial expenses/(income)	5.24	13,797	2,962
Depreciation, amortisation and write-downs	5.23	83,808	29,876
(Profits)/losses from the sale of property, plant and machinery	5.1		
Other changes		1,446	1,325
		136,302	61,271
Changes in:			
- Inventories	5.7	11,024	(48,945)
- Trade receivables	5.8	(44,843)	(1,277)
- Trade payables	5.17	10,146	47,854
- Other changes in operating assets and liabilities	5.6-5.15-5.16	1,515	23,029
Cash flow generated/(absorbed) by operating activities		(22,158)	20,661
Taxes paid	5.25	(3,677)	(741)
Interest paid	5.24	(13,104)	(3,538)
Net cash flow generated/(absorbed) by operating activities	5.27	97,363	77,653
Cash flow from investment activities			
Purchases of plant, equipment and other assets	5.1	(12,569)	(29,382)
Purchases of intangible assets	5.3	(11,670)	(2,760)
Assets for rights of use	5.4	(51,257)	
Investments for business combinations and business units	5.6	(12,062)	(5,587)
Net cash inflow from acquisition	5.10	-	
Cash flow generated/(absorbed) by investing activities	5.27	(87,558)	(37,729)
Cash flow from financing activities			
Increase/(Decrease) in financial liabilities	5.12	(3,223)	(4,700)
Increase/(Decrease) in other financial liabilities	5.14	17,597	1,979
Distribution of dividends	5.11	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	5.27	(7,026)	(22,721)
Net increase/(decrease) in cash and cash equivalents		2,779	17,203
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		77,412	60,209
Net increase/(decrease) in cash and cash equivalents		2,779	17,203
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		80,191	77,412

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

⁸⁶ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY⁸⁷

<i>(Amounts in thousands of Euros)</i>		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
	Notes									
Balance as at 28 February 2018	5.11	4,000	800	46,810	(191)	(813)	1,352	57,999	(35,217)	74,740
Effect of the change in the accounting standard (IFRS 15)		-	-	-	-	-	-	-	4,038	4,038
Balance adjusted at 1 March 2018	5.11	4,000	800	46,810	(191)	(813)	1,352	57,999	(31,179)	78,778
Profit/(loss) for the year		-	-	-	-	-	-	-	28,169	28,169
Other components of comprehensive income		-	-	-	(124)	(457)	-	-	-	(581)
Total statement of comprehensive income for the year		-	-	-	(124)	(457)	-	-	28,169	27,588
Allocation of prior year result		-	-	-	-	-	-	-	(8,521)	(8,521)
Covering retained losses and negative reserves		-	-	(46,810)	-	-	-	(11,055)	66,386	8,521
Distribution of dividends		-	-	-	-	-	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments		-	-	-	-	-	2,024	-	(699)	1,325
Total transactions with shareholders		-	-	(46,810)	-	-	2,024	(31,055)	57,166	(18,675)
Balance as at 28 February 2019	5.11	4,000	800	0	(315)	(1,270)	3,376	26,944	54,156	87,691
Effect of the change in the accounting standard (IFRS 16)		-	-	-	-	-	-	-	-	-
Balance adjusted at 1 March 2019		4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Profit/(loss) for the year		-	-	-	-	-	-	-	35,750	35,750
Other components of comprehensive income		-	-	-	(37)	(226)	-	-	-	(263)
Total statement of comprehensive income for the year		-	-	-	(37)	(226)	-	-	35,750	35,487
Allocation of prior year result		-	-	6,769	-	-	-	-	(6,769)	-
Distribution of dividends		-	-	-	-	-	-	-	(21,400)	(21,400)
Share-based payment settled with equity instruments		-	-	-	-	-	2,351	-	(906)	1,445
Total transactions with shareholders		-	-	6,769	-	-	2,351	-	(29,075)	(19,955)
Balance as at 29 February 2020	5.11	4,000	800	6,769	(352)	(1,496)	5,727	26,944	60,831	103,223

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

⁸⁷ IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

NOTES

1. INTRODUCTION

Unieuro S.p.A. (hereinafter referred to as the "**Company**" or "**Unieuro**") is a company under Italian law with registered office in Forlì in Via V.G. Schiaparelli 31, operating in the retail and online distribution of electric appliances and consumer electronics.

On 9 June 2017 On 23 February 2017 Unieuro concluded a contract for the acquisition of 100% of the share capital of Monclick S.r.l. (hereinafter also "**Monclick**"). The price agreed by the parties was Euro 10,000 thousand. Through its acquisition of Monclick, Unieuro intends to strengthen its position in the online sales sector (exploiting Monclick's competitive position) and to launch and develop, as the leading specialist operator, the marketing of electronic consumer goods in the B2B2C channel.

On 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 with five million inhabitants where until then it had a very scant 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 leading shareholders of the Expert purchasing group operating in Italy with its offices at Carini (Palermo).

Under the scope of a wider technological transformation and organisational restructuring of the Unieuro Group vital in supporting the corporate strategic decisions and operational processes, on 18 March 2020 the Board of Directors of Unieuro approved the merger by incorporation of the wholly-owned companies Carini Retail S.r.l. and Monclick S.r.l. The completion of the mergers is subject to the condition precedent of the outcome of the request submitted by Unieuro pursuant to Article 11, paragraph 2 of Law 212 of 27 July 2000, for the disapplication of Article 172, paragraph 7 of Presidential Decree 917 of 22 December 1986 (TUIR).

Unieuro shares have been listed since April 2017 of the STAR segment of the Milan Stock Exchange and since January 2020 Unieuro has to all intents and purposes been a public company. This new status came about following the gradual withdrawal from the share capital of the private equity operator Rhône, which thanks to the IPO on the Italian Stock Exchange (April 2017) and three subsequent placements, reduced its equity investment to zero when it had originally been 70.5% of the share capital.

Based on the information currently available, the major shareholders of Unieuro are Alfa S.r.l. (Dixons Carphone plc) with 7.2%, the asset management company Amundi Asset Management

with 5.6%, several shareholders from the Silvestrini Family who, in total, own 5.6% and, lastly, several Unieuro top managers who own 2%⁸⁸.

⁸⁸ Sources: Consob; reworking of the shareholders' register at 1 August 2019.

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

Below are the preparation criteria, the main accounting principles and valuation criteria adopted for the drafting of the financial statements for the year of the company Unieuro S.p.A. (the “Financial Statements”). These principles and criteria were consistently applied for all the financial years presented in this document taking into account the provisions of note 2.6.1. "Changes to the accounting standards".

2.1 Basis of preparation of the financial statements

The financial statements for the year comprised the balance sheet and income statement, the statement of comprehensive income, a cash flow statement and the statement of changes in shareholders' equity for the years ended 29 February 2020 and 28 February 2019, accompanied by the relative notes.

2.2 Preparation criteria

The separate financial statements were drafted on a going concern basis, since the directors verified that there were no indicators of a financial, operating or other nature of any critical areas regarding the company's ability to honour its obligations in the foreseeable future and in particular the next 12 months. For further details on the impacts of the Coronavirus pandemic refer to paragraph 13 Coronavirus Pandemic of the Directors' Report.

The financial statements were drafted on the basis of the historical cost criteria, except for the derivative financial instruments which were measured at their fair value.

Please see the Report on Operations for information regarding the nature of the company's operations and significant events after the balance sheet date.

The major shareholders of the Company as at 29 February 2020 are set out in the Introduction.

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

The separate financial statements as at 29 February 2020, approved by the Company's Board of Directors on 06 May 2020 and submitted for the audit, will be presented for the approval of the Shareholders' Meeting.

2.3 Statement of compliance with IFRS

The financial statements for the year were prepared in compliance with the International Accounting standards (IAS/IFRS) which are issued by the International Accounting Standards Board (IASB) and their relative interpretations (SIC/IFRIC), adopted by the European Union. The year during which the company first adopted the International Accounting standards (IAS/IFRS) was the year ended 28 February 2007.

Furthermore, the annual financial statements were prepared in compliance with the provisions adopted by Consob for financial statements in application of article 9 of Legislative Decree 38/2005 and other rules and provisions issued by Consob regarding financial statements. In particular, it is hereby noted that with regard to Consob resolution 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006 regarding financial statements, specific schedules have been added to the income, balance sheet and cash flow statements indicating significant relations with related parties and specific income statement schedules indicating, for each item, the non-recurring component.

2.4 Financial statement schedules

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

- a) **Balance sheet and income statement:** the company's equity and income is shown by distinctly presenting current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability items of the amounts that are expected to be settled or recovered within or later than 12 months from the balance sheet date.
- b) **Income statement:** the classification of the costs in the income statement is based on their nature, showing the interim results relative to the gross operating result, the net operating result and the result before taxes.
- c) **Statement of comprehensive income:** this item includes the profit/(loss) for the year as well as the income and expenses recognised directly in equity for transactions other than those with shareholders.
- d) **Cash flow statement:** the cash flow statement contains the cash flows from operations, investments and financing. The cash flows from operations are shown using the indirect method through which the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or payments related to operations and revenue elements connected to cash flows arising from investment or financing activities.
- e) **Statement of changes in shareholders' equity:** this schedule includes, in addition to the results of the comprehensive income statement, also the transactions that were carried out directly with shareholders that acted in their capacity as such and the breakdown of each individual component. Where

applicable, the statement also includes the effects arising from changes in the accounting standards in terms of each equity item.

The annual financial statements are shown in comparative form.

2.5 The use of estimates and valuations in the preparation of the financial statements

In application of the IFRS, the preparation of the financial statements requires the usage of estimates and assumptions that have an effect on the values of the balance sheet assets and liabilities and the information regarding the contingent assets and liabilities at the date of reference. The estimates are used to recognise the provision for bad debts, inventory obsolescence, the unearned income relative to the sale of guarantee extension services, measure amortisation and depreciation, liabilities for leases and assets for rights of use, conduct assessments of the assets, test impairment of goodwill, test impairment of equity investments, carry out actuarial valuations of employee benefits and share-based payment plans, as well as to estimate the fair value of derivatives and assess the extent to which deferred tax assets can be recovered.

The estimates and assumptions are reviewed periodically and the effects of each change are reflected in profit and loss.

Below is a summary of the critical valuation processes and the key assumptions used by the company in applying the IFRS, which can have significant effects on the values recognised in the financial statements and for which there is a risk that differences of a significant amount could arise compared to the book value of the assets and liabilities in the future.

Recoverable value of non-current assets

Non-current assets include property, plant, machinery, equipment and other assets, goodwill, software and trademarks, equity investments and other non-current assets. The Company periodically reviews the book value of non-current assets held and used and the book value of assets that are held for sale, when the facts and circumstances require this review. In the case of goodwill, this analysis is conducted once per year and whenever facts and circumstances indicate a possibility of impairment. Analysis whether the book value of a non-current asset is recoverable is generally carried out using expected cash flow estimates from the sale or use of the asset and adequate discount rates for calculation of its current value. When the book value of a non-current asset has become impaired, the Company writes down the excess of the book value of the asset and its recoverable value through usage or sale thereof, determined with reference to the cash flows used for the recent business plans.

The estimates and assumptions used as part of this analysis, in particular in performing the impairment tests on equity investments and acquisitions, reflect the status of the company's knowledge regarding the business developments and take into account provisions that are considered to be a reasonable insofar as the future developments on the market and in the sector, but they are nevertheless still subject to a high degree of uncertainty.

Recoverability of deferred tax assets

The Company recognises deferred tax assets up to the value which it considers to be probable that it will recover. Where necessary, the Company makes adjustments to reduce the value of a deferred tax asset down to the value that it considers probable to recover. In assessing the recoverability of deferred tax assets, budget results and provisions for subsequent years are used coherently with those used for the impairment testing which are described in the previous paragraph relative to the recoverable value of non-current assets.

Bad debt provision

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

Inventory obsolescence provision

The inventory bad debt provision reflects management estimates regarding the expected impairment of the assets, determined based on past experience and historical performance and expected performance of the market, including following specific actions by the Company. This estimate makes it possible to bring the value of the inventories to the lower of the cost and the presumably realisable value.

Contract assets relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Unieuro offers to its customers. This service is sold directly at the sales outlets by paying an additional amount on the cost of the product sold. Sales personnel get paid a bonus for each additional sale of extended warranty services.

When guarantee services are sold, the Company recognises unearned income equal to the sales value of this service, and then recognises this unearned income as revenue throughout the time that the services are being provided. The release of this asset as a cost is calculated on the basis of the estimated interventions for repairs under warranty in line with the contract liability reversal relating to the sale of extended warranty services.

Trade payables

The Company has contracts for the supply of goods which include receipt of premiums and, in certain circumstances, contributions classified in trade payables. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution. Especially with

reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes and valuations that consider historical figures of premiums and contributions actually paid by suppliers.

Contract liabilities relating to the sale of extended warranty services

The extension of a product guarantee over and above the guarantee required of the manufacturer by the law is among the services that the Unieuro offers to its customers. This service is offered by Unieuro and its affiliates and it is sold directly at the points of sale against an additional amount over and above the sales price.

The warranty extension compared to the legal requirement can be in timing (more years covered) and/or the risks covered (e.g., product damage) depending on the product category sold.

When the warranty services are sold, Unieuro recognises a liability equal to the sales value of this service, and then releases it as revenue throughout the time that the service is being provided. The release of this liability as revenue is determined based on the interventions that have been estimated for repairs that are covered by the guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

Liabilities for leases and assets for rights of use

The Company records assets for rights of use and liabilities for leases. Assets for rights of use are initially valued at cost, and later at cost net of amortisation and cumulative losses for reduction in value, and adjusted to reflect the revaluations of lease liabilities.

The Company values lease liabilities at the current value of payments due for leases not paid at the start date.

Lease liabilities are later increased by the interest accrued on these liabilities and decreased by payments due for leases made and are revalued in the case of changes to future payments due for leases resulting from a change in the index or rate, or when the Company changes the valuation with reference to whether or not an extension or termination is exercised.

Lease agreements in which the Company is the tenant can include renewal options with effects on the duration of the actual agreement. Assessments on the existence of relative certainty that this option may (or may not) be exercised can significantly influence the amount of lease liabilities and assets for rights of use.

Defined benefit plans and other post-employment benefits

The Company provides a defined benefit plan to its employees (employees severance indemnity).

For the employee benefits, the costs and net financial expenses are measured using actuarial methods requiring the use of estimates and assumptions for determination of the net value of an obligation. The actuarial method considers parameters of a financial nature such as, for example, the discount rate, rates of growth of remuneration and considers the probability of potential future events occurring through the use of parameters of a demographic nature such as for example the rates relative to mortality and resignations or retirement of employees. In particular, the discount rates used as a reference are rates or rate curves for corporate bonds with a high credit rating in their respective markets of reference. The changes in each of these parameters could affect the amount of the liability.

Provisions

The Company creates a provision for disputes and legal proceedings under way when it is considered probable that there will be a financial outlay and when the amount of the relative expenses can be reasonably estimated. If the amount of the financial outlay cannot be reasonably estimated or the probability of such a financial outlay becomes possible, no provision is established and the fact is indicated in the notes.

During the normal course of business, the Company monitors the status of the disputes which are ongoing and consults with its own legal and tax advisors. It is therefore possible that the value of the provisions for the disputes and lawsuits involving the Company may change as a result of future developments in the proceedings that are ongoing.

Share based payment plan settled with equity instruments

The measurement of the probable market price of options is recognised using the binomial method (Cox – Ross – Rubinstein). The theories underlying the calculation were (i) volatility, (ii) 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, in line with the provisions of IFRS 2, the probability of the recipients leaving the plan and the probability of achieving the performance targets were taken into account. For further details see note 5.28.

Hedging derivatives

The fair value of derivative instruments is determined based on the values observed on regulated markets or prices provided by financial counterparties. If the values and the sources mentioned are not available, the estimate is made using valuation models that take into account the objective valuations such as for example estimates of cash flows and expected volatility of prices.

2.5 Accounting principles

The accounting criteria and standards adopted for the preparation of these Financial Statements were the same as those applied in preparing the Unieuro Financial Statements for the year ended 28 February 2019 apart from the new standards and/or supplements adopted described in Note 2.6.1. Changes to the accounting standards listed below.

2.6.1 Changes to the accounting standards

Unieuro adopted IFRS 16 from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. Unieuro 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.

Unieuro 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 Unieuro 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, Unieuro 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.

Impacts on the 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:

<i>(Amounts in thousands of Euros)</i>	1 March 2019
Financial (liabilities) for lease agreement payables, non-current and current	454,711
Financial assets for lease agreement income, non-current and current	(12,235)
Net (Liabilities) Assets for leases at 1 March 2019	442,476
Assets for rights of use	447,156
Assets for rights of use at 1 March 2019	447,156

The weighted average of the tax applied at the first-time application date is 2.1%.

For contracts that involve a renewal option at the end of the period that cannot be cancelled, the Company has chosen, based on historical evidence and on the business development plans, to consider, not only the period that cannot be cancelled, but also the period subject to the renewal option, unless there are any business plans to dispose of the leased assets, as well as clear valuations that lead them to reasonably believe the renewal option should not be exercised.

For contracts with renewal options that are exercised automatically at the end of the period that cannot be cancelled, the duration considered is the maximum one, usually beyond the time horizon covered by the Company business plan.

Impact on the main items of the consolidated income statement and the consolidated statement of financial position as at 29 February 2020

<i>(Amounts in thousands of Euros)</i>	29 February 2020	Impact	29 February 2020
	a	IFRS 16	IFRS 16
		b	a+b
Revenue	2,425,895	--	2,425,895
Other income	7,174	(1,683)	5,491
TOTAL REVENUE AND INCOME	2,433,069	(1,683)	2,431,386
Purchases of materials and external services	(2,172,174)	63,653	(2,108,521)
Personnel costs	(170,157)	--	(170,157)
Changes in inventory	(11,024)	--	(11,024)
Other operating costs and expenses	(6,828)	--	(6,828)

GROSS OPERATING PROFIT	72,886	61,970	134,856
Amortisation, depreciation and impairment losses	(27,131)	(56,677)	(83,808)
NET OPERATING PROFIT	45,755	5,292	51,048
Financial income	82	--	82
Financial expenses	(3,874)	(10,005)	(13,879)
PROFIT BEFORE TAX	41,963	(4712)	37,251
Income taxes	(2,714)	1,213	(1,501)
PROFIT/(LOSS) FOR THE YEAR	39,249	(3,499)	35,750

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 61,970 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 29 February 2020 are given below.

<i>(Amounts in thousands of Euros)</i>	29 February 2020	Impact	29 February 2020
	a	IFRS 16	IFRS 16
		b	a+b
Plant, machinery, equipment and other assets	79,959	-	79,959
Goodwill	170,767	-	170,767
Intangible assets with a finite useful life	27,654	(5,506)	22,148
Assets for rights of use	-	454,994	454,994
Deferred tax assets	37,094	1,213	38,307
Other non-current assets	33,317	8,933	42,250
Total non-current assets	348,791	459,634	808,425
Inventories	351,109	-	351,109
Trade receivables	86,486	-	86,486
Current tax assets	-	-	-
Other current assets	23,897	1,271	25,168
Cash and cash equivalents	80,191	-	80,191
Assets held for sale	-	-	-

Total current assets	541,683	1,271	542,954
Total assets	890,474	460,905	1,351,379
Share capital	4,000	-	4,000
Reserves	38,392	-	38,392
Profit/(loss) carried forward	64,330	(3,499)	60,831
Profit/(Loss) of third parties	-	-	-
Total shareholders' equity	106,722	(3,499)	103,223
Financial liabilities	31,643	-	31,643
Employee benefits	10,551	-	10,551
Other financial liabilities	13,618	413,057	426,675
Provisions	7,693	806	8,499
Deferred tax liabilities	2,082	-	2,082
Other non-current liabilities	26	-	26
Total non-current liabilities	65,613	413,863	479,476
Financial liabilities	9,520	-	9,520
Other financial liabilities	12,294	53,933	66,227
Trade payables	477,250	-	477,250
Current tax liabilities	1,473	-	1,473
Provisions	1,238	-	1,238
Other current liabilities	216,364	(3,392)	212,972
Total current liabilities	718,139	50,541	768,680
Total liabilities and shareholders' equity	890,474	460,905	1,351,379

IFRS 16 introduces a unique accounting model for leases 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. Assets for rights of use according to the provisions of IFRS 16 includes the amount of the payable initially recorded as the leasing liability, any initial direct costs incurred by the tenant (e.g. key money) and an estimate of the costs that should be incurred by the tenant for the dismantling or removal of the asset.

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

<i>(Amounts in thousands of Euros)</i>	29 February 2020
Net financial debt - IAS 17	13,115
Current financial receivables - IFRS 16	1,429
Non-current financial receivables - IFRS 16	8,933
Other current financial payables - IFRS 16	(53,933)
Other non-current financial payables - IFRS 16	(413,057)
Net financial debt - IFRS 16	(443,513)

The weighted average of the tax applied at 29 February 2020 is 2.1%.

The reconciliation of lease liabilities calculated in accordance with IFRS 16 and operating lease commitments that cannot be cancelled indicated in the financial statements for the previous financial year in accordance with IAS 17 is reported below.

Reconciliation of lease liabilities	€/000
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Commitments for operating leases IAS 17 not discounted at 28/02/2019	97,957
Other changes	296,520
Discounting effect on liabilities for operating leases	47,999
Total liabilities for leases IFRS 16 at 01/03/2019	442,476

Commitments for operating leases pursuant to IAS 17 reported in the last financial statements of Unieuro at 28 February 2019 refer solely to lease liabilities due in the enforceable period, understood as the period of the contract that cannot be cancelled. The other changes mainly 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 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. Unieuro applied the interpretation at the date it came into force by applying the retroactive method amended with the comparative information not restated. The application of the new interpretation involved a reclassification of the liabilities relating to uncertain tax treatments for income taxes from the item "Provisions" to the item "Liabilities for current taxes".

2.6.2 Key accounting policies

Business combinations and goodwill

Business combinations are recognised using the acquisition method. As at the date the control is acquired, this requires recognition of their value of identifiable assets (including intangible

fixed assets which had previously not been recognised) and identifiable liabilities (including contingent liabilities but not including future restructuring) of the acquired company.

Every contingent consideration is recognised by the Company at the fair value as at the acquisition date. The change in the fair value of the contingent consideration classified as an asset or liability will be recognised, pursuant to the instructions found in IFRS 9, in profit and loss. If the contingent liability is classified in shareholders' equity, its initial value will never be subsequently re-determined.

Goodwill arising from a business combination is initially measured at cost which is the amount by which the fair value of the consideration paid exceeds the Company's portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired company. Goodwill from a business combination is allocated, as at the acquisition date, to the individual cash generating units of the Company or groups of cash generating units that would benefit from the synergies of the combination, regardless whether other assets or liabilities of the Company have been assigned to these units or groups of units. Every unit or group of units to which goodwill is allocated:

- represents the smallest level within the company at which goodwill is monitored for internal operating purposes;
- is not larger than the operating segments that have been identified.

When goodwill constitutes a part of a cash generating unit and a part of that internal asset and unit is sold, the goodwill associated with the sold asset is included in the book value of the asset for determination of the profit or the loss from the sale. The goodwill disposed of in those circumstances is measured based on the relative values of the activity disposed of and the portion of the units retained.

Any profits from the purchase of a company at favourable prices are immediately recognised in the income statement, while costs related to the combination, other than those which refer to the issue of bonds or equity instruments, are recognised as expenses in the profit/(loss) of the year in which they are incurred.

After initial recognition, goodwill is not amortised and it is decreased by any impairment losses, which are measured using the procedures described in the paragraph "Impairment losses of non-financial assets".

Operations which are under common control are recognised at their book values, without any capital gain, pursuant to the reference accounting standards, and the guidelines issued by the OPI 1 (preliminary Assirevi guidelines for IFRS), relative to the "accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements". According to these guidelines, in the event of business combinations in which the acquired company is controlled by the same entity, whether before or after the acquisition, the net assets must be recognised at their book value recorded in the books of the acquired company prior to the operation. When the transfer values are higher than the historical values, the excess must be eliminated by adjusting the acquiring company's shareholders equity downwards.

Hierarchical levels of fair value measurement

Various accounting standards and several disclosure obligations require measurement of the fair value of assets and liabilities whether financial or non-financial. The fair value is the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To increase comparability of the data and the fair value measurements, the standard establishes a hierarchy identified in three different levels which reflects the significance of the inputs used in measuring the fair value. The levels identified are the following:

- Level 1: the inputs consist of listed prices (not amended) in active markets for identical assets or liabilities which the company can access on the measurement date. A listed price on an active market which is liquid is the most reliable proof for the fair value measurement, and if the market for the asset/liability is not unique it is necessary to identify the most beneficial market for the instrument;
- Level 2: inputs other than listed prices included in level 1 that can be observed, whether directly or indirectly, for the assets or liabilities to be measured. If the asset or the liability has a specific duration a level 2 input must be observable for the entire duration of the asset or the liability. Some examples of instruments which fall within the second hierarchical level are the following: assets or liabilities in markets which are not active or interest rates and yield curves which are observable at intervals that are commonly listed;
- Level 3: inputs for assets or liabilities which are not observable. The non-observable inputs shall be used only if the inputs of level 1 and 2 are not available. Notwithstanding this, the purpose remains the same, that is to determine a closing price on the valuation date, therefore reflecting the assumptions that the market operators would use in determining the price of the asset or the liability, including the assumptions related to the risk.

Plant, machinery, equipment and other assets (tangible fixed assets)

Recognition and measurement

The tangible fixed assets are measured at cost of acquisition including the directly imputable ancillary expenses net of the depreciation and losses due to accumulated impairment.

Any financial expenses incurred for the acquisition or construction of capitalised assets for which a specific period of time is normally required in order to render the asset ready for usage or sale, are capitalised and amortised throughout the life of the asset class they refer to. All other financial expenses are recognised in the income statements during the year they refer to. If a tangible fixed asset is composed of various components with differing useful lives, these components are recognised separately (if they are significant components).

The profit or the loss generated by the sale of property, plant, machinery, equipment and other assets is measured as the difference between the net consideration of the sale and the net residual

value of the asset, and it is recognised in the income statement during the year in which the elimination takes place.

Subsequent costs

The costs incurred after the acquisition of the assets and the replacement cost of some parts of the

assets recorded in this category are added to the book value of the element they refer to and only capitalised if they increase the future economic benefits of the actual asset. All other costs are recognised in the income statement once incurred.

When the replacement cost of certain parts of the asset is capitalised, the net book value of the replaced parts is allocated to the income statement. The extraordinary maintenance expenses which increase the useful life of the tangible fixed assets are capitalised and amortised on the basis of the residual possibility of use of that asset. The costs for ordinary maintenance are recognised in the income statement in the year in which they are incurred.

Assets under construction are recognised at cost under assets under construction for as long as their construction is not available for use; when they become available for use, the cost is classified in the relative item and depreciated.

Depreciation

The depreciation period begins from the time the asset becomes available for use and ends on the earliest of the date on which the asset is classified as held for sale, pursuant to IFRS 5, and the date on which the asset is eliminated from the books. Any changes to the depreciation schedule are applied prospectively.

The value to be depreciated is the book value minus the presumable net sales value at the end of the asset's useful life, if it is significant and can be reliably measured.

The depreciation rates are determined according to economic - technical rates in relation to the estimated useful life of the individual assets established pursuant to the company plans for usage which also consider the physical and technological wear and take into account the presumable realisable value estimated net of costs for scrapping the asset. When the tangible asset consists of several significant components with different useful lives, each component is depreciated separately. When events occur that indicate possible impairment of tangible fixed assets, or when there are significant reductions in the market value of these assets, significant technological changes or significant obsolescence, the net book value, regardless of the depreciation that has already been recognised, is subject to verification based on an estimate of the current value of future cash flows and eventually adjusted. Subsequently if such conditions do not come to pass, the impairment will be written down to the book value that would have existed (net of depreciation) if the impairment of the asset had never been recognised.

The depreciation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

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

Intangible assets with a finite useful life

Initial recognition and measurement

The intangible fixed assets acquired separately are initially capitalised at cost while those that are acquired through business combinations are capitalised at fair value on their acquisition date. After initial recognition the intangible fixed assets are recognised at cost, net of amortisation and any accumulated impairment.

Subsequent costs

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

Depreciation

Intangible fixed assets are amortised based on their useful life and they are tested for impairment whenever there are indications of a possible loss in their value. The period and method of amortisation applied to them is re-examined at the end of each financial year or more frequently if necessary. Any changes to the depreciation schedule are applied prospectively.

The profits or the losses from elimination of an intangible fixed asset are measured from the difference between the net revenue from the sale and the book value of the intangible asset, and they are recognised in profit and loss in the year during which the elimination takes place.

The amortisation is calculated on an accrual basis according to the estimated useful life of the asset, by applying the following percentages:

Category	% used
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Software	20%
Entry rights	Based on the duration of the lease beginning from the date that the shop opens
<i>Key Money</i>	Based on the duration of the lease beginning from the date that the shop opens
Brands	5-10%

Leased assets

Assets for rights of use are initially valued at cost, including the amount of the initial valuation of the lease liability, adjusted by the payments due for the lease made at the date or before the start date, increased by the initial direct costs incurred and by an estimate of the costs that the tenant will incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site where it is located, excluding the lease incentives received. The item "Assets for rights of use" reports the rights of use relating to buildings and vehicles, the other goods owned through financial lease agreements, mainly composed of furniture, energy-saving lighting systems, climate control systems, servers, computers and printers are classified under the item "Plant, machinery, equipment and other goods".

Assets for rights of use are later amortised at constant rates from the start date until the end of the lease. In addition, the assets for rights of use are regularly decreased for any losses for reductions in value and adjusted to reflect any changes resulting from valuations of lease liabilities.

At the start date of the lease, the Company records the lease liabilities measuring them at the current value of the payments due for the lease not yet paid at this date. The payments due include fixed payments (including fixed payments in essence) excluding any leasing incentives to be received, variable lease payments that depend on an index or rate, and the amounts due to be paid by way of guarantees for the residual value. The lease payments also include the exercise price of a purchase option if there is reasonable certainty that this option will be exercised by the Company and the lease termination penalty payments, if the term of the lease takes into account the exercising by the Company of the lease termination option. Variable lease payments that do not depend on an index or rate are recorded as costs in the period in which the event or the condition that has generated the payment occurs.

In calculating the current value of payments due, the Company uses the marginal financing rate at the start date. After the start date, the amount of lease liabilities increases to take into account the interest on lease liabilities and decreases to take into consideration the payments made. In addition, the book value of lease liabilities is recalculated in the case of any changes to the lease or the revision of the contractual terms to change the payments; it is also recalculated if there

are changes to future payments which result from a change in the index or rate used to calculate these payments.

The Company applies the exemption for leases relating to low-value assets and contracts of 12 months or less.

The Company, in the capacity of intermediary lessor in a sub-leasing agreement, classifies the sub-lease as financial with reference to assets with rights to use resulting from the main lease.

Financial assets

Unieuro determines the classification of its financial assets based on the business model adopted for their management and from the characteristics of the cash flows and, where adequate and permitted, it revises this classification at the end of each financial year.

a) Financial assets valued at amortised cost

Financial assets for which the following requirements have been verified are classified in this category:

- (iii) the asset is owned under the scope of a business model where the objective is possession of the asset aimed at the collection of contractual cash flows; and
- (iv) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the capital amount to repay.

It mainly involves receivables to customers, loans and other receivables.

Trade receivables which do not take into account a significant financial component are recognised at the price defined for the transaction (calculated according to the provisions of IFRS 15 Revenue from contracts with customers).

Other receivables and loans are initially recognised in the financial statements at their fair value increased by any ancillary costs directly attributable to the transactions that generated them.

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

In later measurements, financial assets at amortised cost, with the exception of receivables that do not contain a significant financial component, use the effective interest rate. The effects of this measurement are recognised under income financial components.

With reference to the impairment model Unieuro values receivables using an expected loss logic.

For trade receivables Unieuro adopts a simplified approach to the valuation that does not require the recording of the periodic changes in credit risk, rather the accounting of an expected credit

loss (ECL) calculated on the entire life of the credit (lifetime ECL), specifically, trade receivables are written-down in full if there is no reasonable expectation of recovery (e.g. bankruptcy situations).

The write-downs made pursuant to IFRS 9 are recorded in the consolidated income statement net of any positive effects related to releases or value restatements and are reported under operating costs.

b) Financial assets at fair value with an offsetting entry in the comprehensive income statement (“FVOCI”)

Financial assets for which the following requirements have been verified are classified in this category:

- (iii) the assets are owned in the framework of a business model where the objective is achieved either through the collection of contractual cash flows or through the sale of the actual assets;
- (iv) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the capital amount to repay.

These assets are initially recognised in the financial statements at their fair value increased by any ancillary costs directly attributable to the transactions that generated them. In later measurements, the valuation carried out during the recording is re-updated and any changes in fair value are recognised in the comprehensive income statement.

With reference to the impairment model the description in point a) detailed above follows.

c) Financial assets at fair value with an offsetting entry in the consolidated income statement (“FVPL”)

Financial assets that are not classified in any of the previous categories are classified in this category (i.e. residual category). It is mainly derivative instruments that are involved.

The assets belonging to this category are recorded at fair value at the time of their initial recognition.

The ancillary costs incurred during the recording to the assets are immediately recognised in the income statement.

In later measurements, the FVPL financial assets are valued at fair value.

The profits and losses from the changes in fair value are reported in the consolidated income statement in the period in which they are recorded.

Purchases and sales of financial assets are recorded at the settlement date.

Financial assets are removed from the financial statements when the contractual rights expire, or when Unieuro transfers all the risks and benefits of the ownership of the financial asset.

Equity investments in subsidiary companies

Equity investments in subsidiary companies (not classified as held for sale) are classified under the item “other non-current assets” and they are recorded at cost, adjusted for losses in value.

The positive differences that emerge during the acquisition of equity investments between the price and the corresponding shares of shareholders' equity are maintained in the carrying amount of the actual equity investments. The purchase or sale values of equity investments, business units or corporate assets under joint control are reported in line with the historical carrying amounts of the cost without recording capital gains or capital losses.

If there are indications that the equity investments may have suffered a reduction in value, they are subjected to impairments tests and written down if necessary. For the impairment loss to be debited to the income statement there must be objective evidence that events have occurred which have an impact on the future estimated cash flows of the actual equity investments. Any losses exceeding the carrying amount of the equity investments that may emerge in the presence of legal or implicit obligations for hedging the losses of the investee companies are recorded under provision for risks and charges. The original value is restored in subsequent years if the reasons for the impairment no longer exist.

The related dividends are recorded under financial income from equity investments at the time the right to obtaining them is established, which usually coincides with the shareholders' meeting resolution.

Inventories

The inventories are measured at the lower of the cost and net realisable value. The cost of inventories includes all costs required to bring the inventories to their current location and status. This includes in particular the purchase price and other costs which are directly attributable to the purchase of the merchandise. Commercial discounts, returns and other similar items are deducted when determining the acquisition cost. The method used for the cost of inventories is the average weighted cost method.

The value of the obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through Inventory bad debt provision.

Cash and cash equivalents

The cash and cash equivalents include cash on hand and sight and short-term deposits of no more than three months. For the purpose of the cash flow, the cash and cash equivalents are represented as cash on hand as defined above, net of bank overdrafts.

Financial liabilities

The financial liabilities are initially recognised at the fair value of the consideration received net of the transaction costs that are directly attributable to the loan itself. After initial recognition, the financial liabilities are measured using the amortised cost criteria, applying the

effective interest rate method. Amortisation at the effective interest rate method is included among financial liabilities in the income statement.

If there is a change, which can be estimated, in expected cash flows, the value of the liabilities is recalculated to reflect that change on the basis of the present value of the new expected cash flows and the internal rate of return determined initially.

Lease payables are initially recorded at the fair value of the capital equipment that is the subject of the agreement or, if lower, at the current value of the minimum payments due.

Liabilities arising from employee benefits

Post-employment benefits may be offered to employees through defined contribution plans and/or defined benefit plans. These benefits are based on the remuneration and the years of service of the employees.

Defined contribution plans are post-employment benefit plans based on which the company and sometimes its employees pay contributions of a specific amount into a distinct entity (a fund) and the Company does not and will not have a legal or implicit obligation to pay additional contributions if the fund does not have assets that are sufficient to cover the obligations to the employees.

The defined benefit plans are plans for benefits after the end of the employment relationship, which differ from defined contribution plans. Defined benefit plans can be financed either completely or partially by contributions paid by the company, and sometimes by its employees, to a company or a fund, which is legally distinct from the company that provides the benefits to the employees.

The amount which accrues is projected into the future to estimate the amount payable upon termination of the employment relationship and subsequently discounted to take into account the time that has passed prior to the actual payment.

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

The actuarial valuation is carried out by an actuary who is not employed by the Company.

Following the amendments made to the employee severance indemnity ("TFR") provisions of law 296 of 27 December 2006 and the subsequent decrees and regulations ("Social Security Reform") issued in the initial months of 2007:

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

Provisions

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

Provisions for restoration of points of sale

For leases which contain a clause requiring restoration of the property, a specific provision is established. The book value of the liability includes the costs to be incurred up to the time that the properties are returned to the lessor.

Restructuring provision

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

Trade payables

The payables are recognised at their nominal value net of discounts, returns or invoicing adjustments, representative of the fair value of the obligation. When a financial transaction takes place based on the terms of payment that have been agreed, the payables are measured at amortised cost through discounting of the nominal value receivable, with a discount recognised as a financial expense.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment of tangible and intangible assets. If there is any such indication, the Company tests the asset for impairment. The accounting standard does not request formal preparation of an estimate of the recoverable value unless there are indications of impairment. Assets which are not available for use and goodwill acquired in business combinations which must be tested for impairment annually and whenever there is indication of impairment constitute the exception to this principle. The Company has set the balance sheet closing date as the time for testing of impairment of all assets for which annual testing is mandatory.

In evaluating whether there is an indication of impairment of an asset, the Company considers:

- an increase in the market interest rates or other investments that could influence the calculation of the Company's discount rate, thereby diminishing the recoverable value of the asset;
- significant changes in the technological environment and market in which the Company operates;
- physical obsolescence not related to the depreciation that the asset has undergone in a specific period of time;
- any extraordinary plans implemented during the year the impact of which is reflected on the asset constituting the object of the analysis (for example corporate restructuring plans);
- operating losses resulting from interim results.

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

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

In order to better understand the provisions of IAS 36, we provide below some key definitions: Value in use: the value in use is the current value of all the cash flows of an asset or a generating unit, constituting the object of the valuation, which are expected to originate from it. In particular, an asset generates cash flows, which will be discounted at a pre-tax rate which reflects the market valuations on the current value of money and the specific risks inherent in the asset. These cash flows are determined based on the company's business plan. These plans are constructed on the basis of detailed budgets and separate calculations for each asset/cash generating unit. The budgets used do not include the effects arising from the extraordinary

activities (restructuring, sales and acquisitions) and cover a period of time of up to five financial years;

Fair value: it represents the price that could be secured for the sale of an asset or which could be paid for the transfer of a liability in an arm's length transaction on the measurement date. To determine the fair value of an asset, the Company uses valuation models that use listed shares, models with valuation multipliers and other available indicators as a reference;

Cash generating units (or cash flows): a cash generating unit (CGU) is a group of assets which, together, generate cash flows that are incoming or outgoing regardless of the cash flows generated by other assets and activities. A group of assets is the smallest identifiable group able to generate incoming cash flows;

Book value: the book value is the value of assets net of depreciation, write-downs and write backs.

The accounting standard provides the option of selecting either the fair value or the value in use. In fact, if one of the two values is higher than the book value, it is not necessary to identify the other amount as well. Furthermore, the fair value of an asset or cash generating unit is not always measurable, as there is no criterion that provides a reliable estimate of the selling price of an asset in an arm's length transaction between market operators. In these cases, the value in use can be considered as the recoverable value of the asset.

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

On each balance sheet closing date, the company will furthermore measure, in regard to all the assets other than goodwill, the possible existence or non-existence of impairment that has previously been recognised and, should these indications exist, the recoverable value is estimated. The value of an asset that has previously been written down can be written back only if there are changes in the estimates on which the recoverable value calculation which resulted in recognition of the last impairment was based.

The write-back cannot exceed the book value that would have existed, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. The reversal is recognised in the income statement.

Derivative financial instruments and hedge accounting

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

Therefore, the derivative financial instruments are recognised using hedge accounting rules when:

- the formal designation and documentation of the hedging relation itself exists from the

beginning of the hedge;

- it is presumed that the hedge is highly effective;
- the effectiveness can be reliably measured and the hedge itself is highly effective during the periods of designation.

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

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

Cash flow hedges

The changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. For the non-effective portion, the changes in fair value are recognised in the income statement.

Recognition of the hedge, as indicated above, ceases prospectively if the instrument designated as the hedge:

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

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

Share based payment

Key executives and certain managers of the Company may receive a portion of their remuneration in the form of share-based payments. Pursuant to IFRS 2, these are equity settled plans. The right to payment accrues over the vesting period during which the managers perform their duties as employees and reach performance targets. Therefore, during the vesting period, the current value of share-based payments as at the assignment date is recognised in the income statement at cost with an offsetting entry in a special shareholders' equity reserve. Changes in the current value subsequent to the assignment date have no effect on the initial valuation. In particular, the cost, which corresponds to the current value of the options on the assignment date, is recognised among personnel costs on a straight-line basis throughout the period from the date of the assignment and the date of maturity, with an offsetting entry recognised in shareholders' equity.

Cancellation of financial assets and liabilities

A financial asset (or, where applicable, the part of the similar financial asset) is cancelled from the balance sheet when:

- the rights to receive the cash flows from an asset have been extinguished;
- the Company reserves the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party.

A financial liability is cancelled from the balance sheet when the obligation underlying the liability has been extinguished, or cancelled or fulfilled.

Revenue

Revenue from contracts with customers are recorded in accordance with IFRS 15. Based on the model in five phases introduced by IFRS 15, the Unieuro records revenues after having identified the contracts with its customers and services to provide (transfer of goods and/or services), calculated to consideration it deems to have the right to receive in exchange for providing each of these services, as well as having evaluated the method for providing these services (fulfilment at a given time compared with the fulfilment over a period of time).

The revenues are recorded at the time the performance obligations are met through the transfer of the goods or services promised to the customer, it is likely that the economic benefits are received by the Group and the related amount can be calculated reliably, independently of the collection. The price of the transaction, which represents the amount of the consideration that the entity expects to receive following the provisions of the goods or services to the customer, is allocated on the basis of the stand-alone selling prices of the related performance obligations. Revenues are measured not including discounts, reductions, bonuses or other taxes on sales. The following specific recognition criteria for revenues must be complied with prior to allocation to the income statement:

Sale of assets

The revenue is recognised at the time when control of the asset passes to the customer and the company has transferred to the buyer all the significant risks and benefits connected to ownership of the asset, generally at the time that the consumer purchases the product at the point of sale, the delivery of the good to a residence in the event of home delivery, or when the ownership is transferred in the Indirect and B2B channel. In addition, sales in which delivery is deferred upon request of the purchaser ("bill and hold") are recognised as revenue at the time that the consumer makes the purchase. The revenue is recognised when the asset is available, has been identified and is ready to be delivered and furthermore deferral of the delivery has been requested by the purchaser. In the same way the sales revenue is recorded at the time of

the purchase of the goods by the consumer even if installation of the goods is necessary, the revenue is recorded immediately at the time the purchaser accepts delivery when the installation procedure is very simple (for example the installation of an appliance that only requires unpacking and electrical connection).

Unieuro has a customer loyalty programme which is based on points, the Unieuro Club, through which customers can accumulate loyalty points when they acquire products in points of sale bearing the Unieuro Brand. Once a specific minimum number of points have been collected, they can be used as a discount on the purchase of another product. The duration of the programme coincides with the fiscal year. Unieuro records an adjustment to the estimated revenues based on the points accrued which had not yet been spent, the value of the discount to be paid as provided by the loyalty program and the historical information regarding the percentage of loyalty point usage by customers.

Right of return

The following elements are reported by Unieuro to record the transfer of products with the right of return:

- a) adjustment of sales revenues for the amount of the consideration of the products that can be returned;
- b) a liability for future refunds is recorded and
- c) an asset is recorded (and the corresponding adjustment of the sales cost) for the right to recover the products from the customer when the liability for future refunds is extinguished.

Provision of services

The revenues and costs from the provision of services (revenues realised over time) are recognised based on the evaluation of the progress of the entity towards completing fulfilling its obligation over time. Specifically, the transfer over time is evaluated based on the input method or taking into consideration the efforts of the inputs employed by the Group to fulfil the individual performance obligation.

For the sale of guarantee extension services over and above the guarantee provided by the manufacturer pursuant to the law, Unieuro recognises the revenue throughout the duration that the services are provided, based on the estimated interventions for repairs under guarantee. The interventions for repairs that are under guarantee are estimated based on historical information regarding the nature, frequency and costs of the interventions under guarantee, duly interpolated to stimulate future curves of such events occurring.

Unieuro incurs costs for the acquisition of the multi-year contract.

These costs, typically represented by the bonuses paid to employees for every additional sale made and recovered by means of the revenues from the contract, were capitalised as contract costs and amortised based on the evaluation of the progress of the entity in transferring the services and goods transferred to the customer over time.

Commissions

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

Costs

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

The costs for the purchase of merchandise are recognised upon assumption of all the risks and benefits connected to ownership and they are measured at the fair value of the consideration payable net of any reductions, returns, trade discounts and bonuses.

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

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

It is hereby specified that the costs relative to the listing of the shares of the Company on Mercato Telematico Azionario di Borsa Italiana S.p.A. are recognised in the income statement when they are incurred pursuant to the accruals principle. This accounting treatment arises from the structure of the offer solely for the placement of the shares sold by Italian Electronics Holdings, which did not generate income for the Company.

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

Interest income and interest expense

Interest income and expenses are recognised in the net result for the year on an accruals basis using the effective interest rate method. The effective interest method is the rate that exactly discounts the future expected cash flows to the net book value of the financial asset or liability, based on the expected life of the financial instrument.

Taxes

Current taxes

The current taxes are determined based on a realistic forecasts of tax expenses payable on an accruals basis and in application of the applicable tax laws. The rates and tax laws used to calculate the amount are the applicable rates and laws, or essentially those which are in force, as at the balance sheet closing date. The current taxes which are relative to elements that are not included in the income statement, are allocated directly to the statement of comprehensive income and thereafter to shareholders' equity, in line with the recognition of the element to which they refer.

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

Deferred taxes

The deferred taxes are calculated using the so-called "liability method" on the temporary differences from the balance sheet data between the tax values used as a reference for the assets and liabilities and the values included in the balance sheet. The deferred tax liabilities are recognised against all taxable temporary differences, except when the deferred taxes arise from initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the balance sheet statement purposes or the profit or the loss calculated for tax purposes.

The deferred tax assets are recognised against all the deductible temporary differences and for tax losses brought forward, to the extent that the existence of adequate future taxable profits sufficient for usage of the deductible temporary differences and tax losses brought forward is probable. The value to post in the balance sheet of the deferred tax assets is re-examined on each balance sheet closing date and reduced to the extent that it is no longer probable that there will be sufficient taxable profits in the future for the recovery of these assets. The deferred tax assets which are not recognised are re-examined periodically on the balance sheet closing date and they are recognised to the extent that it has become probable that there will be taxable profit that can absorb these deferred taxes.

The deferred taxes are measured based on the tax rates that are expected will be applicable in the financial year in which these assets will be realised or these liabilities will be extinguished,

considering the rates applicable and those already issued or essentially issued on the balance sheet date. The estimate has considered the provisions of law 208 of 28 December 2015 "Stability law 2016" which has provided for reduction of the IRES rate from 27.5% to 24% with effect for the tax years subsequent to 28 February 2017.

The deferred tax assets and liabilities are offset if they refer to taxes payable to the same tax authority and there exists a legal right that allows offsetting of the assets and liabilities for current taxes.

Effects of the changes in foreign exchange rates

The financial statements are presented in Euro, which is the Company's functional and presentation currency. The transactions in a foreign currency are recognised initially at the exchange rate (which refers to the functional currency) existing as at that transaction date. The monetary assets and liabilities which are denominated in a foreign currency are converted back to the functional currency at the exchange rate applicable on the balance sheet closing date. All foreign exchange differences are recognised in the income statement. The non-monetary items which are measured at their historical cost in a foreign currency are converted using the exchange rate applicable as at the initial date on which the transaction was recorded. The non-monetary items which are measured at their fair value in a foreign currency are converted using the exchange rate applicable as at the initial date the value was recorded.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

The diluted earnings per share are calculated by dividing the profit of the company by the number of Unieuro S.p.A. shares on the date the financial statements are approved. For the purpose of calculating the diluted earnings per share, the shares are modified assuming that all holders of rights that potentially have a dilutive effect exercise these rights.

Segment Reporting

An operating segment is defined by IFRS 8 as a component of an entity that: i) undertakes business activities and generates revenues and costs (including revenues and costs that refer to the operations with other components of the same entity); ii) the operating results of which are reviewed periodically at the highest decision-making level of the entity in order to adopt decisions regarding resources to allocate to this segment and measurement of the results; iii) for which separate financial information is available.

The information regarding the business segments was prepared pursuant to the instructions set forth in IFRS 8 "Operating Segments", which provide for presentation of information in line with the procedures adopted at the top management level for assumption of operating decisions. Therefore, identification of the operating segments and the information presented are defined on the basis of internal reports used by the companies for allocation of resources and for analysis of the relative performances.

2.7 New accounting standards

Accounting standards, amendments and interpretations IFRS and IFRIC endorsed by the European Union which are not yet mandatorily applicable and had not been adopted early by Unieuro as at 29 February 2020

- On 31 October 2018, the IASB issued amendments to IAS 1 and IAS 8 - *Definition of Material*. The objective of the amendment is to clarify the definition of "material" in order to help the company evaluate whether information should be included in the financial statements. The amendments go into effect on 1 January 2020.
- 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 26 September 2019 the IASB published proposals to amend the standard on financial instruments - version IFRS 9 and IAS 39 - in the light of the reform on inter-bank interest rates such as IBOR.
- On 22 October 2018, the IASB issued amendments to *IFRS 3 - Business Combinations*. The objective of the amendment is to help in deciding whether a transaction is an acquisition of a business or group of assets that does not satisfy the definition of business in IFRS 3. The amendments apply to acquisitions 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. They go into effect on 1 January 2021.
- On 23 January 2020 the IASB published the amendments to *IAS 1 - Business Combinations IAS 1 Presentation of Financial Statements*. The objective of the

amendment is to clarify how to classify payables and other liabilities as short or long-term. The amendments apply to acquisitions after 1 January 2022.

The directors are currently evaluating the possible effects of the introduction of these changes to the consolidated financial statements.

3 INFORMATION ON FINANCIAL RISKS

In terms of business risks, the main risks identified, monitored and, as specified below, actively managed by the Company are as follows:

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

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

The main financing instruments used are:

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

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

3.1 Credit Risk

Credit risk is the possibility that an unexpected change in the credit rating of a counterparty will expose the Company to the risk of default, subjecting it to potential lawsuits. By way of introduction we note that the credit risk which the Company is subject to is minimal since its sales are mainly to the end consumers who pay the consideration upon purchasing the product. Sales to affiliates (Indirect channel) and wholesale customers (B2B channel) which represent a total of 15.9% of the company's revenues as at 29 February 2020, require the company to use strategies and instruments to reduce this risk. The Company has in place processes for credit

monitoring that provide for obtaining bank guarantees to cover a significant amount of the turnover in existence with customers, analyse the reliability of customers, the attribution of a credit line, control of exposures through reporting with separate payment deadlines and average collection times. There are no significant concentrations of risk. The other receivables are mainly receivables from the tax authorities and public administrations, lease instalments paid early and advances paid for services which therefore carry a limited credit risk.

The financial assets are recognised net of write-downs calculated based on counterparty default risk. This is determined according to procedures that can involve both write-downs of individual positions, if they are individually significant, and for which there is an objective condition of total or partial non-collectability, or on collective write-downs based on historical and statistical data. Furthermore, the book value of the financial assets represents the Company's maximum exposure to credit risk.

3.2 Liquidity Risk

Liquidity risk is the risk of failure to fulfil contractual obligations. The contractual obligations consist of discharging financial liabilities within the deadlines that have been set. Liquidity risk management is the management of incoming funds, guaranteeing a balance between cash inflows and outflows and thereby minimising the cost of financial management. This translates into procuring financial resources sufficient to maintain the company's financial structure streamlined, reducing that cost to the minimum level (in terms of financial expenses). Liquidity risk is limited by:

- cash flows from operations: optimal management of incoming cash flows from normal operations as compared to cash outflows;
- usage of short-term loans (*hot money*);
- usage of committed credit lines: these are credit lines that pools of banks commit to having available for the Company until maturity;
- usage of non-committed financial assets only for funding purposes;
- usage of medium/long-term loans able to maintain the Company's ordinary and other operations; the usage of this type of resource requires constant monitoring of expirations of financial debts as well as contingent market terms and conditions.

The liquidity risk consists of the possible difficulty of obtaining financial resources at an acceptable cost in order to conduct normal operating activities. The factors that influence liquidity risk refer both to resources that are generated or absorbed by current operations as well as to those that are generated or absorbed by investments and financing, the latter referring to repayment schedules or accessing short and long-term financial loans and the availability of funds in the financial market. For further details on the impacts of the Coronavirus pandemic refer to paragraph 13 Coronavirus Pandemic of the Directors' Report.

The financial structure in its entirety is constantly monitored by the Company to ensure coverage of its liquidity needs. Below is the Company's financial structure by deadline for the years and at 29 February 2020 and 28 February 2019:

(Amounts in thousands of Euros)

	Balance as at 29 February 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Financial liabilities	41,163	9,520	31,643	-	41,163
Other financial liabilities	492,902	66,227	229,991	196,684	492,902
Total	534,065	75,747	261,634	196,684	534,065

(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

"Other financial liabilities" include the effects of the application of IFRS 16 (*Leasing*), adopted from 1 March 2019 using the retroactive application method modified by virtue of comparative information were not restated, for more details see notes 2.6.1 Changes to accounting principles and 5.14 Other financial liabilities.

3.3 Market Risk

3.3.1 Interest rate risk

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

To address these risks, the Company has stipulated derivative contracts with a syndicate of banks 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 29 February 2020 were stipulated following the conclusion of a loan agreement with a syndicate 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
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Derivative contracts	Stipulated on	Expires on	29 February 2020	28 February 2019	29 February 2020	28 February 2019
Interest Rate Swaps (IRS)	12-Feb-18	09-Jan-23	32,500	42,500	(462)	(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 353 thousand (negative) as at 29 February 2020 and Euro 313 thousand (negative) as at 28 February 2019.

Sensitivity Analysis

The exposure to interest rate risk was measured by means of a sensitivity analysis that indicates the effects on the income statement and on shareholders' equity arising from a hypothetical change in market rates which discount appreciation or depreciation equal to 50 BPS compared to the forward rate curves as at 29 February 2020.

Effect of changes on financial expenses - income statement

To address the risk of changes in interest rates, the Company has stipulated with a pool of banks derivative contracts consisting of interest rate swaps in order to mitigate, under economically acceptable terms and conditions, the potential effect of changes in the interest rates on the economic result. A change in the interest rates, from a hypothetical change in market rates which respectively discount appreciation and depreciation of 50 bps, would have resulted in an effect on financial expenses for 2020 as follows below.

<i>(Amounts in thousands of Euros)</i>	- 50 bps	+ 50 bps
As at 29 February 2020	232	(175)

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

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

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

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

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

<i>(Amounts in thousands of Euros)</i>	- 50 bps	+ 50 bps
Sensitivity analysis as at 29 February 2020	(254)	251

3.3.2 Currency Risk

The company is exposed to currency risk, which is the risk connected to fluctuations in the exchange rate of two currencies, mainly due to importation of merchandise. This risk is considered irrelevant for the Company since the volume of the transactions in a foreign currency is not significant; in any case the Company covers the estimated exposure to currency rate fluctuations related to the main transactions anticipated in the short term concerning merchandise imports which require payment to suppliers in United States dollars, using forward contracts for United States dollars. There were no forward instruments as at 29 February 2020. 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 IFRS 39 for hedge accounting.

3.4 Fair value estimates

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

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

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

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

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

The table below separates financial assets and liabilities by category as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended 29 February 2020			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not measured at fair value				
Cash and cash equivalents	80,191	-	-	80,191
Trade receivables	86,486	-	-	86,486
Other assets	67,418	-	-	67,418
Financial assets measured at fair value				
Other assets		0		0
Financial liabilities not measured at fair value				
Financial liabilities	-	-	41,163	41,163
Trade payables	-	-	477,250	477,250
Other liabilities	-	-	212,998	212,998
Other financial liabilities	-	-	492,439	492,439
Financial liabilities measured at fair value				
Other financial liabilities	-	463	-	463

<i>(Amounts in thousands of Euros)</i>	Year ended 28 February 2019			
	Loans and receivables	Fair value of hedging instruments	Other liabilities	Total
Financial assets not measured at fair value				
Cash and cash equivalents	77,412	-	-	77,412
Trade receivables	41,643	-	-	41,643
Other assets	33,360	-	-	33,360
Financial assets measured at fair value				
Other assets		0		0
Financial liabilities not measured at fair value				
Financial liabilities	-	-	43,567	43,567
Trade payables	-	-	463,984	463,984
Other liabilities	-	-	191,241	191,241
Other financial liabilities	-	-	20,041	20,041
Financial liabilities measured at fair value				
Other financial liabilities	-	413	-	413

"Other assets" and "Other financial liabilities" include the effects of the application of IFRS 16 (*Leasing*), adopted from 1 March 2019 using the retroactive application method modified by virtue of comparative information were not restated, for more details see notes 2.6.1 Changes

to accounting principles and 5.6 Other current assets and other non-current assets and 5.14 Other financial liabilities.

4 INFORMATION ON OPERATING SEGMENTS

The operating segment identified by the Company which encompasses all services and products provided to customers, is unique and consists of the entire company. As the Company is a single channel business, there is only one Strategic Business Unit ("SBU"). The management has also identified within the SBU three Cash Generating Units ("CGUs") to which goodwill has been allocated. This approach is supported by the control model for operations by the company management which considers the entire operation as a whole, regardless of the product lines or geographic locations which are considered to be insignificant in terms of decision-making. The operating segment's results are measured by analysing trends of revenue and gross operating profit or loss.

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended	
	29 February 2020⁸⁹	28 February 2019
Revenue	2,425,895	2,079,148
GROSS OPERATING PROFIT	134,856	59,946
<i>% of revenues</i>	<i>5.6%</i>	<i>2.9%</i>
Depreciation, amortisation and write-downs	(83,808)	(29,876)
NET OPERATING PROFIT	51,048	30,070
Financial income	82	1,587
Financial expenses	(13,879)	(4,549)
PROFIT BEFORE TAX	37,251	27,108
Income taxes	(1,501)	1,061
PROFIT/(LOSS) FOR THE YEAR	35,750	28,169

The impact of the Gross operating result on Revenues was 5.6% at 29 February 2020, note that IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

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

⁸⁹ Note that IFRS 16 (Leasing) was adopted from 1 March 2019 by applying the retroactive method amended with the comparative information not restated. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019⁹⁰	%	2019 vs. 2018	%
	<i>Grey</i>	1,155,198	47.6%	981,590	47.2%	173,608
<i>White</i>	675,834	27.9%	545,468	26.2%	130,366	23.9%
<i>Brown</i>	384,176	15.8%	358,559	17.2%	25,617	7.1%
Other products	113,788	4.7%	109,528	5.3%	4,260	3.9%
Services	96,899	4.0%	84,003	4.0%	12,896	15.4%
Total revenues by category	2,425,895	100.0%	2,079,148	100.0%	346,747	16.7%

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
	Abroad	3,681
Italy	2,422,214	2,075,194
Total	2,425,895	2,079,148

The revenues are attributed based on the invoicing in Italy/abroad.

Non-current assets in countries other than those in which the Company has branches are not recognised.

5 NOTES TO THE INDIVIDUAL BALANCE SHEET ITEMS

5.1 Plant, machinery, equipment and other assets

Below is the balance of the item "Plant, machinery, equipment and other assets" by category as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Amounts as at 29 February 2020	Amounts as at 28 February 2019
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⁹⁰ 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	140,746	(105,745)	35,001	136,184	(96,643)	39,541
Equipment	23,734	(16,124)	7,610	22,502	(15,122)	7,380
Other assets	181,530	(149,067)	32,463	175,011	(138,933)	36,078
Tangible assets under construction	4,885	-	4,885	1,852	-	1,852
Total plant, machinery, equipment and other assets	350,894	(270,936)	79,959	335,549	(250,698)	84,851

The change in the item “Plant, machinery, equipment and other assets” for the period from 28 February 2018 to 29 February 2020 is shown below:

<i>(Amounts in thousands of Euros)</i>					
	Plant and machinery	Equipment	Other assets	Tangible assets under construction and payments on account	Total
Balance as at 28 February 2018	33,230	4,176	35,076	2,232	74,714
Increases	14,732	4,103	11,330	1,837	32,002
Business unit acquisitions	221	4	123	--	348
Decreases	(847)	(50)	(964)	(1,633)	(3,494)
Amortisation, depreciation and write downs/(write backs)	(8,642)	(903)	(10,277)	(584)	(20,406)
Decreases in Amortisation, Depreciation Provision	847	50	790	-	1,687
Balance as at 28 February 2019	39,541	7,380	36,078	1,852	84,851
Increases	4,683	1,232	6,617	4,309	16,841
Business unit acquisitions					--
Decreases	(121)		(99)	(1,276)	(1,496)
Amortisation, depreciation and write downs/(write backs)	(9,127)	(1,002)	(10,140)		(20,269)
Decreases in Amortisation, Depreciation Provision	25		7		31
Balance as at 29 February 2020	35,001	7,610	32,463	4,885	79,959

With reference to the financial year ended 29 February 2020, the Company made net investments of Euro 15,377 thousand.

In particular, the investments were mainly: (i) interventions relating to the restructuring of selected sales outlets through the restyling of the layout and the reduction or expansion of the sales area and investments in relocating existing sales outlet in catchment areas deemed more strategic for Euro 3,686 thousand; (ii) investments relating to the opening of the new sales outlets in catchment areas deemed strategic (Gela, Portogruaro, Mistebianco, Savignano, Verona) or in areas not sufficiently covered by the current portfolio of stores for Euro 3,088 thousand; (iii) minor extraordinary maintenance operations and the renewal of anti-theft and electrical systems at various sales outlets for Euro 2,285 thousand; (iv) investments relating to

the creation of electric display panels for specific supplier brands in sales outlets for Euro 1,896 thousand; (v) additional investments related to the Piacenza logistics hub for Euro 1,523 thousand and (iv) investments relating to the expansion of the Paderno Dugnano sales area for Euro 55 thousand.

Net fixed assets under construction of Euro 4,885 thousand mainly refer to (i) openings of new sales outlets and projects for Euro 2,358 thousand; (ii) investments relating to restructuring/relocation for Euro 851 thousand; (iii) minor extraordinary maintenance operations at various sales outlets for Euro 609 thousand; (iv) investments for the creation of electric display panels for specific supplier brands in sales outlets for Euro 279 thousand; and (v) additional investments related to the Piacenza logistics hub for Euro 213 thousand.

The item "Amortisation and write-downs (write backs)" of Euro 20,269 thousand includes Euro 19,829 thousand in depreciation and Euro 440 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 5.14 "Other financial liabilities."

With reference to the financial year ended 28 February 2019, the Company made net investments of Euro 30,543 thousand.

In particular, the investments were mainly: (i) interventions relating to the restructuring of selected sales outlets for Euro 2,371 thousand through the restyling of the layout and the reduction or expansion of the sales area; (ii) investments relating to the opening of new sales outlets in new catchment areas deemed strategic or in areas not sufficiently covered by the current portfolio of stores and the refitting of the sales outlets acquired from the former DPS Group S.r.l. and former Galimberti S.p.A. business units for Euro 7,526 thousand; (iii) investments in the relocation of existing sales outlets to catchment areas deemed more strategic for Euro 2,263 thousand; (iv) minor extraordinary maintenance operations and the replacement of furniture at various sales outlets for Euro 3,779 thousand; (v) investments in the creation of structures dedicated to the display of specific products in sales outlets as well as other investments involving the purchase of RT servers and PCs, in order to comply with the new privacy regulations (GDPR) for a total of Euro 1,875 thousand; (vi) investments relating to the creation of a hub logistics hub in Piacenza for Euro 5,628 thousand.

The new financial lease agreements stood at Euro 6,753 thousand of which: (i) Euro 131 thousand relates to electronic machinery; (ii) Euro 1,963 thousand relates to furnishings; (iii) Euro 4,496 thousand relates mainly to lifting equipment, surveillance/anti-theft systems and the data transmission network for the new Piacenza warehouse; (iv) Euro 163 thousand relates to electrical equipment for existing sales outlets subject to restructuring/relocation.

Note that the acquisition of the 7 sales outlets belonging to the DPS Group S.r.l business unit and the 5 sales outlets belonging to the Galimberti S.p.A. business unit were configured as business combinations and therefore came under the scope of IFRS 3. As required by the standard, the tangible assets were recorded at their fair value on the acquisition date, which meets the requirements under IAS 16.

The Company relied on internal techniques for the assessment of this fair value through which the value of the assets acquired was estimated at Euro 347 thousand. The amortisation and depreciation was calculated based on the depreciation rates adopted for the respective category. The values and the useful life are reflected in the financial statements from the date that Unieuro acquired control.

The item "Amortisation and write-downs (write backs)" equal to Euro 20,406 thousand in depreciation, amortisation, write-downs and write backs. The write-downs mainly relate to stores for which onerous rental agreements have been identified.

5.2 Goodwill

The breakdown of the item "Goodwill" as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Goodwill	170,767	170,767
Total Goodwill	170,767	170,767

The change in the "Goodwill" item for the period from 28 February 2018 to 29 February 2020 is shown below:

<i>(Amounts in thousands of Euros)</i>	Goodwill
Balance as at 28 February 2018	167,550
Business unit acquisitions	95
Balance as at 28 February 2018 restated	167,645
Acquisitions	3,122
Increases	-
Write-downs	-
Balance as at 28 February 2019	170,767
Acquisitions	-
Write-downs	-
Balance as at 29 February 2020	170,767

The value of goodwill at 29 February 2020, equalling Euro 170,767 thousand remained unchanged compared with the year ended 28 February 2019.

Goodwill as at 29 February 2020 and 28 February 2019 can be broken down as follows:

<i>(Amounts in thousands of Euros)</i>	Goodwill at 29 February 2020	Goodwill at 28 February 2019
<i>Resulting from mergers:</i>		
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
<i>Resulting from the acquisition of business units:</i>		
Andreoli S.p.A.	10,500	10,500
Cerioni S.p.A.	5,749	5,749
Galimberti S.p.A.	1,882	1,882
DPS Group S.r.l.	1,240	1,240
Dixons Travel	194	194
Total Goodwill	170,767	170,767

5.2.1 Impairment test

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

The goodwill impairment test prepared by the Company for each CGU was approved by the Company's Board of Directors on 06 May 2020. In the elaboration of the impairment test the Directors used an appropriate report provided by a consultant under specific assignment of the Company.

IAS 36 identifies the CGUs as the smallest groups of assets that generate incoming cash flows. The financial flows resulting from the CGUs identified should be independent of one another, because a single Unit must be able to be autonomous in the realisation of incoming cash flows, but all the assets within the Unit should be interdependent. Pursuant to IAS 36 the correlation that exists between the goodwill acquired during the business combination and the CGUs takes

shape. In effect, at the time of the acquisition of the goodwill, it must be allocated to the CGU or the CGUs which are expected to benefit the most from the synergies of the combination. In this sense, the decisions linked to the definition of these synergies strongly depend on the Company's strategic organisation models, the commercial purchase and sales decisions which, specifically, disregard the number of sales points, which do not enjoy decision-making autonomy.

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

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

- *Retail;*
- *Indirect;*
- *B2B.*

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

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

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

The allocation of goodwill to the three CGUs took place in line with the specific activity of the individual CGU in order to include the best exploitation of internal and external synergies in the business model used.

As described previously, the Company opted for identifying the value in use to determine the recoverable fair value. The value in use is calculated through an estimate of the current value of the future financial flows that the CGUs could generate.

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

The Business Plan used for the impairment test for the goodwill recorded in the Unieuro Financial Statements which refer to the financial year ended 29 February 2020 is based on the strategic guidelines of the plan approved by the Board of Directors on 12 December 2016 and later updated. The Business Plan underlying the impairment test was prepared taking into account recent business performance. Specifically, the final figures relating to the financial years ended 28 February 2017 and 28 February 2018, 28 February 2019 and 29 February 2020 were taken into account and consequently the development of the financial data up to 28 February 2025 was updated. The impairment test was approved by the Board of Directors on 6 May 2020.

The estimates in the business plan are inevitably influenced by the crisis related to the spread of Covid-19, which manifested themselves in Italy at the end of February 2020.

It is likely that the emergency will have a strong impact on Italian GDP and, although to a lesser extent in the lights of the lower volatility historically recorded, on the consumer electronics and appliances market.

The limited operation of physical stores, compulsory or voluntary, together with the social distancing measures adopted in response to the pandemic will have a significant adverse effect on network traffic and revenues, with special reference to the first months of the financial year that will end at 28 February 2021. Alongside this, e-commerce will gain an advantage from the situation that has been created, accelerating the development of the channel mix already in progress.

The cost-cutting actions in place, recourse to social safety nets, together with lower costs for services and rental will be the main elements supporting profitability.

The reference market growth estimates included in the business plan used for the impairment test at 29 February 2020 are based, among other things, on external sources and on the analyses conducted by the Company with the support of a leading consulting firm. Specifically, the Company expects an impact related to the Coronavirus pandemic especially in relation to the first part of FY21 and a gradual recovery of business in line with its strategy, thanks to its ability to increase its customer base, promote and foster complementary services and increase its

market penetration compared with competitors. For more details, please see paragraph 13. Coronavirus Pandemic of the Directors' Report

Based on the information currently available, in an ever-changing scenario, the macro economic and business variables are constantly being monitored to have the best estimate of the potential impacts on the Company available in real time and to enable them to be mitigated with response/contingency plans.

In the light of the great deal of uncertainty relating to the extent of the economic and social effects of Covid-19, it is not currently possible to predict the duration and extent of the current crisis with a sufficient degree of reliability and to be able to evaluate its future impacts on the performance and financial position of the Company.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" equal to 0% was envisaged because the result that the company will manage to achieve in the last financial year of the business plan was considered stable over a period of time;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed is 11.65%.

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

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

- Risk-free rate (r_f) – The risk-free rate adopted is equal to the 6-month average (compared with the reference date) of the returns of the ten-year government bonds (BTP) issued by the Italian government. The adoption of the average figure makes it possible to compensate for possible short-term distorting dynamics.
- Equity risk premium ($r_m - r_f$) – The equity risk premium, which represents the yield spread (historical and long-term) between equity securities and debt securities on financial markets, was determined with reference to the Italian market.

- *Beta* (β) – The beta, which indicates the regression coefficient of a straight line which represents the relationship between the rate of return offered by the security and that of the overall market, was calculated on the basis of a panel of listed companies operating mainly or exclusively in the sale of consumer electronics, through a combination of sales channels (in store and online sales, in the majority of cases alongside wholesale and/or business-to-business sales).
- Specific risk premium (α) - An additional premium was applied in order to take into account potential risks relating to the implementation of the corporate strategy in the reference market context (execution risk) also taking into consideration the size of the Company compared with comparable businesses identified (size premium).
- Cost of debt capital $i_d (1-t)$ - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

There were no differences in calculating these parameters between the external sources used and the value used for the purpose of the test.

The Company has a well-established history of operating on the market and, to date, there has been no evidence of anything that would suggest an interruption to activities in the medium-/long-term. Based on these considerations it is reasonable to assume the business is a going concern in perpetuity.

The operating cash flow used for the purpose of calculating the terminal value was calculated on the basis of the following main assumptions:

- EBITDA - During the estimation of the terminal value, an amount of revenues equal to the level projected for the last year of the plan was considered. For the purpose of estimating sustainable EBITDA in the medium-/long-term the EBITDA margin equal to the average figure in the plan was applied to the revenues identified in order to reflect the competitive dynamics featured in the reference sector. For the Company overall, this latter figure is located within the current range expressed by the estimates of the analysts relating to the panel of comparable companies used to determining the WACC.
- Investments in fixed assets and amortisation and depreciation - Annual investments were estimated as equal to investments in fixed assets projected for the last year of the plan. Annual amortisation and depreciation were in line with these investments, assuming that the investments were mainly maintenance and/or replacements.
- Net working capital and Funds - In line with the theory of growth in perpetuity at a g rate equal to 0% there were no theories of variations in the items that make up NWC and the other funds in the long-term.

Below is a summary table containing the basic assumptions (WACC and g) and the percentage value attributed to the terminal value compared with the recoverable value of the Company's three CGUs relating to the analyses of the impairment tests conducted with reference to 29 February 2020.

as at 29 February 2020	WACC	g	Terminal Value (TV)	Recoverable Amount (RA)	% TV over RA
<i>(Amounts in millions of euros)</i>					
Retail CGU	11.69%	0.0%	159.7	273.5	58.4%
Indirect CGU	11.69%	0.0%	7.9	16.3	48.2%
B2B CGU	11.69%	0.0%	10.3	15.1	68.5%

The results of the impairment tests as at 29 February 2020 are given below:

as at 29 February 2020		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
<i>(Amounts in millions of euros)</i>				
Retail CGU	EUR/mln	27.5	273.5	246.0
Indirect CGU	EUR/mln	(1.3)	16.3	17.6
B2B CGU	EUR/mln	3.4	15.1	11.6

Based on the estimates made there was no need to adjust the value of the goodwill recorded.

Note that the carrying amount of the Indirect CGU as at 29 February 2020 was negative as a result of the negative net working capital allocated to the Indirect CGU.

The carrying amount does not include entries of a financial nature. Assets and liabilities for deferred taxes are also excluded because the theoretical tax rate was used for the purpose of estimating taxes when calculating the cash flows.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted to test the recoverable value of the goodwill as the main parameters used, such as the change in the percentage of EBIT and the growth rate, vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20.0%:

as at 29 February 2020	Terminal plan EBIT				
<i>(Amounts in millions of euros)</i>					
RA Sensitivity Difference compared with CA	0	(5.0%)	(10.0%)	(15.0%)	(20.0%)
Retail CGU	246.0	230.7	215.4	200.1	184.8
Indirect CGU	17.6	16.9	16.2	15.4	14.7
B2B CGU	11.6	10.8	9.9	9.0	8.1

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a percentage increase in WACC:

as at 29 February 2020	WACC				
<i>(Amounts in millions of euros)</i>					
RA Sensitivity Difference compared with CA	11,7%	12,2%	12,7%	13,2%	13,7%
Retail CGU	246.0	234.1	223.2	213.1	203.7
Indirect CGU	17.6	17.0	16.4	15.9	15.4
B2B CGU	11.6	10.9	10.3	9.7	9.2

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the CGUs subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 29 February 2020	Perpetual growth rate (g)					
<i>(Amounts in millions of euros)</i>						
	WACC					
RA Sensitivity Difference compared with CA		(2.0%)	(1.5%)	(1.0%)	(0.5%)	(0.0%)
Retail CGU	11.65%	219.9	225.7	231.9	238.6	246.0
Indirect CGU	11.65%	16.3	16.6	16.9	17.2	17.6
B2B CGU	11.65%	10.0	10.3	10.7	11.2	11.6

Below is the breakdown of the stress test which identifies the values for the following parameters: (i) EBIT (gross operating profit, percentage change over the years of the plan and in the terminal value), (ii) g and (iii) WACC sensitised separately compared with the basic scenario, the differential between the recoverable value and the carrying amount is, all things being equal, zero.

Parameter / CGU	Retail	Indirect	B2B
EBIT % change (Plan and TV)	(80.5%)	(117.2%)	(65.6%)
g factor	n.a. ⁽¹⁾	n.a. ⁽¹⁾	n.a. ⁽¹⁾
WACC	65.8%	n.a. ⁽¹⁾	42.5 ⁽¹⁾

(1) For some of the parameters selected, taking into consideration the configuration of the cash flows on which the calculation of the recoverable amount and/or the value of the carrying amount was based, there is no reasonable value identified for the parameter for which the recalculated sum for the recoverable amount corresponds to the respective value of the carrying amount.

Lastly, the Company has developed another analysis simulating the impacts on the recoverable amount of the CGU Retail in the event of excluding the planned opening of new sales points over the span of the business plan. The results of the analysis conducted are given below:

as at 28 February 2019 <i>(Amounts in millions of euros)</i>		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
Retail CGU	EUR/mln	27.5	267.2	239.6

It should be pointed out that the parameters and information used for verifying the recoverability of the goodwill are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the goodwill with consequences to the results and the operating results, financial position and cash flows of the Company.

5.3 Intangible assets with a finite useful life

The balance of the item “Intangible assets with a finite useful life” is given below, broken down by category as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Amounts as at 29 February 2020			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	60,227	(45,382)	14,845	51,979	(39,990)	11,989
Concessions, licences and brands	7,407	(7,039)	368	7,407	(6,619)	788
Key Money	-	-	-	8,130	(1,573)	6,557
Intangible fixed assets under construction	6,935	-	6,935	3,200	-	3,200
Total intangible assets with a finite useful life	76,142	(53,994)	22,148	70,716	(48,182)	22,534

The change in the item "Intangible assets with a finite useful life" for the period from 28 February 2018 to 29 February 2020 is given below:

<i>(Amounts in thousands of Euros)</i>	Software	Concessions, licences and brands	Key Money	Intangible fixed assets under construction	Total
Balance as at 28 February 2018	10,807	1,231	5,312	1,071	18,421
Increases	5,862	-	-	3,188	9,050
Acquisitions	-	-	2,420	-	2,420

Decreases	-	-	-	(1,059)	(1,059)
Amortisation, depreciation and write downs/(write backs)	(4,680)	(443)	(1,175)	-	(6,298)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 28 February 2019	11,989	788	6,557	3,200	22,534
Increases	8,248	-	-	6,792	15,040
Adjustment - application of IFRS 16	-	-	(6,557)	-	(6,557)
Decreases	-	-	-	(3,057)	(3,057)
Amortisation, depreciation and write downs/(write backs)	(5,392)	(420)	-	-	(5,812)
Decreases in Amortisation, Depreciation Provision	-	-	-	-	-
Balance as at 29 February 2020	14,845	368	-	6,935	22,148

Regarding the year ended 29 February 2020, the total increases of Euro 15,040 thousand mainly relate to the “Software” category for Euro 8,248 thousand.

The Group, as required by the new accounting principle IFRS 16, reclassified Key Money recording it under assets for rights of use because it represents the initial direct costs of the tenant built into the rental agreement.

The increases relate to the category “Software” for Euro 8,248 thousand, 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 interventions to existing management software.

The increases in intangible fixed assets under construction equal to Euro 6,792 thousand are attributable to the implementation of new software (ERP) and existing software.

Regarding the year ended 28 February 2019, the increases mainly relate to the “Software” category for Euro 5,862 thousand, and to the “Intangible fixed assets under construction” category for Euro 3,188 thousand.

The increases relate to the category “Software” for Euro 5,862 thousand, 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 interventions to existing management software.

The increases relating to the "Key Money" category of Euro 2,420 thousand refer to the payment of Key Money for rental agreements, relating to the acquisition of business units of Euro 1,948 thousand, the acquisition of 7 sales outlets belonging to the former DPS Group S.r.l. business unit and 5 sales outlets belonging to the Galimberti S.p.A. business unit for Euro 473 thousand. These transactions are configured as business combinations and come under the scope of IFRS 3. As required by the standard, the intangible assets were recorded separately from goodwill and recorded at their fair value on the acquisition date, which meets the

requirements under IAS 38. Amortisation is calculated *pro-rata temporis* on a straight-line basis depending on the term of the lease contract. The values and the useful life are reflected in the financial statements from the date that Unieuro acquired control.

For the measurement of the fair value of the Key money the company enlisted external consultants with proven experience which used assessment methods in line with the best professional practices.

The increases in intangible fixed assets under construction are attributable to the implementation of new software and existing software.

5.4 Assets for rights of use

The balance of the item "Assets for rights of use" is given below, broken down by category as at 29 February 2020 and as at 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Amounts as at 29 February 2020			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	510,562	(56,928)	453,634	-	-	-
Vehicles	2,159	(799)	1,360	-	-	-
Total intangible assets with a finite useful life	512,721	(57,727)	454,994	-	-	-

The change in the item "Assets for rights of use" for the period from 28 February 2019 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Buildings	Vehicles	Total
Balance as at 28 February 2019	-	-	-
Adjustment - application of IFRS 16	445,605	1,551	447,156
Acquisition of Carini Retail	8,805	-	8,805
Increases/(Decreases)	56,152	608	56,760
Amortisation, depreciation and write downs/(write backs)	(56,928)	(799)	(57,727)
Balance as at 29 February 2020	453,634	1,360	454,994

The item includes the value for assets for rights of use resulting from the application of IFRS 16. The application of the new accounting principle had a material impact on the financial statements by virtue of the operating activities related to the retail network which is a significant part of the business. For the Unieuro, the analysis of contracts that come under the scope of application of the principle particularly involved those relating to stores, warehouses, offices

and vehicles. The effects of this new accounting principle are illustrated in paragraph 2.6.1 - "Changes to the accounting standards" which should be referred to for further details.

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 29 February 2020 is given below:

Deferred tax assets

<i>(Amounts in thousands of Euros)</i>	Bad debt provision - amount due from suppliers	Obsolescence Provision	Tangible assets and assets for rights of use	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	(146)	(151)	-	(9)	(836)	93	(1,342)	(2,391)	7,241	4,850
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	224	-	-	224	-	224
Balance as at 28 February 2019	678	2,337	907	4,281	272	1,456	2,280	12,211	22,968	35,179
Provision/Releases to the Income Statement	55	1,003	1,213	-	-	357	(985)	1,643	1,386	3,029
First consolidation of Carini	-	-	-	-	-	-	-	-	-	-
Provision/Releases to the Comprehensive Income Statement	-	-	-	-	99	-	-	99	-	99
Balance as at 29 February 2020	733	3,340	2,120	4,281	371	1,813	1,295	13,935	24,354	38,307

The balance as at 29 February 2020 was Euro 38,307 thousand and was mainly composed of: (i) deferred tax assets recorded for tax losses of Euro 24,354 thousand; (ii) deferred tax assets recorded for tangible assets and assets for rights of use for Euro 2,120 thousand relating to the temporary differences on lease agreements signed before 1 March 2019 the application date of the new accounting principle IFRS 16; (iii) deferred tax assets recorded on goodwill of Euro 4,281 thousand and (iv) deferred tax assets recorded on other current liabilities of Euro 1,295 thousand, composed of contract liabilities relating to extended warranty services.

The balance as at 28 February 2019 was Euro 35,179 thousand and was mainly composed of: (i) Euro 12,211 thousand in temporary differences mainly due to goodwill, other current liabilities and the provision for obsolete inventory, (ii) Euro 22,968 thousand from deferred tax assets recorded on tax losses. The change in the item deferred tax assets recorded in the financial year is mainly related to:

- the release to the income statement of the deferred tax assets relating to other current liabilities;
- the provision of Euro 7,241 thousand in deferred tax assets relating to tax losses.

Note that the tax losses still available as at 29 February 2020 refer to Unieuro and stand at Euro 345,787 thousand.

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

- the tax regulations of the country in which the Company operates and the impact on the temporary differences, and any tax benefits resulting from the use of tax losses carried over taking into consideration their possible recovery over a time frame of three years;
- the forecast of the Company's earnings in the medium and long-term.

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

Deferred tax liabilities

<i>(Amounts in thousands of Euros)</i>	Intangible assets	Other current assets	Total net deferred taxes
Balance as at 28 February 2018	630		630
Adjustment at the date of the first-time adoption of IRFS 15		1,483	1,483
Provision/Releases to the Income Statement	357	(358)	(1)
Provision/Releases to the Comprehensive Income Statement			0
Balance as at 28 February 2019	987	1,125	2,112
Provision/Releases to the Income Statement	361	(391)	(30)
Provision/Releases to the Comprehensive Income Statement			0
Balance as at 29 February 2020	1,348	734	2,082

Deferred tax liabilities relating to Intangible Assets result from goodwill with a different statutory value from the value for tax purposes.

It is estimated that the debt refers to differences which will be reabsorbed in the medium-/long-term.

5.6 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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Deferred charges	9,537	8,889
Contract assets	7,063	5,337
Accrued income	3,599	1,643
Tax credits	2,772	2,225
Financial receivables for leases - current part	1,429	-
Other current assets	744	135
Advances to suppliers	24	86
Other current assets	25,168	18,315
Other non-current assets	30,414	12,559
Financial receivables for leases - non-current part	8,933	-
Deposit assets	2,372	2,220
Deposits to suppliers	531	266
Other non-current assets	42,250	15,045
Total Other current assets and Other non-current assets	67,418	33,360

The item "Financial receivables for leases" equal to Euro 10,362 thousand (the current part of which is Euro 1,429 thousand) was recorded during the first-time adoption of IFRS 16 and includes the current part and the non-current part relating to the sub-lease agreements in which the Group is the landlord. For more details, please refer to Note 2.6.1 Changes to the accounting standards.

The item "Deferred charges" mainly includes deferred charges relating to insurance, and the hire of road signs which had been reported financially before 29 February 2020 and with an accrual accounting basis that relates to the solar year; accrued income refers to adjustments on common charges at sales points.

The item "Contract assets" includes the costs for obtaining the contract classified as contract costs, represented by the bonuses paid to employees for each additional sale of extended warranty services.

The item "Accrued income" standing at Euro 3,599 thousand at 29 February 2020 (Euro 1,643 thousand at 28 February 2019) mainly refers to the insurance payment received with regard to the theft that took place in 2017 at the Piacenza logistics platform of Euro 2,600 thousand, last year the item included the compensation for the Oderzo fire that took place on 25 February 2017 equal to Euro 1,521 thousand.

The item "Other current assets" mainly includes credits for withholdings for intermediary activities.

Tax credits as at 29 February 2020 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.

The item “Other non-current assets” includes equity investments, deposit assets and deposits to suppliers.

The breakdown of the item “Equity Investments” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Equity investment in Carini Retail S.r.l.	17,855	-
Equity investment in Monclick S.r.l.	12,551	12,551
Other equity investments	8	8
Equity investments	30,414	12,559

The change in the item "Equity investments" for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Equity investments
Balance as at 28 February 2018	10,811
Acquisitions	-
Increases	5,000
Write-downs	(3,173)
Decreases	(79)
Balance as at 28 February 2019	12,559
Acquisitions	17,855
Increases	-
Write-downs	-
Decreases	-
Balance as at 29 February 2020	30,414

Information relating to the equity investments owned in associated companies at 29 February 2020 is given below pursuant to Article 2427 of the Italian Civil Code:

<i>(Amounts in thousands of Euros)</i>	Registered office	Carrying amount	Share Capital	Ownership percentage	Shareholders' equity	Profit/(loss) for the year
Carini Retail S.r.l.	Forlì (FC)	17,855	10	100%	7,362	(8,623)
Monclick S.r.l.	Vimercate (MB)	12,551	100	100%	3,519	(956)

Carini Retail S.r.l.

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 closing of the acquisition took the shape of the purchase by Unieuro of a newly established company (Carini Retail S.r.l.) to which Pistone S.p.A. conferred the business unit represented by 12 stores and including lease agreements, equipment and sales staff, as well as the staff payables at the closing date.

Alongside the integration of the former Expert stores, Unieuro started to use the Pistone S.p.A. logistics platform, also located at Carini, which became the chain's secondary hub directly servicing the Piacenza central platform.

In the year ended 29 February 2020, the subsidiary recorded revenues of Euro 148,345 thousand and a loss for the period of Euro 8,623 thousand.

The financial year ended 29 February 2020 recorded a positive performance for revenues also thanks to the modern, winning format of the sales outlets and strategic locations in some of the major shopping centres in Sicily.

The profit for the year is affected by the greater costs incurred in the initial set-up phase of the stores and the higher costs for training the sales outlet staff.

Monclick S.r.l.

On 9 June 2017, Unieuro concluded the acquisition from Project Shop Land S.p.A. of 100% of Monclick, one of the leading online operators in Italy, active in the consumer electronics market and in the online B2B2C market.

Monclick represents a “pure player” in the Italian panorama of e-commerce, that is, a company that sells products only through the web channel, without having physical sales or pick-up points.

The investee operates in two business lines that appeal to the same consumers, while reaching them through two different channels: (i) *Online*, which includes online sales of consumer products directly to the final consumer through “Monclick” website, and (ii) *B2B2C*, that is, the channel for products and services sold to the final consumer through partnerships with large companies.

In the year ended 29 February 2020, the subsidiary recorded revenues of Euro 61,811 thousand (Euro 59,503 thousand in the year ended 28 February 2019) and a loss for the year of Euro 956 thousand (a loss of Euro 1,927 thousand in the year ended 28 February 2019).

The reference market features: (i) growing competitive pressure to which the pure players were subjected which led the Company to defend its market shares by sacrificing, especially in the first part of the year, its pricing policies, (ii) increasing demands for a more prompt and efficient customer service which led to an increase in logistic costs for the entire year. Despite this, the

economic result for the period benefited from several measures aimed to mitigate the impacts of the above-mentioned phenomena on the income statement, including: (i) the upgrading of the drop shipping flow by Unieuro which involves an improvement in buying conditions, (ii) the cutting of logistics costs by exploiting the synergies generated through the current Unieuro distribution structure implemented through the transfer from the logistics structure of third-parties to the Group's logistics structure in Piacenza and (iii) efficiency in administrative services and general expenses.

The significant increase in margins recorded in the B2C channel compared with the previous year (despite of the already mentioned impact of logistics costs), new, important collaborations with first-rate national players in the B2B/B2B2C channel and the structure cost-cutting actions significantly improved the deficit compared with the previous year.

Monclick in the year ended 29 February 2020 continued therefore with an organisational and structural review process aimed at the gradual rebalancing of operations. Plans were prepared and developed for this process to strengthen business activities and a strategy was implemented to increase revenues and make costs more efficient.

On 29 June 2017, 10 January 2018 and 14 November 2018 the Unieuro Board of Directors approved payments to the provision to cover losses, respectively of Euro 1,192 thousand, Euro 1,783 thousand and Euro 1,269 thousand and capital contribution payments, respectively of Euro 2,808 thousand, Euro 1,217 thousand and Euro 3,731 thousand.

5.6.1 Impairment test on the value of the equity investments

The equity investment in Monclick and Carini Retail at 29 February 2020 was subjected to an impairment test by comparing the recoverable value with the carrying amount of the equity investment. The recoverable value is represented by the greater of the fair value of the asset excluding sales costs and its value in use.

The value in use was calculated as the current value of future cash flows that are expected to be generated by the Cash Generating Unit “CGU” identified in Monclick and Carini, discounted at the rate that reflects the specific risks of each CGU at the valuation date.

The source of the data on which the assumptions are made for determining the cash flows are the final balances and the business plan for the period from 28 February 2021 to 28 February 2025 of the investee companies approved by Sole Director of Monclick and Carini on 16 April 2020.

The estimates in the business plan are inevitably influenced by the crisis related to the spread of Covid-19, which manifested themselves in Italy at the end of February 2020. The limited operation of physical stores, compulsory or voluntary, together with the social distancing measures adopted in response to the pandemic will have a significant adverse effect on network traffic and revenues, with special reference to the first months of the financial year that will end at 28 February 2021. At the same time, e-commerce is benefiting from the situation that has been created recording positive growth rates.

In the light of the great deal of uncertainty relating to the extent of the economic and social effects of Covid-19, it is not currently possible to predict the duration and extent of the current crisis with a sufficient degree of reliability and to be able to evaluate its future impacts on the performance and financial position of the investee companies.

Based on the information currently available, in an ever-changing scenario, the changes in the macro economic and business variables are constantly being monitored to have the best estimate of the potential impacts on the Group available in real time and to enable them to be mitigated with response/contingency plans.

The impairment tests were approved by the Board of Directors on 6 May 2020. In the elaboration of the impairment test the Directors used appropriate reports provided by a consultant under specific assignment of the Company.

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

- the explicit period to be adopted for the business plan is 5 years;
- terminal value: actualisation of the latest plan explicit estimate period. It should be stressed that a long-term growth rate "g" of 0% was used;
- the discount rate applied to the various cash flows (WACC - weighted average cost of capital) for the CGUs analysed was 12.63% for Monclick and 11.69% for Carini.

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

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

- Cost of debt capital $i_d (1-t)$ - The cost of debt of a financial nature was estimated as equal to the average 6-month 10-year Euro Swap Rate (compared with the reference date), plus a spread. The corporate tax rate in force in Italy (IRES) was adopted as the tax rate (t).
- Financial structure - A debt/equity ratio calculated based on the average figure expressed at the reference date by the panel of comparable companies selected was adopted.

The results of the impairment tests as at 29 February 2020 are given below:

as at 29 February 2020		Carrying Amount (CA)	Recoverable Amount (RA)	RA compared with CA
<i>(Amounts in millions of euros)</i>				
Monclick S.r.l.	EUR/mln	12.5	23.1	10.6
Carini Retail S.r.l.	EUR/mln	17.9	27.8	9.9

Based on the estimates made there was no need to adjust the value of the equity investments recorded.

As set out in IAS 36, the appropriate sensitivity analyses were also conducted as the main parameters used, such as the change in the percentage of EBIT, WACC and the growth rate, vary.

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the equity investments in Monclick and Carini subject to impairment tests as at 29 February 2020, the sensitivity analysis conducted assuming a percentage reduction in EBIT, in the years of the explicit forecast and in the terminal value, up to a maximum of -20%:

as at 2 February 2020	WACC	Terminal plan EBIT				
		0.0%	(5.0%)	(10.0%)	(15.0%)	(20.0%)
<i>(Amounts in millions of euros)</i>						
RA Sensitivity Difference compared with CA						
Monclick S.r.l.	12.63%	10.6	10.1	9.7	9.2	8.8
Carini Retail S.r.l.	11.69%	9.9	9.2	8.4	7.7	6.9

The results are given below in terms of the difference between the recoverable amount and the carrying amount for the equity investments in Monclick and Carini subject to impairment tests as at 29 February 2020, the sensitivity analyses conducted assuming a reduction in the perpetual growth rate (g), in the years of the explicit forecast and in the terminal value, up to a maximum of -2.0%:

as at 29 February 2020	WACC	Perpetual growth rate (g)				
		2.0%	(1.5%)	(1.0%)	(0.5%)	(0.0%)
<i>(Amounts in millions of euros)</i>						
RA Sensitivity Difference compared with CA						

Monclick S.r.l.	12.63%	9.7	9.9	10.1	10.3	10.6
Carini Retail S.r.l.	11.69%	9.6	9.7	9.8	9.9	9.9

It should be pointed out that the parameters and information used for the impairment test on the equity investment are affected by the macroeconomic, market and regulatory situation, and by the subjectivity of several projections of future events which may not necessarily take place, or which could take place differently from how they were projected, and therefore unforeseen changes could occur. Unfavourable and unpredictable changes to the parameters used for the impairment test could, in future, result in the need to write-down the equity investments in Monclick and Carini with consequences to the results and the operating results, financial position and cash flows of the Company.

5.7 Inventories

Warehouse inventories break down as follows:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Merchandise	364,388	371,211
Consumables	640	659
Gross stock	365,028	371,870
Warehouse obsolescence fund	(13,919)	(9,737)
Total Inventories	351,109	362,133

The value of gross inventories went from Euro 371,870 thousand as at 28 February 2019 to Euro 365,028 thousand as at 29 February 2020, a decrease of 1.8% in total gross inventories. The decrease is due to: (i) the different business scope resulting from the acquisition of the Pistone S.p.A. logistics platform, located at Carini, (ii) the sharp rise in online business, and (iii) the partnership with Finiper, which marked the launch of Unieuro in large-scale retailing.

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 obsolescence fund for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Warehouse obsolescence fund
Balance as at 28 February 2018	(8,918)
Direct write-down	-

Provisions	(819)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
Balance as at 28 February 2019	(9,737)
Direct write-down	-
Provisions	(4,182)
Reclassifications	-
Releases to the Income Statement	-
Utilisation	-
Balance as at 29 February 2020	(13,919)

The increase in the warehouse obsolescence fund equal to Euro 4,182 thousand is attributable to the adaptation of the warehouse bad debt provision which includes the prudential write down of the value of goods at 29 February 2020 and reflects the impacts on the valuation of inventories as a result of the current Coronavirus pandemic (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report) and the loss in value of goods in cases in which the cost is higher than the presumed realisable value enabling the warehouse value to be reported at the current market value.

5.8 Trade receivables

A breakdown of the item “Trade receivables” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Trade receivables from third-parties	49,301	42,179
Trade receivables from related-parties	40,148	1,807
Gross trade receivables	89,449	43,986
Bad debt provision	(2,963)	(2,343)
Total Trade receivables	86,486	41,643

The value of trade receivables from third-parties, that refer to the Indirect and B2B channels, increased by Euro 7,122 thousand compared with the previous year; this increase is mainly due to the different collection timetables.

Trade receivables from related-parties refer to commercial supplies and services provided to the subsidiaries Carini Retail S.r.l. and Monclick S.r.l.

The change in the bad debt provision for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	Bad debt provision
Balance as at 28 February 2018	(2,342)
Provisions	(22)
Releases to the Income Statement	-
Utilisation	21
Balance as at 28 February 2019	(2,343)
Provisions	(719)
Releases to the Income Statement	-
Utilisation	99
Balance as at 29 February 2020	(2,963)

Bad debts refer mainly to disputed claims or customers subject to insolvency proceedings. The valuations surrounding the exposure to the risk of potential losses resulting from failure to comply with the obligations undertaken by counterparties also in consideration of the current Coronavirus Pandemic has led to an increase in the write-down of receivables deemed of doubtful recoverability (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report). 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.

Credit risk represents the exposure to risk of potential losses resulting from the failure of the counterparty to comply with the obligations undertaken. Note, however, that for the periods under consideration there are no significant concentrations of credit risk, especially taking into consideration the fact that the majority of sales are paid for immediately by credit or debit card in the Retail, Travel and Online channels, and in cash in the Retail and Travel channels. Unieuro has credit control processes which include obtaining bank guarantees and credit insurance contracts to cover a significant amount of the existing turnover with customers, customer reliability analysis, the allocation of credit, and the control of the exposure by reporting with the breakdown of the deadlines and average collection times.

Past due credit positions are, in any event, monitored by the administrative department through periodic analysis of the main positions and for those for which there is an objective possibility of partial or total irrecoverability, they are written-down.

It is felt that the book value of trade receivables is close to the fair value.

5.9 Current tax assets

Below is a breakdown of the item "Current tax assets" as at 29 February 2020 and as at 28 February 2019:

Current tax assets

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
IRES credits	-	2,093
IRAP credits	-	-
Total Current tax assets	-	2,093

Credits for current taxes stood at zero at 29 February 2020 (Euro 2,093 thousand at 28 February 2019); last year the item referred to IRAP credits.

Current tax liabilities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Payables for IRAP (income tax)	156	1,204
Payables for IRES (income tax)	277	-
Payables for tax liabilities	1,040	-
Total Current tax liabilities	1,473	1,204

As at 29 February 2020, the item "IRAP payables" and "IRES payables" included payables, respectively, of Euro 156 thousand and Euro 277 thousand resulting from the estimated taxes for the year ended 29 February 2020 and "Payables for tax liabilities" equal to Euro 1,040 thousand relating to the reclassification of liabilities relating to uncertain 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 2.6.1 "Changes to the accounting standards".

5.10 Cash and cash equivalents

A breakdown of the item "Cash and cash equivalents" as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Bank accounts	69,715	69,932
Petty cash	10,476	7,480
Total cash and cash equivalents	80,191	77,412

Cash and cash equivalents stood at Euro 80,191 thousand as at 29 February 2020 and Euro 77,412 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:

<i>(Amounts in thousands of Euros)</i>	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity
Balance as at 28 February 2019	4,000	800	0	(315)	(1,270)	3,376	26,944	54,156	87,691
Effect of the change in the accounting standard (IFRS 16)	-	-	-	-	-	-	-	-	-
Balance adjusted at 1 March 2019	4,000	800	-	(315)	(1,270)	3,376	26,944	54,156	87,691
Profit/(loss) for the year	-	-	-	-	-	-	-	35,750	35,750
Other components of comprehensive income	-	-	-	(37)	(226)	-	-	-	(263)
Total statement of comprehensive income for the year	-	-	-	(37)	(226)	-	-	35,750	35,487
Allocation of prior year result	-	-	6,769	-	-	-	-	(6,769)	-
Covering retained losses and negative reserves	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	(21,400)	(21,400)
Share-based payment settled with equity instruments	-	-	-	-	-	2,351	-	(906)	1,445
Total transactions with shareholders	-	-	6,769	-	-	2,351	-	(29,075)	(19,955)
Balance as at 29 February 2020	4,000	800	6,769	(352)	(1,496)	5,727	26,944	60,831	103,223

Shareholders' equity, equal to Euro 103,223 thousand as at 29 February 2020 (Euro 87,691 thousand as at 28 February 2019) rose during the year through the combined effect of: (i) the recording of a profit for the period of Euro 35,750 thousand and other items of the comprehensive income statement negative by Euro 263 thousand; (ii) the distribution of a dividend of Euro 21,400 thousand as approved on 18 June 2019 by the Shareholders' Meeting and (iii) the recording in the reserve for share-based payments of Euro 1,445 thousand which refers to the Long-Term Incentive Plan reserved for certain managers and employees.

The Share capital as at 29 February 2020 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 29 February 2020 (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 29 February 2020;

- the extraordinary reserve of Euro 6,769 thousand as at 29 February 2020 (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 previous financial year approved on 18 June 2019 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 352 thousand as at 29 February 2020 (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 Euro 1,496 thousand as at 29 February 2020 (Euro 1,270 thousand as at 28 February 2019); it decreased by Euro 226 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 5,727 thousand as at 29 February 2020 (Euro 3,376 thousand as at 28 February 2019); the change resulted from (i) the recording of Euro 2,351 thousand to offset the recording of personnel expenses for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 18 June 2019 which involved the reclassification of the component referring to the monetary bonus accrued to managers and employees from the item profits and losses carried forward to the item other non-current liabilities for Euro 906 thousand. For more details, please see Note 5.28.

<i>(Amounts in thousands of Euros)</i>	Share capital	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Reserve for actuarial gains/(losses) on defined benefit plans	Reserve for share-based payments	Other reserves	Profit/(loss) carried forward	Total shareholders' equity
Balance as at 28 February 2018	4,000	800	46,810	(191)	(813)	1,352	57,999	(35,217)	74,740
Effect of the change in the accounting standard (IFRS 15)	-	-	-	-	-	-	-	4,038	4,038
Balance adjusted at 1 March 2018	4,000	800	46,810	(191)	(813)	1,352	57,999	(31,179)	78,778
Profit/(loss) for the year	-	-	-	-	-	-	-	28,169	28,169
Other components of comprehensive income	-	-	-	(124)	(457)	-	-	-	(581)
Total statement of comprehensive income for the year	-	-	-	(124)	(457)	-	-	28,169	27,588
Allocation of prior year result	-	-	-	-	-	-	-	(8,521)	(8,521)
Covering retained losses and negative reserves	-	-	(46,810)	-	-	-	(11,055)	66,386	8,521
Distribution of dividends	-	-	-	-	-	-	(20,000)	-	(20,000)
Share-based payment settled with equity instruments	-	-	-	-	-	2,024	-	(699)	1,325

Total transactions with shareholders	-	-	(46,810)	-	-	2,024	(31,055)	57,166	(18,675)
Balance as at 28 February 2019	4,000	800	0	(315)	(1,270)	3,376	26,944	54,156	87,691

Shareholders' equity, equal to Euro 87,691 thousand as at 28 February 2019 (Euro 74,740 thousand as at 28 February 2018) rose during the year through the combined effect of: (i) the distribution of a dividend of Euro 20,000 thousand as approved on 5 June 2018 by the Shareholders' Meeting; (ii) the recording of the consolidated profit for the year of Euro 28,169 thousand and the other components of the comprehensive income statement negative for Euro 581 thousand; (iii) the reporting of the application of the new accounting standard IFRS 15 for Euro 4,038 thousand under profits/(losses) carried forward and (iv) the recording in the reserve of share-based payments of Euro 1,325 thousand which refer to the Long Term Incentive Plan for certain managers and employees.

The Share capital as at 28 February 2019 stood at Euro 4,000 thousand, broken down into 20,000,000 shares.

The Reserves are illustrated below:

- the legal reserve of Euro 800 thousand as at 28 February 2019 (Euro 800 thousand as at 28 February 2018), includes the financial provisions at a rate of 5% for each financial year; there were no increases during the period in this reserve which reached the limit pursuant to Article 2430 of the Italian Civil Code and has maintained it to 28 February 2018;

- the extraordinary reserve of Euro 0 thousand as at 28 February 2019 (Euro 46,810 thousand as at 28 February 2018); this reserve fell during the year as a result of the coverage of retained losses and negative reserves approved on 5 June 2018 by the Shareholders' Meeting;

- the cash flow hedge reserve negative by Euro 315 thousand as at 28 February 2019 (negative by Euro 191 thousand as at 28 February 2018); this reserve was recorded to offset the mark to market of the hedging Interest Rate Swap agreements, taken out as required by the Loan Agreement entered into during the year (for more details, please refer to Note 5.11).

- the reserve for actuarial gains and losses on defined-benefit plans of Euro 1,270 thousand as at 28 February 2019 (Euro 813 thousand as at 28 February 2018); it decreased by Euro 457 thousand following the actuarial valuation relating to severance pay;

- the reserve for share-based payments amounting to Euro 3,376 thousand as at 28 February 2019 (Euro 1,352 thousand as at 28 February 2018); the change resulted from (i) the recording of Euro 2,024 thousand to offset the recording of personnel expenses for the share-based payment plan and (ii) the distribution of the dividend approved by the Shareholders' Meeting on 05 June 2018 which involved the reclassification of the component referring to the monetary bonus accrued to managers and employees from the item profits and losses carried forward to the item other non-current liabilities for Euro 699 thousand.

Pursuant to Article 2424 of the Civil Code, information is provided on the origin, nature and possibility of use of the Shareholders' Equity items as at 29 February 2020:

(Amounts in thousands of Euros)

Nature / Description	Amount	Possibility for use (*)	Amount Available	Use in the previous 3 financial years to cover losses	Use in the previous 3 financial years for other reasons
Capital	4,000	B	4,000		
Capital Reserves					
Share premium reserve		A, B, C		69	
Other capital reserves	26,944	A, B, C	26,944	14,247	20,000 (**)
Reserve for share-based payments - LTIP	5,727	A, B	5,727		
Suspended tax retained earnings					
Reserve pursuant to Law No. 121/87		A, B, C		75	
Retained Earnings					
Legal Reserve	800	A, B	800		
Extraordinary Reserve	6,769	A, B, C	6,769	46,810	12,293 (**)
TFR (Severance Pay) Actuarial Valuation Reserve	(1,496)		(1,496)		
Cash flow hedge reserve	(352)		(352)		
FTA Other Reserves	4,038	A, B	4,038	(3,336)	
Profit (losses) carried forward - FTA other Reserves	23,321	B	23,321		
Profit (losses) carried forward - IAS adjustments				(22,106)	
Profit (losses) carried forward - Call option agreement		A, B, C		7,644	
Profit (losses) carried forward – LTIP	(2,278)		(2,278)		
Profit (losses) carried forward- other				(51,924)	
Profit (losses) for the period	35,570	A, B, C	35,570	8,521	21,400 (**)
Total	103,223		103,223	0	53,693
Non-distributable portion			37,886		
Residual distributable portion gross of the results for the period			65,337	-	-

(*) A: for capital increase; B: for covering losses; C: for distribution to shareholders

(**) Distribution of reserves

5.12 Financial liabilities

A breakdown of the item current and non-current “Financial liabilities” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Current financial liabilities	9,520	12,455
Non-current financial liabilities	31,643	31,112
Total financial liabilities	41,163	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 three distinct lines of credit, aimed, among other things, at providing Unieuro with additional resources to support future growth through acquisitions and opening new points of sale. The existing borrowings relating to the *Euro Term and Revolving Facilities Agreement* were completely settled on 9 January 2018.

The new lines include Euro 190.0 million of term loan amortising, of which Euro 50.0 million ("Term Loan") is aimed at replacing the previous lines of credit and Euro 50.0 million (the "Capex Facility") is aimed at acquisitions and restructuring investments for the network of stores, and Euro 90.0 million are revolving facilities (the "Revolving Facility").

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 twelve-month index 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 29 February 2020 the covenant was calculated and complied with.

The Loan Agreement includes Unieuro's right of early repayment, in full or in part (in such a case of minimum amounts equal to Euro 1,000,000.00) and prior notification of the Agent Bank, of both the Term Loan and the Capex Facility. In addition, when certain circumstances and/or

events are verified, Unieuro is obliged to repay the Loan early. As at 29 February 2020 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 29 February 2020 and at 28 February 2019 are illustrated below:

<i>(Amounts in thousands of Euros)</i>	Maturity	Original amount	Interest rate	as at 29 February 2020		
				Total	of which current portion	of which non-current portion
Short-term lines of credit (1)	n.a.	74,500	0.35% - 6.5%	52	52	-
Revolving Credit Facility	Jan-23	90,000	Euribor 1m+spread	-	-	-
Current bank payables				52	52	-
Term Loan	Jan-23	50,000	Euribor 3m+spread	32,500	10,000	22,500
Capex Facility	Jan-23	50,000	Euribor 3m+spread	10,000	-	10,000
Ancillary expenses on loans (2)				(1,388)	(531)	(857)
Non-current bank payables and current part of non-current debt				41,112	9,469	31,643
Total				41,163	9,520	31,643

- (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.

<i>(Amounts in thousands of Euros)</i>	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.	71,000	0.35% - 7.0%	3,049	3,049	-
Revolving Credit Facility	Dec-22	90,000	Euribor 1m+spread	-	-	-
Current bank payables				3,049	3,049	-
Term Loan	Dec-22	50,000	Euribor 3m+spread	42,500	10,000	32,500
Capex Facility	Dec-22	50,000	Euribor 3m+spread	-	-	-
Ancillary expenses on loans (2)				(1,982)	(594)	(1,388)
Non-current bank payables and current part of non-current debt				40,518	9,406	31,112
Total				43,567	12,455	31,112

- (1) The short-term lines of credit include the subject to collection advances, the hot money, the current account overdrafts and the credit limit for the letters of credit.
- (2) The financial liabilities are recorded at the amortised cost using the effective interest rate method. The ancillary expenses are therefore distributed over the term of the loan using the amortised cost criterion.

This change is mainly due to the combined effect of: (i) less use at the reporting date of the short-term lines for Euro 2,997 thousand, (ii) the normal repayment of the principal shares of the loan for Euro 10,000 thousand, (iii) draw down on the Capex Facility for Euro 10,000 thousand, used to repay the instalments set out in the debt contract for investments in equity investments and business units.

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 1,388 thousand as at 29 February 2020 (Euro 1,982 thousand as at 28 February 2019).

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Within 1 year	9,520	12,455
From 1 to 5 years	31,643	31,112
More than 5 years	-	-
Total	41,163	43,567

A breakdown of the net financial debt as at 29 February 2020 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.

<i>(Amounts in thousands of Euros)</i>	Ref	as at 29 February 2020		as at 28 February 2019	
			<i>of which with Related-Parties</i>		<i>of which with Related-Parties</i>
(A) Cash	5.10	80,191		77,412	
(B) Other cash and cash equivalents		0	-	-	
(C) Securities held for trading		0	-	-	
(D) Liquidity (A)+(B)+(C)		80,191	-	77,412	
<i>- of which is subject to a pledge</i>		0		-	
(E) Current financial receivables		0			
(F) Current bank payables	5.12	(52)		(3,049)	
(G) Current part of non-current debt	5.12	(9,469)		(9,406)	
(H) Other current financial payables	5.14	(12,294)		(7,683)	
(I) Current financial debt (F)+(G)+(H)		(21,815)		(20,138)	-
<i>- of which is secured</i>		0	-	-	-
<i>- of which is unsecured</i>		(21,815)	-	(20,138)	
(J) Net current financial position (I)+(E)+(D)		58,376		57,274	
(K) Non-current bank payables	5.12	(31,643)		(31,112)	
(L) Issued bonds		0			
(M) Other non-current financial payables	5.14	(13,618)		(12,771)	
(N) Non-current financial debt (K)+(L)+(M)		(45,261)		(43,883)	
<i>- of which is secured</i>		0			
<i>- of which is unsecured</i>		(45,261)		(43,883)	

(O) Net financial debt - IAS 17 (J)+(N)		13,115	13,391
(P) Current financial receivables - IFRS 16	5.6	1,429	
(Q) Non-current financial receivables - IFRS 16	5.6	8,933	-
(R) Other current financial payables - IFRS 16	5.14	(53,933)	
(S) Other non-current financial payables - IFRS 16	5.14	(413,057)	
(T) Net financial debt - IFRS 16 (O)+(P)+(Q)+(R)+(S)		(443,513)	13,391

The increase in net financial debt is attributable to the first-time adoption of IFRS 16, which involved the reporting of net financial liabilities for leases for Euro 456,628 thousand and to the combined effect of: (i) investments of Euro 27,464 thousand due specifically to the costs incurred for operations for the development of the direct stores network and the refurbishment of existing stores 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, (ii) the distribution of dividends of Euro 21,400 thousand approved by the Shareholders' Meeting on 18 June 2019, (iii) 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 11,965 thousand and (iv) the net increase in payables for investments in business combinations of Euro 7,238 thousand, which refer to the payable to Pistone S.p.A., remaining at 29 February 2020, excluding the payment made in the period regarding the above transactions.

The table below summarises the breakdown of the items “Other current financial payables” and “Other non-current financial payables” for the periods ending 29 February 2020 and 28 February 2019. See note 5.14 “Other financial liabilities” for more details.

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Other financial liabilities	66,227	7,683
Other current financial payables	66,227	7,683
Other financial liabilities	426,675	12,771
Other non-current financial payables	426,675	12,771
Total financial payables	492,902	20,454

5.13 Employee benefits

The change in the item "Employee benefits" for the period from 28 February 2018 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>	
Balance as at 28 February 2018	10,586
<i>Interest cost</i>	121
<i>Business unit acquisitions</i>	79
<i>Settlements/advances</i>	(760)

Actuarial (profits)/losses	634
Balance as at 28 February 2019	10,660
Interest cost	59
Settlements/advances	(482)
Actuarial (profits)/losses	314
Balance as at 29 February 2020	10,551

This item includes the TFR (severance pay) required by Law No. 297 of 25 May 1982 which guarantees statutory compensatory settlements to an employee when the employment relationship is ended. Severance pay, regulated by Article 2120 of the Italian Civil Code, is recalculated in accordance with the provisions of IAS 19, expressing the amount of the actual value of the final obligation as a liability, where the actual value of the obligation is calculated through the “projected unit credit” method.

Settlements recorded in the financial year ended 29 February 2020 relate to both severance pay advances paid to employees during the year, and to redundancies involving the excess personnel at several sales points which were restructured or closed and to breaks in employment with regard to employees on fixed contracts.

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

Economic recruitment	Year ended	
	29 February 2020	28 February 2019
Inflation rate	1.20%	1.50%
Actualisation rate	0.45%	0.80%
Severance pay increase rate	2.400%	2.625%

Demographic recruitment	Year ended	
	29 February 2020	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 29 February 2020, 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:

<i>(Amounts in thousands of Euros)</i>	29 February 2020
Change to the parameter	Impact on DBO
1% increase in turnover rate	10,449
1% decrease in turnover rate	10,666
0.25% increase in inflation rate	10,701
0.25% decrease in inflation rate	10,404
0.25% increase in actualisation rate	10,315
0.25% decrease in actualisation rate	10,796

5.14 Other financial liabilities

A breakdown of the item “Other financial liabilities” as at 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Payables to leasing companies	56,739	3,262
Payables for investments in equity investments and business units	9,355	4,176
Fair value of derivative instruments	133	245
Other current financial liabilities	66,227	7,683
Payables to leasing companies	418,564	6,917
Payables for investments in equity investments and business units	7,781	5,686
Fair value of derivative instruments	330	168
Other non-current financial liabilities	426,675	12,771
Total financial liabilities	492,902	20,454

Payables for investments in equity investments and business units

Payables owed to leasing companies amount to a total of Euro 17,136 thousand at 29 February 2020 and Euro 9,862 thousand at 28 February 2019. The increase is mainly due to the combined effect of investments that refer to the consideration to acquire 100% of the share capital of Carini Retail S.r.l., partly offset by the considerations paid in the year. The existing debt cash flows as at 29 February 2020 were discounted. For more details, please refer to Note 5.12.

Lease liabilities

Lease liabilities amounted to a total of Euro 475,303 thousand as at 29 February 2020 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 current value of lease liabilities relating to contract previously classified as operating leases for which, following the application of the new accounting standard IFRS 16, the Group recorded a liability that reflects the payment obligation of rental fees of Euro 466,990 thousand and (ii) the lease liabilities relating to contracts previously recorded in accordance with IAS 17 which do not change following the application of the new accounting standard IFRS 16 for Euro 8,313 thousand. There are no hedging instruments for the interest rates. For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

The cash flows for the item lease liabilities are reported below.

<i>(Amounts in thousands of Euros)</i>					
	Balance as at 29 February 2020	Within 12M	Between 12M and 60M	Over 60M	Total
Payables to leasing companies	475,303	56,739	221,880	196,684	475,303
Total	475,303	56,739	221,880	196,684	475,303

Fair value of derivative instruments

Financial instruments for hedging, as at 29 February 2020, 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 amounted to Euro 463 thousand as at 29 February 2020 (Euro 413 thousand as 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 "Funds" for the period from 28 February 2019 to 29 February 2020 is broken down below:

<i>(Amounts in thousands of Euros)</i>						
	Tax dispute provision	Other disputes provision	Onerous contracts provision	Restructuring provision	Other risks provision	Total
Balance as at 28 February 2018	3,701	2,460	881	175	1,399	8,616
Business unit acquisitions	-	56	-	-	-	56
Balance as at 28 February 2018 restated	3,701	2,516	881	175	1,399	8,672
- of which current portion	1,051	557	814	175	379	2,976
- of which non-current portion	2,650	1,959	67	-	1,020	5,696

<i>Adjustment at the date of the first-time adoption of IFRS 15</i>	-	-	-	-	(42)	(42)
Provisions	66	1,102	38	1,189	799	3,194
Draw-downs/releases	(358)	(483)	(795)	(1,005)	(124)	(2,765)
Balance as at 28 February 2019	3,409	3,135	124	359	2,032	9,059
- of which current portion	-	495	124	359	363	1,341
- of which non-current portion	3,409	2,640	-	-	1,669	7,718
<i>Adjustment - application of IFRS 16</i>	-	-	(126)	-	808	682
Adjustment - application of IFRIC 23	(1,040)	-	-	-	-	(1,040)
Provisions	330	1,978	2	280	171	2,761
Draw-downs/releases	(802)	(487)	-	(259)	(177)	(1,725)
Balance as at 29 February 2020	1,897	4,626	-	380	2,834	9,737
- of which current portion	-	849	-	380	9	1,238
- of which non-current portion	1,897	3,777	-	-	2,825	8,499

The “Tax dispute provision”, equal to Euro 1,897 thousand as at 29 February 2020 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 of the first-time application date of IFRIC 23 refers to the accounting treatment of liabilities relating to uncertain tax treatments from the item "Provisions" to the item "Liabilities for current taxes". For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

The "Provision for other disputes", equal to Euro 4,626 thousand as at 29 February 2020 and Euro 3,135 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 29 February 2020 and Euro 124 thousand as at 28 February 2019, refer to the allocation of non-discretionary costs necessary to fulfil the obligations undertaken in several rental agreements; following the first-time application of IFRS 16 the assets for the rights of use for the allocation of onerous leases reported in the statement of financial position at the first-time application date was adjusted. For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

The “Restructuring provision”, equal to Euro 380 thousand as at 29 February 2020 and Euro 359 thousand as at 28 February 2019, refer mainly to the personnel restructuring process of the closing sales outlets.

“Other risk provisions" of Euro 2,834 thousand as at 29 February 2020 and Euro 2,032 thousand as at 28 February 2019. The adjustment at the first-time application date of IFRS 16 refers to the provision for the restoration of stores, allocated to deal with the costs incurred for the restoration of the property, at the time it is handed bank to the lessor in cases where the contractual obligation is the responsibility of the tenant. For more details, please refer to Note 2.6.1 "Changes to the accounting standards".

5.16 Other current liabilities and other non-current liabilities

Below is a breakdown of the items "Other current liabilities" and "Other non-current liabilities" as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Contract liabilities	148,840	127,155
Payables to personnel	36,044	35,029
Payables for VAT	16,487	15,946
Payables to welfare institutions	2,789	3,558
Payables for IRPEF (income tax)	2,816	2,999
Long-Term Incentive Plan monetary bonus	2,436	-
Deferred income and accrued liabilities	2,406	4,331
Other tax payables	229	81
Payables to subsidiaries for tax consolidation	914	676
Other current liabilities	11	-
Total other current liabilities	212,972	189,775
Deposit liabilities	26	26
Long-Term Incentive Plan monetary bonus	-	1,440
Total other non-current liabilities	26	1,466
Total other current and non-current liabilities	212,998	191,241

The item "Other current liabilities" increased by Euro 23,197 thousand in the year ended 29 February 2020 compared with the year ended 28 February 2019. The increase in the item recorded in the year in question is mainly due to greater contract liabilities relating to the servicing of the extended warranty. The change recorded in the payable relating to the monetary bonus is mainly attributable to the approval of the distribution of the dividend by the Shareholders' Meeting on 18 June 2019 which involved the recording of part of the payable relating to the component that 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 148,840 thousand as at 29 February 2020 (Euro 127,155 thousand as at 28 February 2019) due mainly to (i) deferred revenues for extended warranty services. Sales revenues are recorded according to the duration of the contract, or the period for which there is a performance obligation thereby deferring sales pertaining to future periods, (ii) payments on account received from customers, (iii) liabilities relating to vouchers and (iv) liabilities relating to sales with the right of return;
- payables to employees for Euro 36,044 thousand as at 29 February 2020 (Euro 35,029 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 16,487 thousand as at 29 February 2020 (Euro 15,946 thousand at 28 February 2019) composed of payables resulting from the VAT settlement with regard to February 2020;
- deferred income and accrued liabilities of Euro 2,406 thousand as at 29 February 2020 (Euro 4,331 thousand as at 28 February 2019) mainly relating to the reporting of deferred income on revenue that has been settled during the year but with deferred economic maturity;
- payable for the Long-Term Incentive Plan monetary bonus of Euro 2,436 thousand under the share-based payment plan called the Long-Term Incentive Plan.
- payables to subsidiaries for tax consolidation of Euro 914 thousand at 29 February 2020 (Euro 676 thousand at 28 February 2019). From the year ended 28 February 2019, Unieuro S.p.A. exercised the option for the Domestic Tax Consolidation regime in its capacity of 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 made it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item "Other non-current liabilities" decreased to Euro 1,440 thousand in the year ended 29 February 2020 compared with the year ended 28 February 2019.

The balance of the item "Other non-current liabilities" is composed of deposit liabilities for Euro 26 thousand while the monetary bonus under the share-based payment plan known as the Long-Term Incentive Plan for Euro 1,440 thousand was reclassified under 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 29 February 2020 and as at 28 February 2019 is shown below:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Trade payables to third-parties	474,292	461,744
Trade payables to related-parties	1,346	318
Gross trade payables	475,638	462,062
Bad debt provision - amount due from suppliers	1,612	1,922

Total Trade payables	477,250	463,984
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The balance includes payables relating to carrying out normal trade activities involving the supply of goods and services. This item takes into account the valuations surrounding the exposure to the risk of potential losses resulting from failure to comply with the obligations undertaken by counterparties also in consideration of the current Coronavirus Pandemic (for more details, see paragraph 13 Coronavirus Pandemic of the Directors' Report).

Gross trade payables increased by Euro 13,576 thousand as at 29 February 2020 compared with 28 February 2019. The increase is related to the increase in volumes handled due to: (i) the promotions that took place in February that involved product categories with improved payment conditions compared with those of the previous year and (ii) the increase in the number of stores as a result of the acquisitions and new openings in the year which led to an increase in the value of trade payables that was higher than that of inventories.

The change in the "Bad debt provision and suppliers account debit balance" with reference to suppliers for receivables considered not recoverable for the period from 28 February 2018 to 29 February 2020 is given below:

<i>(Amounts in thousands of Euros)</i>	Bad debt provision - amount due from suppliers
Balance as at 28 February 2018	2,382
Provisions	-
Releases to the Income Statement	(170)
Utilisation	(290)
Balance as at 28 February 2019	1,922
Provisions	-
Releases to the Income Statement	(248)
Utilisation	(62)
Balance as at 29 February 2020	1,612

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. Unieuro has identified just one operating segment, which is the entire company and covers all the services and products provided to customers. The Unieuro's view of itself as a single omnichannel business means that the company has identified a single Strategic Business Unit ("SBU"). For more details, please refer to Note 4 Information on operating segments. 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:

	Year ended				Changes	
	29 February 2020		28 February 2019		2020 vs. 2019	
		%		%		%
<i>Retail</i>	1,569,080	64.7%	1,477,798	71.1%	91,282	6.2%
<i>Online</i>	247,648	10.2%	198,690	9.6%	48,958	24.6%
<i>Indirect</i>	263,135	10.8%	231,027	11.1%	32,108	13.9%
<i>B2B</i>	121,993	5.0%	103,963	5.0%	18,030	17.3%
<i>Travel</i>	39,608	1.6%	33,596	1.6%	6,012	17.9%
<i>Intercompany</i>	184,431	7.6%	34,074	1.6%	150,357	441.3%
Total revenues by channel	2,425,895	100.0%	2,079,148	100.0%	346,747	16.7%

The Retail channel (64.7% of total revenues) - which at 29 February 2020 was composed of 225 direct sales outlets located in areas deemed commercially strategic and featuring different sizes in terms of area - recorded growth of 6.2%, Euro 1,569,080 thousand compared with Euro 1,477,798 thousand in the previous year, mainly thanks to the consolidation of the former Piston stores and the incremental contribution of the acquisitions and the new openings brought to a conclusion in the last twelve months, as well as the very positive like-for-like performance of the stores.

The *Online* channel (10.2% of total revenues) was once again the channel with the greatest rate of growth thanks to the strong acceleration recorded in the fourth quarter, which pushed revenues to Euro 247,648 thousand, up +24.6% compared with the figure of Euro 198,690 thousand for the year ended 28 February 2019. The performance benefited in particular from the success of the commercial initiatives of the second half-year, in which the Black Friday campaign stands out and the acceleration of e-commerce recorded at the end of the year in response to the Covid-19 emergency.

The Indirect channel (10.8% of total revenues) - 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 261 sales outlets - recorded revenues of Euro 263,135 thousand, an increase of 13.9% compared with Euro 231,027 thousand in 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 La Grande i hypermarkets, which greatly offset the lower contribution from the network of affiliated stores, subject to rationalisation over the last twelve months.

The B2B channel⁹¹ (5.0% of total revenues) - 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 121,993 thousand, a rise of 17.3% compared with the figure of Euro 103,963 thousand of the previous year, with a strong recovery in the second half-year after the channel recorded a considerable fall in the first half-year. The uncertain nature of revenues in this channel is confirmed, featuring an opportunistic approach influenced by multiple exogenous factors.

Lastly, the Travel channel (1.6% of total revenues) - composed of 12 direct sales outlets located at some of the main public transport hubs such as airports, railway and underground stations - recorded growth of 17.9% or Euro 39,608 thousand. The performance, although in the process of standardisation as a result of the disappearance of the scope effect, benefited from the incremental contribution of the Milan San Babila sales outlet, which opened in October 2018, and the good performance of the Turin store at the Porta Nuova station.

Intercompany revenues, standing at Euro 184,431 thousand in the year ended 29 February 2020 (Euro 34,074 thousand in the year ended 28 February 2019), were composed of the sale of products to the subsidiary Monclick S.r.l. and Carini Retail S.r.l.

Below is a breakdown of revenues by category:

<i>(in thousands of Euros and as a percentage of revenues)</i>	Year ended				Changes	
	29 February 2020	%	28 February 2019 ⁹²	%	2020 vs. 2019	%
Grey	1,155,198	47.6%	981,590	47.2%	173,608	17.7%
White	675,834	27.9%	545,468	26.2%	130,366	23.9%
Brown	384,176	15.8%	358,559	17.2%	25,617	7.1%
Other products	113,788	4.7%	109,528	5.3%	4,260	3.9%
Services	96,899	4.0%	84,003	4.0%	12,896	15.4%
Total revenues by category	2,425,895	100.0%	2,079,148	100.0%	346,747	16.7%

The Grey category (47.6% of total revenues) - or telephony, tablets, information technology, telephone accessories, photographic machinery, as well as all wearable technological products - generated sales of Euro 1,155,198 thousand, a 17.7% increase compared with Euro 981,590

⁹¹ For a better representation, supplies of business type goods were reclassified from the Online channel to the B2B channel.

⁹² 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.

thousand in the previous year thanks to the positive performance of the Telephony segment, supported in particular by several new smart phone models, as well as laptops as a result of a shift to 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 (27.9% of total revenues) - which is composed of large appliances (MDA) such as washing machines, tumble dryers, refrigerators or freezers and ovens, small appliances (SDA), such as vacuum cleaners, kitchen robots, coffee machines as well as the climate control segment - recorded sales of Euro 675,834 thousand, growth of 23.9% compared with Euro 545,468 thousand in the previous year, impacted by a significant increase of 27.9% of revenues (+1.7%). 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 dryers, the ventilation sector and air conditioners, with sales helped by the hot weather in the summer

The *Brown* category (15.8% of revenues) - including televisions and accessories, audio devices, devices for smart TVs, car accessories and memory systems - recorded total revenues of Euro 384,176 thousand, +7.1% compared with the figure of Euro 358,559 thousand in the previous year. The lower impact on total revenues, down compared with the previous figure of 17.2%, is mainly due to the sale of televisions, affected by the general fall in average market prices and the difficult comparison with 2018, which benefited from the boost given by the Football World Cup. The performance of the fourth quarter (+8.3%) showed an improvement compared with the first nine months of the year.

The *Other products* category (4.7% of total revenues) - which includes both the sales of the Entertainment sector and other products not included in the consumer electronics market such as hoverboards or bicycles - recorded consolidated revenues of Euro 113,788 thousand (+3.9%) driven by cooking accessories and tableware and the increasing success of the luggage sector.

The *Services* category (4.0% of total revenues) recorded growth of 15.4% of Euro 96,899 thousand, thanks to the expansion of the sales network and Unieuro's continued focus on the provision of services to its customers, specifically extended warranties and fees from customers signing new consumer credit contracts.

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Abroad	3,681	3,954
Italy	2,422,214	2,075,194
Total	2,425,895	2,079,148

5.19 Other income

Below is a breakdown of the item "Other income" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Insurance reimbursements	3,575	1,670
Rental and lease income	254	1,851
Other income	1,662	1,072
Total Other Income	5,491	4,593

The item mainly includes income from the rental of computer equipment to affiliates and insurance payments relating to theft or damage caused to stores. The increase in the item "Insurance payments" mainly refers to the insurance payment received with regard to the theft that took place in 2017 at the Piacenza logistics platform of Euro 2,600 thousand, last year the item included the compensation for the Oderzo fire that took place on 25 February 2017 equal to Euro 1,521 thousand. The decrease recorded in the period in the item "Rental and lease income" is attributable to the application of the new accounting standard IFRS 16 specifically, the Company reassessed the classification of sub-leases in which it acts as the landlord based on the information available and reclassified sub-leases as financial leases. For more details, please refer to paragraph 2.6.1 "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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Purchase of goods	1,930,844	1,664,660
Transport	60,469	51,373
Marketing	43,742	47,451
Utilities	14,275	13,980
Maintenance and rental charges	12,755	12,124
General sales expenses	10,694	9,689
Building rental and expenses	9,768	71,173
Other costs	8,954	9,289
Consulting	6,529	7,754
Purchase of consumables	6,224	5,908
Travel expenses	2,207	2,631
Purchases of materials and intercompany services	1,407	1,641
Payments to administrative and supervisory bodies	653	736
Total Purchases of materials and external services	2,108,521	1,898,409
Changes in inventory	11,024	(48,724)
Total, including the change in inventories	2,119,545	1,849,685

The item “Purchases of materials and external services”, taking into account the item “Change in inventories”, rose from Euro 1,849,685 thousand as at 28 February 2019 to Euro 2,119,545 thousand in the year ended 29 February 2020, an increase of Euro 269,860 thousand or 14.6%.

The main increase is attributable to the item "Purchase of goods" for Euro 266,184 thousand with the rise due to the increase in the volume of sales as a result of the internal and external growth measures.

The item “Transport” increased by Euro 51,373 thousand at 28 February 2019 to Euro 60,469 thousand at 29 February 2020. The performance is mainly attributable to the increase in sales volumes and the ever-increasing weighting of home deliveries for online orders as a result of the increase recorded in requests for non-standard delivery services (timed delivery slot, delivery to a specified floor, etc.) and promotional campaigns which include free delivery.

The item “Marketing” decreased by Euro 47,451 thousand as at 28 February 2019 to Euro 43,742 thousand as at 29 February 2020. Marketing and advertising were structured and planned to direct potential customers to physical sales outlets and to the Online channel.

The items "Utilities" and "Maintenance and rental charges" increased, respectively by Euro 295 thousand and Euro 631 thousand compared with 28 February 2019; the increase is mainly due to the different business scope resulting from the acquisitions and openings completed over the last twelve months.

The item “General sales expenses” increased from Euro 9,869 thousand at 28 February 2019 to Euro 10,694 thousand at 29 February 2020. The item mainly includes costs for commission on sales transactions with the increase due to the increase in turnover.

The item "Building rental and expenses" fell by Euro 61,405 thousand compared with 28 February 2019 or 86.3%. The fall recorded in the year is due to the application of the new accounting standard IFRS 16 which changed the accounting treatment of rental relating to lease agreements. Specifically, 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 item "Building rental and expenses" and the Group's Gross Operating Profit. For more details, please refer to paragraph 2.6.1 "Changes to the accounting standards".

The item “Other costs” mainly includes costs for vehicles, hiring, cleaning, insurance and security. The item fell by Euro 335 thousand compared with 28 February 2019 or 3.6%; the decrease mainly relates to the fall in the cost of insurance.

The item “Consulting” went from Euro 7,754 thousand as at 28 February 2019 to Euro 6,529 thousand as at 29 February 2020, down from the previous year.

5.21 Personnel costs

Below is a breakdown of the item "Personnel costs" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Salaries and wages	121,960	120,727
Welfare expenses	37,684	36,383
Severance pay	7,550	8,047
Other personnel costs	2,963	2,628
Total personnel costs	170,157	167,785

Personnel costs went from Euro 167,785 thousand in the year ended 28 February 2019 to Euro 170,157 thousand in the year ended 29 February 2020, an increase of Euro 2,372 thousand or 1.4%.

The item "Salaries and wages" increased by Euro 1,233 thousand, or around 1.0%; the increase was mainly due to an increase in the number of employees following the acquisitions and opening of new stores.

The item "Other personnel costs", was equal to Euro 2,963 thousand at 29 February 2020 (Euro 2,628 thousand at 28 February 2019); this item mainly includes the reporting of 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 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Non-income-based taxes	5,789	6,198
Provision for supplier bad debts	(248)	(170)
Provision/(releases) for the write-down of other assets	(177)	-
Bad debt provision	719	22
Other operating expenses	745	275
Total other operating costs and expenses	6,828	6,325

"Other operating costs and expenses" went from Euro 6,325 thousand in the year ended 28 February 2019 to Euro 6,828 thousand in the year ended 29 February 2020, an increase of Euro

503 thousand or 8.0%. The assessments concerning exposure to the risk of potential losses from failure to comply with the obligations undertaken by counterparties led to an increase 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 write-downs of fixed assets" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Depreciation and amortisation of assets for rights of use	57,727	
Depreciation and amortisation of tangible fixed assets	19,829	18,053
Depreciation and amortisation of intangible fixed assets	5,812	6,276
Write-downs/(write backs) of tangible and intangible fixed assets	440	2,374
Write-downs/(write-backs) of equity investments	-	3,173
Total depreciation, amortisation and write-downs	83,808	29,876

The item "Depreciation, amortisation and write-downs" went from Euro 29,876 thousand in the year ended 28 February 2019 to Euro 83,808 thousand in the year ended 29 February 2020, a rise of Euro 53,932 thousand. The increase is due to the application of the new accounting standard IFRS 16 which changed the accounting treatment of rental relating to lease agreements. Specifically, 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 laid down by the previous accounting standard IAS 17. For more details, see paragraph 2.6.1 Changes to accounting standards and the progressive increase in investments in recent financial years also related to the new acquisitions.

The item "Write-downs/(write-backs) of tangible and intangible fixed assets" includes the write-downs of assets following interventions at sales outlets; in the last financial year the item included the write-downs resulting from the creation of the new Piacenza logistics hub which involved the write-down of several assets at the old warehouse. The item also includes the write-down of the assets relating to the stores for which onerous contracts were identified, in other words rental agreements in which the non-discretionary costs necessary for fulfilling the obligations undertaken outweigh the economic benefits expected to be obtained from the contract.

The item Write-downs/(write-backs) of equity investments last year included the results of the impairment test to which the equity investment in Monclick was subjected. From the test it

emerged that as at 28 February 2019 the book value exceeded the recoverable value by Euro 3,173 thousand.

5.24 Financial income and Financial expense

Below is a breakdown of the item "Financial income" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Other financial income	82	1,583
Interest income	-	4
Total financial income	82	1,587

"Financial income" went from Euro 1,587 thousand in the year ended 28 February 2019 to Euro 82 thousand in the year ended 29 February 2020, a decrease of Euro 1,505 thousand. The change is mainly due to the income from the removal of the acquisition debt for Monclick S.r.l. of Euro 1,500 thousand recorded in the previous year following the signing which took place on 1 August 2018 of the settlement agreement with Project Shop Land S.p.A.

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Interest expense on bank loans	2,369	2,643
Other financial expense	11,510	1,595
Financial expense to subsidiaries	-	311
Total Financial Expenses	13,879	4,549

"Financial expense" went from Euro 4,549 thousand in the year ended 28 February 2019 to Euro 13,879 thousand in the year ended 29 February 2020, an increase of Euro 9,330 thousand or 205.1%.

The item "Interest expense on bank loans" fell at 29 February 2020 by Euro 274 thousand compared with the same period of the previous year; as a result of the improved conditions in relation to interest rates and the greater operating flexibility related to the reduction in the number of financing institutions, covenants and contractual constraints; as well as the removal of the real guarantees in favour of the lending banks.

The item "Other financial expense" stood at Euro 11,510 as at 29 February 2020 (Euro 1,595 thousand as at 28 February 2019). The change is due to the adoption by the company of the new accounting standard IFRS 16. For more details, please refer to paragraph 2.6.1 "Changes to the accounting standards" of these Financial Statements.

The item "Financial expense to subsidiaries" totalling Euro 311 thousand at 28 February 2019 in the previous year included the expense relating to cash discounts recognised to subsidiaries following commercial supply payments made in advance of the contractual deadline.

5.25 Income taxes

Below is a breakdown of the item "Income taxes" for the financial years ended 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Current taxes	(4,545)	(3,724)
Deferred taxes	3,059	4,851
Tax provision allocation	(15)	(66)
Total	(1,501)	1,061

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

<i>(In thousands of Euros and as a percentage of the profit before tax)</i>	Year ended			
	29 February 2020	%	28 February 2019	%
Pre-tax result for the period	37,251		27,108	
Theoretical income tax (IRES)	(8,940)	24.0%	(6,506)	24.0%
IRAP	(2,620)	(7.0%)	(2,456)	(9.1%)
Tax effect of permanent differences and other differences	10,074	27.0%	10,089	37.2%
Taxes for the period	(1,486)		1,127	
Accrual to/(release from) tax provision	(15)		(66)	
Total taxes	(1,501)		1,061	
Actual tax rate		(4.0%)		3.9%

The impact of taxes on income is calculated considering (accrual to)/release from tax provision for tax disputes. In the financial years ended 29 February 2020 and 28 February 2019 the impact of taxes on the pre-tax result, was, respectively a negative 4.0% and a positive 3.9%; the increase is due to the cost resulting from the estimate of taxes for the year. For more details, please see Note 5.4.

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 of 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 debt (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

The item “Allocation to tax provision” went from a release of Euro 66 thousand in the financial year ended 28 February 2019 to an allocation of Euro 15 thousand in the financial year ended 29 February 2020.

5.26 Basic and diluted earnings per share

The basic earnings per share are calculated with reference to the Group result showed in the note 5.26 of the Consolidated Financial Statement.

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Cash flow from operations		
Profit (loss) for the year	35,750	28,169
<i>Adjustments for:</i>		
Income taxes	1,501	(1,061)
Net financial expenses/(income)	13,797	2,962
Depreciation, amortisation and write-downs	83,808	29,876
(Profits)/losses from the sale of property, plant and machinery	-	-
Other changes	1,446	1,325
	136,302	61,271
Changes in:		
- Inventories	11,024	(48,945)
- Trade receivables	(44,843)	(1,277)
- Trade payables	10,146	47,854
- Other changes in operating assets and liabilities	1,515	23,029
Cash flow generated/(absorbed) by operating activities	(22,158)	20,661
Taxes paid	(3,677)	(741)
Interest paid	(13,104)	(3,538)
Net cash flow generated/(absorbed) by operating activities	97,363	77,653

The net cash flow generated/(used) by operating activities went from Euro 77,653 thousand in the year ended 28 February 2019 to Euro 97,363 thousand in the year ended 29 February 2020. This improvement is mainly due to: (i) the application of the new accounting standard IFRS 16 which involved a different classification of the cash flow relating to operating lease agreements from the item "Net cash flow generated/(absorbed) by operating activities" to the item "Cash

flow generated/(absorbed) by investing activities" and (ii) the Company's good operating performance, offset by the performance of net working capital which recorded an increase in trade receivable generated by the Indirect channel as a result of the partnership concluded with Finiper and the greater taxes paid in the year of Euro 3,677 thousand (Euro 741 thousand in the previous financial year ended 28 February 2019).

Cash flow generated (absorbed) by investment activities

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Cash flow from investment activities		
Purchases of plant, equipment and other assets	(12,569)	(29,382)
Purchases of intangible assets	(11,670)	(2,760)
Assets for rights of use	(51,257)	-
Investments for business combinations and business units	(12,062)	(5,587)
Cash flow generated/(absorbed) by investing activities	(87,558)	(37,729)

Investment activities absorbed liquidity of Euro 87,558 thousand and Euro 37,729 thousand, respectively, in the years ended 29 February 2020 and 28 February 2019.

With reference to the year ended 29 February 2020, the Company's main requirements involved:

- assets for rights of use for Euro 51,257 thousand, specifically the application of the new accounting standard IFRS 16 which involved a different classification of the cash flow with reference to operating lease agreements from the item "Net cash flow generated/(absorbed) by operating activities" to the item "Cash flow generated/(absorbed) by investing activities".
- Investments in businesses and business units of Euro 12,062 thousand; the investments in question refer to the share paid of the purchase price under the scope of the transaction to acquire the former Pistone S.p.A. and the instalments due in the period with reference to the former Cerioni S.p.A. business unit and the acquisition of the equity investment in Monclick S.r.l.;
- investments in plant, machinery and equipment of Euro 12,569 thousand, mainly relate to interventions at sales outlets opened, relocated or renovated during the year;
- investments in intangible assets of Euro 11,670 thousand relate to 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.

Cash flow generated/(absorbed) by financing activities

(Amounts in thousands of Euros)	Year ended	
	29 February 2020	28 February 2019
Cash flow from investment activities		
Increase/(Decrease) in financial liabilities	(3,223)	(4,700)
Increase/(Decrease) in other financial liabilities	17,597	1,979
Distribution of dividends	(21,400)	(20,000)
Cash flow generated/(absorbed) by financing activities	(7,026)	(22,721)

Financing absorbed liquidity of Euro 7,026 thousand in the year ended 29 February 2020 and Euro 22,721 thousand for the year ended 28 February 2019.

The cash flow from financing activities as at 29 February 2020 mainly reflects the distribution of a dividend of Euro 21,400 thousand as approved on 18 June 2019 by the Shareholders' Meeting and the change in financial liabilities relating to: (i) less use at the reporting date of the short-term lines for Euro 2,997 thousand, (ii) the repayment of the principal shares of the loan for Euro 10,000 thousand, (iii) the draw down on the Capex Facility for Euro 10,000 thousand, used to repay the instalments set out in the debt contract for investments in equity investments and business units.

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 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 judgement 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 to 2025.
- *Maturity period*: period ending on 29 February 2020, after which the Subscription Rights of the Shares will become effective under the Plan, if the conditions are met.

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 the 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, in line with the provisions of IFRS 2, the probability of the Recipients leaving the plan, which ranges from 5% to 15% and the probability of achieving the performance targets were taken into account.

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

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

The number of outstanding options is as follows:

Number of options 29 February 2020

Existing at the start of the financial year	831,255
Exercised during the financial year	-
Granted during the financial year	25,633
Contribution from merger	-
Withdrawn during the financial year (bad leaver)	(16,038)
Existing at the end of the financial year	840,850
Not granted at the start of the financial year	28,960
Exercisable at the end of the financial year	-
Not granted at the end of the financial year	19,365

6 RELATED-PARTY TRANSACTIONS

The tables below summarise the Company's credit and debt relations with related-parties as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>		Credit and debt relations with related-parties (as at 29 February 2020)							Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>	Pallacanestro Forli 2.015 s.a r.l.	Statutory Auditors	Carini Retail	Board of Directors	Main managers	Monclick	Total			
Trade receivables	-	-	26,511	-	-	13,637	40,148	86,486	46.4%	
Trade payables	-	-	(490)	-	-	(856)	(1,346)	477,250	(0.3%)	
Other current liabilities	-	(33)	(23)	(139)	(2,145)	(914)	(3,254)	212,972	(1.5%)	
Total	-	(33)	25,998	(139)	(2,145)	11,867	35,548			

<i>(Amounts in thousands of Euros)</i>		Credit and debt relations with related-parties (as at 28 February 2019)							Total balance sheet item	Impact on balance sheet item
<i>As at 28 February 2019</i>	Italian Electronics Holdings S.r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Monclick	Total			
Trade receivables	-	-	-	-	-	1,807	1,807	41,643	4.3%	
Trade payables	-	-	-	-	-	(318)	(318)	463,984	(0.1%)	
Other current liabilities	-	(63)	-	(233)	(278)	(676)	(1,250)	189,775	(0.7%)	
Other non-current liabilities	-	-	-	-	(1,440)	-	(1,440)	1,466	(98.2%)	
Total	-	(63)	-	(233)	(1,718)	813	(1,201)			

The following table summarises the Company's related-party income statement positions as at 29 February 2020 and 28 February 2019:

<i>(Amounts in thousands of Euros)</i>									
Economic relations with related parties (as at 29 February 2020)									
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Carini Retail	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 29 February 2020</i>									
Revenue	-	-	142,181	-	-	42,249	184,430	2,425,895	7.6%
Other income	-	-	(12)	-	-	468	456	5,491	8.3%
Purchases of materials and external services	(278)	(63)	2,243	(524)	-	(452)	926	(2,108,521)	0.0%
Personnel costs	-	-	-	-	(5,323)	-	(5,323)	(170,157)	3.1%
Income taxes	-	-	-	-	-	(238)	(238)	(1,501)	(15.9%)
Total	(278)	(63)	144,412	(524)	(5,323)	42,027	180,251		

<i>(Amounts in thousands of Euros)</i>									
Economic relations with related parties (as at 28 February 2019)									
Type	Pallacanestro Forlì 2.015 s.a r.l.	Statutory Auditors	Rhône Capital II L.P.	Board of Directors	Main managers	Monclick	Total	Total balance sheet item	Impact on balance sheet item
<i>As at 28 February 2019</i>									
Revenue	-	-	-	-	-	34,074	34,074	2,079,148	1.6%
Other income	-	-	-	-	-	335	335	4,593	7.3%
Purchases of materials and external services	(262)	(64)	-	(690)	-	1,641	625	(1,898,409)	0.0%
Personnel costs	-	-	-	-	(5,105)	-	(5,105)	(167,785)	3.0%
Income taxes	-	-	-	-	-	(676)	(676)	1,061	-63.7%
Financial expenses	-	-	-	-	-	(311)	(311)	(4,549)	6.8%
Total	(262)	(64)	-	(690)	(5,105)	35,063			

With regard to the periods under consideration, creditor/debtor 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;
- commercial relations for the provision of goods and services with the subsidiary company Monclick S.r.l and Carini Retail S.r.l.. 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 of 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 made it possible to determine IRES (corporate income tax) due on a tax base which corresponds to the algebraic sum of the taxable revenue and tax losses of the individual companies that are included in the Consolidation.

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

Main managers	
Year ended 29 February 2020	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 Officer - Bruna Olivieri	Chief Omnichannel Officer - Bruna Olivieri
Chief Operations Officer - Luigi Fusco	Chief Operations Officer - Luigi Fusco

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

The table below summarises the Company's cash flows with related-parties as at 29 February 2020 and 28 February 2019:

(Amounts in thousands of Euros)

	Pallacanestr o Forlì 2.015 s.a r.l.	Italian Electronic s Holdings	Statutory Auditors	Carini Retail	Board of Directors	Main manag ers	Monclick S.r.l.	Total	Total balance sheet item	Impact on balance sheet item
Period from 1 March 2018 to 28 February 2019										
Net cash flow generated/(absorbed) by operating activities	(262)	-	(68)		(647)	(2,815)	34,023	30,231	77,653	38.9%
Cash flow generated/(absorbed) by financing activities	-	(6,760)			-	-		(6,760)	(22,721)	29.8%
Total	(262)	(6,760)	(68)	0	(647)	(2,815)	34,023			
Period from 1 March 2019 to 29 February 2020										
Net cash flow generated/(absorbed) by operating activities	(278)		(93)	118,414	(618)	(3,428)	30,973	144,970	97,363	148.9%
Total	(278)	0	(93)	118,414	(618)	(3,428)	30,973			

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

<i>(Amounts in thousands of Euros)</i>	Year ended	
	29 February 2020	28 February 2019
Guarantees and sureties in favour of:		
Parties and third-party companies	48,829	47,283
Total	48,829	47,283

Information on the obligations of transparency in the system of public funds (Law 124/2017 Article 1 paragraphs 125-129)

As required by the regulations on transparency for public funds introduced by Article 1, paragraphs 125-129 of Law 124/2017 and later supplemented by the "security" Decree Law (113/2018) and by the "simplification" Decree Law (135/2018), refer to the National Register of State Aid. Note that Unieuro benefited from measures that are generally used by all businesses and that come under the general structure of the reference system defined by the State such as, by way of example, but not exhaustively, the subsidies relating to super and hyper depreciation. In the year ended 29 February 2020, Unieuro did not receive further subsidies, grants and economic benefits of any sort from public administrations and similar parties, from companies controlled by public administrations and from government-owned companies.

Payments to the independent auditors

Payments to the independent auditors and its network for statutory audits and other services as at 29 February 2020 are highlighted below:

Type of service	Entity providing the service	Considerations (in thousands of Euros)
Audit	KPMG S.p.A.	555
Certification services	KPMG S.p.A.	51
Other services	KPMG S.p.A.	473
Other services	KPMG Advisory S.p.A.	25
	Total	1,104

Subsequent events

Actions to contain the emergency

On 13 March, following the exacerbation of the health situation and the extension of restrictive measures throughout Italy, Unieuro announced the closure of its direct stores with effect from 14 March, reserving the right to review the situation on a daily basis. A decision taken to protect

the health of customers and co-workers despite the company being included under commercial activities exempt from having to suspend operations, as it offers essential goods.

On 20 March Unieuro took out insurance cover against contagion by Coronavirus for all 5,000 group employees, which includes compensation in case of hospitalisation caused by Covid-19 infection, compensation for convalescence and a post-hospitalisation package to manage recovery.

On 30 March, Unieuro announced a new package of containment measures for the effects of the health emergency, supplementing and evolving from the actions announced previously, which involved the reopening of a variable, but significant number of direct sales outlets in order to ensure that customers can make urgent or necessary purchases.

Still on 30 arch, in the light of the limited corporate operation and in order to curb the economic and financial impact of the crisis, Unieuro announced the application of the Cassa Integrazione Guadagni in Deroga (CIGD) (layoff fund), under the terms indicated in the “*Cura Italia*” Decree, for almost all employees, for a maximum of nine weeks, not necessarily consecutive. As a gesture of solidarity with the corporate population, the CEO announced the voluntary renunciation in full of his remuneration for the months of April and May. Similarly, the entire management of the company decided to reduce their salary by 20% for the Chiefs and 10% for other directors.

The donation of smart phones to hospitals and nursing homes

On 2 April, Unieuro announced its intention of donating more than 2,000 smart phones to patients and people suffering from Covid-19, unable to keep in touch with their loved ones. The first 1,000 smart phones were donated to hospitals in Emilia-Romagna, while the other are intended for hospitals and care homes for the elderly in other regions most affected by the health emergency. The initiative is evidence of Unieuro's tangible commitment to support the community at a time of a serious national emergency.

Draft resolution of the Board of Directors submitted to the Shareholders' Meeting

Dear Shareholders,

We should like to propose you allocate the entire profit for the year amounting to Euro 35,749,533 to the extraordinary available and distributable reserve.

06 May 2020



Giancarlo Nicosanti Monferastelli
Chief Executive Officer

Appendix 1

Statement of Assets and Liabilities as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related-Parties	% Weighting	28 February 2019	Of which with Related-Parties	% Weighting
Plant, machinery, equipment and other assets	79,959			84,851		
Goodwill	170,767			170,767		
Intangible assets with a finite useful life	22,148			22,534		
Deferred tax assets	38,307			35,179		
Other non-current assets	42,250			15,045		
Total non-current assets	808,425	-	0.0%	328,376	-	0.0%
Inventories	351,109			362,133		
Trade receivables	86,486	40,148	46.4%	41,643	1,807	4.3%
Current tax assets	-			2,093		
Other current assets	25,168			18,315		
Cash and cash equivalents	80,191			77,412		
Assets held for sale	-			-		
Total current assets	542,954	40,148	7.4%	501,596	1,807	0.4%
Total Assets	1,351,379	40,148	3.0%	829,972	1,807	0.2%
Share capital	4,000			4,000		
Reserves	38,392			29,535		
Profit/(loss) carried forward	60,831	180,251	296.3%	54,156	28,942	53.4%
Total shareholders' equity	103,223	180,251	174.6%	87,691	28,942	33.0%
Financial liabilities	31,643			31,112		
Shareholders' loan	-			-		
Employee benefits	10,551			10,660		
Other financial liabilities	426,675			12,771		
Provisions	8,499			7,718		
Deferred tax liabilities	2,082			2,112		
Other non-current liabilities	26			1,466	1,440	98.2%
Total non-current liabilities	479,476	-	0.0%	65,839	1,440	2.2%
Financial liabilities	9,520			12,455		
Shareholders' loan	-			-		
Other financial liabilities	66,227			7,683		
Trade payables	477,250	1,346	0.3%	463,984	318	0.1%
Current tax liabilities	1,473			1,204		
Provisions	1,238			1,341		
Other current liabilities	212,972	3,254	1.5%	189,775	1,250	0.7%
Total current liabilities	768,680	4,600	0.6%	676,442	1,568	0.2%
Total liabilities and shareholders' equity	1,351,379	184,851	13.7%	829,972	31,950	3.8%

Appendix 2

Income Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related-Parties	% Weighting	28 February 2019	Of which with Related-Parties	% Weighting
Revenue	2,425,895	184,430		2,079,148	34,074	
Other income	5,491	456		4,593	335	7.3%
TOTAL REVENUE AND INCOME	2,431,386	184,886	-	2,083,741	34,409	1.7%
Purchases of materials and external services	(2,108,521)	926	(0.0%)	(1,898,409)	625	(0.0%)
Personnel costs	(170,157)	(5,323)	3.1%	(167,785)	(5,105)	3.0%
Changes in inventory	(11,024)			48,724		
Other operating costs and expenses	(6,828)			(6,325)		
GROSS OPERATING PROFIT	134,856	180,489	133.8%	59,946	29,929	49.9%
Depreciation, amortisation and write-downs	(83,808)			(29,876)		
NET OPERATING PROFIT	51,048	180,489	353.6%	30,070	29,929	99.5%
Financial income	82			1,587		
Financial expenses	(13,879)			(4,549)	(311)	6.8%
PROFIT BEFORE TAX	37,251	180,489	485.5%	27,108	29,618	109.3%
Income taxes	(1,501)	(238)	15.9%	1,061	(676)	(63.7%)
PROFIT/(LOSS) FOR THE YEAR	35,750	180,251	504.2%	28,169	28,942	102.7%

Appendix 3

Cash Flow Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which with Related-Parties	% Weighting	28 February 2019	Of which with Related-Parties	% Weighting
Cash flow from operations						
Profit/(loss) for the year	35,750	180,251	504.2%	28,169	28,942	102.7%
<i>Adjustments for:</i>						
Income taxes	1,501			(1,061)		
Net financial expenses/(income)	13,797			2,962	311	10.5%
Depreciation, amortisation and write-downs	83,808			29,876		
(Profits)/losses from the sale of property, plant and machinery	-			-		
Other changes	1,446	1,468	101.5%	1,325	1,424	107.5%
	136,302	181,719	133.3%	61,271	30,677	50.1%
Changes in:						
- Inventories	11,024			(48,945)		
- Trade receivables	(44,843)	(38,341)	85.5%	(1,277)	995	(77.9%)
- Trade payables	10,146	1,028	10.1%	47,854	(1,494)	(3.1%)
- Other changes in operating assets and liabilities	1,515	564	132.3%	23,029	1,581	6.9%
Cash flow generated/(absorbed) by operating activities	(22,158)	144,970	(654.3%)	20,661	31,759	153.7%
Taxes paid	(3,677)			(741)		
Interest paid	(13,104)			(3,538)	(311)	8.8%
Net cash flow generated/(absorbed) by operating activities	97,363	144,970	148.9%	77,653	31,448	40.5%
Cash flow from investment activities						
Purchases of plant, equipment and other assets	(12,569)			(29,382)		
Purchases of intangible assets	(11,670)			(2,760)		
Assets for rights of use	(51,257)			-		
Investments for business combinations and business units	(12,062)			(5,587)		
Cash contribution from merger						
Cash flow generated/(absorbed) by investing activities	(87,588)	-	0.0%	(37,729)	-	0.0%
Cash flow from investment activities						
Increase/(Decrease) in financial liabilities	(3,223)			(4,700)		
Increase/(Decrease) in other financial liabilities	17,597			1,979	(1,217)	(61.5%)
Increase/(Decrease) in shareholder loans	-			-		
Distribution of dividends	(21,400)			(20,000)	(6,760)	33.8%
Cash flow generated/(absorbed) by financing activities	(7,026)	-	0.0%	(22,721)	(7,977)	35.1%
Net increase/(decrease) in cash and cash equivalents	2,779	144,970	5,216.6%	17,203	23,471	136.4%
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	77,412			60,209		
Net increase/(decrease) in cash and cash equivalents	2,779			17,203		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	80,191			77,412		

Appendix 4

Income Statement as at 29/02/2020 prepared applying the provisions pursuant to Consob Resolution 15519 of 27/07/2006 and Consob Communication DEM/6064293 of 28/07/2006.

<i>(Amounts in thousands of Euros)</i>	Year ended					
	29 February 2020	Of which non-recurring	% Weighting	28 February 2019	Of which non-recurring	% Weighting
Revenue	2,425,895			2,079,148		
Other income	5,491	2,640	48.1%	4,593	1,756	38.2%
TOTAL REVENUE AND INCOME	2,431,386	2,640	0.1%	2,083,741	1,756	0.1%
Purchases of materials and external services	(2,108,521)	(6,122)	0.3%	(1,898,408)	(6,524)	0.3%
Personnel costs	(170,157)	(996)	0.6%	(167,785)	(2,756)	1.6%
Changes in inventory	(11,024)	(1,502)	13.6%	48,724		
Other operating costs and expenses	(6,828)	(727)	10.6%	(6,325)	(188)	3.0%
GROSS OPERATING PROFIT	134,856	(6,707)	(5.0%)	59,947	(7,712)	(12.9%)
Depreciation, amortisation and write-downs	(83,808)			(29,876)	(3,493)	11.7%
NET OPERATING PROFIT	51,048	(6,707)	(13.1%)	30,071	(11,205)	(37.3%)
Financial income	82			1,587		
Financial expenses	(13,879)			(4,549)	1,500	-33.0%
PROFIT BEFORE TAX	37,251	(6,707)	(18.0%)	27,109	(9,705)	(35.8%)
Income taxes	(1,501)			1,061		
PROFIT/(LOSS) FOR THE YEAR	35,750	(6,707)	(18.8%)	28,170	(9,705)	(34.5%)

**ATTESTATION OF THE FINANCIAL STATEMENTS AS AT 29 FEBRUARY 2020
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:

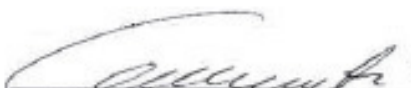

- the adequacy in relation to the company's characteristics; and
- the effective implementation of the administrative and accounting procedures for the preparation of the financial statements for the financial year 2020.

It is also hereby certified that the financial statements for 2020:

- 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 Director's Report 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.

6 May 2020

 Giancarlo Nicosanti Monterastelli Managing director and Chief Executive Officer	 Italo Valenti Executive Officer Responsible for the preparation of the financial statements of the company
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
Unieuro S.p.A.*

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Unieuro S.p.A. (the “company”), which comprise the statement of financial position as at 29 February 2020, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Unieuro S.p.A. as at 29 February 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors' responsibilities for the audit of the separate financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of goodwill

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the separate financial statements; note 2.6.2 - Significant accounting policies; note 5.2 - Goodwill

Key audit matter	Audit procedures addressing the key audit matter
<p>The company's separate financial statements at 29 February 2020 include goodwill of €170.8 million.</p> <p>The directors determine the recoverable amount of goodwill by calculating its value in use. This method, by its very nature, requires a high level of directors' judgement about the forecast operating cash flows during the calculation period, as well as the discount and growth rates of those cash flows.</p> <p>The directors have forecast the operating cash flows used for impairment testing on the basis of the data included in the 28 February 2021 to 28 February 2025 business plan, which was originally approved by the company's board of directors on 12 December 2016 and subsequently updated by it, most recently, on 6 May 2020 (the "plan"), and of the revenue's and related profitability's estimated long-term growth rates.</p> <p>The operating cash flow estimate reflects the potential impact of the Covid-19 outbreak.</p> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures, which also involved our own specialists, included:</p> <ul style="list-style-type: none">— understanding and analysing the process adopted to prepare the impairment tests approved by the company's board of directors on 6 May 2020;— understanding and analysing the process used to draft the plan;— analysing the reasonableness of the key assumptions used by the directors to determine the recoverable amount of goodwill, including the potential impact of the Covid-19 outbreak. Our analyses included comparing the main assumptions used to the company's historical data and external information, where available;— analysing the valuation models adopted by the company for reasonableness and consistency with professional practice;— checking the sensitivity analyses disclosed in the notes with reference to the main assumptions used for impairment testing, including the weighted average cost of capital, the long-term growth rate and the sensitivity of gross operating profit;— assessing the appropriateness of the disclosures provided in the notes about goodwill and the related impairment test.



Premiums and contributions from suppliers

Notes to the separate financial statements: note 2.5 - The use of estimates and valuations in the preparation of the separate financial statements; note 2.6.2 - Significant accounting policies

Key audit matter	Audit procedures addressing the key audit matter
<p>The company has contracts for the supply of goods which include the receipt of premiums and, in certain circumstances, contributions. These premiums and contributions are recognised either as a percentage of the quantities purchased, or as a fixed figure on the quantities purchased or sold, or as a defined contribution.</p> <p>Especially with reference to those agreements whose term falls after the reporting date, which account for a minor share of the premiums and contributions for the year, their calculation is a complex accounting estimate entailing a high level of judgement as it is affected by many factors. The parameters and information used for the estimate are based on the purchased or sold volumes, also affected by the potential impact of the Covid-19 outbreak, and valuations that consider historical figures of premiums and contributions actually paid by suppliers.</p> <p>For the above reasons, we believe that the recoverability of premiums and contributions from suppliers is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process adopted to calculate premiums and contributions from suppliers through meetings and discussions with the company's management;— assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;— checking, on a sample basis, the existence and accuracy of premiums and contributions from suppliers, including through external confirmations;— checking the accuracy of the premium and contribution calculation database, by tracing the amounts to the general ledger and sample-based checks of supporting documentation;— analysing the reasonableness of the assumptions in the estimate, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments, comparison with historical figures, our knowledge of the company and its operating environment and external information, where available;— assessing the appropriateness of the disclosures provided in the notes about premiums and contributions from suppliers.



Measurement of inventories

Notes to the separate financial statements: note 2.5 - Use of estimates and judgements in the preparation of the separate financial statements; note 2.6.2 - Significant accounting policies; note 5.7 - Inventories

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 29 February 2020 include inventories of €351.1 million, net of the allowance for inventory write-down of €13.9 million.</p> <p>Determining the allowance for goods write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including:</p> <ul style="list-style-type: none">— the characteristics of the company's business sector;— the sales' seasonality, with peaks in November and December;— the decreasing price curve due to technological obsolescence of products;— the high number of product codes handled;— the effects of the Covid-19 outbreak. <p>For the above reasons, we believe that the measurement of inventories is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls;— checking the accuracy of the inventory calculation algorithm;— checking the method used to calculate the allowance for inventory write-down by analysing documents and discussions with the relevant internal departments;— checking the mathematical accuracy of the allowance for inventory write-down;— analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down, including the potential impact of the Covid-19 outbreak, through discussions with the relevant internal departments and analysis of age bands and write-down rates applied and comparing the assumptions with historical figures, our knowledge of the company and its operating environment and external information, where available;— comparing the estimated realisable value to the inventories' carrying amount by checking management reports on average sales profits;— assessing the appropriateness of the disclosures provided in the notes about inventories.



First-time adoption of IFRS 16

Notes to the separate financial statements: note 2.6.1 - Changes in accounting policies; note 2.6.2 - Significant accounting policies; note 5.4 - Right-of-use-assets; note 5.14 - Other financial liabilities

Key audit matter	Audit procedures addressing the key audit matter
<p>The company adopted IFRS 16 "Leases" as of 1 March 2019.</p> <p>As a first-time adopter, it opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.</p> <p>As disclosed in the notes to the separate financial statements, following the first-time adoption of the new standard on 1 March 2019, the company recognised right-of-use assets of €447.2 million and lease liabilities of €442.5 million.</p> <p>The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about:</p> <ul style="list-style-type: none">— the assessment of whether a contract is, or contains, a lease;— the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease;— the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate;— the determination of the useful life of the right-of-use assets for depreciation purposes and whether they need to be tested for impairment in accordance with IAS 36. <p>Considering the complexity and subjectivity of the above valuations, we believe that the first-time adoption of IFRS 16 is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">— assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption;— understanding the internal process for the transition to the new standard and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls;— for a sample of contracts that are or contain a lease: (i) assessing the appropriateness of the lease term determination, (ii) checking the calculation of the lease payments and (iii) analysing the reasonableness of the rate used to discount the lease payments to present value;— checking the right of use assets' useful lives applied for depreciation/amortisation purposes;— understanding the process adopted for impairment testing in accordance with IAS 36;— assessing the appropriateness of the disclosures provided in the notes about the first-time adoption of IFRS 16.



Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a



material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 12 December 2016, the shareholders of Unieuro S.p.A. appointed us to perform the statutory audit of its consolidated financial statements as at and for the years ending from 28 February 2017 to 28 February 2025.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 29 February 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.



Unieuro S.p.A.
Independent auditors' report
29 February 2020

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 29 February 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 29 February 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bologna, 11 May 2020

KPMG S.p.A.

(signed on the original)

Luca Ferranti
Director

**Report of the Board of Statutory Auditors to the Shareholders' Meeting of "Unieuro
S.p.A."
under Article 153 of Legislative Decree No. 58/1998 ("T.U.F." [Consolidated Finance Law])
and Article 2429, paragraph 3, of the Italian Civil Code**

Dear Shareholders,

In compliance with current legislation for companies with shares listed on regulated markets and subject to the provisions of the Articles of Association, during the year ended 29 February 2020, we carried out our supervisory activities in accordance with the Standards of Conduct of the Board of Statutory Auditors of listed companies issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (CNDCEC) [hereinafter, the "National Council of Chartered Accountants and Accounting Experts"], the recommendations of Consob on corporate controls and the activities of the Board of Statutory Auditors and the indications contained in the Corporate Governance Code.

The structure and content of this Report comply with the recommendations of standard Q.7.1 of the National Council of Chartered Accountants and Accounting Experts.

Supervisory activities on compliance with the Law and the Articles of Association

The Board of Statutory Auditors has monitored the Company's activities through specific audits and participation in the Shareholders' Meetings and meetings of the Board of Directors. In addition, it has attended, at least in the person of the Chairperson, the meetings of the Remuneration and Appointments Committee, the Control and Risk Committee, the Related Parties Committee and the Supervisory Body under Legislative Decree No. 231/2001.

During the year, 11 meetings of the Board of Directors, 5 meetings of the Control and Risk Committee, 6 meetings of the Remuneration and Appointments Committee and 3 meetings of the Related Parties Committee were held. During the corporate year to which this report relates, the Board of Statutory Auditors met 14 times and, during its activities, reported to the Internal Audit department, the Supervisory Body, the DPO [Data Protection Officer] and the Independent Auditors.

The Board of Statutory Auditors states that it has obtained from the Directors the information on the general conduct of operations and their foreseeable evolution, as well as the most significant economic, financial and capital information concerning the Company, deeming the same to comply with the Law and the Articles of Association.

In particular, the Board of Statutory Auditors reports the following transactions and events of particular interest during the year to date:

- on 26 June 2019, following the reappointment of the corporate bodies at the Shareholders' Meeting of Unieuro S.p.A. held on 18 June 2019, the newly appointed Board of Directors approved the following resolutions: (i) verification of the satisfaction of the requirements of the Law and the Articles of Association by each Director and the satisfaction of the independence requirements by the new members of the Board of Statutory Auditors; (ii) confirmation of the appointment of Giancarlo Nicosanti Monterastelli, granting him the powers of Chief Executive Officer; (iii) distribution of the gross annual remuneration to each Director; (iv) appointment of the new members of the Board's committees, as well as

confirmation of the Supervisory Body and the Director in charge of the control and risk management system;

- on 9 January 2020, the Board of Directors approved the plan for the merger by incorporation into Unieuro S.p.A. of the wholly-owned companies Carini Retail S.r.l. and Monclick S.r.l.;
- on 23 January 2020, Mr Berns Erich Beetz - Chairperson of the Board of Directors -, Mr Gianpiero Lenza and Mr Robert Frank Agostinelli resigned from their position as directors of the Company following the sale of the entire shareholding held by Unieuro S.p.A. by the private equity fund Rhone Capital, through the Italian Electronics Holdings S.à.r.l. vehicle. It should be noted that, following the exit of the majority shareholder, the Company changed its corporate structure, becoming for all intents and purposes a public company with a free float of more than 85% of the share capital;
- on 6 February 2020, following the above-referenced resignation of Director Gianpiero Lenza and the consequent loss of one of the three members of the Remuneration and Appointments Committee, the Board of Directors resolved on 6 February 2020 to supplement the composition of this Board committee with the *pro tempore* appointment of the independent Director Pietro Caliceti;
- on 20 February 2020, the Board of Directors resolved to co-opt three new members, Mr Stefano Meloni, Mrs Paola Elisabetta Galbiati and Mr Michele Bugliesi, to replace the resigning directors before the next Shareholders' Meeting that would be called to pass a resolution and possibly ratify the appointment of the persons proposed by the Board of Directors;
- on 24 February 2020, the Board of Directors unanimously appointed Stefano Meloni as the new Chairperson of the Board of Directors and determined his remuneration for the position;
- on 4 March 2020, following the resignation of director Gianpiero Lenza, the Board of Directors resolved to supplement the membership of the Control and Risk Committee by appointing as the third member the independent director Paola Elisabetta Galbiati, co-opted on 20 February 2020;
- on 13 March 2020, in the light of the global spread of the epidemiological emergency of COVID-19 (the so-called "coronavirus"), the Board of Directors resolved to close the entire network of direct stores from 14 March 2020 until further notice. In this regard, the Board of Statutory Auditors has verified that the Company has taken all the necessary precautions to protect personnel, customers and the public and has also verified that the measures taken in the further course of its activities comply with the regulations;
- on 18 March 2020, the Board of Directors approved, by public deed, the mergers by incorporation into Unieuro S.p.A. of the companies Carini Retail S.r.l. and Monclick S.r.l. and resolved to grant the Chief Executive Officer all the powers necessary to complete the transaction for the sale by Unieuro S.p.A. of the business unit relating to a store located in Vercelli, already closed as it was being transferred to a more favourable commercial position in the Carrefour shopping centre;

- on 14 April 2020, the Board of Directors passed resolutions, in particular, on: (i) the activation of the social shock absorbers provided for by the "Cura Italia" Decree; (ii) the selective reopening of direct stores, on weekdays and with reduced hours, in the areas less affected by the health emergency; and (iii) a 20% reduction in the salaries of the directors, for the months of April and May 2020, in addition to the complete waiver by the Chief Executive Officer Giancarlo Nicosanti Monterastelli of his remuneration for the months of April and May 2020 and the simultaneous reduction in the salaries of the entire corporate management (by 20% for senior management and 10% for other managers and department heads), announced on 30 March 2020.

Moreover, in paragraph 20.1 "Strategic and operational risks" of the Management Report, the Directors described the risk factors and uncertainties that the coronavirus could entail for the Group's operations. In particular, it should be noted that the Unieuro Group is exposed to the risks associated with a reduction in sales and a worsening of the sales channel *mix* resulting from the continuing health emergency which could have a negative impact on the Group's income statement, cash flows and statement of financial position, as described in greater detail in section 13 of the referenced Report.

The Board of Statutory Auditors acknowledges that it has monitored both the decision-making process that led the Board of Directors to pass the above resolutions and to conclude the other transactions resolved, as well as the full implementation of the same, without finding any critical elements in this regard.

Supervisory activities on compliance with the principles of proper administration

The Board of Statutory Auditors has monitored compliance with the principles of proper administration, ensuring that the measures resolved and implemented by the Directors were inspired by principles of economic rationality, were not manifestly imprudent, high-risk, atypical or unusual, in a potential conflict of interest or contrary to resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the corporate assets.

Supervisory activities on the adequacy of the organisational structure

The Board of Statutory Auditors has monitored the Company's organisational structure and considers, in the light of the supervisory activities carried out and to the extent of its responsibility, that this structure, as a whole, is adequate and reliable in representing the management activities.

Supervisory activities on the adequacy of the internal control system

The Board of Statutory Auditors has monitored the Company's internal control system and notes that it was found to be adequate for the Company's size and management characteristics, as ascertained also during the meetings of the Control and Risk Committee attended by at least one of the members of the Board of Statutory Auditors.

In the context of the audit of the adequacy of the internal control system, the Board of Statutory Auditors notes that the Company's Organisational Model is adequate with regard to the provisions of Legislative Decree No. 231/2001 and is constantly updated. This model, which concerns the Company's overall activity from a procedural, organisational and control perspective, appears adequate and

effective and, in compliance with it, oversees a specially appointed and regularly functioning body composed of an internal member (the Internal Audit Manager) and two independent external experts. The Model is constantly monitored and updated with the latest information and organisational evolution.

The Board of Statutory Auditors encountered and maintained a constant flow of information with the Supervisory Body and examined the half-yearly reports of that body for 2019/2020, on which it has no comments to make.

The Company also adopted a Code of Ethics in the context of the Organisational Model and continued to disseminate it also during 2019/2020.

In order to monitor the adequacy of the internal control system, the Board of Statutory Auditors also consulted with, in addition to the Control and Risk Committee and the Supervisory Body, the Director in charge of the internal control and risk management system and the manager of the Internal Audit department.

The Board of Statutory Auditors examined the Internal Audit department's annual report as at 29 February 2020, which was approved at the meeting of the Board of Directors on 6 May 2020. At the same meeting of the Board of Directors, the *2021 Annual Audit Plan* was also approved.

The Board of Statutory Auditors notes that the roles and responsibilities of the parties involved in the internal control and risk management system are kept separate in order to avoid operational overlapping of their respective areas of activity and responsibilities, as well as duplication of controls.

Supervisory activities on the adequacy of the administrative-accounting system and the statutory audit of the accounts

The Board of Statutory Auditors has monitored, to the extent of its responsibility, the Company's administrative-accounting system and the reliability of the latter in correctly representing the management activities through the collection of information from department heads, the examination of company documentation and the analysis of the results of the work carried out by the Independent Auditors. The Board of Statutory Auditors considers that this system is substantially adequate and reliable for the purposes of a correct representation of the management activities and notes that each body of the Company has complied with the current legislation's disclosure obligations.

The Board of Statutory Auditors points out that the Company has implemented the provisions of the new accounting standard IFRS 16 which had an impact on the financial statements, as represented in the Notes to the same, and that it has received analytical information on the impairment tests carried out, in accordance with IAS 36, confirming the values of the assets recorded in the Company's financial statements as at 29 February 2020.

The Board of Statutory Auditors notes that the Financial Reporting Officer has issued a certification that the financial statements give a true and fair view of the Company's financial position, results of operations and cash flows.

The Board of Statutory Auditors has monitored the adequacy of the instructions given by Unieuro S.p.A. to the subsidiary Monclick S.r.l., under Article 114, paragraph 2, of the Consolidated Finance Law (TUF) and regarding the correct flow of information between them, and considers that the Company is able to comply with the communication duties provided for by Law.

The Board of Statutory Auditors has also held periodic meetings with the Board of Statutory Auditors of Monclick S.r.l. for the usual exchange of data and information. During these meetings, no significant facts or irregularities came to light that should be mentioned in this report.

The Board of Statutory Auditors met with the managers of the Independent Auditors in order to exchange relevant data and information and notes that it has not received any communication of facts or irregularities of such importance that they should be mentioned in this report.

The Board of Statutory Auditors acknowledges that the report on the statutory and consolidated financial statements, issued by the Independent Auditors on 11 May 2020, does not contain any remarks and/or references to information and certifies that the statutory and consolidated financial statements have been prepared clearly and give a true and fair view of the Company's financial position, results of operations and cash flows.

The report itself is also adapted to the provisions of Article 123-bis of the Consolidated Finance Law (TUF) and contains the relevant information referred to in paragraph 4 of that provision; the Independent Auditors have expressed their consistency opinion referred to in Article 14, paragraph 1, letter e) of Legislative Decree No. 39/2010.

The Board of Statutory Auditors acknowledges that, in the financial year ended 29 February 2020, Unieuro S.p.A. paid the independent auditors KPMG S.p.A., and the members of its network, for audit services and other non-audit services a total of EUR 1,276 thousand (of which EUR 778 thousand was for audit services and EUR 498 thousand was for other services).

Moreover, on 11 May 2020, the Independent Auditors submitted the Supplementary Report, required by Article 11 of EU Regulation No. 537/2014, to the Board of Statutory Auditors. It did not reveal any significant defects in the internal control system in relation to the disclosure process that were worthy of being brought to the attention of those responsible for governance activities.

In the light of the above, and having noted the declaration of absence of grounds of incompatibility attached to the Supplementary Report, the Board of Statutory Auditors considers that there are no critical issues regarding its independence.

Supervisory activities on non-financial information

The Board of Statutory Auditors, with reference to the Consolidated Non-Financial Statement (hereinafter "DNF") governed by Legislative Decree No. 254/2016, monitored compliance with the relevant legal provisions and the adequacy of the organisational, administrative and reporting and control system set up by the Company in order to allow a correct and complete representation, in the DNF, of the company's business activities, results and impacts on non-financial matters.

The Board of Statutory Auditors has obtained periodic updates on the preparatory activities for the drafting of the DNF and monitored compliance with the provisions of Legislative Decree No. 254/2016, within the scope of the functions assigned to it by law.

The DNF was also approved in the compliance opinion by the Independent Auditors, which issued a report certifying the compliance of the information provided under Article 3, paragraph 10, of Legislative Decree No. 254/16.

It should be noted that the DNF has been made public together with the documents relating to the Annual Financial Report as at 29 February 2020, in particular section 23 of the Unieuro Group's Management Report.

Procedures for the proper implementation of corporate governance rules and initiatives undertaken

The Company's corporate governance structure is characterised by a set of rules, behaviours and processes aimed at ensuring an efficient and transparent corporate governance system and the effective functioning of the corporate bodies and control systems.

In particular, the corporate governance structure adopted by the Company is based on a "traditional" organisational model, consisting of the following bodies: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors. In accordance with current applicable laws, the independent auditing mandate is allocated to the above-referenced audit firm, which is entered in the register kept by Consob. The Company's governance is completed by the Organisational Model under Legislative Decree No. 231/2001, the Remuneration and Appointments Committee, the Control and Risk Committee, the Related Parties Committee and the structure of powers and delegations. The Company adheres to the Corporate Governance Code for listed Italian companies, adapting it to its own characteristics.

The Board of Directors, which met on 6 May 2020, ascertained that each member of the Board of Statutory Auditors meets the requirements of professionalism and independence set out in Article 148, paragraph 4, of the Consolidated Finance Law (TUF) and the Corporate Governance Code. The Board of Statutory Auditors carried out its own self-assessment of its composition and independence on 8 April 2020. In addition, the Board of Directors' meeting of 6 May 2020 approved the remuneration report under Article 123-ter of the Consolidated Finance Law (TUF).

Please refer to the Report on Corporate Governance and Ownership Structure for further information on the Company's corporate governance, with regard to which the Board of Statutory Auditors has no findings to make to the Shareholders' Meeting.

Supervisory activities on transactions with Group companies and related parties

The Board of Statutory Auditors did not find any atypical and/or unusual transactions with related parties during the financial year ended 29 February 2020. The transactions of an ordinary nature carried out with related parties, described, with evidence of the economic effects, by the Directors in the Management Report, to which reference should be made as far as relevant, are appropriate and in the Company's interest.

The Board of Statutory Auditors encountered and maintained a constant flow of information with the Related Parties Committee and notes that it has not received any communication of facts or irregularities of such importance that they should be mentioned in this report.

Indications of opinions issued to the Board of Statutory Auditors, omissions and possible criticisms

During the year ended 29 February 2020 and to date, the Board of Statutory Auditors has not issued the opinions envisaged by current legislation and no complaints have been received under Article 2408 of the Italian Civil Code.

The Board of Statutory Auditors is not aware of any other complaints to be mentioned in this report.

Proposals relating to the financial statements

Based on the above, as a summary of its monitoring activities carried out during the year, the Board of Statutory Auditors has no comments to make, under Article 153 of Legislative Decree No. 58/1998, as regards the financial statements for the year ended 29 February 2020 and unanimously— concludes, considering that, on 11 May 2020, the Independent Auditors issued their reports without— remarks, that there are no reasons preventing their approval by you, in accordance with the draft prepared and

approved by the Board of Directors on 6 May 2020, together with the Management Report as well as to the proposal to allocate the profit for the year to the available and distributable extraordinary reserve.

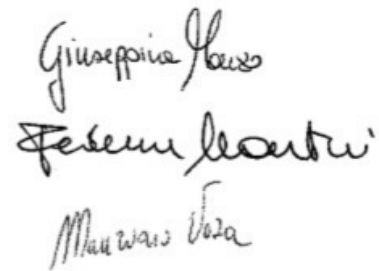
Milan, 13 May 2020

THE BOARD OF STATUTORY AUDITORS

Chairperson Mrs Giuseppina Manzo

Board of Statutory Auditors Member Mrs Federica Mantini

Board of Statutory Auditors Deputy Member Mr Maurizio Voza



Giuseppina Manzo
Federica Mantini
Maurizio Voza

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